**The Influence of Transactional and Transformational Leadership on Salespersons'
Ethical Work Climate, Person-Organization Fit, Performance Turnover Intentions, and
Turnover**

Abstract

Creating an ethical work climate is important to organizations. This study examines how

transformational and transactional leadership styles influence salespersons' perceptions of an

ethical work environment, perceived organizational fit, turnover intentions, and turnover. The

results indicate that both transformational and rewards transactional leadership styles are related

positively to the perception of an ethical work climate and performance while only

transformational leadership style was related to perceived organizational fit. Only turnover

intentions were directly related to turnover. Research and practical implications are discussed.

Much research has shown that leadership behavior is one of the most important variables Brown and Mitchell, 2010; Newman et al., 2017). The ethical values of leaders have a significant impact on employees' behavior (Brown and Treviño, 2006). Research indicates that the ethical values of leaders influence employees' performance, organizational commitment, organizational citizenship behavior and perceptions of an ethical work climate (DeConinck, 2010; Mayer et al., 2009; Neubert et al., 2009). Senior managers set the tone for ethical behavior and influence the extent to which ethics training is incorporated into the organization (Treviño et al., 2014; Weaver et al., 1999). If management encourages bottom-line goals, with little interest in ethical decision making, then unethical behavior is more likely to occur (Brown et al., 2005).

While several theories of leadership exist, transformational leadership has been proposed as particularly relevant to creating an ethical work climate (Bass and Avolio, 1993; Bass and Steidlmeier, 1999; Ingram et al., 2005). Transformational leadership involves uplifting the morals, motivation, and morale of followers by encouraging them to look beyond their immediate self-interests by creating and articulating a vision, setting high performance standards, providing guidance and coaching to followers, and helping followers to become more creative and innovative (Bass, 1985; Bass, 1999). When a leader is transformational, employees display greater organizational identification and are more willing to adopt the norms and values of the organization (Ingram et al., 2007). The transformational leader is a role model for ethical conduct (Avolio and Bass, 1999). However, only a few studies have tested the relationship between transformational leadership and ethical work climate. These results show a positive relationship between transformational leadership and employees' perceptions of an ethical work climate (Toor and Ofori, 2009; van Aswegen and Engelbrecht, 2009).

While most research has concentrated on transformational leadership, transactional leadership, which involves contingent reinforcement such as rewarding or punishing followers for their behavior (Bass and Steidlmeier, 1999), is also related to a variety of employees' job outcomes (Podsakoff et al., 2006; Whittington et al., 2009). According to Bass and colleagues (Avolio and Bass, 1999; Bass, 1985; Bass et al., 2003), the transactional leader clarifies goals and recognizes employees who achieve performance expectations (contingent reward leadership). But the transactional leader also closely monitors employees' behavior for mistakes and takes corrective action when they are discovered (contingent punishment behavior).

The work by Treviño and colleagues (Kish-Gephart et al., 2010; Treviño et al.; 2014) shows that rewarding employees for behaving ethically while disciplining employees for unethical behavior has a tremendous impact on creating an ethical work climate. A moral manager is a role model who is willing to use rewards and punishment to emphasize ethical conduct. In other words, using transactional leadership where expectations are made known to employees with rewards and punishment administered for meeting or not meeting these expectations would appear to be important in creating an ethical work climate. However, a review of the literature found no study that examined transactional leadership and ethical climate. This situation is surprising since the profile of both transformational and transactional leaders has an ethical component (Bass and Steidlmeier, 1999).

The purpose of this study is to extend prior research by examining how both transformational and transactional leadership styles influence ethical work climate and the effects of an ethical work climate on salespersons' performance, person-organization fit (P-O fit), turnover intentions and turnover. The study makes three important contributions to existing leadership and ethical research. First, unlike some previous research, this study includes both

transformational and transactional leadership with a specific emphasis on how they are related to salespersons' perceptions of an ethical work climate. Second, the influence of transactional and transformational leadership on salespersons' performance is analyzed. While prior research has shown that transformational leadership influences performance, fewer studies have investigated the relationship between transactional leadership and performance. Recent research results, however, suggest that transactional leadership behavior is related to employees' performance (Podsakoff et al., 2006). Third, this study assesses how transformational and transactional leadership influences salespersons' person-organization fit (P-O fit). P-O fit "is the congruence between the norms and values of organizations and the values of persons" (Chatman, 1989, p. 339). Research indicates that P-O fit is related to important employees' job attitudes and behaviors (Kristof-Brown et al., 2005).

