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**DO DIFFERENT MARKETING PRACTICES REQUIRE
DIFFERENT LEADERSHIP STYLES?
AN EXPLORATORY STUDY**

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Research Paper

Purpose

The literature discusses the relationship between marketing practice and leadership style and suggests that these are dynamic and linked. Providing empirical data, our article investigates this relationship between marketing practices and leadership styles.

Design/Methodology/Approach

We developed a model and tested it using a survey methodology based on two well-validated research instruments, one from the Contemporary Marketing Practices research group together with the multifactor leadership questionnaire (MLQ). Data was analyzed using a Partial Least Squares (PLS) approach.

Findings

Our results show that a transformational style of leadership is positively associated with interaction and network marketing. Transactional leadership is positively associated with database and network marketing. Passive/avoidant leadership has no effect on any of the marketing practices.

Research Limitations/Implications

The research is unique and exploratory, and it was conducted in a UK context. The use of moderators within the model would have been preferable. For these reasons, generalizability is constrained somewhat.

Practical Implications

Our research adds weight to the argument that leadership styles need to be consciously adapted with respect to marketing practices. There are also implications for managerial training and development needs.

Originality/Value

To our knowledge very few studies have considered the relationship between marketing practices and leadership styles. This article, therefore, reports work in an area not previously researched empirically.

Keywords: Leadership styles; Marketing practices; Transactional leadership; Transformational leadership; Transaction marketing; Relationship marketing.

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INTRODUCTION

Leaders create and change companies' cultures, and employees perform in these cultures (Schein 1992). In circumstances of market change and complexity certain styles of leadership are more effective than other types (Goleman 2000). For example, the use of recruitment and training to establish the appropriate leadership style is important in creating a customer-oriented culture that is at the foundation of relational marketing practices (Harris and Ogbonna 2001). To our knowledge, however, very few studies have examined the relationship between marketing practices and leadership styles. One example is that by Hult *et al.* (2000) but their study considers only the effects of leadership behaviors on relationship commitment. Our objective, in contrast, is to explore a more general relationship between leadership styles and marketing practices (in which relationship commitment is one of several constituent parts). First, however, we present a short case study (Box 1) on a company implementing more relational marketing practices. The case highlights the difficulties encountered in the context of an inappropriate managerial attitude.

Box 1: Implementing relational marketing practices: the case of inappropriate managerial attitudes

The company is UK based and supplies food ingredients and meal components to a range of commercial and institutional outlets (Palmer and Brookes 2002). Also, the company is well established in its industry and has a high reputation, but its commercial performance was

modest. Sales teams are organized into four trading regions. A direct sales force regularly and routinely calls on customers ('milk rounding') with the associated inefficiencies that a pejorative term such as this implies. Recognizing this, the company reorganized and appointed a new marketing team. They implemented an account gain strategy, utilizing a database marketing approach. Lacking key skills and resources, the company networked with external agencies, buying in capabilities and resources as required.

The complexity of the database program was significant, involving the coordination of a number of external suppliers, the four regional sales teams, and the regional administrative support. An underpinning process was developed with the head office team supported by regional coordination managers to ensure that the waves of mail shots, follow-up telephone calls, and sales appointments and fulfilment were properly coordinated. The campaign resulted in 106 new accounts. Sales staff was tasked to personally visit each of the new contacts. In addition to generating a gross margin of £269,714 after nine months, a substantial bank of new sales contacts was developed, and the company gained valuable experience in managing a direct mail campaign.

The new marketing team realized that the very different approach that they instigated in a rather conservative organization would not necessarily be universally accepted. To overcome internal resistance the team identified the database marketing campaign as the 'product' that had to be sold internally. Consequently, team members made numerous presentations to gain acceptance. Subsequently, close contact was maintained with regional staff to overcome resistance, gain commitment, and achieve a positive outcome. Also, interactive follow-up discussions were held to complement the quantitative data and to check acceptance of and commitment to the campaign's aims. Finally, a summary report and presentation was made to

the board of directors together with a proposal for further innovative marketing activity. Further support and commitment was given to the marketing team as a result.

The case in Box 1 demonstrates that the vision generated by the internal marketing campaign and the commitment to communication led to a positive atmosphere, overcoming initial change resistance. The detailed development of processes and quantification led to high levels of accountability and the basis for further managerial action. A considerable challenge was overcoming the entrenched attitudes of some members of the sales team to following up the sales leads generated. However, the overall perceived success of the campaign gained commitment not only at board level, but also throughout the organization with managers keen and eager to hear of new initiatives.

Also, the case demonstrates that the concept of leadership has emerged in a number of ways, initially by the creation of the vision by the new marketing team to rejuvenate a complacent organization. This was made tangible by the internal marketing campaign created by the team, which defined processes and targets to be delivered within tight timescales. High levels of communication and involvement were important at the implementation stage to maintain drive and commitment as the inevitable problems and challenges arose.

The post implementation audit also provided the opportunity for reflection in a more detached and objective manner. The formalization of the outcomes in terms of a board report and presentation gave the initiative credibility and gained top management support. This was a clear signal to the organization that change was not only acceptable, but welcomed. In addition, managers felt empowered by the success achieved and confident to drive forward

with further new ideas. As a result, this process gave the organization renewed confidence to move forward.

Drawing upon empirical findings, our study investigates the relationship between marketing practices and leadership styles. The remaining parts of our article are organized as follows. Previous research on leadership styles and marketing practices is reviewed. We develop a general model that hypothesizes a relationship between marketing practices and leadership styles. This model is tested among a sample of 79 executive MBA students. We discuss the results of a PLS approach that tests relationships in the proposed model. A number of propositions are generated. In addition, future research avenues are suggested, and the limitations of the study are addressed.

LITERATURE REVIEW

The following first two sections review previous research on leadership styles and marketing practices. In particular, we justify our use of the transactional/transformation leadership role framework and the transactional/relational marketing framework.

Research on Leadership Styles

The formal and empirical study of leadership originated in the 1930s (Hunt 1996). By demonstrating that humanistic, democratic-style leaders are better equipped to deal with complexity and change, Bennis was instrumental in establishing leadership as an important research domain in the 1960s (e.g. Bennis 1961). Researchers have since then been obsessive in their quest to arrive at a comprehensive set of leadership measures (Dulewicz and Higgs

2003) and, from the late 1980s onwards, theories of transformational and transactional leadership styles started to gain importance (e.g. Bass 1985; Burns 1979). The transactional/transformational school of thought (Bass 1985) is now acknowledged as a dominant approach in the study of leadership (Dulewicz and Higgs 2003; Vera and Crossan 2004).

