

Examining the mechanisms linking transformational leadership, employee customer orientation, and service performance: The mediating roles of perceived supervisor and coworker support

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Abstract:

Purpose: The aim of this study is to test whether store-level transformational leadership influences service employees' customer orientation via two different mechanisms—supervisor support and coworker support—and whether customer orientation leads to favorable customer-perceived employee service performance. **Design/Methodology/Approach:** Data were collected from multiple sources, comprising 212 service employee–customer dyads in 55 stores within Taiwan. Hierarchical linear modeling analysis (HLM) was employed to test the hypotheses. **Findings:** Our results indicate that transformational leadership not only directly increased employee customer orientation, but also indirectly enhanced employee customer orientation through employee-perceived supervisor support. However, employees' perceived coworker support did not mediate the transformational leadership–customer orientation linkage. Moreover, although employee customer orientation was unrelated to customer-rated service performance, we found that the customer relationship moderated this association. **Implications:** Our results show that (1) transformational leadership can enhance employees' customer orientation, and (2) supervisor support serves as the dominant mediator for the relationship between transformational leadership and employee customer orientation. **Originality/Value:** Previous studies have predominantly examined the main effects of transformational leadership on employee customer orientation. This study extends our understanding of this relationship by highlighting the important mediating role of perceived supervisor support in the transformational leadership–customer orientation linkage

Keywords: transformational leadership | customer orientation | supervisor support | service performance | trickle-down process | coworker support | multilevel analysis | Taiwan

Article:

Introduction

In the increasingly competitive world marketplace, the methods used by service employees to deliver high-quality service and enhance customers' favorable evaluations have become critical issues in both the academic and practical fields (Colgate and Danaher 2000). *Customer orientation* reflects service employees' willingness to meet consumer needs and not simply focus on increasing the overall sales volumes (Saxe and Weitz 1982). Service employees with high customer orientation expend more time and effort to satisfy customer needs, and thereby are more successful at maintaining mutually beneficial long-term service relationships with customers (Kelley 1992; Kotler 1980). Past studies have shown that employee customer orientation positively predicts several important customer outcomes, such as customer-perceived service quality (Brady and Cronin Jr. 2001a, b), customer satisfaction (Hennig-Thurau and Thurau 2003; Susskind et al. 2003), and customer affective commitment to the organization (Dean 2007). Therefore, it is important for organizations to understand *how* to enhance employee customer orientation.

Although researchers have attempted to identify the antecedents of customer orientation (Dietz et al. 2004; Liao and Subramony 2008; Stock and Hoyer 2002, 2005), it is somewhat surprising that the ways in which leadership behaviors influence customer orientation have received little attention in the existing literature (Stock and Hoyer 2002, 2005). That said, leaders not only motivate and coach service employees on how they can best satisfy the needs of the customers, but also act as role models for service employees. Therefore, it is plausible that supervisor leadership behaviors influence service workers' customer orientation. Several scholars have also called for more studies to clarify how and why leadership behaviors influence employee customer orientation (Bell and Menguc 2002; Menguc et al. 2007; Stock and Hoyer 2002).

The present study is designed to contribute to the leadership and customer orientation literature in the following three ways. First, using transformational leadership theory (Bass 1985) as the backbone, we attempt to examine whether supervisor leadership behaviors influence their followers' customer orientation. Second, on the basis of the trickle-down model proposed by Masterson (2001), we argue that transformational leadership can influence employees' customer orientation by enhancing *employee-perceived supervisory support* and *employee-perceived coworker support*. We expect that when supervisors exhibit transformational leadership, employees might perceive this as support from their supervisors and thereby reciprocate this support by maintaining a positive job attitude (e.g., customer orientation). In addition, transformational leaders may activate mutual support among their followers in order to attain collective goals (e.g., store performance goals). Service employees who perceive mutual support from their coworkers may find that they (i.e., the perceiving employees) possess greater individual resources to engage in satisfying customer needs. Finally, although several studies have examined the relationship between employee customer orientation and service performance, prior evidence has relied on self-rated or manager-rated performance assessments (Brown et al. 2002; Cross et al. 2007; Franke and Park 2006). Since customers directly interact with service workers and receive their service delivery, researchers need to discover whether customer orientation influences customer-perceived service performance. Therefore, we also examine whether employee customer orientation predicts customer-rated service performance. Figure 1 presents the proposed conceptual model.