Few studies have examined how transformational leadership influences P-O fit (Chi and Pan, 2012; Guay, 2013; Raja et al., 2018) and no study has analyzed how transactional leadership impacts employees perceived fit with the organization where they work. However, research has reported a significant relationship between ethical leadership and P-O fit (DeConinck, 2015; Schwepker, 2015). Because transformational leaders share the organization's values, they are more likely to discuss these values with employees, creating a sense of shared pride by emphasizing an image that stresses common values.

Since aspects of ethical leadership and transformational leadership are similar, intuitively salespeople working for a sales manager who is viewed as a transformational leader should perceive a greater fit with the employer. This study will examine this relationship. Support for hypothesized relationships is provided in the literature review.

THEORETICAL FOUNDATION AND HYPOTHESES FORMULATIONS

Transformational and Transactional Leadership

While sales force research has examined various styles of leadership, much of this research has involved transactional and transformational leadership styles (e. g., Dubinsky et al., 1995; MacKenzie et al., 2001; Panagopoulos and Dimitriadis, 2009; Russ et al., 1996). Transactional leadership is essentially an exchange that involves disciplining or rewarding employees based on their effort and performance (Bass, 1985). A transactional leader motivates followers by praises and rewards and corrects behavior by negative feedback or disciplinary actions (Bass and Steidlmeier, 1999). The leader's action is not necessarily intended to create an enduring relationship that binds him or her together in pursuit of a higher purpose (Whittington et al., 2009). According to Avolio (1999), a transactional leader uses either constructive transactions (clarifying performance expectations and subsequent rewards) or corrective transactions (focusing on changing undesired behavior). Transactional leadership allows trust to develop between a leader and follower and is a necessary requirement prior to implementing transformational leadership (Avolio, 1999).

Transformational leadership has been an important area of study because of its positive relationship with various employee attitudes and behavior (Judge and Piccolo, 2004; MacKenzie et al., 2001). Transformational leadership originated with Burns (1978). Burns (1978), using Maslow's hierarchy of needs (1954), proposed that transformational leaders raise followers' higher order needs (achievement and self-actualization) in contrast to lower order needs (safety and security) that are satisfied by transactional leadership. Transformational leaders foster a climate of trust and encourage followers to forsake their self-interest for the benefit of the organization. Burns (1978) argued that some leaders do more than simply build exchange

relationships with their followers. Transformational leaders get employees to perform at a higher level by providing a vision with an expectation of high outcomes and ways to achieve the goal (Burns, 1978), fostering the acceptance of group goals, being a role model and providing both high intellectual stimulation and individualized support (Mackenzie et al., 1991). The transformational leader attempts to raise followers' awareness of the importance of designated outcomes (Whittington et al., 2009).

Bass (1985) extended the work of Burns (1978) in transformational leadership. However, in contrast to Burns (1978) who posited that transactional leadership and transformational leadership are at opposite ends of a continuum, Bass (1985) states that the two leadership styles are separate, by complimentary concepts. In contrast to transactional leadership, transformational leadership involves creating an emotional bond between the leader and followers (Yukl, 1999).

Research has shown a high correlation between transactional leadership and transformational leadership (MacKenzie et al., 2001; Pillai et al., 1999; Podsakoff et al., 1990). Effective leaders use aspects of both leadership styles with transformational leadership developing from transactional leadership (Avolio, 1999). Most leaders use a transactional form of leadership in contrast to exceptional leaders who use both transactional and transformational behaviors (MacKenzie et al., 2001).

Ethical Work Climate

Ethical climate is the perception of the rightness or wrongness of a particular situation and provides guidance to employees as to how they should behave when faced with an ethical dilemma (Cullen et al., 2003). The ethical climate is one of many climates that may exist within an organization (Schneider and Snyder, 1975). It is important to organizations because it influences employees' willingness to behave ethically (Lopez et al., 2009).

