

The influence of ethical leadership in the performance and turnover intentions of business-to-business salespeople

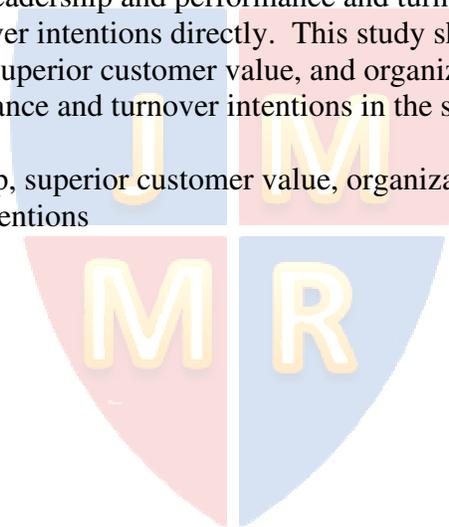
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ABSTRACT

This study analyzed the relationship among ethical leadership, superior customer value, organizational identification, job performance, and turnover intentions among a sample of 84 sales managers and 254 salespeople. Ethical leadership was related directly to superior customer value and organizational identification. Superior customer value was found to mediate the relationship between ethical leadership and performance and turnover intentions. Organizational identification predicted turnover intentions directly. This study shows the importance of analyzing ethical leadership, superior customer value, and organizational identification and their relationship with job performance and turnover intentions in the salesforce.

Keywords – Ethical leadership, superior customer value, organizational identification, performance, and turnover intentions



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INTRODUCTION

The purpose of a successful business is to generate customer value leading to increased profitability (Kumar and Reinartz, 2016). Companies can enlarge value by having current customers purchase more products, retaining these customers longer, and by obtaining more customers (Markey, 2020). The ability to create, maintain, and increase customer value has important long-term implications for a firm's success.

To achieve superior customer value companies must acquire detailed information about their clients (Vargo and Lusch, 2004). Given their boundary role, salespeople often are responsible for acquiring information about customers while creating and maintaining customer loyalty leading to a long-term relationship (Blocker, Cannon, Panagopoulos, and Sager, 2012). Companies are realizing the important role of the sales force in understanding the seller's value proposition and explaining it to potential and current customers (Terho, Eggert, and Ulaga, 2012).

Blocker et al. (2012) proposed an integrative framework explaining how salespeople create customer value, trust, satisfaction, and retention. However, Blocker et al. (2012) did not address the role of leadership in acquiring and retaining customers. Leadership is particularly relevant in professional selling given the nature of the salesperson's job (Ingram, LaForge, Locander, MacKenzie, and Podsakoff, 2005). Often salespeople work in physical and social isolation from other employees. In contrast to other employees, they often work with a quota and incentive-based compensation and are geographically separated from their sales manager. These unique aspects of salespersons' job make managing them more difficult than managing other employees.

While various leadership styles exist, ethical leadership appears to be relevant to influencing customer value. Ethical leaders are trustworthy, honest, make fair and impartial decisions and act as role models (Brown and Trevino, 2006). Sales managers who are ethical leaders will affect their salespeople's behavior by instituting core values and emphasizing their importance in developing superior customer value leading to increased sales (Ingram et al., 2005; Schwepker and Good, 2011; Schwepker and Ingram, 2016).

Ethical leadership has been the focus of many studies. This research has reported that ethical leadership influences a variety of employees' behavior and job outcomes (Bedi, Alpaslan, and Green, 2016). However, only one study (Schwepker and Ingram, 2016) has examined how ethical leadership impacts superior customer value. Given the importance of both ethical leadership and superior customer value more research is warranted.

Organizational identification has been the focus of many studies because of its link to a variety of job outcomes (see the meta-analysis by Lee, Park, and Koo, 2015 and Peng and Kim, 2020). Identification is the way that people define themselves, convey that meaning to other people, and use that meaning to direct their lives inside and outside the organization (Ashforth, Harrison, and Corley, 2008). Brown and Mitchell (2010) have advocated more research investigating the relationship between ethical leadership and organizational identification. Few studies have analyzed the relationship between the two variables and these studies have not involved salespeople. However, salespeople who display ethical values will identify positively to a sales manager who possesses the traits of an ethical leader (honesty, fairness, and trustworthy).

