

## **The Effects of Transformational Leadership on Salesperson's Turnover Intention**

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### **Abstract**

*Reducing the turnover of salespeople who are meeting and exceeding goals can make a significant contribution to a firm's bottom line. This study was designed to examine the direct and indirect effects of transformational leadership on salesperson's turnover intention through ethical climate, person-organization-fit, and organizational commitment. Drawing on data from 387 salespeople from six companies from the pharmaceutical, real estate, and food and beverage industries, a latent variable model was tested using structural equation modeling with the use of AMOS version 19. A survey questionnaire was used to gather the data while multi-stage sampling was utilized to choose the respondents. The results from the study indicate that (1) transformational leadership was found to directly decrease turnover intention, and (2) indirectly reduce turnover intention through perceived ethical climate, person-organization-fit, and organizational commitment. Given the findings of this study, firms are provided with insights into how transformational leadership may contribute to managing turnover which should lead to better company financial performance in an Asian market. Moreover, this study provides support that U.S.-based scales used to measure sales management issues can be adapted into a Philippine framework.*

**Keywords:** effect, transformational leadership, ethical climate, person-organization-fit, organizational commitment, salesperson, turnover *intention*

### **1. Introduction**

Recruiting and retaining high-performing salespeople are two major challenges facing sales managers today. Voluntary turnover is one aspect of retention that has a pervasive effect on the organization because without a salesperson covering a territory, nobody shall create, sustain and enhance mutually beneficial partnerships with customers (Palmetier, Scheer, & Steenkamp, 2007). Voluntary turnover results to lost sales because nobody visits the customers to pick up the orders and it takes a minimum of almost 18 months to recover when a salesperson leaves (Richardson, 1999). Palmetier et al. (2007) also reported that considering the resigned salesperson's rapport and strong relationship with the customers, the buyers alleged that they try to shift an average of 26 percent of current purchases to follow a defecting salesperson. Add to these the costs of separation, recruiting and selection, training, differential operating, and differential skill costs (Darmon, 2008) and this makes salesperson turnover an extremely costly and widespread aspect of sales force development and management.

Salespeople nowadays are more than ever confronted with more adjustment challenges as a result of fast changing technologies, new trends in the marketplace and more sophisticated customers (Jones, Chonko, Rangarajan, & Roberts, 2007). These stressors, reconciled with the need to harmonize the conflicting demands of the customer and the company (Nonis & Sager, 2003), aggravate turnover among salespeople. A 10-year study from 1996 to 2006 of 3,700 publicly traded companies has found that salesperson turnover averaged 39 percent annually (Hrehocik, 2007).

Reducing turnover of salespeople who are meeting and exceeding goals could make a significant contribution to a firm's bottom line. The importance of turnover in sales and other positions has led to an abundance of articles on this organizational behavior. Existing studies examined various causes of salesperson turnover/turnover intention, including individual characteristics (Fournier, Tanner, Chonko, & Manolis, 2010; Krishnan, Netemeyer, & Boles, 2002; Lewin & Sager, 2010; Rutherford, Park, & Han, 2011), work-related factors (Johnston, Parasuraman, Futrell, & Black, 1990), coping strategies (Mallin & Mayo, 2006; Nonis & Sager, 2003; Porter, Kraft, & Claycomb, 2003), work outcome (Lewin & Sager, 2008), organization (DeConinck & Johnson, 2009), and manager behavior (Aggarwal, Tanner, & Castleberry, 2004; Jaramillo, Grisaffe, Chonko, & Roberts, 2009; DeConinck, 2011; Mulki, Jaramillo, & Locander, 2008).

An abundance of research in leadership indicates that employees respond positively to behavior of leaders that is predominantly employee-oriented leadership styles (e.g. Harris & Ogbonna, 2001; Jaramillo et al., 2009; Jaramillo & Mulki, 2008; House, 1996; Rafferty & Griffin, 2006) like charismatic leadership, servant leadership, and transformational/transactional leadership. However, in the review of the literature, while transactional/transformational leadership style framework is perhaps one of the most frequently used model in sales research on people-oriented leadership style (Bass, 1997; Dubinsky, Yammarino, Jolson, & Spangler, 1995; MacKenzie, Podsakoff, & Rich 2001; Russ, McNeilly, & Comer, 1996; Schwepker & Good, 2010), the researcher could not find empirical research examining the impact of transformational leadership style directly or indirectly on salesperson's turnover intention.