The preponderance of research indicates that rewarding ethical behavior increases the likelihood that it will occur while punishing unethical behavior decreases the likelihood of such behavior (Kish-Gephart et al., 2010; O'Fallon and Butterfield, 2005). In a sales environment several studies have found that the presence of an ethical work climate influences salespersons' role stress (Jaramillo et al., 2006), propensity to leave (Fournier et al., 2010), organizational commitment (Schwepker, 2001; Weeks et al., 2004), willingness to provide superior customer value (Schwepker, 2017) and job satisfaction (Mulki et al., 2006; Tanner et al., 2015).

Establishing an ethical work climate is particularly relevant in professional selling for several reasons. First, the public has a low perception of the ethical standards of salespeople (Ramsey et al., 2007). Thus, requiring salespeople to adhere to high ethical standards is important if the public's perception of salespeople is to change. Another potential ethical challenge for salespeople is that they often work without direct supervision and sometimes encounter ethical dilemmas (Weeks and Nantel, 1992). Third, unlike most other jobs salespeople are under pressure to make quota, which may lead to behaving unethically (Wotruba, 1990). Fourth, unethical sales force behavior can be detrimental in establishing a long-term relationship with buyers (Román and Ruiz, 2005). Last, research indicates that salespersons' unethical behavior may be overlooked by management, if it leads to increased sales (Babin et al., 2004; Hunt and Vasquez – Parraga, 1993).

Organizational leaders have an important role in shaping ethical work climate by advocating and implementing ethical practices and policies (Treviño et al., 2003). Their behavior sets the ethical tone for organizational decisions. When employees see organizational leaders behaving ethically, they will also be more likely to behave ethically.

Transformational leadership has been proposed to be an important element of an ethical work climate (Ingram et al., 2007). While both transformational and transactional leadership styles are important to sales organizations, transformational leadership can have the most profound influence on ethical conduct (Ingram et al., 2007).

Interestingly, few studies have examined the relationship between transformational leadership and ethical work climate. Most of the research concerning ethical climate and leadership has concentrated on ethical leadership (Al Halbusi et al., 2021; Demirtas and Akdogan, 2015; Hansen et al., 2016; Kim and Vandenberghe, 2020; Schminke et al., 2005) and servant leadership (Burton et al., 2017; Jaramillo et al., 2015; Schwepker and Schultz, 2015). The recent meta-analysis by Hoch et al. (2018) reported a significant correlation between ethical leadership and transformational leadership ($r = 63$) and servant leadership and transformational leadership ($r = .47$). Ng and Feldman (2015) reported a similar correlation between ethical leadership and transformational leadership ($r = .61$). In addition, role modeling is an aspect of both leadership theories (Hoch et al., 2018). Thus, especially regarding ethical leadership, theoretically transformational leadership should have a strong relationship with ethical work climate.

While transformational leadership has been proposed to influence ethical conduct among salespeople (Ingram et al., 2007), no study could be found that specifically analyzed how a transformational leadership style influences an ethical work climate within a sales environment. However, research involving other employees indicates that a transformational leader does influence the willingness of employees to behave ethically (Toor and Ofori, 2009; van Aswegen and Engelbrecht, 2009). Thus, the following hypothesis is proposed.

> H1a: A transformational leadership style is related positively to salespersons'
> perception of an ethical work climate.