Transformational leadership refers to a charismatic style in which followers move beyond pure self-interest, and where leaders change their organization's culture by understanding it and, subsequently, realigning it with a new vision and a revision of its shared assumptions, values, and norms (Bass 1985; Carless 1998). Transformational leaders fundamentally change the values, goals, and aspirations of followers who adopt the leader's values and, in the end, perform their work because it is consistent with their values and not because they expect to be rewarded (Kuhnert and Lewis 1987; MacKenzie, Podsakoff, and Rich 2001). Transactional leadership, in contrast, is an exchange-based relationship where self-interest is dominant. Transactional leaders work within their organization's culture and follow existing rules, procedures, and operative norms (Bass and Avolio 1993).

Under a transformational leadership followers are influenced through a process of internalization, identification, and/or integration of creative insight, persistence and energy, intuition, and sensitivity to the needs of others rather than instrumental compliance characterized by contingent reward and management-by-exception styles of leadership (Bass and Avolio 1993; MacKenzie, Podsakoff, and Rich 2001). Followers perform above and beyond expectations under a transformational leader who is "*articulating a vision, providing an appropriate role model, fostering the acceptance of group goals, providing individualized support and intellectual stimulation, and expressing high performance expectations*"

(MacKenzie, Podsakoff, and Rich 2001: p. 116). In short, transformational leaders augment, or enhance, the effectiveness of their leadership behavior over and above what they could achieve through transactional leadership alone.

The transactional/transformation framework is, therefore, acknowledged as appropriate and relevant (Dulewicz and Higgs 2003), reliable and valid (Vera and Crossan 2004), and with the additional advantage that it describes an overall leadership style rather than being decomposed into the components of leadership. Whilst there is a good level of agreement as to the dimensions that contribute to leadership style, the transactional/transformational framework provides a parsimonious framework for theory development (Thomas and Ramaswamy 1996).

Bass (1985) developed a multifactor leadership questionnaire (MLQ) in order to allow measurement of the transactional and transformational leadership behavior constructs. This questionnaire intends to measure factors of both types of leadership styles and is the most widely used instrument to assess transformational leadership (Bryman 1992). There have been numerous comprehensive analyses, reviews, and critiques of Bass's six-factor model since it was originally published, with several alternative versions of the MLQ having been developed. In our conceptual framework three dimensions represent transformational leadership (TFL):

- Charisma/inspirational (CH/I) that "*provides followers with a clear sense of purpose that is energizing, is a role model for ethical conduct and builds identification with the leader and his or her articulated vision*" (Avolio, Bass, and Jung 1999: p. 444).

- Intellectual stimulation (IS) that "*gets followers to question the tried and true ways of solving problems, and encourages them to question the methods they use to improve upon them*" (Avolio, Bass, and Jung 1999: p. 444).
- Individualized consideration (IC) that "*focuses on understanding the needs of each follower and works continuously to get them to develop to their full potential*" (Avolio, Bass, and Jung 1999: p. 444).

Three dimensions represent transactional leadership (TAL):

- Contingent reward (CR) that "*clarifies what is expected from followers and what they will receive if they meet expected levels of performance*" (Avolio, Bass, and Jung 1999: pp. 444-445).
- Management-by-exception – Active (MBE-A) "*focuses on monitoring task execution for any problems that might arise and correcting those problems to maintain current performance levels*" (Avolio, Bass, and Jung 1999: p. 445).
- Passive/avoidant (P/A) that "*tends to react only after problems have become serious to take corrective action, and often avoids making any decisions at all*" (Avolio, Bass, and Jung 1999: p. 445).

There has been much debate, however, regarding the high correlations among the TFL dimensions. Avolio, Bass, and Jung (1999) reviewed the critiques on the six-factor model. Generally, these critiques recommend collapsing the original leadership dimensions into higher-order factors, in particular for TFL style. Work by Carless (2001) and by Den Hartog, Van Muijen, and Koopman (1997) also suggests a better fit for a higher-order approach for TFL style. Bass and Avolio (2000) demonstrated that the fit of a four-factor model (transformational, transactional, CR, MBE-Active, and P/A) is only marginally lower than the fit of the six-factor model.

Following this line of reasoning, and in order to reduce the complexity of the conceptual model, a conservative three-factor model is used. The first factor is composed of all the TFL components: CH/I, IS, and IC; the second factor is composed of two TAL components: CR and MBE-Active; and the third leadership factor is composed of one component: P/A.

Research on Marketing Practices

Probably more than ever before, marketing is changing. Different ways have been proposed to classify different marketing practices including modern/postmodern marketing (Brown 2001; Pine and Gilmore 1999) and products-services/project-solutions marketing (Cerasale 2004; Cova, Ghauri, and Salle 2002). More recently, the service-dominant logic of marketing has gained prominence in the literature (Vargo and Lusch 2004a, 2004b): companies offer their customers value propositions and marshal resources, skills, and knowledge together for the customers, with value being co-created by the companies, suppliers, and customers in a direct service interaction. Compared to for example transaction marketing where customer satisfaction and loyalty are not essential considerations, the service-dominant logic of marketing emphasizes a long-term perspective where service is being exchanged for service.

For the purposes of our research, however, we propose to use the marketing framework of the Contemporary Marketing Practice group. This group has a rigorously developed framework used to understand the nature of these various changes and their impact on marketing's context and practice is particularly useful the purposes of our study (cf Beverland and Lindgreen 2004; Brookes and Palmer 2004; Coviello, Milley, and Marcolin 2001; Coviello *et al.* 2002). The group identifies that companies are now looking at least as much towards

retaining and developing current customers and depriving competitors of the benefit of having them, as they are on attracting new customers, with all the costs of acquisition that are entailed. This relational approach to marketing is in contrast to transaction marketing that emphasizes attracting business, but less so retaining business. Within the framework relational marketing practices are seen as interactive in nature, with exchanges being carried out between the company, suppliers, and customers. A key element of the framework is that it does not place distinct boundaries between the five types of marketing. Different types of marketing are not necessarily independent and mutually exclusive. Recent research has, in fact, regrouped these marketing practices into three groups, reflecting the degree of transaction/relationship nature (Brookes and Palmer 2004; Coviello *et al.* 2003).

