



Effect of The Leader – Member Relationship on the Organizational Commitment towards Sales Force Turnover Intention of Fast Moving Consumer Goods (FMCG) Sector of Sri Lanka: A Conceptual Review

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ABSTRACT

Leader –Member relationship (LMX) has been identified by many scholars as an antecedent towards the Organizational Commitment (OC) of the employees. Many academics have concluded that OC is the strongest predictor towards employee turnover. This theory has been tested in the Western world but unfortunately very little literature is found in the Asian Context. When you look at more specifically in the Sri Lankan context with a focus on the sales force in the FMCG industry, the theoretical support on the relationships amongst these variables is almost zero. Few research conducted in this arena has identified that the sales force turnover is a critical issue faced by the FMCG industry during the post-war era in Sri Lanka. Therefore, this study intended to enlighten the knowledge on the antecedents towards the sales force turnover in the FMCG industry in Sri Lanka with a clear focus on the organizational commitment of the members in the sales force influenced by the leader member relationship. The discussion of empirical thoughts supports the managers in the industry to consider sale force motivation strategies holistically rather limiting to financial perspectives. Paper concluded the future research directions addressing to the key empirical contents discussed.

Keywords: *FMCG, Leader-Member Relationship, Organizational Commitment, Sales Force Turnover, Sri Lanka*

1. INTRODUCTION

Fast moving consumer goods (FMCG) market in Sri Lanka has been estimated at 2800 Billion LKR in year 2018 (Central Bank of SL) with an annual compounded growth rate of 6.6% between 2011 to 2016 (www. NDB Securities/fmkg). The products in this sector are marketed through 263,000 retail outlets island wide (Nielsen, 2018) where the manufacturers do the primary distribution using their nominated distributors (Ex. Unilever, Nestle, HEMAS, CBL, Maliban etc.) or through distribution companies (Ex. Millers, Stassens, Delmege, Darley Butler, Show Wallace, Bours etc.) who are primarily engaged in the trading business model.

The FMCG products are mostly branded and frequently purchased by the consumers and the availability of the products plays a major role for the success of the brand. They are low in cost and mostly have a shorter shelf life (Mao, 2015). Therefore, a larger amount of the household income of the public is spent on FMCG Products. The brand loyalty of the consumers is relatively low in many FMCG categories and as a result, the non-availability of their preferred brand can influence the consumer to brand switch as the cost of switching brand is relatively low (Patil, 2016).

The industry leaders in the FMCG sector in Sri Lanka have identified the sales force turnover as one of the major issues faced by them as the profession of sales has failed to attract the youth when compared to many other professions in the country (Wimalana, 2017a). As a result, it has become a struggle to safeguard the members of their sales force by keeping the sales force turnover at a minimum level. A research conducted with a convenient sample of industry leaders have confirmed that the sales force turnover of those leading companies are more than double the general employee turnover of the same organizations (Wimalana, 2017a). It is further emphasized by some other scholars as their research work have indicated that sales force motivation is a key investigative area in Sri Lanka (Jayampathi & Dissanayake, 2018).

In the context of Sri Lanka, there are limited researches available on the sales force turnover that could discuss antecedents for the industry leaders to understand issues and take remedial actions. When you look at the FMCG Industry, the research conducted in the Asian region with regard to this issue seems to be almost zero. Few research work done in the Middle East and India have mainly focused on banking, insurance and pharmaceutical industries and the learning from those work towards understanding the antecedents of the FMCG category are minimal. Therefore, it is important that the FMCG organizations in Sri Lanka understand the factors influencing the sales force turnover if they need to reduce the business risks and control their direct and indirect costs. Because the sales force turnover is directly linked to the cost increase of the organization (DeConnick, 2011).

The organization commitment of the sales force has been identified by many scholars as a strong factor towards sales force turnover. They suggest that the organization commitment is negatively related to the intention to quit by the sales force (Sager, 1990; Meyer, Stanley, Herscovitch, and Topolnytsky., 2002; Jaramillo, Mulki & Marshal, 2003; Griffeth, Hom & Gaertner, 2000; Steel & Ovalle, 1984; Ghosh & Swami, 2014). It means that when the Organization Commitment of the sales force is high, they do not intend to leave the organization. Therefore, it is important to identify the key factors contributing towards the Organization Commitment of the sales force.