The purpose of this study is to expand current research by examining how ethical leadership directly influences salespersons' superior customer value and organizational identification and indirectly affects their performance and turnover intentions. This study makes

three important contributions to existing and research. First, this study examines the relationship between superior customer value and ethical leadership. Just one study (Schwepker and Ingram, 2016) has examined how ethical leadership impacts superior value. Since developing supervisor customer value is essential for companies to succeed, understanding the role of ethical leadership in that process is extremely important.

Second, only a few studies have investigated the extent to which ethical leadership influences organizational identification among salespeople (Peng and Kim, 2020). This research study contributes significantly to existing research by investigating the association between organizational identification and ethical leadership in a business-to-business sales context. Understanding how ethical leadership influences organizational identification is critical for organizations because people possessing high organizational identification embrace its characteristics leading to positive behavior (Lee et al., 2015).

Third, this study analyzes the relationship between ethical leadership and turnover intentions. Turnover can be especially dysfunctional when salespeople leave since a firm's willingness to continue to purchase products may be based on the relationship that has developed between the salesperson and the buyer (DeConinck, 2011). In addition, the cost of replacing a salesperson is very high (Sandler Training, 2012). Because the costs of replacing a salesperson is so expensive, more research is needed to understand how ethical leadership influences salespersons' decision to quit. Support for the hypothesized relationships is provided in the literature review.

LITERATURE REVIEW

Ethical Leadership

Ethical leadership is defined as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making” (Brown, Treviño, and Harrison, 2005). Social learning theory is the basis for ethical leadership (Bandura, 1977; Bandura, 1986).

Social learning theory proposes that individuals learn correct behavior through observing how other people behave (role modeling). Ethical leaders are viewed as role models for subordinates. If an employee's supervisor is viewed as a role model, the employee will follow the supervisor's behavior. For example, if the supervisor rewards employees for certain behavior, the employee will behave in a similar way to receive the reward while refraining from behavior that is not rewarded.

According to Treviño, Hartman, and Brown (2000), ethical leaders are both a “moral person” and a “moral manager.” A social learning process is used in both situations (Brown and Mitchell, 2010). The moral manager engages in high-quality exchange relationships with subordinates, which encourages them to reciprocate that behavior through positive behavior and work outcomes. The moral manager communicates ethical expectations to subordinates and rewards ethical behavior while punishing unethical behavior. Moral managers are viewed as role models for subordinates because they behave in a way that they expect subordinates to behave. The moral person is viewed as being honest, fair, and trustworthy. Subordinates view the moral manager as being supportive of their endeavors and willing to listen to their concerns. Moral persons are viewed as being moral in both their professional and personal lives. Research has

reported that ethical leadership is related to a variety of positive job outcomes and behaviors. (see the meta-analysis by Hoch, Bommer, Dulebohn, and Wu, 2018).

Outcomes of Ethical Leadership

Organizational Identification (OI) is defined as a person's shared beliefs concerning distinctive, dominant, and fairly enduring attributes of the organization (Albert and Whetten, 1985). It is the extent to which a person's and the organization's self-identities are intertwined (Ashforth and Mael, 1989). OI answers two important organizational questions: "Who are we" and "How do we differ from other organizations" (Piening, Salge, Antons, and Kreiner, 2020). People who identify with an organization are likely to behave in a manner that benefits the organization (Dukerich, Golden, and Shortell, 2002; Dutton, Dukerich, and Harquail, 1994).

OI derived from social identity theory (Tajfel, 1982; Tajfel and Turner, 1979, 1985). Tajfel (1978, p. 63) defined social identity as the "knowledge of his membership of a social group (or groups) together with the value and emotional significance attached to that membership." Individuals define themselves by their common membership in an organization. Social identity theory explains intergroup behavior. According to social identity theory, people will strive to find significant differences between themselves and other reference groups (Tajfel, 1982).