The situation involving transactional leadership and ethical work climate is uncertain. Three meta-analyses have shown the important relationship between transactional leadership and employees' work attitudes and behaviors (Judge and Piccolo, 2004; Lowe and Kroeck, 1996; Podsakoff et al., 2006). However, none of these studies investigated the relationship between transactional leadership and ethical work climate. One study reported a positive relationship between instrumental leadership and ethical work climate (Mulki et al., 2008). Instrumental leadership involves explaining how and when to perform their jobs and establishing performance expectations. In contrast to instrumental leadership, transactional leadership involves both contingent reward and punishment behaviors and noncontingent reward and punishment behaviors (Podsakoff et al., 2010). How do these types of behaviors potentially affect an ethical work climate? If organizations value sales at the expense of ethical conduct, then employees will receive a message that behaving unethically is acceptable, if that behavior leads to increased sales (Brown et al., 2005). Rewarding salespeople for achieving quota even if it means salespeople may have to behave unethically to achieve the goal provides feedback that this behavior is acceptable. In addition, the sales manager (leader) who chooses to discipline salespeople less severely for unethical behavior when that behavior leads to positive consequences also is providing feedback to the sales force that unethical behavior may be tolerated (Hunt and Vasquez-Parraga, 1993). Last, an ethical work climate can be enhanced by rewarding employees for behaving ethically while punishing employees who behave unethically (Kish-Gephart et al., 2010). Therefore, utilizing a transactional leadership style does appear to be important in encouraging an ethical work climate.

> H1b: A transactional reward leadership style is related positively to salespersons' perception of an ethical work climate.

H1c: A transactional punishment leadership style is related positively to salespersons' perception of an ethical work climate.

Perceived Organizational Fit

The most widely accepted definition of P-O fit was proposed by Kristof (pp. 4–5). She defined P-O fit as "the compatibility between people and organizations that occurs when:(a) at least one entity provides what the other needs, or(b) they share similar fundamental characteristics, or (c) both." P-O fit is the degree of similarity between organizational and employees' beliefs, norms, and goals (Chatman, 1989; Kristof-Brown et al., 2005) and the employees' values and an organization's culture (Cable and DeRue, 2002). Positive consequences occur when a high amount of similarity exists between the organizations' and employees' characteristics (Chatman and Caldwell, 1991; Kristof-Brown et al., 2005).

P-O fit derived from Schneider's (1987) work involving person-environment fit (P-E fit). According to his attraction-selection-attrition (ASA) model, individuals will choose to work for organizations where their attitudes, personality, and values are aligned with those of the organization. People will choose to work for the organization based on how their fit aligns with the goals of the organization.

Chatman (1989) developed the concept of P-O fit based on Schneider's (1987) ASA model. A key component of Chatman's P-O fit work is the degree of value congruence between employees and the organization. A high level of P-O fit can satisfy human needs and desires (Chatman, 1989; Kristof, 1996) leading to positive experiences and behavior (Kristof-Brown et al., 2005). For example, research has reported that P-O fit is positively related to job satisfaction and organizational commitment and related negatively to turnover intentions (Kristof-Brown et al., 2005). According to Schneider (2001, p. 142) "the concept of person-fit is so persuasive as to be one of, if not, the dominant conceptual forces in the field."

Surprisingly, only three studies could be located that have examined the relationship between P-O fit and transformational leadership (Chi and Pan, 2012; Guay, 2013; Raja et al., 2018). However, some recent research has reported that ethical leadership is highly correlated with P-O fit (DeConinck, 2015; Demirtas and Akdogan, 2015; Al Halbusi et al., 2021; Schwepker, 2015). Since ethical leadership and transformational leadership are highly correlated (see the meta-analysis by Hoch et al., 2018), logically transformational leadership should also be significantly related to P-O fit.

P-O fit should be associated with transformational leadership. Transformational leaders identify with the organization's goals and values and view the organization's vision positively, which will then be communicated to their followers. Because transformational leaders share the organization's values, they are more likely to discuss these values with employees, creating a sense of shared pride by emphasizing an image that stresses common values. Followers of transformational leaders will perceive that their values agree with the organization's values because of the emphasis of a shared vision. They will identify more strongly with the organization because of the belief they have an important role in the organization. Transformational leaders emphasize the past accomplishments of the organization and view its future in a positive manner and create greater P-O fit by conveying these beliefs to their followers.

Organizational identification (OI) can be used to explain how transformational leadership, and to a lesser extent transactional leadership, are related to P-O fit. Employees will identify more highly when organizational leaders act as role models and display traits (e.g., inspiring, stimulating, and caring for employees' individual needs) associated with transformational leaders (Epitropaki and Martin, 2005). In addition, research has reported that P-

O fit is vital in developing organizational identification (Anaza, 2015; Cable and DeRue, 2002; Demir et al., 2015; Saks and Ashforth, 1997; Saraç et al., 2017). Thus, given the positive relationship between P-O fit and OI and that OI is related to transformational leadership, theoretically and empirically (Chi and Pan, 2012; Guay, 2013), P-O fit should have a positive association with transformational leadership.

