A MODEL OF TRANSACTIONAL AND TRANSFORMATIONAL LEADERSHIP FOR SERVICES PERSONNEL

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Abstract

This paper is concerned with the effects that leadership styles (i.e., transactional and transformational) can have upon the level of front-line employees' service delivery quality. Previous literature has mostly looked at leadership and its effects upon subordinates within a sales, psychology, or human resources context. However, due to the idiosyncrasies inherent in services (i.e., intangibility, heterogeneity, perishability, and inseparability), it is likely that, in such a context, different leadership styles will effect performance outcomes. Consequently, this paper seeks to expand the services marketing literature by developing a conceptual framework of leadership style effects adapted to the field of services marketing. Of particular importance are the effects that leadership styles have upon front-line employee "motivators" and service-related job outcomes. Specific hypotheses are developed and future research directions are also presented for consideration.

Introduction

Service quality is often considered as a means of achieving differentiation, customer value, and satisfaction (Ozment and Morash 1994; Schlesinger and Heskett 1991). As such, research into service quality has become a crucial agenda for many researchers today. In this context, service quality measurement is the single most researched area in services marketing to date (Fisk, Brown and Bitner 1993) and appropriate, psychometrically sound, scales of service quality are continually being sought (e.g., Parasuraman, Zeithaml and Berry 1988). Furthermore, enhancing the quality of services offered has now "one of the most important problems facing management today" (Cronin and Taylor 1992, p. 55). Surprisingly, however, little research to date has been concerned with service quality improvement (Burton 1999; Farrell and Souchon 1998).

Parallel to the services marketing literature, the concept of leadership and its impact on salesperson performance has emerged (e.g., Dubinsky *et al*. 1995; Jolson *et al*. 1993; Yammarino 1997). More specifically, different sales management leadership styles have been found to

"enhance, neutralize, or inhibit such job-related outcomes and responses of sales subordinates as job satisfaction, motivation, effectiveness, and performance" (Yammarino 1997, p. 43). It appears likely that leadership styles will also play an important role in improving service firm performance. Zeithaml and Bitner (1996, p. 240) state that "service leadership means driving for service that the customer wants and is willing to pay for. When managers are not committed to service quality from the customer's point of view, they fail to view the customer as the focus of organizational efforts. They fail to establish necessary service quality initiatives, and they do not see that attempts to improve service quality lead to better company performance". Thus, finding ways to enhance customers' perceptions of service quality through optimal leadership behaviours is as much a critical research agenda as the issue of service quality measurement.

Leadership styles need to be reassessed and reconceptualised in the specific context of services marketing for a number of reasons. Firstly, and according to Tansuhaj, Randall and McCullough (1988, p. 32), "the simultaneous production and consumption nature of services coupled with relatively closer consumer contact makes management of marketing activities in services settings unique". Secondly, in the area of personal selling, it is generally accepted that a transformational leadership style is the most effective, followed by transactional and then the laissez-faire, 'hands-off' style (Bass 1997; Dubinsky *et al*. 1995). However, performance outcomes of leadership style may differ when the focal recipients of leadership are front-line service personnel. For example, in a service setting, employee empowerment (see Bowen and Lawler 1992; Rafiq and Ahmed 1998) is a necessary if not crucial determinant of employee service performance, and in such a context, a combination of transformational and laissez-faire may be more beneficial than transformational alone.

Beliefs about leadership style effectiveness simply may not hold where services are concerned. According to Lashley "as the significance of the intangible element increases, the need to gain employee commitment in 'delighting the customer' increases" (1998, p. 25). Thus leadership will play an especially critical part in the delivery of service quality, through the need to foster employee commitment to service quality. Surprisingly, little attention has been paid to leadership issues in service industries. Therefore, the aim of this paper is to develop a conceptual framework outlining whether the effects of leadership styles (i.e., their ranking in order of effectiveness) translate from previously researched arenas into a service context contingent upon service employee issues (e.g., empowerment, teamwork).

Conceptualisation and Hypothesis Development

Service Leadership Styles

Leadership has previously been defined as "the ability of a superior to influence the behavior of subordinates and persuade them to willingly follow a desired course of action" (Jolson *et al.* 1993, p. 95). This paper examines differing leadership styles and their effects on customer-contact service personnel. It should be noted that previous studies employ varying terminology when discussing leadership. The authors acknowledge this but, for brevity, the term leadership style will be used as an umbrella term encompassing all terminologies in this paper.