1.1. Purpose of the Study

Empirical claims are found justifying further studies to examine the relationship between leader member relationship and organizational commitment (Cogliser, Chester, Terri and William, 2009; Epitropaki and Martin 2005; Erdogan and Liden 2002; Liden, Sparrowe, and Wayne 1997). The leader member relationship has been identified as the interaction prevails between the supervisor and the sales person that can be categorized either as a high quality or a low quality relationship. The low quality leader member relationship will limit the interaction between the supervisor and the sales person only for the official contractual relationship. But a high quality relationship will go beyond the usual official relationship and is based on the mutual cooperation, trust and respect (Graen and Uhl-Bien 1995). The above elements of the supervisor will influence the sales person to feel obliged to reciprocate the same they receive from the superior. As a result, they will be motivated to perform better invariably increasing their organization commitment (Liden and Maslyn, 1998; Wren, Berkowitz & Grant, 2014; Smith and Canger, 2004). Therefore, the high quality leader member relationship will have a positive effect on the organization commitment of the sales person thus should be negatively related to the turnover intention. Sri Lanka is considered to be a service sector driven economy and industries like banking, insurance and telecommunication attribute many practice related significance within marketing perspectives (Koththagoda, & Dissanayake, 2017). The presence of FMCG is also a significant trend as per its economic impact to national economy but organizations face huge issues in terms of sale force retention strategies. There are many organizational and environmental factors effect on sales force retention and motivations (Deconnick, 2011; Dibb, 2006). Accordingly, this study mainly aims to discuss the key determinants of the sales force turnover in the FMCG industry in Sri Lanka and the influential factors towards them. Based on the above, this particular research is intended to identify the antecedents towards the organizational commitment of the sales force in the FMCG industry in Sri Lanka based on their leader member relationships.

2. LITERATURE REVIEW

Many research work conducted by various academics have identified Sales Force Turnover as one of the major issues faced by the organizations due to multiple reasons. It has received much attention of

the top management of the companies as the consequences of the issue are negative for most organizations (Deconnick, 2011). When a sales person is replaced, the respective organizations have to incur both direct and indirect costs (Richardson, 1999). Replacing the sales people through a recruiting procedure comes under the direct cost including the expenses that the organization has to incur for training the new recruits (Mathews and Redman, 2001). Wren, Berkowitz and Grant (2014) have mentioned that the replacement cost of a sales person can go up to 200% of the annual salary. The real cost to the organization is not this but the indirect cost. When a sales person leaves the organization, the territory becomes vacant and the customers lose the regular service. Customer prelatship has to be supported by technology and informational relationships (Siriwardana & Dissanayake, 2018). But sales force provides interactive commitment to retain customer in a competitive market, thus, sales force contributes for overall impacts to organizations. Even if the organization finds a replacement immediately, the seller – buyer relationship does not build up for some time (Boles, Dudley, Onyemah, Rouzies and Weeks, 2012). The new sales person has to build up the trust with the customers while getting familiar with the territory. Certain research works conducted have indicated that it takes about 1 and ½ years for a new sales person to build up the trust of the customers in the territory (Richardson, 1999). In a highly competitive FMCG market, this is a high risk to the organization as the brand switches within the consumer products are common when there is a gap in availability (Dibb, 2006).

Organizational Commitment has been significantly and consistently related to employee turnover (Bluedorn, 1984). And organization commitment of the employees decrease propensity to leave the organization (Rutherford, Park & Han, 2011). After conducting their Meta analyses on turnover intentions, Tett and Meyer (1994) have suggested that the organization commitment independently contributes to the prediction of employee turnover. Meanwhile, Hunt, Chonko and Wood (1985) have defined the Commitment as an internal feeling, belief, or set of intentions that enhances an employee's desire to remain with an organization. Defining the employee's organization commitment, Mayer and Allen (1991) have mentioned that it is a psychological state that characterizes the relationship of the employee towards the organization and the intention of maintaining the same to continue in the future. Mowday, Steers & Porter (1979) have defined the same as the relative strength of an individual's identification with and involvement in a particular organization. The organization commitment has been divided into three major components; affective, continuance and normative commitments. The affective commitment explains the emotional attachment of the employee and how much the employee identified the self with the organization and the employee's involvement with the organization. Continuance commitment explains the employees perceived cost of leaving the organization. The perceived obligation of the employee to stay within the organization is called normative commitment (Mayer and Allen, 1991). The research work done by many scholars have indicated that the organization commitment in any form has a negative relationship with the turnover intention (Jaramillo, Grisaffe, Chonko, and Roberts, 2009; Griffeth, Hom, and Gaertner 2000; DeConinck and Johnson 2009).

Therefore, the employees with high organization commitment will have a lower turnover intention. The same theory applies to the sales force and the outcomes of academics suggest the higher organization commitment of the sales force results in lower turnover. Based on this concept, the organization commitment plays a valuable role in assessing their intention of leaving the organization by the sales force.

According to Blau (1964), Social Exchange Theory indicates that voluntary action of people is based on what they expect from others as a motivation. Social exchange theory believes in an assumption on the behavior of others in an exchange relationship. They behave in a way that increases the outcomes they view positively and decreases the outcomes they view negatively. Blau (1964) further emphasizes that the Social Exchanges do not expect any economic benefit in return like work for salary but less tangible factors such as appreciation and recognition. Evolving from this theory, the leader – member relationship is a construct of various relationship types that evolve between supervisors and workers in the working environment (Graen and Uhl-Bien 1995).