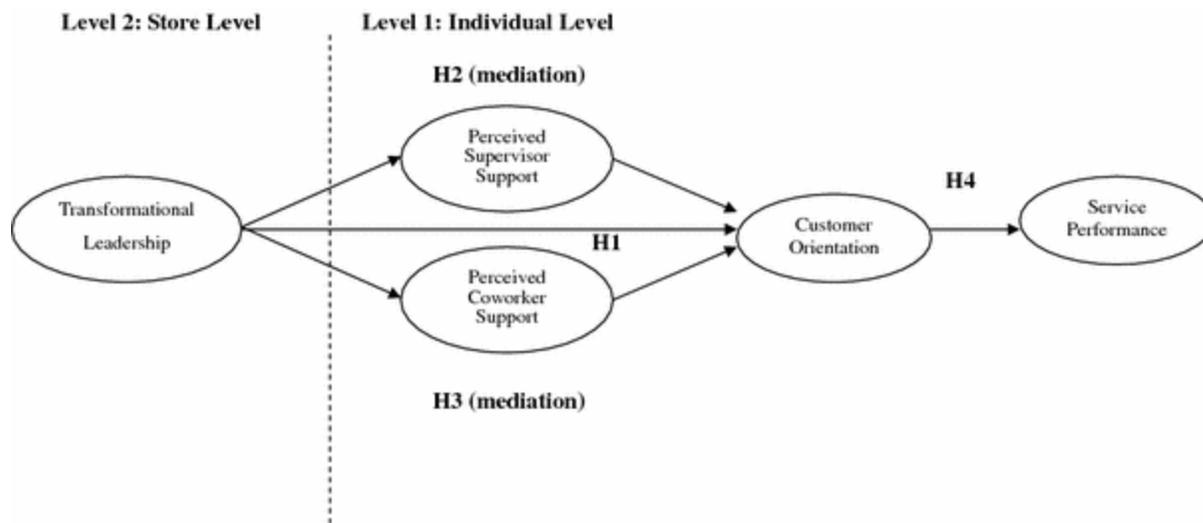


Fig. 1. The conceptual framework of the present study

Theory and Hypotheses

Transformational Leadership and Customer Orientation

For more than three decades, considerable research efforts have been devoted to understanding how transformational leadership influences follower attitudes, behaviors, and performance (Bass 1985; Burns 1978; Erez et al. 2008; Judge and Piccolo 2004; Jung et al. 2003; Keller 2006; Liao and Chuang 2007; Piccolo and Colquitt 2006; Podsakoff et al. 1990). Researchers generally believe that transformational leaders lead employees to perform beyond the minimum level of organizational expectations based on a set of leadership behaviors: *idealized influence*, *inspirational motivation*, *intellectual stimulation*, and *individualized consideration* (Bass et al. 2003). Moreover, transformational leadership not only yields superior leader effectiveness, but also increases: follower job satisfaction, satisfaction toward leaders, and work motivation (Judge and Piccolo 2004). The core aspects of the exchange relationships between transformational leaders and their followers are mutual benefits, trust, and long-term mission achievement, as opposed to short-term economic incentives (Turner et al. 2002).

In the service context, whether service workers exhibit customer orientation toward customers is critical in terms of enhancing customer satisfaction as well as building long-term service relationships with customers (Liao and Subramony 2008; Susskind et al. 2003). *Customer orientation* is defined as the importance that service workers place on their customers' needs and expectations regarding the service offerings and the extent to which service workers are willing to devote extra efforts to satisfying their customers (Kelley 1992). In the present study, we argue that transformational leaders might enhance service workers' customer orientation based on multiple theoretical reasons.

First, transformational leaders can effectively clarify service employees' task requirements and teach them how to meet customer needs, which can help to reduce employee role ambiguity as well as conflicts (Stock and Hoyer 2002). These behaviors will motivate service employees to express stronger customer-oriented attitudes (Hennig-Thurau and Thurau 2003). Second,

transformational leaders act as ideal role models and offer inspirational explanations to employees. These facets help transformational leaders to connect employee identities to the collective goals (i.e., concerning and satisfying customer needs), further inducing employees' intrinsic motivation to manifest customer-oriented attitudes (Jung et al. 2003; MacKenzie et al. 2001). Third, transformational leaders are very sensitive to information pertaining to the market and customer needs. Therefore, transformational leaders might stress these types of information and develop evaluation systems that value and reward high degrees of employee customer orientation (MacKenzie et al. 2001). Finally, by means of intellectual stimulation, transformational leaders encourage service employees to solve problems in different ways, to question their old beliefs, and to adopt exploratory thinking processes (Jung et al. 2003; Sosik et al. 1997). In turn, service employees work with an open mind and consider different perspectives as they attempt to meet customer needs. On the basis of the aforementioned arguments, we expect that transformational leadership will increase service employees' customer orientation. Thus, we propose the following hypothesis.

Hypothesis 1. Transformational leadership is positively related to employee customer orientation.

The Mediating Roles of Supervisor Support and Coworker Support: A Trickle-down Model Perspective

Although transformational leaders can enhance employee customer orientation directly, it remains possible that this effect also occurs through others mechanisms. In the present study, we argue that supervisor and coworker support are two potential mediators of the transformational leadership–customer orientation association. These mechanisms are further explained by Masterson's (2001) trickle-down model.

On the basis of the social-exchange framework, the trickle-down model describes how service employees' receipt of organizational favorable treatment influences their subsequent reactions to and their treatment of customers. Specifically, when service employees receive favorable treatment from organizations, they will respond to the treatment by treating their customers well. The trickle-down model has been tested in the setting of employee–customer interactions (Masterson 2001) as well as in that concerning supervisor–employee interactions (Aryee et al. 2007; Shanock and Eisenberger 2006). For example, Masterson argued that employees' organizational justice perceptions will elevate employees' commitment to the organization, a commitment that leads employees to repay the organization by displaying more prosocial behaviors that are likely to increase customers' positive reactions. Moreover, Shanock and Eisenberger indicated that supervisors who perceive support from their organizations will treat their subordinates well, thereby increasing subordinate perceived supervisor support. Accordingly, subordinates will exhibit reciprocity toward their supervisors in terms of performing high levels of in-role and extra-role performance. Finally, Susskind et al. (2003) found that organizational standards for service delivery can facilitate employees' perceived supervisor and coworker support. Service employees who feel supported by their supervisors and coworkers are more likely to repay the organization by enhancing their customer orientation.

Based on the perspective of a trickle-down model and as shown in Fig. 1, it is plausible that transformational leaders exhibit more supportive behaviors toward employees and foster more coworker helping behaviors among employees than non-transformational leaders. Employees who perceive favorable treatment from their supervisors and coworkers might be motivated to respond to the transformational leaders by treating customers well. In the following section, we introduce the mediating mechanisms of supervisor and coworker support in detail.

Transformational Leadership → Supervisor Support → Customer Orientation

Supervisor support is defined as employees' general beliefs concerning the extent to which supervisors value their contributions and care about their well-being (Kottke and Sharafinski 1988). In order to be customer-oriented, service employees need to be motivated to expend greater efforts and more personal resources in customer interactions (Thakor and Joshi 2005). How do transformational leaders enhance employee customer orientation through employee-perceived supervisor support? These associations can potentially be explained by two perspectives: the falling dominoes effect and the job resources perspective.