There is an additional reason to use this framework. Burns (1978) originally proposed a *continuum of leadership styles spanning from transactional to transformational*, implying that these contrasting leadership styles are mutually exclusive. More recently, research has suggested that, rather than considering leadership styles as being placed along a continuum, they could be seen as a portfolio. That is, leaders can draw from a repertoire of styles depending on the contextual circumstances and the expectations of behavior placed upon the leaders (Dulewicz and Higgs 2003; Vera and Crossan 2004; Rooke and Torbert 2005).

The Contemporary Marketing Practice's classification scheme is likewise based upon a continuum of marketing practices ranging from transactions to relations. The practices are characterized using five marketing exchange dimensions and four managerial dimensions. The framework identifies five distinct types of marketing: transaction marketing (TA), database marketing (DB), e-marketing (IMT), interaction marketing (IMP), and network marketing (NM). In summary, both the leadership style framework and the marketing practice

framework are well established in the literature; and both are using a continuum of, respectively, leadership styles and marketing practices.

Each of the above marketing practices is defined as follows (cf Coviello *et al.* 2003). TA practice involves a company attracting and satisfying potential customers by managing the elements of the marketing mix (product, price, place, and promotion), whereby the company actively manages communication 'to' customers in a mass-market in order to create discrete, arms-length transactions. The overall approach is to use aggressive marketing to attract customers. Marketing activities are intended to continuously search for new customers to get sales. The strategy is focused on the products and their prices. Customer contact is arms-length and impersonal, with no individualized or personal contact. Relationships with customers are characterized as discrete, or one-off, transactions. Marketing resources are focused on product/service, price, distribution, and promotion capabilities. Marketing activities are mainly carried out by functional marketers, including sales managers and product-development managers. Communication with customers can be characterized as undifferentiated. Meetings with customers are mainly at a formal, business level.

DB practice involves using a database technology to create a type of relationship that allows companies to compete in a manner different from TA. The intent is to retain identified customers in a specific market segment although marketing is still 'to' the customer, rather than 'with' the customer. Relationships as such are not close or interpersonal, and are facilitated and personalized through the use of database technology. The strategy is focused on customers in addition to the product/brand. The purpose is to acquire customer information for the company's database in addition to meeting financial objectives, including increasing profit. The contact with customers is somewhat personalized via technology. The relationship

with customers is characterized as occasional contact (e.g. by e-mail). Resources are invested in database technology to improve customer management. Marketing activities are mainly carried out by specialist marketers (e.g. customer service managers and loyalty managers). Meetings with customers are mainly at a formal level, yet attuned to the situation of the individual customer.

IMT is characterized as using the internet and other interactive technologies to create and mediate two-way dialogue between the company and many identified customers. The dialogue is ongoing and happens in real time. Also, the purpose is to create information-generating dialogue with many identified customers. Resources are invested in operational assets (information technology, website, and marketing) and functional systems integration (e.g. electronic marketing). Marketing activities are increasingly carried out by cross-functional marketing teams. Meetings with customers are mainly at a formal level, yet customized using interactive technologies.

IMP practice implies face-to-face interaction between the company's employees and individual customers. As such, it is truly 'with' the customer, as both parties invest resources to develop a mutually beneficial, interpersonal, and cooperative relationship. The relationship is ongoing and often long term. Substantial marketing resources are invested in establishing, maintaining, and developing relationships. Marketing activities are mainly carried out by employee teams spanning the company's different functions and levels. Communication with customers also involves employees within the selling company personally interacting with individuals within the buying company. Meetings with customers are at a formal business level, and at an informal social level on a one-to-one basis.

NM practice occurs across organizations, with resources being committed to developing the company's position in a network of company-level relationships. Marketing activities are intended to coordinate activities between the company, customers, and other parties (e.g. suppliers and service providers) in a wider marketing system. The contact with customers is from impersonal to interpersonal, and is characterized as ongoing. Marketing activities are carried out by marketers and cross-functional teams, but also senior managers are involved. Marketing communication involves senior managers networking with managers from a variety of organizations in the market(s) or the company's wider marketing network. Meetings with customers are at a formal business level and at an informal social level in a wider organizational network.

Effects of Leadership Styles on Marketing Practices

The answer as to whether or not leadership style has an effect on marketing practice could appear straightforward. Thomas and Ramaswamy (1996: p. 249) comment that *"the logic of matching managers to strategy is intuitively appealing. There is overwhelming anecdotal, theoretical and empirical evidence supporting this line of reasoning."* For example, leaders create and change companies' cultures, while the companies' employees live within them (Schein 1992). Part of today's marketing – for example, networks and alliances, culture and shared values, power, and teamwork – has been seen as falling under the umbrella of leadership (Sadler 2003). However, *"little empirical work has been conducted which related leadership behaviors to a more elaborate operationalisation of change context"* (Dulewicz and Higgs 2003: p. 108). We consider now what the fragmented literature suggests about a relationship between leadership styles and marketing practices.

There is in the relationship marketing literature some discussion of the importance of leadership. Buttle (2004: p. 43) contends that "*Leadership is very important to the success of CRM [customer relationship management] implementations*" because it is the vision of the leader that determines whether others will adopt the move towards a relational approach to marketing practice. Communication and training – that resemble the two leadership styles IC and CH/I to some degree – are posited as essential in this process (Gamble, Stone, and Woodcock 1999).

Hult *et al.* (2000) posit that market relationships are becoming increasingly complex in scope, and that strong leadership could potentially achieve synergy and competitive advantage and, in turn, build for a positional market-place advantage. Therefore under the so-called TAL leadership style (see subsequent section) a market relationship is contingency based and "*tends to limit the degree of satisfaction, and contribution to [...] goals*" (Hult *et al.* 2000: p. 113). In the same way, external market relationships are focused on achieving the goal, and "*reaction, conflict, and crisis drive [...] relationships*" (Hult *et al.* 2000: p. 113). TAL leadership behaviors can therefore be successful; however, Sujana, Weitz, and Kumar (1994) contend that sometimes the so-called TFL leadership (see subsequent section), which focuses on mutual needs, aspirations, and values, is required in order to stimulate market learning, especially when the company does not just react to crisis and fulfilling predetermined needs, but actively builds for customer satisfaction and retention as in relational marketing. Research gathered on the Malcolm Baldrige National Quality award, for example, confirms the positive relationship between TFL leadership and customer satisfaction (Knox *et al.* 2003).