The groups to which individuals belong are a source of self-esteem and pride. The key component of social identity theory is that members of a group in which they belong will seek undesirable characteristics of groups to which they are not members, which enhances their self-image (Tajfel, 1982). According to Tajfel and Turner (1979), individuals develop their social identity with a group in three stages. First, people categorize themselves into groups such as gender, religious affiliation, and organizational membership. Categorization allows people to identify with a particular group. Second, people gain social identification with the group where they are categorized and act according to group norms. They will feel emotional significance belonging to the group. Individuals develop a sense of "we" versus "I" when they are group members. The level of organizational identification among group members determines how they apply and ascribe characteristics of the group to themselves and how they behave similarly to other group members. When a person identifies strongly with a group, he or she will behave according to the group's expectations, norms, and values (Ashforth and Mael, 1989), which causes positive behavior to occur (Olkonen and Lipponen, 2006). Third, individuals within a group compare themselves to other groups. Group members maintain identity and distinction through comparing themselves to other groups. Their self-esteem is enhanced by finding positive discrepancies between themselves and other reference groups.

Theoretically, employees should display higher organizational identification when working for an ethical leader. When people view organizational leaders as being open, fair, trustworthy, respectful, and attentive to their concerns, organizational identification increases (Ashforth and Mael, 1989). These traits describe an ethical leader. Employees become psychologically linked with their organization when they are treated fairly by their supervisor (Mael and Ashforth, 1992). Research has shown that ethical leadership does influence employees' organizational identification (DeConinck, 2015; Sluss and Ashforth, 2008; Walumbwa, Mayer, Wang, Workman, and Christensen, 2011; Zhu, He, Treviño, Chao, and Wang, 2015). A recent meta-analysis found a correlation between ethical leadership and organizational identification of .31 (Peng and Kim, 2020).

H1: Ethical leadership is positively related to organizational identification.

Superior Customer Value

Superior customer value is “the difference between the benefits and the sacrifices (e.g., the total costs, both monetary and nonmonetary) perceived by customers in terms of their expectations, i.e., needs and wants” (Lapierre, 2000, p. 123). It happens when consumers perceive one company’s product creates more value than competitors’ products (Slater and Narver, 2000). Market-oriented firms emphasize the significance of attaining superior customer value through identifying and employing specific capabilities better than firms who are less market-oriented (Slater and Narver, 1995). These firms develop and utilize distinctive marketing capabilities in their business practices (Guenzi and Trolio, 2007). Superior customer value leads to increased customer satisfaction and sales and is achieved through product innovation and effective marketing (O’Cass and Ngo, 2012). Superior customer value is key to a company’s competitive advantage (Guenzi and Trolio, 2007).

Research provides support for ethical leadership having a positive influence on employees’ willingness to expend greater effort (Brown et al., 2005; Kottke and Pelletier, 2013). Based on social exchange theory and the norm of reciprocity (Blau, 1964), when employees are treated fairly and respectfully, they will perceive indebted and obligated to return the treatment by working harder to help the organization (Brown et al., 2005). One way to help the organization succeed is for salespeople to exert more effort by providing greater customer value. Research indicates that ethical leadership and employees’ willingness to provide superior customer value are related (Kia, Halvorsen, and Bartram, 2019; Lindblom, Kajalo, and Mitronen, 2015; Schwepker and Ingram, 2016).

H2: Ethical leadership is related positively to superior customer value.

No research could be found that has examined the relationship between OI and superior customer value. Some research, however, has reported that OI influences firm performance (Ahearne, Haumann, Kraus, and Wieseke, 2013; Boehm, Dwertmann, Bruch, and Shamir, 2015). Providing superior customer value gives the company a competitive advantage over its competitors through increased customer satisfaction (Guenzi and Trolio, 2007). Intuitively, therefore salespeople who strongly identify with the goals of their company and care about its success should be also have a desire to provide customers with superior value. Salespeople possessing a strong organizational identity will project that attitude to their firm’s customers who will view it as representative of the seller’s commitment to their success, which influences their purchases (Hatch and Schultz, 2002). In turn, when customers are purchasing more products, the salespeople will be more highly motivated to support the organization’s goals and mission (Shamir, House, and Arthur, 1993). Intuitively, when salespeople identify strongly with their organization, they should be more willing to provide customers with superior value.