In this paper, the researcher proposes two objectives. First, the study contributes to the existing sales force management knowledge by creating a model that examines how transformational leadership impacts salesperson's turnover intention directly and indirectly through variables thought to influence turnover like ethical climate, person organization fit, and organizational commitment. The hypothesized model appears in Figure 1. Second, the study applies the knowledge of the sales management literature within an emerging market outside of the United States, specifically conducting this study using a Filipino sales force. By providing additional understanding and insights to firms with intentions of entering into Asian markets or are already operating within these markets, firms should be able to reduce turnover, which will consequently increase these firms' profitability and probability for long-term success within promising markets (Rutherford et al., 2011).

## **2. Theoretical Foundation and Hypotheses Formulation**

Studying turnover is one of the most challenging variables both to researchers and sales managers. The salesperson who resigned is the best person to study regarding the antecedents of turnover but if he or she has already resigned, then it poses a data collection problem because it will be difficult and impractical to locate them (Fournier et al., 2010). In this study, turnover intention has been substituted to turnover to address the dilemma, which seems closely interrelated with actual turnover. The relationship between turnover intention and turnover has been confirmed by various studies since 1987 (e.g. Jones, Kantak, Futrell, & Johnston, 1996; Lucas, Parasuraman, Davis, & Enis, 1987). Meta-analytic studies have demonstrated that turnover intention is significantly associated with turnover (e.g. Podsakoff, LePine, & LePine, 2007). Consequently, the theoretical framework considers factors influencing turnover intention rather than actual turnover.

This study takes the initial step in Jaramillo et al.'s (2009) call for research comparing servant leadership with transformational leadership particularly in relation to organizational ethics.

### **2.1 Transformational Leadership**

**2.1.1 Transformational Leadership.** A transformational leader motivates one to do more than one would originally expect to do by articulating a vision, providing an appropriate role model, fostering the acceptance of group goals, expressing high performance expectations, providing individualized support, and stimulating intellectually (Podsakoff, Moorman, & Fetter, 1990). Transformational leaders ensure their followers' involvement by envisioning attractive future states, displaying optimism and enthusiasm, empowering them to achieve the vision, and providing the resource necessary for developing their personal potential. He or she does this by setting an appropriate example and espousing the goals of the organization. These leaders motivate and inspire those around them by providing meaning and challenge to their followers' work. A transformational leader has high performance expectations from subordinates, and as such holds them accountable for doing so.

These leaders are well-liked, appreciated, and trusted because of their consideration of the needs of others over their personal needs. Individualized consideration is manifested when a leader pays special attention to each individual's needs for development, growth and performance by acting as a coach or mentor, and behaves in a manner thoughtful of their personal needs. Finally, intellectual stimulation refers to the way in which leaders stimulate their followers' efforts to be innovative and creative by questioning assumptions, modifying challenges and handling old situations in different ways.

**2.1.2 Transformational Leadership and Ethical Climate.** Ethical climate refers to the salesperson's perceptions of the ethical standards as reflected in the organization's practices, procedures, norms and values that provide cues about acceptable behaviors (Babin, Boles, & Robin, 2000; Schwepker, 2001). These organizational guidelines reduce the salesperson's risk of violating what the customer, superiors, and peers expect and lead to a sense of security and peace of mind. The importance of an organization's ethical climate has been recognized in studies of its impact on various important sales force variables. If some salespeople feel duty-bound to engage in dubious tactics, increased turnover among those or other salespeople who observe the questionable behavior may be one of many negative consequences that may occur (McFarland, 2003). Similarly, if salespeople view the sales organization as unethical, they may voluntarily leave or show higher intentions to leave (e.g. Fournier et al., 2010; Mulki, Jaramillo, & Locander, 2006; Weeks, Loe, Chonko, Martinez & Wakefield, 2006; Weeks, Loe, Chonko, & Wakefield, 2004).

Researchers have consistently argued that the ethical climate of the work context is basically shaped by organizational managers (Schminke, Ambrose, & Neubaum, 2005; Sinclair, 1993). To support managers in setting up and maintaining an ethical climate, organizations have implemented formal systems of ethical codes, corporate ethics audits, standardized procedures, and ethics training programs (Weaver, Trevino, & Cockran, 1999). However, what the leader values and does will set the ethical tone for decision making at all levels and create the moral environment of an organization. The effectiveness of codes, policies, procedures and support structures is determined by the leader's personal conduct. As Banerji and Krishnan (2000) pointed out, an organization's ethical climate should be a normal consequence of leaders' commitment to ethical principles and values practiced in their day-to-day struggle to live by them.

Transformational leadership behaviors have a strong innate link to moral judgment (Schwepker & Good, 2010). According to Burns (1978), transformational leadership behaviors have a transforming effect on both the leader and followers by raising the level of human conduct and ethical aspiration. Several studies support the contention that transformational leaders are ethical individuals. In particular, transformational leadership behaviors have been found to be positively associated with ethical standards and standard behavior (Eberlin & Tatum, 2008); high ethical reasoning (Turner, Barling, Epitropaki, Butcher, & Milner, 2002), uprightness (Parry & Proctor-Thomson, 2002), and the formation of ethical organizations (Hood, 2003). The above discussion suggests that transformational leadership has a positive effect on a salesperson's perception of ethical climate.