The leadership styles to be considered during the course of this research are transformational, transactional, and laissez-faire. As indicated by Bass (1997, p. 22) "when people think about ideal leaders, they usually think about transformational leaders". A recent study also determined that

"most executives [studied] mentioned transformational leadership behaviors in their description of what caused exceptional performance" (Boehnke *et al.* 1997, p. 59). There are four dimensions to transformational leadership. *Idealised influence* refers to the *charisma* of the leader (Jolson *et al.* 1993). *Inspirational motivation* is "communicating a vision with fluency and confidence, increasing optimism and enthusiasm, and giving pep talks to energize others" (Yammarino and Dubinsky 1994, pp. 790-1). Leaders who encourage employees to "use new approaches for solving old problems; to explore new ways of achieving the organization's mission and goals", provide *Intellectual Stimulation* (Dubinsky *et al.* 1995, p. 20). Finally, *individualised consideration* is demonstrated by managers who "pay attention to each follower's individual needs by serving as coach or mentor. Two way communication, one-on-one, is encouraged." (Bass 1997, p. 21).

Transactional leaders base their management style upon the notion of reward (Jolson *et al.* 1993). Transactional leadership is made up of *contingent reward* (whereby leaders provide clear guidelines to subordinates who benefit from rewards on the condition of expectations met) and *management-by-exception* (either active, when corrective actions are taken when subordinates have committed errors, or passive, when managers take action only when standards fail to be met). *Laissez-faire* leadership is a hands-off approach whereby employees are left "to their own devices to execute their job responsibilities" (Dubinsky *et al.* 1995, p. 18). In the words of Bass (1997, p. 22), "leadership is not attempted". Several hypotheses are now proposed, which link service leadership styles and their accompanying service management behaviours to service employee "motivators" and outcomes.

On another note, there are a variety of service-specific leadership behaviours beyond those generally discussed in relation to 'leadership styles'. For instance, Zeithaml and Bitner (1996) argue that selection and training of service personnel is a crucial element to being a "service leader". Rather than discount these service-specific leadership behaviours, this paper integrates their relevant effects to those of the more generally accepted leadership styles. The complementarity of these behaviours with the selected leadership styles has yet to be addressed in the services marketing literature. However, it can already be said that these include *feedback* to employees (e.g., Jaworski and Kohli 1991; Schneider 1994), *hiring and training* of staff (e.g., Lashley 1998; Tansuhaj, Randall and McCullough 1988), provision of *organisational support systems* (e.g., Dienhart *et al.* 1993; Schneider 1994), and treating employees as customers / *internal marketing* (e.g., Gummesson 1991; Varey 1995). Given the emphasis of service firms on the delivery of service quality (Hartline and Ferrell 1996), activities designed to enhance service quality (such as those cited above) can be seen as akin to service management performance. In a sales management context, management performance has been found to be positively related to transactional and transformational leadership styles (Russ, McNeilly and Comer 1996). However, in a services context, transformational leadership is likely to be more strongly related to management performance than transactional leadership, for a variety of reasons. Russ, McNeilly and Comer (1996) had postulated this stronger effect but refuted the hypothesis. Their rationale for the equivalent effect of transactional and transformational leadership on management performance was threefold. 1) The effect was due to the relationship between sales manager and sales person being an economic one. 2) Sales managers, being relatively low level managers, focused more on day-to-day activities than higher level managers. 3) The study was conducted at a relatively stable time for the companies, requiring no major leadership intervention. In a services context, however, these reasons would not necessarily hold (for example, service

managers may be more concerned with customer satisfaction than transactional economic sales outcomes). Thus, more in line with Russ, McNeilly and Comer's (1996) original hypothesis:

H1: *A transformational leadership style is more likely to be accompanied by effective implementation of service-specific leadership behaviours than a transactional or laissez-faire leadership style.*

Front-Line 'Motivators'

Adapting from The Concise Oxford Dictionary (1990) definition, motivators can be defined as particular responses of subordinates to leadership behaviours. Such motivators are crucial to a conceptualisation of services leadership in that they are likely to mediate the effect of leadership styles on performance outcomes (i.e., customer perceptions of service quality). Thus, employee motivators will be affected by both generic and service-specific leadership behaviours and, in turn, will affect job performance outcomes as explained in the next section.

