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## **Transforming nobody to somebody: Do transformational leadership and relationship marketing make a difference for sustainable marketing?**

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**Abstract:** With a complex, dynamic and fiercely competitive business environment and consumerism, sustainable relationship marketing is a challenge that is critical for businesses. The concept of transformational leadership can be considered as the most influential over the last two decades in changing the ways that businesses are operating – in particular, in marketing their products, and attracting, delighting and retaining customers for the long run. This conceptual paper examines the relationship between transformational leadership and relationship marketing in the context of selling. In particular, the usage of trust and commitment used by both theories has been discussed extensively. Ultimately this study will try to link transformational leadership with relationship marketing while suggesting the use of these concepts side by side for better sustainable marketing.

**Keywords:** transformational leadership; relationship marketing; long-term relationship; selling.

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## 1 Introduction

The concepts of transformational leadership and relationship marketing can be considered to be two of the most important aspects and practices of marketing over the last two decades. Bass (1997) asserted that both selling and leadership involve influence, so much of what is known about the new paradigm of transactional and transformational leadership can be suggested for enhancing the effectiveness of selling, too. According to him, with transformational leadership, selling will be more effective when salespersons are both emotionally and intellectually appealing as well as considerate of their customers’ needs. Further, Martin and Bush (2006) suggest that transformational leadership is one of the predictors of customer-oriented selling. Buttle (2004) contends that “Leadership is very important to the success of Customer Relationship Management (CRM) implementations” because it is the vision of the leader that determines whether others will adopt the move towards a relational approach to marketing practice. Further, the relationship between transformational leadership and relationship marketing also been explained in previous studies. Jayakody and Sanjeevani (2006) examine transformational leadership and relationship marketing at the level of the individual sales person and his or her individual customer. This study was limited to two dimensions of transformational leadership (i.e., individualised consideration and idealised influence). But Abeysekera and Jayakody (2009) in their study discuss all four dimensions in transformational leadership (namely idealised influence or charisma, inspirational motivation, intellectual stimulation and individualised consideration) with related to salesperson and established an argument for using transformational leadership in the selling environment to enhance better relationship marketing in the context of banks.

What is really meant by transformational leadership? Bass (1985) defines a transformational leader as one who motivates followers to do more than they originally expected to do. According to Mosley (1998), by providing vision and strong ideology, the transformational leader can inspire the follower and the follower subsequently performs as a result of some emotional attachment. According to him the theory emphasises the

strength of the interpersonal relationship and minimises the impact of external influences. Further, according to Savic and Pagon (2008), transformational leadership always related to greater involvement with a work team. Gong et al. (2009) by using 277 insurance agents and 111 immediate supervisors as sample concluded that transformational leadership is likely to enhance individual creativity over time and within a field setting that allows for genuine and repeated leader-subordinate interactions. They stressed that managers can be instrumental in terms of providing an environment that stimulates and nourishes creative self-efficacy, through, for example, applying transformational leadership principles. Interestingly the concept of transformational leadership can be identified for its robustness across conditions (Judge and Piccolo, 2004) and its cross-cultural applicability (Den Hartog et al., 1999).

On the other hand, relationship marketing has become a popular concept with practitioners of marketing as well as with academics over the last few decades. Relationship marketing refers to marketing activities that attract, develop, maintain, and enhance customer relationships (Berry, 1983; Berry and Parasuraman, 1991; Grönroos, 1994). Relationship marketing suggests that closer attention is paid to long-term financial growth and other benefits of retained customers (Heffernan et al., 2008; Sin et al., 2006). In the increasingly competitive global context, relationship marketing has been advocated as an excellent way for organisations to establish a unique long-term relationship with their customers. The literature stressed that relationship marketing has a significant impact on the business performance of firms in both service and manufacturing industries (Lee et al., 2001; Sin et al., 2006).

Further, a parallel can be drawn between these two concepts of relationship marketing and transformational leadership in the context of social exchange, trust and commitment, as well as with the existing literature.

## **2 Transactional marketing and transactional leadership**

The concept of relationship marketing has emerged after the concept of transactional marketing and on the other hand transformational leadership emerged after the concept of transactional leadership. It is worthwhile discussing this relationship with empirical evidence as well.