*Hypothesis 1: Transformational leadership is positively related to salesperson's perception of the ethical climate of the organization.*

Person-Organization-fit is defined as the "compatibility between people and organizations that occurs when at least one entity provides what the other needs or they share similar fundamental characteristics or both" (Kristof-Brown, Zimmerman & Johnson, 2005). It is the alignment between the values, beliefs, and goals of the organization and those of its employees (Netemeyer, Boles, McKee, & McMurrian, 1997). Van Vianen, De Pater and Van Dijk (2007) suggest that people's fit with the organization associates a person's personality, goals, and values with those of the organization. As such, person-organization fit should relate closely to organizational ethical values.

The Person-organization fit essentially argues that people are attracted to and are preferred by organizations that match their values, and they leave organizations that are not compatible with their personalities (Robbins & Judge, 2009). Organizations prefer hiring employees with comparable ethical values to them. Individuals would choose to work in firms with similar values than their own if given the choice. Actually, when mismatches occur, the parties would be dissatisfied with the relationship, and the employee will likely leave or become terminated. Several studies (Jaramillo et al., 2009; Lopez, Babin, & Chung, 2009; Valentine, Godkin, & Lucero, 2002) found that ethical climate had a positive influence on person-organization-fit.

These findings suggest that a salesperson's perception of ethical climate of his or her organization is positively related to person-organization fit.

*Hypothesis 2: A salesperson's perception of the ethical climate of his or her organization is positively related to person-organization fit.*

Another logical aspect of fit deals with the values of the supervisor. Since the sales leader is normally a representative and authoritative personification of the organization, the employees' sense of fit with the organization should be the outcome of the leader's values. Specifically, the employees' sense of values-based person-organization fit should have a direct link to values-oriented leaders. Netemeyer et al. (1997) found that leadership support (providing individualized support), one of the elements of transformational leadership, is positively related to person-organization fit. With transformational leadership's focus on not only supportive dimensions but also inspirational and moral values (Smith, Montagno, & Kuzmenko, 2004), it should be a particularly important leadership style. This unique focus of transformational leadership should link it directly to person-organization fit.

*Hypothesis 3: Transformational leadership is positively related to person-organization fit.*

According to Meyer, Allen, and Smith (1993), organizational commitment is an employee's emotional attachment to, identification with, and involvement in the current organization. Rafferty and Griffin (2004) report that when employees believe that the supervisor engages in transformational leadership behaviors, they express higher organizational commitment. This finding suggests that transformational leadership is positively related to a salesperson's organizational commitment.

*Hypothesis 4: Transformational leadership is positively related to organizational commitment.*

Kristof-Brown et al.'s (2005) meta-analysis concluded that person-organizational fit is strongly related with organizational commitment. Person-organizational fit is typically seen as an important antecedent of salesperson's attitudes—namely, job satisfaction (for example, Netemeyer et al., 1997) and organizational commitment (Vilela, González, & Ferrín, 2008). Jaramillo et al. (2009) observed that person-organization fit has a positive direct effect on organizational commitment. Thus, when salespeople's beliefs and values are congruent with those of the organization, they should report higher levels of organizational commitment.

*Hypothesis 5: Person-organization fit is positively related to organizational commitment.*

Research has indicated that organizational ethical values influence salespersons' commitment to the organization. Salespeople develop a positive attitude toward their employer when they believe that the organization is ethical (e.g., Pettijohn, Pettijohn, & Taylor, 2008). Salespeople can better cope with the ethical dilemmas that the selling job brings and develop trust and a psychological attachment to the organization when organizations set high standards of ethical conduct (Weeks et al., 2006). Research has provided significant evidence that when salespeople think their organization is ethical, they report higher levels of organization commitment (e.g., Grisaffe & Jaramillo, 2007; Jaramillo et al., 2009; Weeks et al., 2006). As a result of these findings, the researcher proposes that a salesperson's perception of the ethical climate of the organization is positively related to organizational commitment.

*Hypothesis 6: A salesperson's perception of the ethical climate of the organization is positively related to organizational commitment.*

A large body of research indicates with both nonsales (Griffeth, Hom, & Gaertner, 2000; Meyer Stanley, Herscovitch, & Topolnytsky, 2002) and sales employees that organizational commitment is linked to turnover intentions (e.g. DeConinck, 2011; Jaramillo, Mulki, & Solomon, 2006; Mulki et al., 2008; Naumann, Widmier, & Jackson, 2000; Rutherford et al., 2011). In view of these studies, the researcher proposes that a salesperson's organizational commitment is negatively related to turnover intention.