We also find support for this proposed relationship in Trompenaars and Hampden-Turner's work on leadership (2002). For example, teams are often made up of diverse competing

individuals meaning that reaching a unity of purpose and shared solutions can be difficult. This would be expected to pose a problem in relational-orientated companies where cooperation is important between employees and managers from across functions and levels in the company. In such a case, TFL is needed, as a transformational leader can "*make the superordinate goal so exciting and the process of creating new shared realities so passionate and enjoyable that diverse members overcome their differences and realize a unit of diversities that makes the solution far more valuable*" (Trompenaars and Hampden-Turner 2002: p. 449).

Based upon the previous discussion we would expect a relationship between leadership styles and marketing practices. Since ours is a theory-generating study we propose a parsimonious conceptual model at this stage (Figure 1). Research linking leadership styles to contextual circumstances is generally considered to be more insightful than attempting to describe the relationship between leadership style and overall business performance (Hackman and Wageman 2005). The explanation for this may be that the dominant approach adopted by the leader is more directly influenced by personality (Dulewicz and Higgs 2003), and in turn by the dimensions of leadership style and also the contextual circumstances (Vera and Crossan 2004). Business performance is a broad measure subject to numerous variables for which it may, or may not, be possible to control. Palmer and Pels (2005) discuss this issue of measurement, and with respect to studies of this type describe such business performance measures as coarse-grained, arguing that finer-grained measures give more insight and explanation of linkages.

[INSERT FIGURE 1 AROUND HERE]

METHODOLOGY

To gather data we followed the protocol that the Contemporary Marketing Practice group has established according to which convenience samples of managers participating in executive MBA programs are being used and, although not random in nature, it is an approach that is both practical and controllable (Coviello *et al.* 2002). Because of the limited respondent base the study is positioned as an exploratory study. However, it is believed that the study is important as it is revelatory in that an exploration of the relationship between leadership styles and marketing practices has not previously been conducted. The study was conducted in a UK context.

With regards to the establishment of the respondents' organizations, 21.5 percent of the organizations were established five years ago (or less); 19 percent were established between six and 10 years ago; 11.4 percent were established between 11 and 30 years ago; and 48.1 percent were established more than 30 years ago. With regards to sales revenue generated by sales to export markets, 25.3 percent of the organizations answered that their sales revenue was not generated by sales to export markets; 29.2 percent of the organizations generated up to 25 percent of their sales revenue through export markets; and 15.2 percent and 13.9 percent generated between 26 and 79 percent respectively 80 percent (or more) of their sales revenue through export markets.

54.4 of the organizations are totally domestically owned; 21.5 percent of the organizations are domestic/foreign jointly owned; while the remaining organizations are totally foreign owned. Half of the organizations were a division/subsidiary of a larger organization. In terms of the market served, 19.0 percent of the organizations were in consumer markets and 63.3 percent

of the organizations were in business markets; the remaining organizations dealt in both types of markets. Almost the same distribution was identified for the organizations' market offer (goods: 24.1 percent, services: 57.0 percent, and both goods and services: 16.5 percent).

The respondents had an average age of 31 years, with seven years work experience generally gained at middle and senior managerial level. Job titles included associate, business development manager, general manager, marketing manager, project manager, and senior manager, among others. It was possible for the respondents to evaluate their companies' marketing practices because they were involved either directly in marketing activities or, more generally, in marketing planning. 43 percent of the respondents have worked for four years or more in their organizations. Of the respondents 73 percent had a technical qualification, while only one percent had an undergraduate degree and one percent had a postgraduate degree.

The type of sample described above is consistent with other international studies (e.g. Coviello *et al.* 2002; Neelankavil, Mathur, and Zhang 2000). After an introduction to marketing practices and leadership styles each respondent received a copy of the questionnaire (developed by the Contemporary Marketing Practice group) with an added section relating to leadership styles. The questionnaire was in English and all respondents were either native speakers or near fluent. In case the respondents could not answer a question they were asked to seek the required information from their colleagues. However, a proportion of students were unable to respond meaningfully as their experience lay with not-for-profit organizations such as local government and the armed services. Respondents were told of the nature of the study, but data collection took place before the start of the formal teaching program in order to minimize exposure to marketing theory and potential bias. The

questionnaire was distributed to all 232 students on the course of which 79 questionnaires were returned (34.1 percent) and provided usable data.

The Questionnaire

The part of the questionnaire relating to marketing practice is organized around topics including the respondents' organization and customers; marketing practices; the performance; use of technology in the organization; and the respondents themselves and their view on marketing (Coviello *et al.* 2002). For the part of the questionnaire relating to leadership style we developed a questionnaire that contained previously developed measurement instruments with favorable psychometric properties. For the dimensions of TFL and TAL styles we employed 36 items measured on a 7-point Likert-type scale from the MLQ Form 5X-Short measurement instrument (Bass and Avolio 2000).

Data Analysis

The PLS approach was used to estimate both the measurement and structural parameters in our structural equation model (Barclay, Higgins, and Thompson 1995; Chin 1998; Fornell and Bookstein 1982; Lohmöller 1989; Wold 1985). Sample size considerations precluded the use of multiple indicators per latent variable and, as a result, we adopted a two-stage procedure (cf. Karahanna *et al.* 2002). We first assessed the psychometric properties of the measurement instruments in a null (measurement) model without specifying structural relationships. We then calculated mean scores for the individual constructs and these were used as indicators for the structural model. As opposed to the covariance-based or factor-based approach to structural equation modeling implemented for example in LISREL, PLS is component-based

and, as a consequence, does not require multivariate normal data, places minimum requirements on measurement levels, and is more suitable for small samples (Chin 1998; Wold 1985). PLS uses an iterative estimation algorithm, which consists of a series of simple or multiple ordinary least squares regression analyses (Chin 1998), which means that the path coefficients in the structural models can be interpreted as standardized regression coefficients and the loadings of the measures on their respective constructs as factor loadings. PLS is considered more appropriate for models containing complex relationships (i.e. a large number of indicators, constructs, and relationships).