Bass et al. (1987) proposed a "falling dominoes" effect that introduces how transformational leadership influences followers' behaviors toward other stakeholders. Specifically, transformational leaders might act as strong role models for followers: when transformational leaders exhibit their *individual consideration* toward followers, followers are likely to perceive the warmth and consideration from their supervisors. Such leaders can raise followers' awareness about the importance of supportive behaviors toward other stakeholders (e.g., customers). Thus, followers are more likely to show similar consideration toward their customers and to be concerned about customers' needs (Stock and Hoyer 2002). Similarly, employees who perceive support from their supervisors often feel obligated to pay back supervisors' favors or kindness by helping supervisors to reach their stated goals (Eisenberger et al. 2002). Since meeting customer expectations is the primary duty of service employees, they are more likely to devote extra effort to helping customers and meeting customer needs in order to pay back supervisor favors (Subramony et al. 2004), leading to high levels of customer orientation.

In addition, transformational leaders might actively provide necessary coaching and help subordinates to better fulfill their job responsibilities (i.e., individual considerations). This will increase job resources (i.e., supervisor support) that employees receive from their supervisors (Schaufeli and Bakker 2004). Therefore, supervisor support might act as a kind of job resource that facilitates employee customer orientation (Karatepe et al. 2007). As high supervisor support helps employees to reduce work stress and improve psychological well-being (Shanock and Eisenberger 2006), service employees who feel supported might have more inner resources to deal with difficult customers and to meet customer needs. This can, in turn, enhance service employees' customer orientation (Susskind et al. 2003).

Past empirical findings have provided some support for the notion that supervisor support plays a mediating role in the transformational leadership–customer orientation linkage. For example, Jung et al. (2003) indicated that transformational leadership is positively associated with employee-perceived empowerment and support for innovation. Moreover, Bell et al. (2004) found that supervisor support is positively related to employee work motivation and commitment

to customer service. Accordingly, it is expected that transformational leadership is positively related to employee-perceived supervisor support, which in turn leads to high levels of customer orientation. Thus, we propose the following hypothesis.

Hypothesis 2. Supervisor support mediates the relationship between transformational leadership and employee customer orientation.

Transformational Leadership → Coworker Support → Customer Orientation

Further, Susskind et al. (2003) suggested that coworker support supplements the formal support offered by supervisors: the major difference between supervisor and coworker support is that the latter is predominantly free of hierarchical differences. That is, the interactions between supervisors and employees might be constrained by their hierarchical differences, while the interactions between employees and their coworkers are less likely to be influenced by these differences. Hence, it is also plausible that coworker support acts as another mediator in the transformational leadership-customer orientation linkage. We introduce coworker support as another mechanism that underlies this linkage in the following paragraphs.

Coworker support is defined as “the extent to which employees believe their coworkers are willing to provide them with work-related assistance to aid in the execution of their service-based duties” (Susskind et al. 2003, p. 181). On the one hand, transformational leaders are capable of communicating the organizational vision and inspiring followers to prioritize collective goals over their personal interests (Bass 1985). These can motivate followers to take extra responsibilities and to engage in more pro-social behaviors that are beneficial to achieving collective goals, including helping coworkers with heavy workloads, sharing resources, and providing advice to coworkers who encounter work problems (Bono and Judge 2003; Chi et al. in press; Kirkman et al. 2009; Podsakoff et al. 1990; Podsakoff et al. 2000; Wang et al. 2005). Existing empirical studies also demonstrate that transformational leaders strengthen the supportive and helping behaviors among employees. For example, using 477 salespersons as the research sample, MacKenzie et al. (2001) found that transformational leaders foster service employees’ extra-role behaviors such as helping behaviors. Similarly, Tsai et al. (2009) showed that transformational leadership increases insurance agents’ helping coworker behaviors. For this reason, we expect that transformational leaders can enhance service employees’ perceptions of coworker support, as employees might receive more helping behaviors from coworkers.

Employees who receive more support from their coworkers might obtain more job resources to deal with stressful and difficult customers (Bakker et al. 2005; Tsai et al. 2007). For example, these service employees might receive more consideration, emotional support, useful customer information, and directive guidelines from their coworkers (Ducharme and Martin 2000). This support can motivate service employees to persist in meeting customer needs and in solving customer problems, leading to higher customer orientation. Empirically, several scholars have pointed out that employee-perceived coworker support can reduce employees’ withdrawal intentions and actual turnover (Iverson 1999; Price and Mueller 1986). In addition, Susskind et al. (2003) found that organizational standards for service delivery can increase employee customer orientation by enhancing coworker support. Finally, Tsai et al. (2009) showed that coworker support can enhance insurance agents’ task persistence and service performance.

Taking these various research findings together, we propose that transformational leaders might facilitate coworkers' mutual support. This enhanced mutual support, in turn, increases employees' willingness to treat customers nicely. Thus, we propose the following hypothesis.

Hypothesis 3. Coworker support mediates the relationship between transformational leadership and employee customer orientation.

Consequences of Employee Customer Orientation

Although researchers have found that service workers who are customer-oriented tend to receive higher supervisor-reported and self-reported service performance ratings (Brown et al. 2002; Cross et al. 2007; Franke and Park 2006), it is surprising that few studies have employed actual customers to assess service performance. To fill this research gap, we investigate whether employee customer orientation actually predicts customer perceptions of service performance.

Service workers with high customer orientation tend to build long-term customer relationships, display low-pressure sales tactics, pay attention to customers' needs, and actively engage in solving customers' problems (Franke and Park 2006). In addition, employees with stronger customer orientation are more willing to put extra time and effort into maintaining good relationships with their customers as opposed to a sole focus on increasing sales volumes (Saxe and Weitz 1982; Susskind et al. 2003). When a good relationship exists between service employees and customers, customers are more likely to have a positive experience during the service interactions (Cross et al. 2007). In this line of reasoning, customers who identify with service employees' customer-oriented attitudes will feel satisfied with employees' service delivery and will respond by rating employee service performance favorably. Therefore, employee customer orientation should enhance customer assessment of service performance.