*Hypothesis 7: Organizational commitment is negatively related to turnover intention.*

In the review of related literature conducted by the researcher, there is not much empirical study yet on the relationship of transformational leadership and salesperson's turnover intention.

However, in a study of Gill, Mathur, Sharma, and Bhutani (2011) of fast food and full service restaurant service workers in the Punjab area of India, the researchers concluded that there is a negative relationship between transformational leadership and turnover intention. This finding suggests that transformational leadership is negatively related to salesperson's turnover intention.

*Hypothesis 8: Transformational leadership is negatively related to turnover intention.*

### **3. Research Methodology**

#### **3.1 Research Design**

A survey using established measures was utilized to gather data from respondents. Three industrial sectors that reflect three basic selling situations were selected – namely the ethical-pharmaceutical industry, real estate industry and food and beverage industry. Two companies from each of the chosen industries were randomly selected from the Top 1000 Philippine companies. In the light of the importance of studying how different types of salespeople perceive, feel and behave, three types of sales positions representing the primary types of salespeople were employed by this study – 1.) missionary seller, 2.) real estate seller, and 3.) food and beverage seller. This research engaged three types of sales jobs in an attempt to achieve both internal and external validity, similar to what Avlonitis and Panagopoulos (2006) did in their study.

A pharmaceutical medical representative is a classical example of a missionary salesperson who calls on doctors to promote drugs. His or her primary task is not to book sales orders but to build relationships, develop goodwill for the firm, and provide information regarding the benefits of the drugs to convince physicians to prescribe company products.

Real estate salespeople are hunter-oriented salespersons (Honeycutt, Hodge, & Killian, 2009) working exclusively on commission or salary with commission, selling real estate properties like lots, house and lots, or condominium units to prospective buyers. They want things done their way, done quickly and with a minimum of supervision. Food and beverage ex-truck salespeople whose focus is in selling direct to small stores are farmer-oriented salespersons responsible for servicing the needs of many small stores through regular visit, booking order, delivering the order (picked up from their truck or van), and collecting payment on COD. An ex-truck salesperson is different from a key account salesperson, who in turn is responsible for maintaining and developing direct relationships with few, large customer accounts that cut cross product and geographical boundaries (Sengupta, Krapfel, & Pusateri, 2000) by performing additional activities normally not offered to relatively smaller accounts. In this study, ex-truck salespersons of distributors of the two food and beverage companies were chosen as respondents.

#### **3.2 Data Collection and Sample Profile**

The procedure that was used to obtain respondents was as follows:

1. An introductory letter was sent stating the purpose of the research and requesting each company sales manager (in the case of the real estate companies and food and beverage companies) and company president (in the case of the pharmaceutical firms) to participate in the study. They were informed that responses from their salespeople would not be available to management to ensure confidentiality for the salespeople and to have their salespeople return the survey to the researcher. All the managers from the six companies agreed to participate.
2. The data were collected using multi-stage sampling. A total of 6 clusters were formed consisting of sales districts from each of the company chosen. From each cluster, 65 salespeople assigned in Metro Manila were selected at random as respondents.
3. Two weeks from the time the managers agreed to participate, a total of 390 survey questionnaires accompanied with a cover letter were sent to the managers of the chosen companies. It was emphasized in the letter that the survey is an independent research, and the company has nothing to do with the research.
4. All the 390 survey questionnaires were returned by the salespeople. Three survey instruments were deleted because of missing data thus resulting in a sample of 387 salespeople.

The demographic profile for the sample of 387 salespeople is as follows: majority of the salespeople have 2 to 6 years selling experience (55.8%), about 54 percent were male, and majority (about 60 percent) were married.

About 58% had been with their current company for 2 to 5 years, and had been in their current position as salesperson for 1 to 3 years (63.1%). Majority of the respondents finished a four-year college degree program (78 percent) and about 70% have a monthly household income of \$238 to \$952.

### 3.3 Measures

*Transformational leadership* (TL) was measured using the transformational leadership behavior inventory developed by Podsakoff et al. (1990). This scale (see Appendix II) assesses the following dimensions comprising transformational leadership: articulating a vision (five items), providing an appropriate model (three items), fostering the acceptance of group goals (four items), having high performance expectations (three items), providing individualized support (four items), and providing intellectual stimulation (four items). Previous research (cf. Podsakoff, MacKenzie, & Bommer, 1996; Podsakoff et al., 1990) has provided strong evidence supporting the hypothesized factor, internal consistency reliability, and concurrent and discriminant validity of the scale. Respondents were asked to indicate the extent to which their direct superior performs each behavior using the six-point Likert scale ranging from 1 = “strongly disagree” to 6 = “strongly agree” for each item.