H2: Transformational leadership has a positive relationship with P-O fit.

A few studies have reported that OI and transactional leadership are significantly related (Deichmann and Stan, 2015; Epitropaki and Martin, 2005). However, no study could be located that examines the relationship between P-O fit and transactional leadership. Thus, a research question rather than a hypothesis will be stated

R1: What is the relationship between P-O fit and transactional leadership?

Only two articles could be located that examined the relationship between P-O fit and ethical work climate (Al Halbusi et al., 2021; Lopez et al., 2009). Both studies reported that ethical work climate was positively related to P-O fit. The lack of research is surprising since employees with high ethical values would want to work for a company whose culture emphasizes and rewards ethical behavior. However, the employees will perceive lower organizational fit when a mismatch exists between the ethical values of the company and its employees, leading to conflict between the two parties (Schwepker, 2003). Since P-O fit involves value congruence between employees and their employer (Kristoff et al., 2005), intuitively the presence of an ethical work climate should lead to greater perceived organizational fit. While research is very limited, ethical work climate does appear to be related to P-O fit. Thus, the following hypothesis will be tested.

H3: Ethical work climate is positively related to P-O fit.

Leadership and Performance

Salesperson performance "is undeniably the central variable of interest in the field of sales force management" (Rich et al., 1999, p.41). Much research has been conducted examining antecedents of salesperson performance during the last 40 years (Brown and Peterson, 1993; Churchill et al., 1985; Kerr and Marcos-Cuevas, 2024; Pappas et al., 2024; Walker et al., 1977). Research with both non-sales employees (e.g., Piccolo and Colquitt, 2006, Wang et al., 2005) and salespeople has indicated that transformational leadership is indirectly or directly related to employees' performance (Dubinsky et al., 1995; MacKenzie et al., 2001; Panagopoulos and Dimitriadis, 2009). Hoch et al. (2018) reported that based on the results of 74 studies, transformational leadership and performance had a modest correlation of .25. They did not examine transactional leadership. In the MacKenzie et al. (2001) study both transformational and transactional leadership styles were included. These authors reported that the relationship between transactional leadership and performance was mediated by role ambiguity. In their meta-analysis Podsakoff et al. (2006) reported that transactional leadership (both contingent reward and contingent punishment) was related significantly to employees' job performance. Thus, while research with salespeople is limited, the results of the Podsakoff et al. (2006) study provide support for a relationship between transactional leadership and salespersons' performance.

> *H4a: Transformational leadership is related positively to salespersons' job performance.*

> *H4b: Transactional reward leadership is related positively to salespersons' job performance.*

> *H4c: Transactional punishment leadership is related positively to salespersons' job performance.*

Antecedents of Turnover

Much research has been conducted on salesperson turnover (e.g. Boles et al., 2012; DeConinck and Johnson, 2009; Johnston et al., 1990; Lucas et al., 1987; MacKenzie et al., 1998; Parasuraman and Futrell, 1983). Understanding turnover is important for several reasons. The costs of turnover, which includes hiring, training and "ramp-up time" for new salespeople, can be as high as 200% of an employee's salary (Griffeth and Hom, 2001). The costs of turnover are particularly relevant to salespeople, since the turnover rate among salespeople may be twice the rate of other jobs (Richardson, 1999). In addition, the loss of a salesperson may have a detrimental impact on customer retention (Johnson et al., 2001).

Interestingly while both sales force performance and turnover are important, few studies have analyzed the relationship between the two variables. Sales context research generally has included turnover intentions, but not turnover when investigating salespersons' performance (e.g. Brashear et al., 2005; Jaramillo et al., 2006; Pettijohn et al., 2007; Rutherford et al., 2011). In the Griffeth et al. (2000) meta-analysis involving a wide variety of employees, the correlation between performance and turnover was modest. They concluded that high performers would leave when they are not rewarded sufficiently. Similar results have been reported in studies involving salespeople (DeConinck and Johnson, 2009; Jaramillo et al., 2006; Pettijohn et al., 2007; Rutherford et al., 2011). Prior research supports performance being related to turnover through turnover intentions.