As far as sample size is considered an approximation of the required sample size using a path-weighting scheme can be obtained by finding (1) the largest number of formative indicators in a block or (2) the dependent latent variable with the largest number of independent latent variables (Chin and Newsted 1999). Using a regression heuristic of 10 times either (1) or (2), we can obtain an approximation of the required sample size. In our case we have specified two formative indicators for TAL style and for the dependent latent variables we have three independent latent variables; thus resulting in a required sample size of approximately 30.

In the leadership literature the degree of correlations among the dimensions of TAL seems to be questionable. More often they are specified as 'unrelated' dimensions (Avolio, Bass, and Jung 1999; see for example Table 4 that identifies the intercorrelations of the different leadership dimensions. Because of this our constructs of the TAL style have been chosen as formative predictors.) However, because of the relatively small sample size ($n=79$) we decided to use mean scores aggregated over the dimensions for both the leadership styles and the marketing practices and using these scores as indicators for the constructs. We specified three reflective indicators for TFL style, two formative indicators for TAL style, and the

remaining constructs were specified with a single indicator (see Figure 2, which has been placed in the Findings)

DISCUSSION

We estimated the parameters in the structural model using PLS analysis as implemented in PLS-Graph Version 3.0 (Chin 2001) to assess the construct validity of the measures used in the study and to test for the substantive relationships in the conceptual model.

[INSERT TABLES 1 AND 2 AROUND HERE]

Construct Validation

As far as the psychometric properties of the measures are concerned we specified a null model, in which all the constructs were included without specifying structural relationships. The reliability, convergent validity, and discriminant validity were examined for the measurement instruments used in our study. Reliability was assessed using composite reliability (Chin 1998; Fornell and Larcker 1981; Werts, Linn, and Jöreskog 1974) and average variance extracted (Chin 1998; Fornell and Larcker 1981). Composite reliability and average variance extracted were calculated for the constructs employed in our study (see Table 1). Composite scale reliability ranged between 0.82 and 0.93 exceeding the cut-off value of 0.7 suggested by Nunnally and Bernstein (1994). Average variance extracted ranged between 0.51 and 0.65 and exceeded the 0.5 cut-off value proposed by Fornell and Larcker (1981). Convergent validity can be evaluated by inspecting the factor loadings of the measures on their respective constructs. We deleted all items for which the standard loadings

did not exceed 0.5 suggested by Hulland (1999). In total 26 items were deleted. The standardized factor loadings for the remaining items can be found in Table 1. Discriminant validity can be assessed by examining whether a construct shares more variance with its measures than it shares with other constructs in the model (Barclay, Higgins, and Thompson 1995; Chin 1998, Howell and Avolio 1993; Hulland 1999). Consequently, the square root of the average variance extracted should exceed the construct intercorrelations in the model. Inspection of Table 2 reveals that construct intercorrelations in the model did not exceed the square root of the average variance extracted for the constructs. Moreover, we checked for cross-loadings and found none of them substantial (> 0.30).

Findings

To test the effects and the statistical significance of the parameters in the structural model a bootstrapping procedure with 250 resamples with individual sign preprocessing was used (Chin 1998, 2001; Efron and Tibshirani 1993). Results of the study reveal that TF style has a statistical significant positive effect on IMP and NM practices, and that TAL style has statistical significant positive effect on DB and NM practices. P/A was not found to have a statistical significant effect on either TA practice or any of the relationship marketing practices. These results are summarized in Figure 2.

[INSERT FIGURE 2 AROUND HERE]

There is some evidence in the literature to support the results. For example, due to the functional nature of TA practice it would be expected that CR style and TA practice will be positively related, and that CR style and relationship marketing practices will be negatively

related. Also, TA practice is defined as impersonal and arms length with an underlying economic orientation (Coviello *et al.* 2002), utilizing the 4Ps as a primary tool for management (Christopher, Payne, and Ballantyne 1991). Consequently, marketing activity occurs as a series of discrete but often continuous and sequential activities. At a functional level within the organization, marketing resolves into a series of activities, and short-term management of the activities assumes a task orientation. Hence a positive relationship between MBE-A and TA practice, and a negative relationship between MBE-A and relationship marketing practices would be expected.

In turn, TAL style is composed of CR and MBE-A and, based upon the previous discussion, it would be expected that TAL style is positively related to TA practice. There is additional evidence for this proposition. For example, Christopher, Payne, and Ballantyne (1991) suggest that TA practice is functionally orientated. That is to say it is conducted by functional specialists who have the requisite skills to manage the elements of the marketing mix, within a hierarchical organizational structure. It is therefore hypothesized that this form of marketing practice is consistent with TAL style where clear expectations of functional performance can be defined. This is not the case for relationship marketing practices.

Our results do demonstrate a relationship between TAL style and marketing practice, however, not to TA practice but rather to DB and NM practices. This is interesting: the link between DB and TA practice may be anticipated as previous work, using bivariate correlation, demonstrated a moderate positive relationship between TA and DB practice (Coviello *et al.* 2003). In this sense DB could be considered as an automated approach to TA, using database technology. However, NM is one of the most pronounced relationship marketing practices. Its linkage to the TAL style may possibly be explained by additional work conducted by the

Contemporary Marketing Practice group (e.g. Coviello *et al.* 2002; Coviello *et al.* 2003) and further discussed in Brookes and Palmer (2004). In this work the aggregate sample of respondents was analyzed using clustering techniques. In this way the marketing practices previously identified within respondent companies could be further considered in terms of the most common combinations of such practices. The findings were that practices were not necessarily exclusively practiced but could be practiced concurrently, and cluster analysis identifies the most common combinations.

When considering the combinations identified in which NM practice was prominent, two clusters emerged. These were termed 'traditional relational' and 'pluralistic'. The first cluster is reasonably self explanatory, incorporating IMT and NM practices of marketing. The second cluster, including all the marketing practices identified, that is both transactional and relational marketing practices. Hence this may explain the linkage of TAL style to both TA and NM practices, as in this study respondents are being considered in aggregate, whilst cluster analysis may provide a finer grained analysis. This could be verified by applying the clustering technique to this sample of respondents and investigating the composition of clusters identified and their relationship to leadership styles. It would be an interesting and useful opportunity for further work, as it may be hypothesized that TAL style is positively related to the traditional transactional cluster, but not to the pluralistic cluster, which includes transactional marketing practices.