For *ethical climate*, the scale used was developed by Schwepker, Ferrell, and Ingram (1997) in which respondents were asked about the presence and enforcement of ethical climate (such as code of ethics and corporate policies). This scale (see Appendix II), composed of seven items, has been used in several sales studies (Jaramillo et al., 2006; Mulki et al., 2006; Schwepker, 2001; Schwepker & Good, 1999; Weeks et al. 2004, 2006). Weeks et al. (2006) successfully used the scale in Mexico, indicating it may be robust across cultures. Respondents were asked to indicate the extent to which their companies perform each behavior using the six-point Likert scale ranging from 1 = “strongly disagree” to 6 = “strongly agree” for each item.

*Person–organization fit* was measured with four items from Netemeyer et al. (1997). This scale is composed of four items and respondents were asked to indicate the extent to which they or their companies exhibit each behavior using the six-point Likert scale ranging from 1 = “strongly disagree” to 6 = “strongly agree” for each item.

*Organizational Commitment* was measured using the eighteen-item version of the scale developed by Meyer et al. (1993) ( $\alpha = 0.88$ ). Meyer and Allen (1997) reported an average internal consistency of 0.85 in more than 40 studies. This scale (see Appendix II) assesses the following dimensions comprising organizational commitment: affective commitment (six items), continuance commitment (six items), and normative commitment (six items). While affective commitment is desire-based, normative commitment is obligation-based and continuance commitment is cost-based. Respondents were asked to indicate the extent to which they exhibit each behavior using the six-point Likert scale ranging from 1 = “strongly disagree” to 6 = “strongly agree” for each item.

*Turnover intention* was measured using a single-item scale developed by Spector (1985) – that is, “How often have you considered quitting your present job?” The use of the single-item scale for measuring behavioral intention has been found appropriate to capture the construct (Wanous, Reichers, & Hudy, 1997). A reliability of 0.85 was used to set the factor loading value and error variance (Donovan, Brown, & Mowen, 2004). Respondents were asked to indicate the extent to which they perform the behavior using the six-point Likert scale ranging from 1 = “strongly disagree” to 6 = “strongly agree” for each item.

### 3.4 Analytic Approach

The data were analyzed using structural equation modeling with the use of AMOS version 19. Before analyzing the structural models, the fit of a confirmatory factor analytic (CFA) model to the observed data was evaluated to determine if the items were loaded on their respective scales. Traditional goodness-of-fit measures were used to assess the fit of the model—minimum discrepancy (CMIN), Parsimony, incremental fit index (IFI), Tucker-Lewis index (TLI), comparative fit index (CFI), and root mean square error of approximation (RMSEA). Values above 0.9 for CMIN, Parsimony, IFI, TLI, and CFI shall indicate a good model fit. A value below 0.05 for RMSEA shall indicate a very good model fit while a value between 0.06 and 0.09 indicates a good fit. Based on the acceptable fit of the CFA model, the hypothesized model was tested using structural equation modeling.

## 4. Results

### 4.1 Assessment of Measurement Model

Confirmatory factor analysis (CFA) was conducted on the variables. Table 1 shows the confirmatory factor analysis results on transformational leadership. Among the six dimensions of transformational leadership, the sales supervisors' behavior of "providing an appropriate model" was most manifested, with a  $\beta$ -coefficient of 1.085. Overall, the results demonstrated an acceptable level of fit: chi-square = 1336.5,  $df = 224$ ,  $p = 0$ , Parsimony = .885, IFI = .904, TLI = .892, (CFI) = .904, RMSEA = .073.

### 4.2 Hypotheses Testing

Based on the acceptable fit of the CFA model, the hypothesized model was tested. The results indicated a good fit (chi-square = 484.9,  $df = 175$ ,  $p = 0$ , Parsimony = .833, IFI = .967, TLI = .960, CFI = .966, RMSEA = .068). Support was found for all the hypotheses. Transformational leadership was positively related to salesperson's perception of the ethical climate of the organization ( $\beta = 0.688$ ,  $p = 0$ ) therefore supporting Hypothesis 1. Hypothesis 2 was also supported. Salesperson's perception of ethical climate of his or her organization was positively related to person-organization fit ( $\beta = 0.668$ ,  $p = 0$ ). Transformational leadership was positively related to person-organization-fit ( $\beta = 0.237$ ,  $p = 0$ , H3), transformational leadership was positively related to organizational commitment ( $\beta = 0.106$ ,  $p = 0$ , H4), person-organization-fit was positively related to organizational commitment ( $\beta = 0.410$ ,  $p = 0$ , H5), perception of the ethical climate of the organization was positively related to organizational commitment ( $\beta = 0.310$ ,  $p = 0$ , H6), organizational commitment was negatively related to turnover intentions ( $\beta = -0.577$ ,  $p = 0$ , H7), and transformational leadership was negatively related to turnover intentions ( $\beta = -0.205$ ,  $p = 0$ , H8). The final model appears in Figure 2.