H3: OI is positively related to superior customer value.

The salesforce is responsible for presenting a company’s products to current clients and prospective clients and convincing them of the value of purchasing the products through reduced

costs, increased sales and profits (Tehro et al, 2012). Salespeople who demonstrate that their product offers superior value over competitors' products should have higher sales. Surprisingly, sparse research exists analyzing the relationship between performance and superior customer value. While limited, the research has reported a positive relationship between superior customer value and performance (Guenzi and Troilo, 2007; Schwepker, 2013; Schwepker, 2017).

H4: Superior customer value is positively related to higher performance among salespeople.

Research indicates that OI is related to a variety of job attitudes (Lee, Park, and Koo, 2015). Theoretically, OI should be related to turnover intentions. Organizational identification "is at the core of why people join organizations and why they voluntarily leave, why they approach their work the way they do and why they interact with others the way they do during that work" (Ashforth, Harrison, and Corley, 2008, p. 334). Individuals will develop a psychological link with their organization when they identify highly with it. They will embrace the group's values and norms, which causes members to have a greater desire to remain part of the organization (Ashforth and Mael, 1989). Employees with high organizational identification also will identify with the organization's interests. Departing the organization would be harmful to the organization's interests, creating a lower desire for the employee to leave (Van Knippenberg, Van Dick, and Tavares, 2007). For these reasons, OI should be related to negatively to turnover intentions. Prior research has reported support for OI being an antecedent to turnover intentions (DeConinck, 2011; Sung, Woehler, Fagan, Grosser, Floyd, and Labianca, 2017; Van Dick, Christ, Stellmacher, Wagner, Ahlswede, Grubba, Hauptmeier, Höhfeld, Moltzen, and Tissington, 2004).

H5: Organizational identification is related negatively to turnover intentions.

The relationship between job performance and turnover intentions is not "clear cut." Some of the best performers will leave for higher paying jobs while lower performers may leave voluntarily or involuntarily. However, the preponderance of evidence appears to indicate that job performance is related negatively to salespersons' intentions to quit (e.g., DeConinck and Johnson, 2009; Mulki, Caemmerer, and Heggde, 2015; Pettijohn, Pettijohn, and Taylor, 2007).

H6: Job performance is negatively related to turnover intentions.

RESEARCH METHODOLOGY

Sample and Data Collections

A similar procedure as employed by Miao and Evans (2007) was used to obtain respondents. A list of sales managers (400) was purchased by a company specializing in lists of employees working in various job categories. Only sales managers employed in business-to-business sales were part of the study. The sales managers were told the purpose of the study and asked to have their salespeople go online to complete the survey. Thirty-four of the email addresses were returned as undeliverable. Of the 364 remaining sales managers, 84 agreed to participate in the study. A total of 254 salespeople completed the online survey. All responses

were confidential, although the sales managers were given a copy of the responses for the total sample of salespeople.

The average age of the sample of salespeople was 38.3 years, most of them were male (194 – 76.3%), they had worked for their current employer for an average of 6.6 years and 12.3 years in sales. A vast majority of the respondents had completed at least two years of college (236 – 93%) and were paid a salary/commission basis (209 – 82.3%).

Measures

The questionnaire appears in the Appendix. A five-point Likert scale (strongly disagree to strongly agree) was used to measure all items except for performance. The scale developed by Brown et al. (2005, $\alpha = 0.9$) was used to measure *ethical leadership*. The scale developed by Mael and Ashforth, 1992 ($\alpha = 0.88$) was used to measure *organizational identification*. The salespeople rated their *performance* using from a scale developed by Low, Cravens, Grant, and Moncrief (2001). Anchors were (1) needs improvement to (5) outstanding. *Superior Customer Value* was measured using the scales developed by Schwepker (2013, $\alpha = 0.88$) while the scale developed by DeConinck and Stilwell (2004, $\alpha = 0.85$) was used to measure turnover intentions.