Supporting this notion, Dean (2007) found that call-center employees' customer orientation predicts customer positive evaluations such as service quality and customer loyalty. Similarly, Susskind et al. (2003) stated that service workers with high customer orientation increase their customers' satisfaction. On the basis of the aforementioned discussion and empirical evidence, we argue that service employees with high customer orientation tend to engage in service-oriented behaviors during service interactions. As such, customers are more likely to be satisfied with employees' service delivery and to perceive high levels of service performance. Thus, we propose the following hypothesis.

Hypothesis 4. Employee customer orientation positively relates to employee service performance.

Method

Sample and Procedures

In this study, we collected data from multiple sources (i.e., employees and customers). The sample for the current study consisted of 212 front-line service employee–customer dyads from 55 service organizations in Taiwan. The collected sample covered a wide dispersion of service

jobs, such as sales clerk (40%), insurance agent (28%), service technician (10%), bank teller (10%), hair dresser (6%), and waiter (6%). These service organizations included various types of stores or companies, such as electronic appliance stores, insurance companies, bank branches, restaurants, and hair salons. Each store was staffed by one supervisor (manager) and 4 to 7 service employees. Service employees were directly supervised by their store manager.

For the data collection, the contact persons went to each store during working hours in order to distribute survey packages to service employees (i.e., employee surveys) and their corresponding customers (i.e., customer surveys). The employees and customers were randomly chosen, and all surveys were hand-distributed to them by the contact persons. After filling out the surveys, employees and customers were asked to seal the surveys and to return them either directly to the contact persons or by mail to the researchers. In total, 226 employees and 303 customers were approached and 212 employees and customers returned the surveys, yielding a response rate of 94% for employees and 70% for customers. In addition, to avoid potential problems related to social-desirability bias (Podsakoff and Organ 1986), the contacts assured all respondents that their feedback would be kept confidential and would not be shared with the store manager. Service employees provided their perceptions regarding a given store manager's transformational leadership, supervisor coworker support, and their own customer orientation. Customers evaluated their corresponding employees' service performance regarding service interactions. In order to match the dyadic responses, we assigned a matching number to the employee and customer surveys. Our contact persons could double-check the matching number to ensure that the employee and customer surveys were matched correctly. Finally, employees and customers who completed the survey received a gift worth approximately US \$3. Because gifts may alter respondents' moods during a survey and influence the respondents' response quality (Phillips and Phillips 2004), our contact persons presented the gifts after the surveys were finished to better ensure that the respondents' moods were unaffected throughout the survey. This approach diminished the possibility that the gifts would inflate the respondents' moods and, in turn, the respondents' ratings (Barone et al. 2000; Howard and Barry 1994; Tsai and Huang 2002).

In total, surveys from 212 complete employee–customer dyads were collected (consisting of 212 employees and 212 customers). In terms of service employee demographics, 80% were full-time employees and 64% were females. The average employee age was 30.11 years ($SD = 8.63$) and the average duration of employee education was 14.75 years ($SD = 2.05$). Specifically, 60.6% of the employees had attained an undergraduate degree, while an additional 33.3% had at least a high school diploma. The average employee tenure was 29.15 months. In terms of customer demographics, 61.40% were female and the average age was 30.27 years ($SD = 8.61$). Moreover, 14% of the customers were new customers who received the service from the service employees in the store for the first time.

Measures

Since all measures were originally English-language scales, we followed the back-translation procedure recommended by Brislin (1980)—the researchers translated the English scales into Chinese, and then two bilingual experts back-translated the Chinese scales into English. When disagreements occurred, the researchers discussed them with the experts and then the scales were revised again. This review process was repeated until a consensus was achieved.

Moreover, we counterbalanced the scale order of questionnaires in order to minimize potential biases caused by item priming effects. The item priming effect refers to situations under which posing some sensitive items about certain work-context features might make other work-context features more “salient” to respondents than would have been the case had the items not been posed in the first place (Podsakoff et al. 2003, p. 884). For example, if we ask service employees to evaluate supervisors’ leadership behaviors first, the service employees’ subsequent responses about customer orientation and about coworker and supervisory support are “primed” by the previous evaluations of supervisors’ leadership. Therefore, we counterbalanced¹ the scale orders as follows: the dependent variable (i.e., customer orientation) items were asked first, followed by those pertaining to coworker support, supervisor support, and transformational leadership. In this way, service employees’ ratings of supervisors’ transformational leadership behaviors are unlikely to have influenced the service employees’ ratings of customer orientation and of coworker and supervisory support.

When respondents answered questions regarding the scale of customer orientation, they had not yet seen the scales associated with supervisor support, coworker support, and transformational leadership. Therefore, when respondents filled out the scales pertaining to supervisor support and coworker support, they had not been influenced by the transformational leadership scales. This approach helped the respondents to maintain a neutral perspective for their feedback.

Store-Level Transformational Leadership

In line with previous research (Bono and Judge 2003; Chi et al. in press; Gumusluoglu and Ilsev 2009; Kirkman et al. 2009; Liao and Chuang 2007; Purvanova et al. 2006), we conceptualized and measured transformational leadership at the group-level (i.e., store-level). We measured transformational leadership using the 20-item Multifactor Leadership Questionnaire (MLQ-form 5X) (Avolio and Bass 2002). Service employees within the same store were asked to rate their store manager’s (supervisor’s) leadership behaviors on a five-point scale (1 = *strongly disagree*, 5 = *strongly agree*). Sample items included “My supervisor acts in ways that build my respect for him/her” (*idealized influence*), “My supervisor talks optimistically about the future” (*inspirational motivation*), “My supervisor seeks differing perspectives when solving problems” (*intellectual stimulation*), and “My supervisor regards me as having needs, abilities, and aspirations different from those of other employees” (*individual consideration*).