## 5. Discussion and Implications

The present investigation is the only study that extensively extends sales force turnover research by testing a model that included transformational leadership, ethical climate, person-organization-fit, and organizational commitment. This study provides evidence that the study of transformational leadership can add insight with respect to salesperson turnover intention. Transformational leaders create a positive work climate in which salespeople feel a stronger sense of shared organizational values resulting to enhanced fit with the organization, become more dedicated to the firm, and thus articulate a more passionate desire to stay.

The findings reported here show that transformational leadership has both a direct and an indirect effect on turnover intention through the ethical climate, person-organization-fit, and organizational commitment path. No study could be found that shows the strong influence of transformational leadership in reducing turnover intention through these variables. At the least, this suggests that sales managers may be able to improve their effectiveness extensively by being aware and consciously developing their transformational leadership behavior and going further by prescribing precisely how sales managers might display these behaviors (MacKenzie et al., 2001). This implies that they need to find a way and think of how they can better articulate a vision, provide an appropriate model, foster the acceptance of group goals, express high performance expectations, provide individualized support, and stimulate people intellectually. From a managerial perspective, organizations in search of transformational leaders will need to set recruitment and selection standards and identify where they are in the employment pool (Schwepker & Good, 2010) and design development programs to ensure continuous learning. Consistent with results reported in other studies, transformational leadership is related positively to salespeople's perception of the organization's ethical climate (Eberlin & Tatum, 2008; Hood, 2003; Parry & Proctor-Thomson, 2002; Turner et al., 2002). Aggarwal et al. (2004) pointed out that transformational leadership as observed in a supervisor's values and behavior has a strong influence in shaping a salesperson's perception of company ethical climate because a supervisor is in some aspects a spokesperson and often the figurehead of the organization in the eyes of the salespeople.

The results support prior study that ethical climate is positively related to person-organization-fit (Jaramillo et al., 2009; Lopez, Babin, & Chung, 2009; Valentine et al., 2002). Also, a supervisor's demonstration of transformational leadership behaviors is positively related to person-organization-fit, supporting Netemeyer et al. (1997) conclusion that leadership support (individualized support), one of transformational leadership's dimensions is positively related to person-organization-fit.

It is interesting to note however, that the supervisor's demonstration of transformational behaviors in helping the salesperson fit with the organization through building a more positive opinion of ethical climate in the work place is more potent than the direct effect of transformational leadership on salesperson's-organization-fit. This seems to imply that the organization's presence of ethical climate and their consistency in its enforcement exerts a stronger influence in enhancing a salesperson's fit with the organization. One possible explanation why the company's overall ethical climate exerts a stronger influence on the salesperson's organizational fit is the company's scope of influence on the salesperson's perception. Ethical climate refers to the salesperson's perceptions of the ethical standards as reflected in the organization's practices, procedures, norms and values that provide cues about acceptable behaviors. While *the supervisor is the company* to a salesperson, salespeople in general very often also interact with their peers, their peers' supervisors, the customers, and even the competitors' salespeople who have perceptions about the company's ethical standards as observed on the company's past dealings with various stakeholders. Therefore, if a company's ethical standard is generally perceived by various stakeholders to be low, then a supervisor's high ethical standard as reflected in his/her transformational behaviors may not be strong enough to negate the impact of other people's general perception about the company's ethical standard on the salesperson. Hence, this results to low salesperson-organizational-fit, which may increase a salesperson's propensity to resign.

Person-organization-fit was found to be significantly related positively to organizational commitment, supporting previous studies (Jaramillo et al., 2009; Kristof-Brown et al., 2005; Vilela et al., 2008). The results indicate that person-organization-fit is an important variable in sales force turnover through its direct relationship with organizational commitment.

The results on the influence of the salesperson's perception of the company's ethical climate on the salesperson's organizational commitment support most of the studies on this area (Jaramillo et al., 2009; Kristof-Brown et al., 2005; Pettijohn et al., 2008; Vilela et al., 2008; Weeks et al., 2006). The managerial implication is that companies must "walk-the-talk" by ensuring that the ethical standards as reflected in their code of ethics and policies are implemented at all levels of the organization. Companies may offer their employees several resources related to ethics like reading and question and answer materials, interactive e-learning to support ethics leadership training, and road map to guide ethical decision making. These training resources support detailed ethics policies and rules and supplement a company's help line to call for guidance in specific situations. *The goal is to step beyond rules and guidelines and teach employees how to think, clarify, and analyze situations* (Greengard, 2005).