Construct Validity

Hair, Babin, Anderson, and Black, (2018) recommend testing construct validity using four methods. First, except for one of the loadings, every standardized factor loading was above .7. One turnover intention item had a standardized factor loading of .68. Second, all variables had a variance extraction above .6. Third, among all factors the variance extracted estimates were greater than the square of the correlation, which indicates discriminant validity. Fourth, the construct reliability, which is used with structural equation modeling, was above .7 for all the variables: superior customer value (.94); performance (.77); ethical leadership (.92); turnover intentions (.82); and OI (.91).

RESULTS

LISREL 10.1. was the statistical method used to analyze the data. A good model fit was indicated by the confirmatory factor analysis (CFA) results (Hu and Bentler, 1999) ($\chi^2 = 598.1$, $df = 367$, $p = .00$, CFI = .96, Std. RMR = .035; RMSEA = .048). After assessing the fit of the measurement model, the hypothesized model was assessed. The results indicated a good fit ($\chi^2 = 618.32$, $df = 371$, $p = .00$, CFI = .96, Std. RMR = .058, RMSEA = .049).

Each hypothesis was supported. Ethical leadership is positively related to organizational identification (H1, $\beta = .34$, $t = 5.41$); ethical leadership is positively related to superior customer value (H2, $\beta = .21$, $t = 3.12$); organizational identification is positively related to superior customer value (H3, $\beta = .15$, $t = 2.24$); superior customer value is positively related to performance (H4, $\beta = .41$, $t = 5.38$); organizational identification is negatively related to turnover intentions (H5, $\beta = .18$, $t = 2.70$); and performance is negatively related to turnover intentions (H6, $\beta = .24$, $t = 3.07$).

CONCLUSIONS AND IMPLICATIONS

This study examined the results among ethical leadership superior customer value, organizational identification, performance, and turnover intentions among a sample of business-to-business salespeople. The results extend prior research (Eva, Newman, Miao, Wang, and Cooper, 2020) investigating outcomes of ethical leadership by showing the role of superior customer value and organizational identification as mediators between ethical leadership and job performance and turnover intentions. The results have important theoretical and practical implications for managing the salesforce.

Theoretical Implications

First, the results from this study confirm prior research showing that ethical leadership is related positively to OI (Peng and Kim, 2020). The important theoretical implication is that OI serves as an important mediator between ethical leadership and superior customer value and turnover intentions. Sales managers who behave ethically, punish their salespeople for unethical behavior and are trustworthy will engender feelings from the salesforce of greater identification with their organization causing them to behave according to the organization's expectations, norms, and values (Ashforth and Mael, 1989). In addition, when salespeople view their sales managers as an ethical leader, they are less likely to report a desire to leave. Turnover is expensive (Heavey, Holwerda, and Hausknecht, 2013), and therefore understanding how leadership impacts salesforce turnover is very important.

Second, this study's results confirm and expand prior research involving superior customer value. The study was the first one that has investigated the relationship between OI and superior customer value. The results indicate that salespeople who identify strongly with the organization are more willing to provide superior value to their customers. Salespeople who support the organization's goals and mission will show concern for providing value to their customers. They believe that the most important priority of their organization is to provide value to their customers and feel strongly about improving the value provided to the organization's customers.

The results also indicate that superior customer value is related positively to increased job performance and supports the few studies that have analyzed the relationship between superior customer value and performance (Guenzi and Troilo, 2007; Schwepker, 2013; Schwepker, 2017). The primary job of the salesforce is to acquire and maintain customers. This study provides a valuable contribution to theory by showing superior customer value influences higher job performance.

Practical Implications

According to Mayer, Aquino, Greenbaum, and Kuenzi (2012), "ethical leadership matters" (p. 166). When the sales manager is viewed as an ethical leader, they display a greater emphasis on providing superior customer value. The results found that ethical leadership is associated with superior customer value both directly and indirectly through OI. These sales managers listen to their salespeople, punish unethical behavior, are trustworthy, and viewed as role models. The salesforce will respond by working harder to deliver superior value to their customers and make it their top priority. Thus, employing sales managers who are ethical leaders

is one way to enhance salespeople to adopt customer-oriented sales approaches, which leads to higher performance.