Employee 'motivators' is an broad term encapsulating an array of distinct constructs. More specifically, the first set of constructs deals with role conflict, role ambiguity, and role overload, collectively called *role stressors*, which have been found to assert dysfunctional effects on job outcomes such as job satisfaction or performance (e.g., Singh 1998). In this context, and following Singh's (1998) line of argument, the presence of role stressors in front-line staff's work environment is likely to deter them from delivering higher quality services. Thus, it can be seen that methods of reducing role stressors should prove positive to promoting the delivery of higher quality services from front-line personnel. More specifically, Dubinsky *et al.* (1995) uncovered in their study of sales managers that transformational leaders managed staff who were more committed, satisfied, and less stressed than those under transactional leadership. This situation could only realistically occur in the absence of role conflict, ambiguity, and overload. Therefore:

H2: *Transformational service leadership will effect role stressors among front-line service staff to a greater degree than transactional or laissez-faire leadership.*

Secondly, *job characteristics* such as perceptions of feedback, participation, variety, and autonomy have been found to enhance job outcomes (Singh 1998). Feedback is the degree to which leaders provide performance-related reviews to their staff (Teas 1983). Participation refers to the extent to which the member of staff can influence the decisions related to his or her job (Singh 1998). Variety pertains to the range of subordinate tasks (Sims, Szilagyi and Keller 1976). Finally, autonomy is the discretion offered to the staff member in carrying out their work duties (Becherer, Morgan and Richard 1982). Bass (1997, p. 22) argues that transformational leaders "emphasize the use of intelligence and creativity". It could be more likely for a transformational leader to, for example, enhance participation and autonomy than a transactional leader. Thus,

H3: *Transformational service leadership will effect job characteristics among front-line service staff to a greater degree than transactional or laissez-faire leadership.*

Front-Line Staff Job Outcomes

Psychological job outcomes: Job satisfaction (e.g., Hartline and Ferrell 1996), commitment to service (e.g., Hartline and Ferrell 1996), feelings of empowerment (e.g., Bowen and Lawler 1992), self-efficacy (e.g., Gist and Mitchell 1992), involvement (e.g., Dienhart *et al*. 1992),

motivation (e.g., Walker, Churchill and Ford 1977), and loyalty (e.g., DelVecchio 1998) are psychological job outcomes relevant to services personnel. These will be affected by leadership styles and employee motivators and, in turn, will influence employees' service-related behaviours. For example, a transformational leader providing inspirational motivation has the ability to increase his or her followers' optimism and enthusiasm (Bass 1997). If the leadership is specifically directed at achieving service-related outcomes, as service leadership undoubtedly is (Zeithaml and Bitner 1996), service staff operating under this leader will be more likely to demonstrate positive psychological job outcomes such as service commitment. On another note, Singh (1998) uncovered negative relationships between role stressors and job outcomes, and positive relationships between job characteristics and job outcomes. There is no reason to suspect that these relationships will not hold where service situations are concerned. Thus:

H4: *Positive front-line staff psychological job outcomes will be a) reduced by role stressors; b) enhanced by front-line staff job characteristics; and c) effected to varying degrees by transformational, transactional and laissez-faire service leadership styles.*

Employee service-related behaviours: In a services context, the behaviours of front-line service staff have been classified in the following way: adaptability, coping, spontaneity, recovery, and teamwork (Nurmi 1996 and c.f., Zeithaml and Bitner 1996). Zeithaml and Bitner note that "on the basis of thousands of service encounter stories, four common themes – recovery (after failure), adaptability, spontaneity, and coping – have been identified as the sources of customer satisfaction/dissatisfaction in memorable service encounters" (1996, p. 109). To this list has been added teamwork, the basis of an organisation working towards common goals. It thus becomes paramount to research these service-related behaviours as they appear to account for much of the functional aspect of service quality (see Grönroos 1984).

Employee motivators are likely to play a powerful role in affecting service-specific work behaviours. For example, empowered service employees are likely to be more adaptive because of the increased flexibility that accompanies empowerment (Hartline and Ferrell 1996). Similarly, spontaneity of employees can be increased by letting staff use their discretion during service encounters, and, as mentioned by (Kelley 1993, p. 105), the ability of employees to exercise discretion can "have a positive impact on customer satisfaction and service quality". Furthermore, in a services context, it has been argued that internal variables such as employee satisfaction (a psychological job outcome) enhance productivity (e.g., Bowen 1996). Taking the work of Grönroos (1984) into account, leadership styles and employee behaviours could be seen as representing "functional" quality, the 'how' of the service delivery process. As an outcome measure the current study uses service quality, since it is seen as customer-dependent and an evaluation of both processes and outcomes of service delivery (Parasuraman, Zeithaml and Berry 1985). Hence, in the conceptual framework (Figure 1) the link between the functional (process) and technical (outcome) dimensions is best evaluated by using service quality as the ultimate variable. In terms of the functional dimension:

H5: *The quality of front-line service staff service-related behaviours will be a) reduced by role stressors; b) enhanced by job characteristics; c) enhanced by psychological job outcomes; and d) effected to varying degrees by transformational, transactional and laissez-faire leadership styles.*

Figure 1: A Model of Service Leadership Style Effects in Service Firms
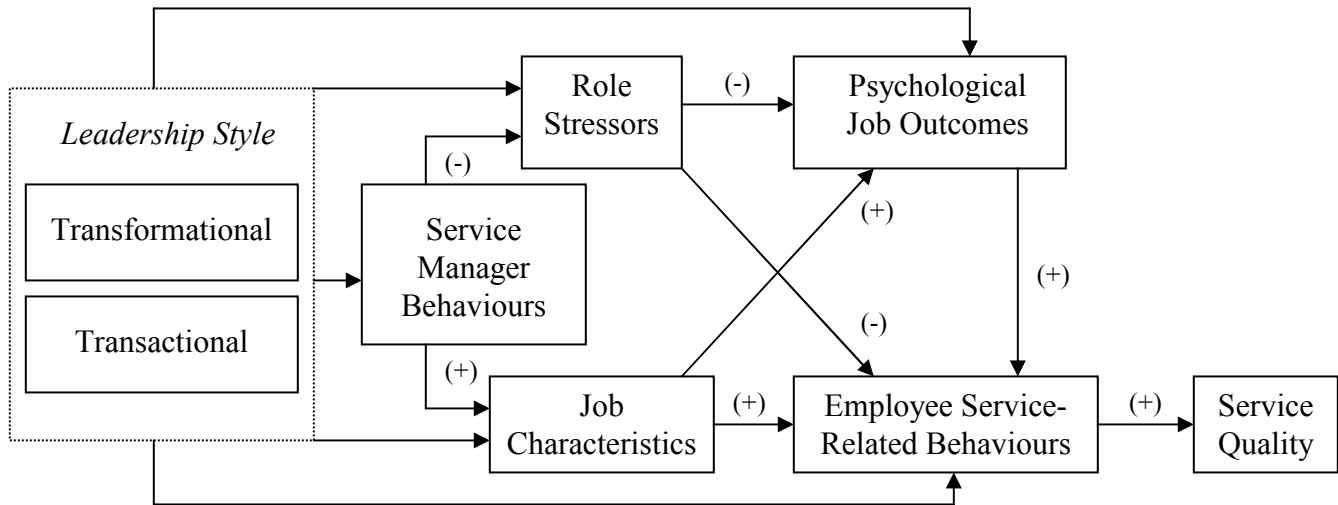
Conclusion and Empirical Research Directions

With the increased importance placed upon the management of marketing activities in a services context it is critical to gain an understanding of the (direct and indirect) effects that leadership can have upon the quality of service provided. This paper builds upon existing leadership theories by reconceptualising them within a services context, providing relevance to both business and academic arenas. Business leaders will subsequently benefit from gaining insight into which particular behaviours or leadership styles have the greatest impact upon service quality provision to organisational customers. Also, the model provides a link between the functional and technical aspects of service delivery, with an emphasis on service quality improvement. More specifically, the model highlights the importance of the selected leadership styles in fostering increased customer perceptions of service quality. This should be achieved through improving service-related management behaviours (e.g., training front-line staff), lowering front-line staff role stressors, enhancing service employees' job characteristics (e.g., participation), their psychological job outcomes (e.g., job satisfaction and commitment), and their service-related behaviours (e.g., greater adaptability during the provision of primarily heterogeneous services). The conceptual model also adds to the existing services marketing literature in that it is, to the authors' best knowledge, the first article to have amended leadership style literature to provide guidelines on enhancing service quality. An important point to note is the argument that laissez-faire leadership may well take on greater importance in a services context as opposed to its seeming non-effectiveness in the personal selling literature.

However, research is still needed to test whether the conceptualised model can be validated in a services marketing context. The constructs described here can be measured with existing instruments (e.g., Cronin and Taylor 1992; Parasuraman, Zeithaml and Berry 1988) or scales can be adapted from past literature (e.g., House, Schuler and Levanoni 1972). The particular leadership styles under consideration could be assessed using the Multifactor Leadership Questionnaire (e.g., Bass and Avolio 1996). Future research should also seek to incorporate the effects that moderating influences (e.g., gender [Gibson 1995]) could have upon the conceptual model presented in this paper. An exploratory, qualitative study involving in-depth interviews of service leaders, front-line staff and end-customers could help in identifying such influences.

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