On the other hand, findings of this study ran counter to those of Futrell and Parasuraman (1984), who recommended that improving the working environment may not be the best way to decrease the turnover rate of the best performers. On the other hand, the current study has reinforced Pettijohn et al.'s (2007) observation that *ethical business is good business*. Findings of this study supported the results of prior studies with respect to the hypothesized relationships between organizational commitment and turnover intention. Organizational commitment was significantly related to turnover intention (e.g. Babakus et al., 1999; DeConinck & Johnson, 2009; Jaramillo et al., 2006; Mulki et al., 2008; Rutherford et al., 2011). Also, the importance of organizational commitment needs to be emphasized. Transformational leadership, ethical climate, and person-organization-fit were all antecedents to organizational commitment and therefore had an indirect relationship with turnover intention through organizational commitment. Salespeople who feel a stronger sense of shared organizational value with supervisors practicing transformational leadership behaviors under a positive work climate will have higher levels of organizational commitment. Person-organization-fit was found to be significantly related positively to organizational commitment, supporting previous studies (Jaramillo et al., 2009; Kristof-Brown et al., 2005; Vilela et al., 2008). The results indicate that person-organization-fit is an important variable in sales force turnover through its direct relationship with organizational commitment.

The importance of organizational commitment needs to be emphasized. Transformational leadership, ethical climate, and person-organization-fit were all antecedents to organizational commitment and therefore had an indirect relationship with turnover intention through organizational commitment. Salespeople who feel a stronger sense of shared organizational value with supervisors practicing transformational leadership behaviors under a positive work climate will have higher levels of organizational commitment. This study confirms the results of prior studies with respect to the hypothesized relationships between organizational commitment and turnover intention.



Organizational commitment was significantly negatively related to turnover intention (e.g. Babakus, Cravens, Johnston, & Moncrief, 1999; DeConinck & Johnson, 2009; Jaramillo et al., 2006; Rutherford et al., 2011). However, this study extends prior research by showing the importance of transformational leadership in understanding turnover among salespeople through organizational commitment. This study has shown that transformational leadership has a direct positive effect on salesperson's decision to stay with the company. While Gill et al. (2011) concluded that there exists a negative relationship between transformational leadership and turnover intention of fast food and full service restaurant service workers in India, this is the first study that provides evidence that transformational leadership reduces turnover among salespeople. It is interesting to note however that the findings of this study show that transformational leadership's negative effect on salesperson turnover intention is stronger through the ethical climate, person-organization-fit and organizational climate path than its direct effect on turnover intention.

### **6. Conclusions and Directions for Future Research**

Research on leadership has shown that the positive attitude it creates on employees leads to lower turnover. Sales force turnover is a heterogeneous phenomenon that is costly and impossible to manage effectively without understanding its mechanisms. Because turnover must be managed proactively, the current study examined how transformational leadership affects turnover intention directly and indirectly through the salesperson's perception of the organization's ethical climate, person-organization-fit, and organizational commitment. All the eight hypotheses formulated were supported. Findings from the study provide evidence for the importance of developing transformational leadership behaviors among supervisors and managers like articulating a vision, providing an appropriate role model, fostering the acceptance of group goals, attaining high performance expectations, intellectual stimulation, and most important providing individual support. This study shows how the complementary values of the sales manager and the organization affect a salesperson's perception of ethical climate and the resulting effect on salespeople retention through person-organization-fit and organizational commitment.

Findings from this study are essentially consistent with the findings of current sales force literature, signifying that most of the current knowledge applies within a Philippine setting. Moreover, this study provides support to the contention that U.S.-based scales used to measure sales management issues can be adapted into a Philippine framework. As a whole, the study provides evidence for methods to reduce turnover by developing transformational leadership behaviors among managers and supervisors and enhancing organizational ethical climate.

Several limitations need to be addressed by future research. First, this study was the first to test a model of turnover of salespeople that included transformational leadership, ethical climate, person-organization-fit and organizational commitment. Therefore, a need exists to replicate these findings.

Second, the model in this study relies on "turnover intentions" rather than turnover. Although several studies and meta-analytic studies have demonstrated that turnover intention is significantly related with turnover, future studies could evaluate the impact of transformational leadership on objective and quantitative measures of turnover from company internal records.

Third, this study was limited in scope to analyzing the relationship among transformational leadership, ethical climate, person-organization-fit, organizational commitment, and turnover intention. Future research could include other variables and analyze their relationship with the variables included in this study. For example, Ehrhardt, Miller, Freeman, and Hom (2011) found a direct relationship between perceived training comprehensiveness and organizational commitment. Investigating the possible influence of transformational leadership on perceived training comprehensiveness may provide more information concerning sales force turnover.