Relationship marketing can be better understood by comparing its counterpart, known as transactional marketing. A variety of authors have attempted to differentiate transaction marketing (sometimes referred to as traditional marketing) from relationship marketing. For example, Christopher et al. (1991) explained that transactional marketing is focused on a single sale in the short term. Transaction marketing is said to be oriented towards product features with low emphasis in service, and involves moderate customer contact and limited customer commitment, when compared with relationship marketing which emphasises product benefits with high service, customer contact, and customer commitment. Grönroos (1991) argues that transaction and relationship marketing differ in their time perspective, price elasticity, the dominating marketing function and quality dimension, measurement of customer satisfaction, the customer information system, functional interdependence, and the role of internal marketing. Grönroos further stated that the choice of approach used (either transactional or relational) may depend not only on the offer, but also on the type of customer served and the stage of business life cycle. Hence the customer is very important in this context – by looking at the customer,

you are going to apply one or the other of the two approaches: relationship marketing or transactional marketing.

The literature also suggests that marketing management in the transaction context is primarily concerned with the product and achieving organisational objectives that emphasise product profitability (Coviello et al., 1997; Webster, 1992). There marketing focuses on achieving profit maximisation that revolves around the application of the firm's resources to markets, customers and products in the most efficient and cost effective manner. As Webster (1992) noted, "There is no need to consider people or social processes when the units of analysis are products, price, costs, firms and transactions". On the other hand, refusing the idea of transactional marketing, relationship marketing is always concerned about interactive marketing activities and managing these dimensions with the aim of establishing, developing and maintaining cooperative customer relationships for mutual benefit (Grönroos, 1997, 2004). As such, managing the marketing-mix dimensions of product, price, promotion and place is of less importance from the viewpoint of managing interactive marketing dimensions such as people, processes and physical evidence (Walsh et al., 2004). In other words, relationship marketing will focus not only on the four traditional Ps of product, price, promotion and place, but also on the three additional Ps in services marketing (four Ps plus people, processes and physical evidence). It is quite clear specially in the services sector that additional effort should be made to market services because of the nature of that product.

On the other hand, transactional leadership also can be discussed with transformational leadership. The transformational leadership concept emerged after the inception of the concept of transactional leadership. According to Burns (1978) transactional leadership occurs "when one person takes the initiative in making contact with others for the purpose of an exchange of valued things". The exchange could be economic or political or psychological in nature: a swap of goods or one of good for money; a trading of votes between candidate and citizen or between legislators; hospitality to another person in exchange for willingness to listen to one's troubles. Each party to the bargain is conscious of the power resources and attitudes of the other. Each person recognises the other as a person. Their purposes are related, at least to the extent that the purposes stand within the bargaining process and can be advanced by maintaining that process. But beyond this the relationship does not go. The bargainers have no enduring purpose that holds them together; hence they may go their separate ways. A leadership act took place, but it was not one which bound the leader and followers together in a mutual and continuing pursuit of higher purpose (Burns, 1978). Furthermore, Bass (1985) stated that transactional leadership involves role clarification, the initiation of structure, attempts to meet the social needs of subordinates, and the distribution of rewards and punishment according to performance. It relies on management-by-exception and/or contingent reward. Burns's (1978) comprehensive theory formed the foundation for Bass's (1985) transformational-transactional differentiation which has become highly important in the study of leadership in organisations. The model of transactional leadership is based "on a series of exchanges between leaders and followers" (Bass, 1985). Transactional leaders clarify followers' roles and what they must do to obtain designated outcomes. Also leaders recognise followers' needs and how need fulfilment was exchanged for enacting the role to attain designated outcomes. This leadership behaviour provides followers with confidence and motivation to achieve desirable performances. According to Bass (1985) transformational

leadership is an additional effort by further increasing the confidence of subordinates and by elevating the value of the outcomes for the subordinates.

It has been argued that the early theorists were concerned with transactional leadership based, as it was, on economic and quasi-economic transactions between leaders and followers and appeals to the self-interest of the followers. In contrast, transformational approaches were used to appeal to followers beyond their self-interest, and occur when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality, i.e., both they, and the social system in which they function, are transformed (Bass, 1985; Burns, 1978).

Transactional leadership is generally sufficient to maintain the status quo, but transformational leadership stimulates change and innovation. Transformational leadership “motivate[s] others to do more than they originally intended and often even more than they thought possible” (Bass and Avolio, 1994). But usage of these two leadership styles together is well admired in the literature. As it suggests, transformational leadership, whatever its form, is likely to add to transactional leadership, in moving subordinates to make greater efforts to achieve better performance with more satisfaction (Bass and Avolio 1994). This has been supported by the recent study of Ivey and Kline (2010) by linking transformational leadership with active transactional leadership.

The concepts of transactional leadership and transactional marketing can be discussed related to transformational leadership and relationship marketing because of their expansion as theories, and with the support of existing literature which always tries to relate them to each other. And more importantly, it is worthwhile to discuss both concepts of relationship marketing and transformational leadership with origins in the context of social exchange.