Empirically, Judge and Piccolo’s (2004) meta-analysis found that the inter-correlations among the dimensions of transformational leadership were quite high (corrected correlations = .93), which implies that it is justifiable to combine all transformational leadership items into an overall score. Furthermore, we conducted a confirmatory factor analysis using LISREL version 8.54 (Jöreskog and Sörbom 2003) and maximum likelihood estimation for these 20 leadership items and found a good fit for the one-factor model [$\chi^2/df = 5.75$, incremental fit index (IFI) = .95,

¹ However, this approach also has some disadvantages. For example, this approach might disrupt the logical flow among items and make it less feasible to use the funneling procedure (i.e., progressing from general items to more specific items) (Podsakoff et al. 2003). Therefore, these outcomes might reduce the correlations between study variables.

comparative fit index (CFI) = .95, standardized root mean square residual (SRMR) = .067], which indicates that the data fit well with the single factor. Therefore, following past research (Avolio et al. 2004; Bono et al. 2007; Gumusluoglu and Ilsev 2009; Kark et al. 2003; Lim and Ployhart 2004; Purvanova et al. 2006), we combined items of four dimensions to form a single score for each store supervisor. The Cronbach's alpha for this scale was .93.

Perceived Supervisor Support

We measured perceived supervisor support using Rhoades et al.'s (2001) four-item scale. Service employees were asked to evaluate their perceptions of the supervisors on a seven-point scale (1 = *strongly disagree*, 7 = *strongly agree*). A sample item was "My supervisor strongly considers my goals and values." The Cronbach's alpha for this scale was .88.

Perceived Coworker Support

We measured perceived coworker support using Susskind et al.'s (2003) three-item scale. Service employees were asked to evaluate their perceptions of coworkers' supportive behaviors on a five-point scale (1 = *strongly disagree*, 5 = *strongly agree*). A sample item was "My coworkers provide me with important work-related information and advice that make performing my job easier." The Cronbach's alpha for this scale was .78.

Customer Orientation

We measured customer orientation using a five-item scale from Susskind et al. (2003) on a five-point scale (1 = *strongly disagree*, 5 = *strongly agree*). A sample item was "I believe that providing timely, efficient service to customers is a major function of my job." The Cronbach's alpha for this scale was .89.

Customer Rating of Service Performance

We measured employee service performance using the seven-item service performance scale from Liao and Chuang (2004). Customers were asked to evaluate employees' service performance on an 11-point scale (1 = *strongly disagree*, 11 = *strongly agree*). A sample item was "This employee asks good questions and listens to find out what a customer wants." The Cronbach's alpha for this scale was .95.

Although past studies have used the self-report approach to evaluate service performance, self-reported performance ratings have been criticized for their possible susceptibility to egocentric bias (Conway and Huffcutt 1997; Harris and Schaubroeck 1988), leniency bias (Farh and Dobbins 1989; Fox and Dinur 1988), and social-desirability bias (Podsakoff and Organ 1986). These biases might inflate scores associated with self-rated service performance and lead to range restriction problems. Since customers are involved in the process of service delivery, they can directly interact with service employees and observe service employees' behaviors. Therefore, customers can serve as better raters of service performance than employees themselves (Bowen and Ford 2002).

Control Variables

We controlled for employee *store tenure* (in months) and *gender* (1 = male, 0 = female) to ensure that these demographic factors did not influence employee work-related attitudes and service behaviors (Jung et al. 2003; O'Hara et al. 1991; Sosik and Godshalk 2000; Thakor and Joshi 2005; Tsai et al. 2007).

Data Aggregation

To examine the appropriateness of the data aggregation (i.e., store-level transformational leadership), we first examined the inter-rater agreement of transformational leadership by calculating $r_{wg(j)}$ values (James et al. 1984). We conducted this calculation by using a normal distribution of expected error variance (LeBreton and Senter 2008). The mean $r_{wg(j)}$ across stores was .93 for transformational leadership, suggesting an acceptable level of inter-rater agreement.

In addition, we calculated intraclass correlation coefficients (i.e., ICC[1] and ICC[2] values) according to Bliese's (2000) suggestion. We obtained an ICC(1) value of .22, and the ANOVA test showed a significant between-store variance compared to within-store variance for transformational leadership ($F = 2.01, p < .01$) (James 1982). The ICC(2) value for transformational leadership was .52. Although the ICC(2) value was higher than the marginal value .50, it did not exceed the conventionally accepted value of .70 (Bliese 2000). Nevertheless, our ICC(2) value was similar to those reported in the transformational leadership literature (e.g., Liao and Chuang 2007; Purvanova et al. 2006). In spite of the less-than-perfect ICC(2) value, we concluded that our data aggregation was appropriate since we conceptualized transformational leadership at the store-level and the high $r_{wg(i)}$ and ICC(1) values provided empirical evidence for data aggregation.

Data Analysis

The nested structure of our data (i.e., employees and customers were nested within stores, and transformational leadership was measured and conceptualized at the store-level) might have violated the independence assumption of traditional ordinary least squares (OLS), which could have resulted in a biased estimation of standard error (Hofmann 1997). Since hierarchical linear modeling (HLM) is an appropriate statistical-based analytical tool for dealing with non-independence problems caused by nested data, we used HLM 6.0 (Raudenbush and Bryk 2002) to test our cross-level and lower-level hypotheses and to obtain a robust standard error and estimates of greater accuracy.