Finally, future research could investigate transformational leadership in comparison with other styles that also consider building positive work relationships with subordinates to be important. The researcher believes it will be important for future research to assess whether transformational leadership has a stronger impact on turnover intention than servant leadership, particularly in relation to the life cycle of an organization. Smith et al. (2004) argued that transformational leadership should be more effective during the initial growth stage and declining stage of the organization.

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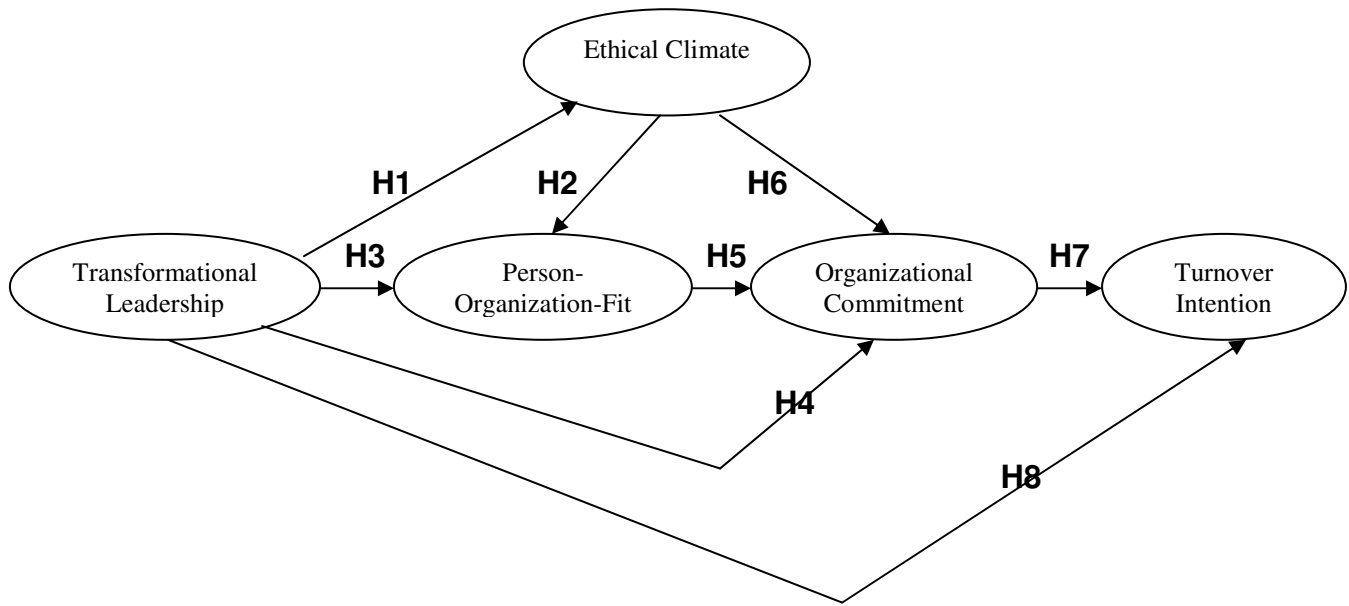
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**Table 1: Confirmatory Factor Analysis Results On Transformational Leadership**

<b>Transformational Leadership Dimensions</b>	<b><math>\beta</math> – coefficient</b>
Articulates a vision	1.000
Has a clear understanding of where we are going.	0.907
Paints an interesting picture of the future for our group.	0.900
Is always seeking new opportunities for the organization	1.023
Inspires others with his/her plans for the future.	1.105
Is able to get others committed to his/her dream.	1.000
Provides an appropriate model	1.085
Leads by “doing,” rather than simply by “telling.”	1.013
Provides a good model for me to follow.	1.036
Leads by example.	1.000
Fosters acceptance of group goals	1.061
Fosters collaboration among work groups.	.986
Encourages employees to be “team players.”	1.052
Gets the group to work together for the same goal.	0.998
Develops a team attitude and spirit among employees.	1.000
Expresses high performance expectations	0.868
Shows us that he/she expects a lot from us.	1.032
Insists on only the best performance.	1.055
Will not settle for second best.	1.000
Provides individualized support	0.597
Acts without considering my feelings.	0.951
Shows respect for my personal feelings.	0.539
Behaves in a manner thoughtful of my personal needs.	0.466
Treats me without considering my personal feelings.	1.000
Intellectual stimulation	0.940
Challenges me to think about old problems in new ways.	0.873
Asks questions that prompt me to think.	0.978
Has stimulated me to rethink the way I do things.	1.039
Has ideas that have challenged me to reexamine some of basic assumptions about my work.	1.000

**Figure 1**  
**Hypothesized Model**



**Figure 2**  
**Final Model**