With regard to TFL style, Brookes and Palmer (2004) have proposed that appropriate managerial attitudes are necessary for success but that these may vary depending on the type of marketing practice. We therefore hypothesize that the more relationally oriented forms of marketing, represented by IMT and NM, will require a TFL style as otherwise "*if the position*

of a firm within a network is not actively managed, then abdicating this responsibility may well lead to loss of competitive advantage" (Brookes and Palmer 2004: p.234). Elements of each of the TFL styles contribute to this ambition. In other words, it would be expected that there will be a negative relationship between TFL style and TA practice, and a positive relationship between TFL style and IMP and NM practices. The results do suggest that TFL style is related to IMP and NM practices, however no relationship was found between TFL style and TA practice, possibly due to the more mechanistic application of marketing practice and the corresponding lower focus on interaction and relationships.

CONCLUSIONS

The study has contributed in a number of important areas. For example, it has built on the now well established contemporary marketing practice framework by adding an important theoretical and managerial dimension, which extends our understanding of how marketing is practiced, as well as how it is theorized. By indicating linkages between these areas there is the opportunity to build a more comprehensive understanding and explanation of managerial and marketing practice. In particular the results have demonstrated the hypothesized link between the more relationally oriented marketing practices and leadership styles. This adds weight to the suggestion that different marketing practices are about more than technique; they encompass an underlying attitudinal approach to staff, the internal market, and the external market of customers and the wider stakeholder network.

Managerial Implications

The findings of the present study hold a number of implications for managers who identify an opportunity to create competitive advantage by developing alternative or additional marketing practices. Indeed, our findings suggest that alternative marketing practices are associated with different leadership styles. As a consequence, managers need to be cognizant of the need to consciously adapt leadership styles appropriate to the context. The development of such practices involves not only adopting or acquiring new resources and techniques, but also involves an underlying understanding of how to enthuse, manage, and motivate those within the organization to work both differently and more effectively.

First, for the implementation of any marketing practice, defining the objectives of the task engenders interest, organizational support, and high-level commitment for further initiatives. The success criteria of any program – for instance the implementation of DB practices in the organization – should be carefully defined such that a clear linkage can be drawn between the actions taken during the course of the change initiative and the outcomes achieved. For the implementation of DB practices, clear and precise financial measures such as revenues per customer segment or the dollar volume of cross-selling should be clearly linked to the use of technology. As Palmer and Pels (2005) suggest, using higher level measures of success may be appropriate for other aspects of organizational performance but are unlikely to give a sufficiently fine-grained and direct reflection of the program concerned. Additionally, it is powerful and convincing to present the results in financial terms, in particular to demonstrate increased performance relative to previous activities and absolute gains in revenue.

Second, our findings demonstrate that transformational leadership has a direct and significant influence on the implementation of IMP practices. In a context where developing relationships with customers is important – that is, formally meeting customers and engaging

in personal selling – organizations must make sure that the marketing manager will (1) provide employees with a clear sense of purpose, (2) get them to think about customer-driven solutions, and (3) help them to develop their full potential as individuals. Typically, marketing managers wishing to achieve these goals can also seek help of call center coaches who will help them adapt their leadership style and create customer-centricity awareness among employees. Likewise, this advice will hold for the implementation of NM practices. In both these marketing practices, customer and network partner centricity are essential to the success of the organization. Success for both these practices should then be measured using appropriate performance measures such as customer or partner commitment, trust, expected positive word-of-mouth behavior, or the expectation of relationship continuity (Palmatier, Dant, Grewal, and Evans 2006).

Third, our findings demonstrate that a transactional leadership style is significantly linked to the implementation of DB and NM practices. As previously discussed, these findings are interesting given that DB and NM practices are quite different based upon the continuum of marketing practices. In the case of DB practices, the relationship is still 'to' the customer rather than 'with' the customer. Relationships are not close, and the organization has one main objective: to increase returns/profits per customer. This explains that organizations, which want to implement DB practices, must also have leaders who will reward employees based on them meeting expected levels of financial performance. Our results also demonstrate that monitoring task execution to maintain performance levels will significantly engender higher levels of DB marketing.

Regarding NM practices, and in comparison to a dyadic relationship, Iacobucci and Hopkins (1992) define a network as *"a composite of a larger number of actors and the pattern of*

relationships that ties them together" (p. 5). This approach takes the standpoint that the internal structure of collaboration and information exchanges will influence the performance of the firm. In light of this definition, we can add another explanation for the significant influence of transactional leadership style on the implementation of NM practices. Identifying one's position in a network of suppliers and customers can be done by measuring one's degree centrality. Degree centrality is defined as "*the number of individuals with whom an actor is directly connected*" (Ronchetto, Hutt, and Reingen, 1989, p. 60). Therefore, a transactional leader would be one to reward employees based on the number of close relationships they have established, and maintain, with customers and suppliers in the network. Additionally to measuring the number of relationships in a network, a transactional leader would also define clear expectations on the nature of these relationships. For example, the marketing manager can evaluate the quality of relationships with each actor in the network by determining the number of vendor managed inventory systems in place. Such a system enables the buyer of a product to provide information to the supplier, which will enable the latter to take full responsibility for maintaining an agreed inventory of materials. Our results therefore demonstrate that managing a large amount of relationships in a network will be facilitated by a leader who will be able to manage the complexity of the network by defining clear rules/expectations and by rewarding them.

Limitations

There are a number of limitations to our study. For example, the model was tested in the UK, but should be tested in countries that are culturally different. Ours is a unique and exploratory study, with the context imposing some constraint as to the level of generalizability. For example, it would have been preferable if the study had included some moderators. Whilst it

may be appropriate to consider additional control variables in order to increase in particular managerial relevance, the literature suggests that control variables, such as gender, experience, and industry type, have little or no effect on the overall findings (Eagly, Johannesen-Schmidt, and van Engen 2003). There is also widespread agreement in the literature that a transformational style of leadership is more effective in circumstances of change and complexity (Goleman 2000; Rooke and Torbert 2005). The questionnaire, however, did include questions such as years that the organization has been established; amount of sales revenue generated by sales to export markets; kind of ownership (domestic, domestic/foreign jointly, or foreign); division or subsidiary of a larger organization; and type of market served and market offer. However, we chose not to examine their effects because of the relatively small sample size (n=79). The effect of these and other moderators should, therefore, be investigated in subsequent studies. Our results could also be tested against a broader community, and hence peer review is important in order to test the rigor of and the degree to which the findings are credible (Hirschman 1986).