As we were attempting to examine the cross-level main effect of transformational leadership and the cross-level mediating effects of supervisory and coworker support on service employees' customer orientation, we followed Mathieu and Taylor's (2007) meso-mediation analytical approach to test our cross-level hypotheses. Specifically, our model examined the lower-level mediating effects where the effect of a Level 2 predictor (x : transformational leadership) on a level 1 outcome (y : employee customer orientation) was mediated by level 1 mediators (m1: supervisor support; and m2: coworker support); this model is consistent with the "2-1-1 mediation design" proposed by Bauer et al. (2006). Mathieu and Taylor's meso-mediation

approach incorporates Baron and Kenny's (1986) mediation test, which includes the following four steps. First, we examined the relationship between the predictor and the outcome variable ($x \rightarrow y$), which established a total effect and satisfied the precondition regarding a full mediation test (Mathieu and Taylor 2007). Second, we tested the relationship between the predictor and the two mediators ($x \rightarrow m1, m2$). Third, we evaluated the relationships between the two mediators and the dependent variable when the predictor was included in the model (x and $m1, m2 \rightarrow y$). Finally, we judged whether our mediation model belonged to a partial mediation model or a full mediation model. If the relationship between the predictor (x) and the outcome variable (y) became non-significant while the relationships between the mediators and the outcome variable remained significant, the cross-level full mediation condition was deemed to be satisfied. However, if the relationship between the predictor and the outcome variable was reduced but still significant, the cross-level partial mediation condition was satisfied. We also checked the proportion–mediation effect, which is the ratio of indirect effect over the total effect of the predictor on the outcome variable, as recommended by Shrout and Bolger (2002). If the proportion–mediation effect is 1.00, it indicates that the model displays full mediation.

As we determined the mediating effect, we adopted the z -prime method and calculated the 95% confidence interval to examine the significance of the corresponding mediating effect. The z -prime method concerns the non-normal distribution of the mediating effect and has adequate statistical power and accurate Type I error estimations (MacKinnon et al. 2002). In fact, the MacKinnon et al.'s z -prime method and the Baron and Kenny (1986) mediation approach share the same formula for estimating the mediating effect, but the z -prime method updates the critical value so that it is .97 instead of the original value, 1.96, for z . Furthermore, we calculated a 95% confidence interval for the mediating effect (Bauer et al. 2006) using Mplus 5.21 (Muthén and Muthén 2007). If the confidence interval of the mediating effect excluded the value of zero, we concluded that the mediating effect was supported.

In addition, Zhang et al. (2009) suggested that the within-group effect in the 1-1 relationship of a “2-1-1 meso-mediation” design might be confounded by the level-2 between-group effect if researchers adopt the grand-mean centering or no-centering approach to establish the mediation model. Such confounded mediation-effect estimations could further lead to biased estimations such as poor Sobel z statistics. Therefore, we followed Zhang et al.'s suggestion to adopt the group-mean centering approach in order to avoid any potential confounding effects.

Results

Table 1 presents means, standard deviations, and correlations for all study variables. All of the scales were reliable, with all alpha coefficients higher than .70. The correlation coefficients for the relationships of interest (such as the associations between transformational leadership and supervisor support, transformational leadership and coworker support, transformational leadership and customer orientation, and customer orientation and service performance) were positive, as expected.

Table 1. Descriptive statistics, correlations, and coefficient alphas

	Mean	S.D.	1	2	3	4	5	6	7
1. Transformational leadership ^a	3.28	.69	.93						
2. Perceived supervisor support ^a	4.81	.97	.68**	.88					
3. Perceived coworker support ^a	3.67	.67	.25**	.26**	.78				
4. Customer orientation ^a	4.18	.54	.37**	.38**	.10	.89			
5. Employee service performance ^b	8.40	1.83	.19**	.25**	.13	.21**	.95		
6. Employee gender ^a	.36	.48	-.20	.04	-.02	-.06	-.11	-	
7. Employee store tenure ^a (months)	29.79	22.69	.03	-.03	-.21**	.11	.03	-.13	-

^aEmployee-rated variable

^bCustomer-rated variable

N = 212. Internal consistency reliability estimates (alphas) are presented on the diagonal

* *p* < .05; ** *p* < .01 (two tailed tests)

Confirmatory Factor Analyses and Discriminant Validity

Table 2 presents the results of a series of confirmatory factor analyses (CFAs) based on LISREL 8.54 (Jöreskog and Sörbom 2003). We first examined the fit indexes of the proposed five-factor model (i.e., transformational leadership, perceived supervisor support, perceived coworker support, customer orientation, and employee service performance). A confirmatory factor analysis with the five-factor model showed good fit to the data: χ^2 (655, *N* = 212) = 1635.65, χ^2/df = 2.50, IFI = .94, CFI = .94, SRMR = .065.

Table 2. Confirmatory factor analyses of key variables in this study

Measurement model	χ^2 (<i>df</i>)	χ^2/df	CFI	IFI	SRMR	$\Delta\chi^2$ (Δdf)
Five factors						
TL, SS, CS, CO, and SP as distinct	1635.65 (655)	2.50	.94	.94	.065	
Four factors						
TL and SS constrained as one construct	1920.71 (659)	2.91	.93	.93	.070	285.06 (4)
One factor						
All five factors together as one construct	4960.23 (665)	6.45	.80	.80	.150	3324.58 (10)

Notes: *N* = 212. All χ^2 s and $\Delta\chi^2$ s are significant at *p* < .01

IFI incremental fit index; CFI comparative fit index; SRMR standardized root mean square residual; TL transformational leadership; SS perceived supervisor support; CS perceived coworker support; CO customer orientation; SP service performance

However, since transformational leadership is highly correlated to perceived supervisor support (*r* = .68, *p* < .01), the discriminant validity between the two variables was questionable. To eliminate this concern, we performed a CFA with an alternative four-factor model, where transformational leadership and perceived supervisor support were combined into a single factor, together with perceived coworker support, customer orientation, and service performance. The results show that the fit indices of the four-factor model (i.e., χ^2 [659, *N* = 212] = 1,920.71, χ^2/df = 2.91, IFI = .93, CFI = .93, SRMR = .070) were worse than those of the five-factor model. The Chi-square difference tests reveal that the five-factor model yielded a better fit than the four-factor model ($\Delta\chi^2$ [4, *N* = 212] = 285.06, *p* < .01), which indicates that transformational leadership and perceived supervisor support can be separated into two distinct constructs.