### **3 Social exchange**

It is worthwhile to discuss the theory of social exchange with relation to relationship marketing and transformational leadership. According to Homans (1958), the founder of the theory, it was developed to understand the social behaviour of humans in economic undertakings. Responding to various market characteristics, the social exchange theory views the exchange relationship between specific actors as “actions contingent on rewarding reactions from others” (Blau, 1964). The crux of the theory is still best captured in Homans’s own words

“Social behaviour is not only an exchange of goods, material goods but also non-material ones, such as the symbols of approval or prestige. Persons that give much to others try to get much from them, and persons that get much from others are under pressure to give much to them. This process of influence tends to work out at equilibrium to a balance in the exchanges. For a person in an exchange, what he gives may be a cost to him, just as what he gets may be a reward, and his behaviour changes less as the difference of the two, profit, tends to be maximum.” (Homans, 1958)

Hence it can argued that in exchange one person gives away (he might be transformational leader or the salesperson in relationship marketing) and one gets (the follower in transformational leadership and customer in relationship marketing) for mutual benefit. Accordingly, it is quite clear that concepts of transformational leadership

and relationship marketing have emerged from the social exchange theory. Support from the literature on this also cannot be ignored. It talks about the leader member exchange theory (describes how leaders in groups maintain their position through a series of tacit exchange agreements with their members) which comes from the social exchange theory (Blau, 1964). Werbel and Henriques (2009) use the social exchange theory of leadership as a basis to determine superior and subordinate relationships. In defining transformational leadership, it talks about a transforming effect on both leaders and followers (Burns, 1978). According to Bass (1985), transformational leaders develop relationships with their followers that go beyond pure economic and social exchange. Looking at relationship marketing, the connectivity with the theory of social exchange can clearly be seen, as the social exchange theory suggests which relationships can be understood through the exchange process, in which benefits and costs are evaluated in determining relationship development (Stephen, 1984). Interestingly, marketing has been defined in terms of exchanges as well (Kotler and Armstrong, 1987), while examining individual-firm relationships in terms of rewards and costs helps to explain why consumers enter into such relationships. According to Berry (2000), relationship marketing relies primarily on social bonds, which involve regular communication with customers and service continuity through a personal service representative. Additionally, in a social relationship, customers may be more understanding when a service failure occurs, and customers may also be more likely to allow the salesperson or store to respond to competitive offerings (Berry, 1995). On the other hand, customers receive various types of benefits from service relationships, namely confidence, special treatment, and social benefits (Gwinner et al., 1998). Hence it is quite clear that both the concepts of transformational leadership and relationship marketing have origins in the theory of social exchange.

#### **4 Trust and commitment**

Major outcomes of transformational leadership – trust and commitment (Jung and Avolio, 2000) – are the key variables of relationship marketing (Morgan and Hunt, 1994; Pillai and Sharma, 2003). According to the literature it is quite obvious that there is a relationship between transformational leadership and the two components of trust and commitment (Jung and Avolio, 2000; Humphreys et al., 2003). Transformational leadership has also been found to lead to higher levels of organisational commitment (Barling et al., 1996). At an individual level, transformational leadership has positive effects on trust in leadership (Barling et al., 2000; Podsakoff et al., 1996). Literature concerning trust and management indicates that trust is a central feature in the relationship that transformational leaders have with their followers (Butler et al., 1999; Podsakoff et al., 1990, 1996). According to Bennis and Nanus (1985), who studied 90 innovative leaders in industry and the public sector, development of commitment and trust is a factor that characterised transformational leaders. Arnold et al. (2001) suggest that organisations implementing teams should concentrate on encouraging and training their team members in how to be effective transformational leaders, and a culture of transformational leadership within the team should be promoted. And more importantly, it has suggested that this would seem to be a more effective way to engender trust, commitment and team efficacy than the encouragement of strong values and norms.