H5: Job performance is related negatively to turnover intentions.

Two meta-analyses have reported that P-O fit is significantly correlated with turnover intentions (Kristoff-Brown, 2005; Verquer et al., 2003). Two subsequent meta-analyses reported the correlation between P-O fit and turnover is much smaller than between P-O fit and turnover

intentions (Arthur et al., 2006; Hoffman and Woehr, 2006). Thus, turnover intentions mediate the relationship between P-O fit and turnover.

H6: P-O fit is related negatively to turnover intentions.

RESEARCH METHOD

Sample Characteristics and Procedure

Respondents were obtained from an international sales organization. Only salespeople working in the United States and those salespeople who had received a formal performance evaluation were included in this study. Executives were approached and asked to have their salespeople complete the study in exchange for a summary of the results. To ensure confidentiality of the respondents the online questionnaire was sent directly to each salesperson. The salespeople were told that the questionnaire was coded to determine turnover, but that only the researchers would be able to match the name to the number on the questionnaire. Questionnaires were emailed to the 292 salespeople employed with the company along with a letter from the national sales manager asking that each salesperson complete the questionnaire. Of the 292 questionnaires mailed, 251 were returned (86%).

The company provided information concerning the salespeople's age, gender, and number of years employed with the company. This information was used to assess non-respondent bias. No statistically significant difference was found between respondents and non-respondents regarding these variables. Thus, non-response bias does not appear to be a serious problem. The demographic profile for the sample of 251 salespeople is as follows: their average age was 35.3 years, most of the salespeople were male (155 – 61.8%), and they had an average of 8.4 years of sales experience with the company.

Measures

Performance was measured with the four performance measures used by the company: quota measured by total sales, number of new accounts established, expenses, and gross profit margin (α = 0.84). The items were measured on a scale ranging from 1 (needs improvement) to 5 (outstanding). The scale for *Turnover intentions* consisted of three items developed by Konovsky and Cropanzano (1991). The scale ranged from (1) very unlikely to (5) very likely (α = 0.93). All the other items were measured on a five-point scale ranging from (1) strongly disagree to (5) strongly agree. *Ethical work climate* was measured using six items from the peer behavior part of the ethical climate scale developed by Babin et al. (2000) (α = .88). P–O fit was assessed using Cable and DeRue's (2002) three item subjective fit measure (α = .92). *Transformational leadership behaviors* were measured using the Transformational Leadership Behavior Inventory developed by Podsakoff et al. (1990) and used by MacKenzie et al. (2001). The Transformational Leadership Behavior Inventory is comprised of four scales measuring core transformational leader behavior (three items), high performance expectations (three items), supportive leader behavior (four items), and intellectual stimulation (four items). Since the scales were highly correlated, they were combined into one measure of transformational leadership (α = .93). *Transactional leadership behaviors* were measured using the contingent reward behavior scale (four items, α = .96). and the contingent punishment behavior scale (three items, α = .88) developed by Podsakoff et al. (1984). *Turnover* was measured as a dichotomous variable. It was coded 2 for salespeople who left their jobs after one year and 1 for salespeople who were still employed.

Statistical Analyses

The data were analyzed using LISREL version 12. Traditional measures of fit, The Comparative Fit Index (CFI), Root Mean Square Error of Approximation (RMSEA), and the

Standardized Root Mean Residual (SRMR) were used to assess the fit of the models. In the first step of the analysis a confirmatory factor analytic (CFA) model was tested to determine if the items loaded on their respective scales. After a CFA was performed the hypothesized model was tested along with a second model where the relationship between P-O fit and transactional leadership was assessed. This model was then compared to the hypothesized model to determine which model fits the data better.