Furthermore, we also examined discriminant validity regarding the five study variables (i.e., transformational leadership, perceived supervisor support, perceived coworker support, customer orientation, and employee service performance) using the confidence interval (plus or minus two standard errors) around the *phi* correlation. When the confidence interval between two study variables did not include 1, discriminant validity among the two variables was supported (Anderson and Gerbing 1988). We examined ten confidence intervals around the *phi* correlations and found that none of them included the value of 1. Overall, this analysis shows that the proposed five-factor model fit the data well and that the five variables were distinct constructs.

Hypothesis Testing

On the basis of Hofmann’s (1997) suggestions, we tested our hypotheses using HLM according to the following steps. First, employing customer orientation as the outcome variable, we estimated a null model with no predictor at Level 1 and Level 2. Second, in the Level 1 analysis, customer orientation was regressed on all Level 1 control variables and predictors. Third, in the Level 2 analysis, we used the intercept estimates obtained from Level 1 as the outcome variable. The outcome variable (i.e., intercept estimates) was then regressed on the Level 2 predictor (i.e., transformational leadership) to assess the cross-level main effects of the Level 2 predictor.

Table 3. Hierarchical linear modeling analysis for hypotheses 1–3

Predictors		Multi-level mediation test				
		Step 1	Step 2	Step 3		
		X → Y	X → M	X → M → Y		
		Outcome variables				
		Customer orientation (Model 1)	Supervisor support (Model 2)	Coworker support (Model 3)	Customer orientation (Model 4)	Employee service performance (Model 5)
Level 1						
Intercept	γ_{00}	2.95**	1.14**	2.99**	2.81**	8.72**
Employee store tenure	γ_{01}	.002	-.002	-.01	.002*	-.002
Employee gender	γ_{02}	-.02	.25	-.01	-.06	-.55*
Supervisor support (mediator)	γ_{03}				.17**	.45*
Coworker support (mediator)	γ_{04}				.08	–
Customer orientation	γ_{05}					.06
Level 2						
Transformational leadership	γ_{10}	.36**	1.11**	.25*	.19*	
Store mean of supervisor support	γ_{20}				.17**	
Store mean of coworker support	γ_{30}				-.04	

Notes: Employee $n = 212$, Store $n = 55$. Entities presented are estimations of HLM regression coefficients. At level 1, supervisor support, coworker support, and employee customer orientation were group-mean centered. At level 2, transformational leadership was not centered. X refers to the predictor. M refers to the mediator. Y refers to the outcome variable

* $p < .05$; ** $p < .01$ (two tailed tests)

For Hypothesis 1, we proposed that transformational leadership would positively predict individual-level employee customer orientation. Table 3 presents the HLM results. As shown in model 1 of Table 3, after controlling for the effect of employee store tenure and gender, we

found that transformational leadership was still positively related to employee customer orientation ($\gamma_{10} = .36, p < .01$), supporting Hypothesis 1.

In terms of Hypothesis 2, we expected that perceived supervisor support would mediate the relationship between transformational leadership and customer orientation. As mentioned above regarding Hypothesis 1, transformational leadership was positively related to customer orientation. This satisfied the first condition associated with Mathieu and Taylor's (2007) approach. In addition, as shown in models 2 and 4 of Table 3, transformational leadership was also positively associated with perceived supervisor support ($\gamma_{10} = 1.11, p < .01$), and the relationship between perceived supervisor support and customer orientation was significant ($\gamma_{03} = .17, p < .01$) when transformational leadership was incorporated into the model, which satisfied Mathieu and Taylor's second and third conditions. Finally, after including perceived supervisor support in the model, we found that the coefficient of transformational leadership relative to customer orientation was reduced to $.19 (p < .05; \text{see model 4})$, which satisfied the condition of cross-level partial mediation. Furthermore, the results of the *z*-prime approach show that the mediating effect was significant ($z = 2.67, p < .01$) and that the 95% confidence interval excluded 0 (lower bound = $.04$, upper bound = $.22$). The effect proportion mediated by supervisor support was 52% (Shrout and Bolger 2002). According to the empirical evidence described above, we concluded that perceived supervisor support partially mediated the cross-level effect of transformational leadership on customer orientation. Therefore, Hypothesis 2 was supported.

Hypothesis 3 proposed that perceived coworker support would mediate the relationship between transformational leadership and customer orientation. Similarly, the first condition of Mathieu and Taylor's (2007) approach was satisfied in Hypothesis 1. As can be seen in model 3 of Table 3, transformational leadership was positively related to perceived coworker support ($\gamma_{10} = .25, p < .05$), satisfying the second condition. However, the relationship between perceived coworker support and employee customer orientation was non-significant ($\gamma_{04} = .08, p > .05$) when transformational leadership was entered into the model ($\gamma_{10} = .19, p < .05$), and this finding failed to support the third condition of Mathieu and Taylor's approach. In addition, the mediating effect of coworker support was non-significant ($z = .88, p < .05$), and the 95% confidence interval included 0 (lower bound = $-.039$, upper bound = $.22$). The effect proportion mediated (Shrout and Bolger 2002) was 6%. As such, Hypothesis 3 was not supported.

Finally, we predicted a positive relationship between employee customer orientation and service performance in Hypothesis 4. As shown in model 5 of Table 3, after controlling for the effects of employee store tenure, gender, and supervisor support,² we found that customer orientation was not statistically related to employee service performance ($p > .05$), but that a positive relationship did exist. Therefore, Hypothesis 4 was not supported.

Post Hoc Analysis

Although the expected positive relationship between employee customer orientation and customer-rated service performance was not supported, this relationship could potentially be affected by other moderators (e.g., short-term vs. long-term customer relationship) (Donavan et

² Since coworker support did not predict customer orientation, we did not include it as a control variable.

al. 2004). That is, the customer orientation-service performance relationship may evolve into a long-term customer relationship in which the employees and customers have enough time to interact quite substantively with each other. In contrast, with a short-term customer relationship, this association may not be readily detected because of a constraint on time that the two parties could otherwise spend interacting with each other: service employees might have limited opportunity to display their positive attitudes toward customers, attenuating the relationship between customer orientation and service performance. Therefore, we conducted a post hoc analysis to explore whether “customer relationship” (i.e., short-term [the first-time customers] vs. long-term [returning customers] relationship) moderates the relationship between customer orientation and service performance.