Many researchers have indicated that the leader member relationship has a direct impact on the organizational commitment (Ansari, Hung, and Aafaqi, 2007; DeConinck 2009; Dulac, Coyle-Shapiro, Henderson and Wayne, 2008). Therefore, the leader – member relationship is going beyond the legal or contractual relationships and focuses on the social exchanges between the supervisor and the worker. Liden and Graen (1980) presented the leader Member theory and explained that the leaders will develop either high quality or low quality relationships with the subordinates. In a situation of low quality relationship, the interaction between the member and the leader will be limited only for formal, official or contractual matters. But in a situation of high quality relationship, the relationship will be based on trust, commitment and mutual respect (Cogliser et al., 2009). In this kind of a high quality relationship, the member will be given more responsibility and authority to perform a better job within the responsibilities entrusted. Reciprocity is considered as an integral part of increasing the quality of leader member relationship. In general, it is considered that the interdependency is an important element in the social exchange theory (Molm 1994). The high quality relationship with the Supervisor will increase the overall job satisfaction of the sales person and improve his effective organization commitment that will result in low employee turnover for the organization (Smith & Canger, 2004; Jordan & Troth, 2011). In a study conducted by Firth, Mellor, Moore, and Loquet (2004), they have concluded that the high quality relationship of supervisor – subordinate reduces job stress and increase job satisfaction and organization commitment thus reducing the employee turnover. Based on the above literature, the Conceptual Framework has been developed as indicated below. Therefore, the hypotheses are developed to identify the effect of high quality and low quality relationships between the supervisors and sales people and their effect on the organizational commitment and turnover intentions (Smith & Canger, 2004; Jordan & Troth, 2011; Jaramillo et al., 2009; Griffeth et al., 2000; DeConinck and

Johnson, 2009; Firth et al., 2004). The spray of the empirical review resented in this segment has been reported in the under mentioned table.

Table 1: Summery of Empirical Review on Leader-Member Relationship, Organizational Commitment & Turnover Intention

Variable Relationships	Empirical Evidences
High Quality Leader Member relationship has a positive effect on Organization Commitment	Ansari et al., 2007; DeConinck 2009; Dulac et al., 2008; Smith & Canger, 2004; Jordan & Troth, 2011
Low Quality Leader Member relationship has a negative effect on Organization Commitment	Ansari et al., 2007; DeConinck 2009; Dulac et al., 2008; Smith & Canger, 2004; Jordan & Troth, 2011
High Quality Leader Member relationship has a negative effect on Turnover Intention	Ansari et al., 2007; DeConinck 2009; Dulac et al., 2008; Smith & Canger, 2004; Jordan & Troth, 2011
Low Quality Leader Member relationship has a Positive effect on Turnover Intention	Ansari et al., 2007; DeConinck 2009; Dulac et al., 2008; Smith & Canger, 2004; Jordan & Troth, 2011
Organization Commitment has a negative effect on Turnover Intention	Jaramillo et al., 2009; Griffeth et al., 2000; DeConinck and Johnson, 2009
Organization Commitment mediate between leader member relationship and turnover intention	Smith & Canger, 2004; Jordan & Troth, 2011; Firth et al., 2004

Source: Developed by Authors Based on Literature Review

3. MANAGERIAL IMPLICATIONS & CONCLUSION

Still there are companies in Sri Lanka refer sales force management as operational aspects even though it has a huge impact on overall organizational strategy. Sri Lankan FCMG sector has been a competitive sector since both local and foreign companies intensively compete (Dissanayake, 2007). Thus, sales strategy is very critical and motivating sales force is a must for consistent performances (Jayampathi & Dissanayake, 2018). Leader and member relationships is critically important even in the sales deferments due to stress and the natural behavior found within the sales divisions compared to other functions. Organizational commitment is not a matter of financial rewards but mostly influenced by

behavioral factors and the culture (Griffeth et al., 2000; Jaramillo et al., 2009). Thus, managerial implications should be made in organizations highlighting the importance of the role of sales managers and senior sales executives to create such motivation within the organizational atmosphere to make effective sales people satisfied and retained. The relationships between senior sales managers and sales force executives or officers should be a strong bond for higher level of performances and commitment (DeConinck 2009; Dulac et al., 2008; Smith & Canger, 2004). It is recommended for Sri Lankan companies to focus on such social and physiological motivations rather limiting to financial rewards to create positive working culture and relationship atmosphere to retaining effective sales people within the organizations. Simple strategies like giving recognition for new ideas of the sales people and empowering to work with territory specific strategies could motivate sales force attributing leader member relationship as instrumental.

Finally, we highlight the empirical gaps found within sales force related research scope of investigating the leader member relationships and sales force turnover issues with reference to different industries and scopes. Sri Lankan companies seriously face this issue of managing sales force retention as a challenge. Thus, it recommends extending comprehensive strategies to address this issue with empirical insights whilst contributing to practice-related issues faced by FMCG sector companies when managing sales force retention strategies.

4. REFERENCES

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