Another limitation is that as all measures were obtained from the respondents using a questionnaire they may share common method variance, which can increase or decrease the observed relationships (Podsakoff and Organ 1986). Also, causal relationships can only be tested using an experimental design or a longitudinal study. A dynamic perspective on the effects of leadership styles over time could also increase our understanding of the nature of relationships in this study and the causalities involved. We propose that there is an opportunity for further qualitative work as a precursor to more conceptual development and empirical fieldwork.

Finally, one may ask if the relationship between marketing practices and leadership styles is dependent on whether the companies are in business-to-business or business-to-consumer marketing. Our sample is too small for an investigation of this issue, with 50 business-to-business companies and 15 business-to-consumer companies. However, similar to previous findings that identified that marketing practices are independent of whether the companies are in business or consumer markets, we would not expect to find that certain marketing practice – leadership style relationships are more prevalent in one of these settings.

Future Research

Future research should test the resulting model in countries culturally different from the UK, and further examine the possible effects of moderators. Also, whilst the contemporary marketing practice work has identified different marketing practices, many companies adopt more than one practice. Previous work using the contemporary marketing practice framework has demonstrated these differences in marketing practice between companies. Clustering techniques have enabled the most common combinations of practices to be identified. Typically these range from a transactional approach (TA and DB practices) to a relational approach (IMT and NM practices), as well as a pluralistic approach whereby companies demonstrate that they practice all types of marketing to a greater or lesser extent (Brookes and Palmer 2004; Coviello *et al.* 2002; Lindgreen *et al.* 2000). In addition, previous work has identified differences in practices between goods/services and business-to-business/business-to-consumer companies, with business-to-business and service companies typically being more relationally oriented. Future research should examine whether there are differences in the relationships between leadership styles and marketing practices in business-to-business markets and business-to-consumer markets.

An opportunity for further work is to consider leadership styles on a more specific basis using the categorizations established by previous researchers using the contemporary marketing practice framework, and the following hypothesis is proposed. It could be that in services marketing, where it is more difficult to pre-specify and formalize service encounters (because they are dependent upon individual customers), hence we propose:-

H1 – The link to a TFL style of leadership will be stronger in services compared to goods marketing.

Such further research would provide valuable insight into not only the nature of the practice but also the management implications of each practice and managing the transitions between practices. For example, the reportedly high failure rates for customer relationship management software installations (Rigby, Reichheld, and Schefter 2002; Zablah, Bellenger, and Johnston 2004) provides an example of where greater insight may have led to alternative decisions concerning marketing practice.

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Table 1. Psychometric properties of the measures ^{a,b}

Measures	Item	SL	CR	AVE
CH/I	1	0.77	0.93	0.54
	2	0.74		
	3	0.79		
	4	0.71		
	5	0.74		
	6	0.77		
	7	0.80		
	8	0.73		
	9	0.67		
	10	0.73		
	11	0.57		
IS	1	0.67	0.86	0.61
	2	0.79		
	3	0.87		
	4	0.79		
IC	1	0.71	0.88	0.65
	2	0.81		
	3	0.85		
	4	0.85		
CR	1	0.72	0.83	0.55
	2	0.62		
	3	0.84		
	4	0.76		
MBE-Active	1	0.80	0.87	0.62
	2	0.81		
	3	0.72		
	4	0.81		
P/A	1	0.79	0.90	0.52
	2	0.81		
	3	0.64		
	4	0.72		
	5	0.61		
	6	0.71		
	7	0.70		
	8	0.71		
TA	1	0.62	0.82	0.54
	2	0.57		
	3	0.88		
	4	0.81		
DB	1	0.75	0.88	0.64
	2	0.74		
	3	0.85		
	4	0.84		

IMT	1	0.73	0.89	0.56
	2	0.74		
	3	0.74		
	4	0.79		
	5	0.80		
	6	0.72		
	7	0.71		
IMP	1	0.66	0.92	0.63
	2	0.86		
	3	0.84		
	4	0.84		
	5	0.75		
	6	0.76		
	7	0.82		
NM	1	0.64	0.89	0.51
	2	0.67		
	3	0.73		
	4	0.66		
	5	0.77		
	6	0.74		
	7	0.70		
	8	0.67		

a SL = standardized loadings; CR = composite reliability; AVE = average variance extracted.

b CH/I = charisma/inspirational; IS = intellectual stimulation; IC = individualized consideration; CR = contingent reward; MBE-Active = management-by-exemption – Active; P/A = passive/avoidant; TA = transaction marketing; DB = database marketing; IMT = e-marketing; IMP = interaction marketing; NM = network marketing.

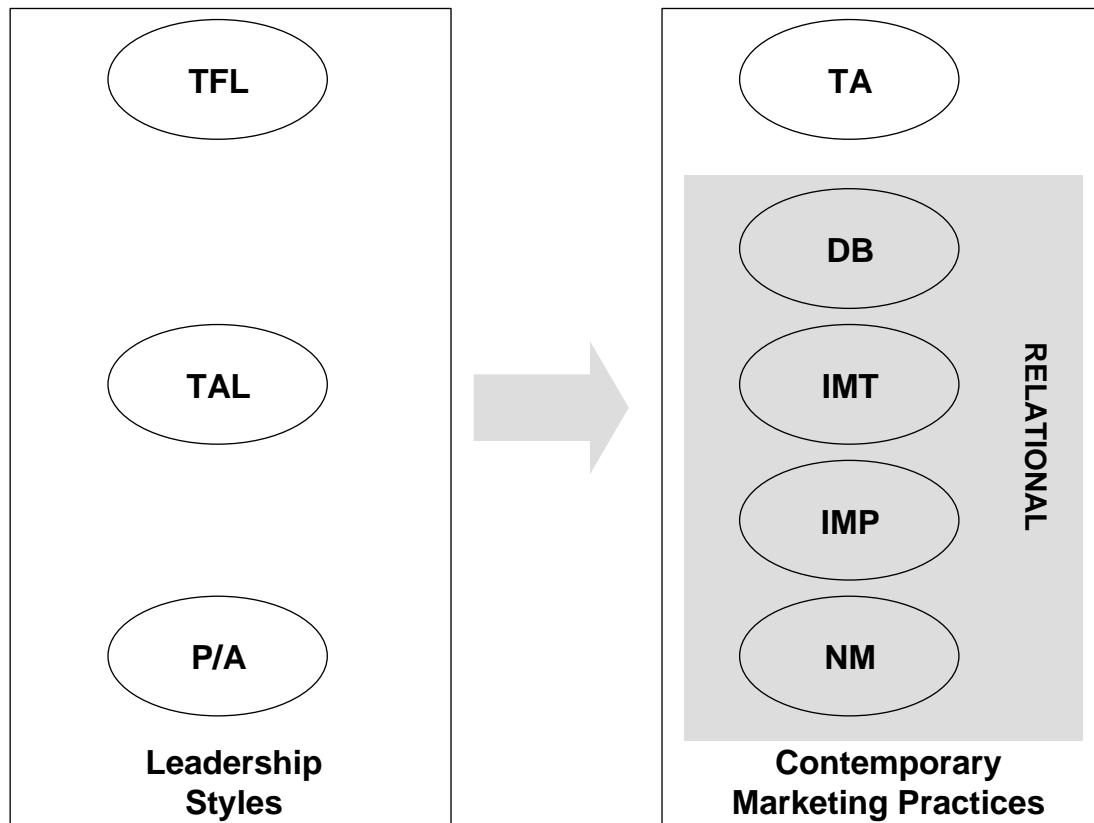
Table 2. Correlations of latent variables ^a