Construct validity was assessed in four ways as recommended by Hair et al. (2009). First, the variance extracted was above .5 for all variables. Second, all the standardized factor loadings were .7 or higher. Third, discriminant validity was indicated by the fact that the variance extracted estimates among the factors was greater than the square of the correlation. Last, coefficient alpha and construct reliability was above .7 for all variables.

Common Method Variance

Three steps were taken to avoid the problem of common method variance, which is a potential serious problem (Podsakoff et al., 2003). First, the items were randomly dispersed in the questionnaire. Second, the salespeople were told that there were no correct or incorrect answers. Third, the salespeople sent their results directly to the researchers to ensure confidentiality. They were told that their managers would see only a summary of the study's results.

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RESULTS

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Confirmatory Factor Analysis Model

The correlation matrix, means, and standard deviations appear in Table 1. The CFA indicated a good fit by most indices ($\chi 2 = 385.15$, $df = 249$, $p = .00$, CFI = .97, RMSEA = .044; RMSR = .031). The loadings' estimates ranged from .71 to .92 for all the scales.

Hypothesis Testing

Based on the results of the CFA the hypothesized model was tested. The results indicated a very good fit by most indices ($\chi2$ = 432.54, *df* = 263, *p* = .00, CFI = .97, RMSEA = .048; RMSR = .065). Partial support was found for the first hypothesis. A transformational leadership style (*Hypothesis 1a*) (β = .32, *t* = 4.36) and a reward transactional leadership style were related positively to an ethical work climate (*Hypothesis 1b*) (β = .34, *t* = 4.45). However, support was not found for a punishment transactional leadership style (*Hypothesis 1c)* (.05, *NS)* being significantly related to ethical work climate. Support was found for H2: transformational leadership has a positive relationship with P-O fit (β = .40, *t* = 4.36). .H3 also was supported. Ethical work climate is positively related to P-O fit (β = .34, *t* = 4.81). Partial support was found for H4. Both transformational leadership (β = .25, *t* = 3.26). and transactional reward leadership (β = .16, *t* = 2.09) were significant predictors of salespersons' job performance. However, transactional punishment leadership was not significantly related to salespersons' job performance (β = .08, *NS*). Hypotheses five and six were both supported. Job performance was related negatively to turnover intentions (H5, β = -.25, *t* = 3.99) and turnover intentions were related positively to turnover (β = .36, *t* = 6.13).

A second model was analyzed to ascertain the relationship between P-O fit and transactional leadership. The results indicated that this model was significantly different from the hypothesized model ($\chi2$ = 419.89, *df* = 261, *p* = .00, CFI = .97, RMSEA = .048; RMSR = .063, $\lambda\chi2$ = .12.66, *p* < .01).

CONTRIBUTIONS, DISCUSSION AND IMPLICATIONS

Recent business scandals have brought attention to the importance of having an ethical work climate. Organizational leaders shape the company's ethical climate through their actions

and their behavior and may be the most important determinant of creating an ethical work culture (Brown and Mitchell, 2010). Employees are more likely to behave ethically when they perceive that management supports an ethical work climate (Kish-Gephart et al., 2010).

The purpose of this study was to investigate the role of leadership in developing an ethical work climate and subsequent work outcomes arising from leadership style and ethical work climate in a sales environment. Specifically, the relationship between transformational and transactional leadership style behaviors and salespersons' perception of an ethical work climate was investigated. In addition, this study examined four outcomes (P-O fit, performance, turnover intentions, and turnover) of transformational/transactional leadership style and ethical work climate. Sparse research has investigated the relationship of a transformational leadership style and the perception of an ethical work climate, and no study could be found that has examined how a transactional leadership style is related to ethical work climate.

This study makes five important contributions to existing research. First, the issue of ethical behavior clearly is important. However, prior research has concentrated on examining the outcomes of having an ethical work climate rather than antecedents of ethical work climate. This study expands past research by looking at an important antecedent (leadership style) to ethical work climate. Leadership has been an important area of study for many years. However, sparse research has examined its relationship to salespersons' perception of an ethical work climate. This study expands our understanding of factors influencing an ethical work climate by including transactional leadership in addition to transformational leadership. This study found that two types of leadership styles (transformational and transactional reward) were related to the degree to which salespeople perceived their work environment as ethical. The salespeople perceived that their work environment was more ethical when their leaders showed respect for them, articulated

a vision, and set high performance expectations (transformational leadership) while at the same time rewarding them for high performance (transactional reward leadership). The results reported here indicate that salespeople perceive a more ethical work climate when their sales manager uses aspects of both a transformational leadership style and a transactional leadership style that emphasize rewards rather than punishment. The important managerial and organizational implication is that leadership plays an important role in creating an ethical work climate. The sales manager has a direct influence on salespersons' perception of the ethical climate where they work.