Relationship marketing also can be defined by using trust and commitment. Commitment appears to be one of the most important variables for understanding the strength of a marketing relationship, and it is a useful construct for measuring the likelihood of customer loyalty as well as for predicting future purchase frequency (Dwyer et al., 1987; Morgan and Hunt, 1994). Commitment is the most common dependent variable used in buyer-seller relationship studies (Wilson, 1995). Morgan and Hunt (1994) regarded relationship commitment as the keystone to relationship marketing. Morgan and Hunt (1994) defined relationship commitment as “an ongoing relationship with another that is so important as to warrant maximum efforts at maintaining it”. It stated that once commitment is reached by the buyer and the seller the emphasis in the relationship now moves towards cooperation and long-term maintenance of that relationship, so that the parties involved continue to experience positive, profitable outcomes (Morgan and Hunt, 1994). One of the major outcomes of this relationship-building process is commitment on the part of both parties involved to cooperate and continue the relationship over the long term. Egan (2001) suggests that commitment is central to relationship marketing. Conway and Swift (2000) feel that the level of commitment a partner feels towards that relationship is of great importance in developing relationships. Hocutt (1998) viewed commitment as “an intention to continue a course of action or activity or the desire to maintain a relationship”. Moorman et al. (1992) define commitment as an enduring desire to maintain a valued relationship. The term ‘valued relationship’ emphasised the belief that commitment exists only when the relationship is considered important. This implies a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial (Morgan and Hunt, 1994). In this study, it conceptualises trust as “willingness to rely on an exchange partner in whom one has confidence” (Morgan and Hunt, 1994). The level of trust between exchange partners is an important criterion for understanding the strength of marketing relationships and has been defined in a variety of related ways. As Wilson (1995) suggested, trust is a fundamental relationship model building block and is included in most relationship models. Trust has been defined in diverse ways in the relationship marketing literature, as “the belief that a partner’s word or promise is reliable and a party will fulfil his or her obligations in the relationship” (Schurr and Ozanne, 1985). The inclusion of trust as a central variable in a relationship exchange has been examined widely in the marketing literature. For example, in service marketing, Berry and Parasuraman (1991) found that “customer-company relationships require trust”. In retailing, Berry (1983) stresses, “trust is the basis for loyalty”. The literature emphasises trust as one of the main factors playing an important role in influencing a customer to develop, maintain and enhance a relationship with the service provider (Liang and Wang, 2006; Shekhar and Gupta, 2008). In addition, Morgan and Hunt (1994) identified trust as a key construct in their model of relationship marketing. A number of studies have found that trust improves partner performance (Katsikeas et al., 2009; Zhang et al., 2003). Trust and commitment are paired in the literature with very few researchers discussing one without the other. Both trust and commitment are invariably associated with the prerequisite that the relationship is of significantly high importance to one or both parties (Morgan and Hunt, 1994).

Hence, it is evident that both transformational leadership as well as relationship marketing are engaged with the concepts of commitment and trust.

## 5 Discussion

As discussed earlier there is a relationship between the concepts of transformational leadership and relationship marketing. The concepts of relationship marketing and transformational leadership can be considered to be two of the most discussed concepts in marketing and leadership studies. In the context of transformational and transactional leadership alone, scholars have drawn conclusions on various facets of leadership across industries and gender: financial performance, worker performance, and cognitive, affective and behavioural outcomes (Dumdum et al., 2002; Lowe et al., 1996). On the other hand, research has shown that an organisation's level of relationship marketing activities is positively correlated to its performance, staff satisfaction (Sharma and Sheth, 1997), new product success (Campbell and Cooper, 1999) and the level of strategic competitive advantage that is achieved in the market place (Reck and Long, 1988). More interestingly, the concept of transformational leadership can be seen in the sales environment. Bass (1997) explained how salespersons can adapt transformational leadership by referring to the behaviour of salespersons characterised by transformational leadership as transformational selling. He further discussed the concepts of charismatic leadership or idealised influence, inspirational leadership or motivation, intellectual stimulation, and individualised consideration with effective selling. According to Bass (1997) both salespersons and leaders attempt to change and influence the perceptions, cognitions, decisions and behaviours of customers as well as their followers. Again, a similarity can be drawn between the concepts of transformational leadership and relationship marketing. Furthermore, Martin and Bush (2006) suggested transformational leadership, empowerment, and specific components of the psychological climate are important predictors of customer-oriented selling. Further, Choudhary and Saraswat (2003) revealed that quality leaders can be considered as models who believed that their job was to support their employees who in turn would provide good customer service.

Jayakody and Sanjeevani (2006), Abeysekera and Jayakody (2009) attempted to examine the relationship between transformational leadership and relationship marketing. Because of the growing nature and theoretical implications of transformational leadership and relationship marketing, researchers try to understand this relationship of transformational leadership and relationship marketing in conceptual context. Because of growing competition there is a need to be innovative, to add value in the context of marketing. Hence, this research tries to establish an argument to use the concept of transformational leadership with relationship marketing in order to be in a market with some innovative Unique Selling Propositions (USPs). This will help for future researchers to establish a concrete link between these two concepts with the help of empirical investigation. Further, when recruiting salespersons, the qualities of transformational leadership behaviour also can be considered as one attribute for the post. More importantly, this can be used as a measurement for the performance appraisal of the employees in the sales sector as well.

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