Measures	Mean ^b	SD	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
1. CH/I	3.0550	0.73125	0.73										
2. IS	2.8695	0.79061	0.61	0.77									
3. IC	2.9900	0.81833	0.68	0.54	0.81								
4. CR	3.3772	0.75981	0.61	0.50	0.58	0.74							
5. MBEA	2.8169	0.84624	-0.05	-0.13	-0.16	-0.10	0.79						
6. P/A	2.7242	0.77086	-0.56	0.57	-0.52	-0.46	0.29	0.72					
7. TA	3.0118	0.90530	-0.01	-0.01	0.03	0.16	0.09	0.02	0.73				
8. DB	2.4850	0.90998	0.15	0.20	0.03	0.24	0.18	-0.19	0.28	0.80			
9. IMT	2.5831	0.81209	0.19	0.18	0.04	0.17	0.17	-0.02	0.13	0.73	0.75		
10. IMP	3.6560	0.97174	0.13	0.18	0.20	0.21	0.02	-0.01	-0.19	0.01	0.04	0.79	
11. NM	3.0805	0.90113	0.17	0.31	0.18	0.25	0.21	-0.04	0.12	0.33	0.49	0.56	0.71

a Square root of AVE on diagonal.

b Based on summated scores of the items in the table.

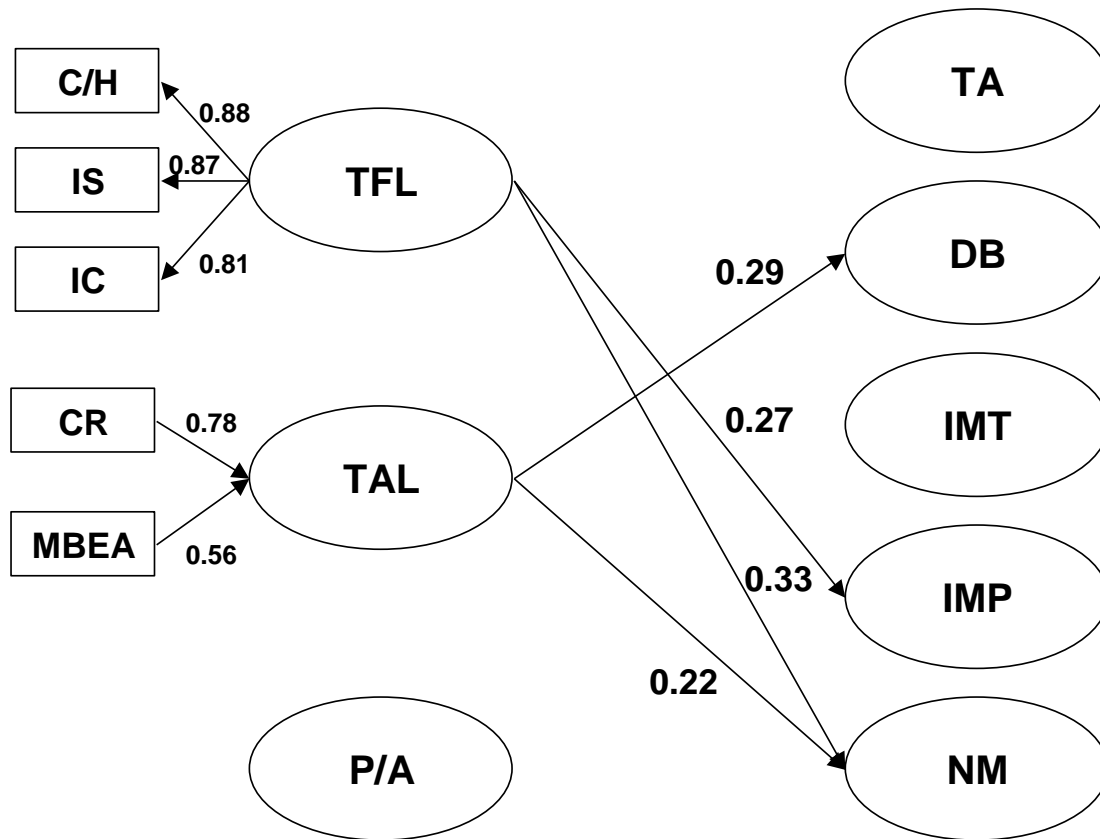
Figure 1. Conceptual framework ^{a,b}



a TFL = transformational leadership; TAL = transactional leadership; P/A = passive/avoidant leadership.

b TA = transaction marketing; DB = database marketing; IMT = e-marketing; IMP = interaction marketing; NM = network marketing.

Figure 2. Empirical results ^{a,b,c,d}



- a CH/I = charisma/inspirational; IS = intellectual stimulation; IC = individualized consideration; CR = contingent reward; MBE-A = management-by-exemption – Active; P/A = passive/avoidant; TFL = transformational leadership; TAL = transactional leadership; P/A = passive/avoidant leadership.
- b TA = transaction marketing; DB = database marketing; IMT = e-marketing; IMP = interaction marketing; NM = network marketing.
- c Only significant ($\alpha=0.05$) standardized path coefficients are depicted.
- d If no manifest variables are depicted the latent variables are specified with a single manifest variable.