A second important contribution is examining the relationship between transformational leadership and transactional leadership and performance. Prior research generally has concentrated on transformational leadership and its association with performance. Consistent with prior research, transformational leadership was positively related to higher performance (Hoch et al. 2018). Rewarding high performance (transactional reward leadership) led to higher performance, which partially supports prior research (Podsakoff et al., 2010). However, using punishment did not lead to salespeople performing at a higher level. Thus, transactional leadership does influence salesperson's performance but only when they are rewarded and not punished for their behavior.

The third important contribution is the inclusion of P-O fit into a model examining transformational/transactional leadership. Only a few studies have analyzed the relationship between P-O fit and transformational leadership (Chi and Pan, 2012; Guay, 2013; Raja et al., 2018) and no study has investigated the relationship between P-O fit and transactional leadership. P-O fit is an important variable influencing employees' job attitudes and behavior Kristoff-Brown et al., 2005). These results show that transformational leadership and

transactional reward leadership are positively related to salespersons' perception of their fit within an organization. Since P-O fit influences important job attitudes and behaviors, including transformational leadership and transactional leadership in models analyzing the influence of P-O fit on various job attitudes and behaviors is important.

The fourth important contribution of this study's results is that that ethical work climate is positively related to P-O fit. According to the results of the study, this group of salespeople perceived a better fit with their company's goals and values when an ethical work climate was present. The important implication is that the presence of an ethical work climate indirectly through P-O fits leads to positive behavior and work outcomes (higher performance and lower turnover).

The last contribution is that only a transactional leadership style emphasizing rewards influences salespersons' perception of an ethical work climate and performance. A transactional punishment style of leadership was not a significant predictor of any of the variables in the study. When their sales manager provides salespeople with positive feedback when they perform well, acknowledges their good performance, provides them with special recognition when they exceed expectations, they will perceive their work environment as more ethical and produce a higher level than when the sales manager uses punishment behavior. At least with respect to participants in this study, the use of rewards rather than punishment had more positive direct and indirect outcomes.

LIMITATIONS AND FUTURE RESEARCH OPPORTUNITIES

Several limitations need to be mentioned along with research opportunities. First, additional research needs to be undertaken to confirm the results reported here. Second, these results are specific to one company. Research with a cross-sectional group of salespeople or

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salespeople employed with another company may provide different results. While this study

examined transformational and transactional leadership behaviors, future research should include

other styles of leadership (e.g. leader-member exchange) in a model investigating the

relationship between leadership and ethical work climate.

In conclusion, this study has made several important contributions to the existing body of

knowledge by showing how leadership style influences salespersons' perception of an ethical

work climate and of particular importance is the relationship between transactional leadership

and performance. Given the recent scandals involving unethical business practices understanding

how the sales manager's leadership style can influence ethical behavior among the sales force is

extremely important.

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Table 1

Correlation matrix, means, and standard deviations

	Reward	Punish	Perf.	TO int	Eth.	P-O fit	Turn.	Trans.
Reward	1.0							
Punish	.53	1.0						
Perf.	.28	.22	1.0					
TO int.	-.33	-.29	-.31	1.0				
Eth.	.47	.29	.29	-.37	1.0			
P-O fit	.45	.31	.26	-.32	.48	1.0		
Turn.	-.25	-.14	-.18	.36	-.27	-.27	1.0	
Trans.	.34	.22	.27	-.28	.39	.46	-.21	1.0
Means	12.1	9.3	14.1	11.8	19.7	9.1	1.3	45.2
Std. Dev.	3.7	2.9	3.8	4.7	4.7	2.4	.44	9.5