A second important managerial implication is that salespeople will identify more strongly with the organization's mission and goals when they work for an ethical leader. They will imitate the behavior of their sales manager and will work to achieve goals established by the organization, which will lead to positive outcomes for the company.

Since most sales managers are promoted internally from a pool of high performing salespeople, organizations need to hire salespeople and promote salespeople who possess the traits of an ethical leader. Selection tools can be developed and used by the human resource department to hire and promote these individuals. In addition, training programs should be developed emphasizing the significance of being an ethical leader.

The last practical implication is that ethical leadership (indirectly through superior customer value) and OI are related to turnover intentions. Turnover is important for organizations (Heavey et al., 2013). Controlling salesforce turnover is very important because salespeople are the firm's front-line employees with direct contact with customers. In addition, replacing a top performing salesperson has detrimental consequences (DeConinck, 2011). To reduce the number of salespeople who leave, organizations must know the reasons for turnover. The results indicate that one way to reduce turnover intentions is to hire or promote sales managers who the salesforce perceive are ethical leaders. These sales managers will reward salespeople for ethical behavior and punish salespeople for behaving unethically and are viewed as role models.

Limitations and Future Research Opportunities

This study has some limitations. First, only one other study has investigated the relationship between superior customer value and ethical leadership. Additional research needs to analyze the relationship between these two variables. Second, since this study involved a cross-sectional design, the model should be tested within a single organization. The results from both samples could then be compared. A third limitation of this study is that turnover intentions were used as a surrogate for turnover. Future research needs to examine actual turnover. Fourth, in this study salespeople rated their own performance. In the future sales managers can be asked to rate the performance of their salespeople to add more validity to the measurement of sales performance. Fifth, future research could examine the relationship between duty orientation and other leadership theories such as leader-member exchange, servant leadership, and transformational leadership.

In conclusion, this study has shown the influence of ethical leadership, organizational identification, and superior customer value in the performance and turnover intentions of a group of salespeople. Hopefully, the results reported in this study can help increase salespersons' performance and decrease their turnover intentions.

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Appendix

Superior Customer Value

I feel strongly about improving the value provided to our organization's customers.
I enjoy discussing issues related to delivering superior customer value with people in my organization.
I gain a sense of personal accomplishment in providing superior value to my customers.
I completely understand the importance of providing superior value to our customers.
I often discuss customer value-related issues with people outside of my organization.
Providing superior value to our customers should be the number one priority of my organization.
I am willing to put in a great deal of effort beyond that normally expected to help my organization deliver superior value to our customers.
The way I feel about providing customer value is very similar to the way my organization feels about it.
I really care about the value provided to customers by my organization.

Turnover Intentions¹

Within the next year, I intend to quit my job for a similar job.
Within the next six months, I would rate the likelihood of leaving my present job as high.
Within the next year, I intend to leave this profession.

Performance

Achieving annual sales targets and other objectives.
Contributing to my sales unit profits.
Increasing my territory market share.

Organizational Identification²

When somebody criticizes your company, it feels like a personal insult.
I am very interested in what others think about my company.
When I talk about this company, I usually say "we" rather than "they."
This company's successes are my successes.
When someone praises this company, it feels like a personal compliment.
If a story in the media criticized this company, I would feel embarrassed.

Ethical Leadership

My sales manager listens to what employees have to say.
My sales manager disciplines employees who violate ethical standards.
My sales manager conducts his/her personal life in an ethical manner.
My sales manager has the best interests of employees in mind.
My sales manager makes fair and balanced decisions.
My sales manager can be trusted.
My sales manager discusses business ethics or values with employees.
My sales manager sets an example of how to do things the right way in terms of ethics.
My sales manager defines success not just by results but also the way that they are obtained.
When making decisions, my sales manager asks "what is the right thing to do?"

¹The scale was previously published in “Incorporating organizational justice, role states, pay satisfaction, and supervisor satisfaction in a model of turnover intentions,” *Journal of Business Research*, 57, 2004.

² The scale was previously published in “The effects of leader-member exchange and organizational identification on performance and turnover among salespeople” *Journal of Personal Selling & Sales Management*, 31, 2011, Vol. 31.