Table 4 presents the results of the post hoc analysis. As shown in Table 4, customer orientation had a positive relationship with customer-rated service performance ($b = .86, p < .01$). In addition, the interactive effect of customer orientation and customer relationship on service performance was significant. Therefore, we followed Aiken and West’s (1991) approach to plot the interaction forms.

Table 4. Results of ordinary least square regression for post hoc analysis

Outcome variables:	
Predictors	Service performance
Constant	5.09**
Employee tenure	-.02
Employee gender	-.22
Customer orientation	.86**
Customer relationship	5.10
Customer orientation × customer relationship	-1.52*

Notes: Employee $n = 212$, Store $n = 55$. Customer relationship: 0 = returning customers; 1 = first-time customers
 * $p < .05$, ** $p < .01$ (two tailed tests)

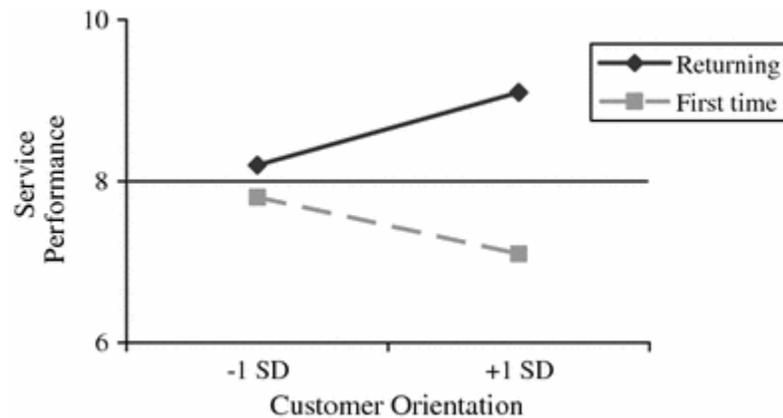


Fig. 2. Moderating effect of customer relationship (first-time customers vs. returning customers) on the relationship between customer orientation and service performance

As can be seen in Fig. 2, when customers approached service employees for the first time, the relationship between customer orientation and service performance was slightly negative. However, for returning customers (i.e., customers who had contact with service employees more than once), the customer orientation-service performance association became slightly positive.

Therefore, the results of this post hoc analysis were consistent with our expectation; the implications are further discussed in the discussion section.

Discussion

Although researchers have emphasized the importance of customer orientation (Hennig-Thurau and Thurau 2003; Susskind et al. 2003), the ways that leaders enhance service workers' customer orientation and why this association exists remain unclear (Jones et al. 1996; Stock and Hoyer, 2002). Moreover, whether customer orientation directly influences customer perceptions of service performance has been neglected in the existing literature (Franke and Park 2006). To fill these research gaps, the purposes of this study were to test the transformational leadership–customer orientation association, to explore the mechanisms underlying this linkage, and to examine the effect of customer orientation on customer-rated service performance. In the following sections, we discuss the theoretical implications of our findings regarding the transformational leadership and customer orientation literature, as well as how these findings translate into practical implications.

Major Findings and Theoretical Implications

The present study advances our understanding regarding *how* and *why* transformational leadership enhances customer orientation. While previous research has shown that transformational leadership is positively related to customer orientation (Menguc and Auh 2008; Menguc et al. 2007; Wallace and Weese 1995), this study represents the first effort to investigate the mediation process underlying this linkage. Since past studies have focused on the direct effects of transformational leadership and customer orientation, this study takes a step forward by highlighting the mediating role of employee-perceived supervisor support. Drawing from the perspectives of the trickle-down model (Masterson 2001), of the falling dominoes effect (Bass et al. 1987), and of job resources (Schaufeli and Bakker 2004), we found perceived supervisor support to be a manifest mediating process linking transformational leadership and service employees' customer orientation. This finding suggests that the trickle-down effect is likely to occur when employees perceive supervisory support from transformational leaders: employees are more likely to exhibit reciprocity toward these leaders by devoting more effort to meeting customer needs and to treating customers well during service encounters.

While we found that perceived supervisor support mediated the transformational leadership–customer orientation relationship, perceived coworker support failed to predict employees' customer orientation. This finding was beyond our expectation and did not support Susskind et al.'s (2003) argument that perceived coworker support might supplement the formal support from supervisors in terms of enhancing customer orientation. In an attempt to better understand this finding, we propose a possible explanation here. According to the social-exchange perspective, although transformational leaders arouse more coworker supportive behaviors among employees, those employees who receive and perceive coworkers' support might directly repay their coworkers (Tsai et al. 2007), rather than forward such favors onto customers. Our finding might indicate that the trickle-down effect only occurs in the supervisor–employee–customer chain, and not in the coworker–employee–customer chain. Employee-perceived coworker support should reverberate among coworkers and should strengthen interpersonal

bonds between employees and other coworkers; this might, in turn, lead to more coworker support instead of higher customer orientation.

Finally, while we did not find a significant relationship between customer orientation and customer-rated service performance, this relationship was positive. To further explicate this unexpected finding, we performed a post hoc analysis to investigate whether this association depends on other moderators. The findings of the post hoc analysis suggest that the effect of customer orientation on customer perceptions of service performance was moderated by the customer relationship (i.e., whether the customer is a first-time customer or a returning customer). Specifically, for returning customers (those who have had contact with the service employees more than once), employee customer orientation positively predicted customer-rated service performance; however, this association was slightly negative for first-time customers. This reason behind this finding might be related to the emotional contagion theory (Hatfield et al. 1994): when customers spend more time with service employees (i.e., returning customers), high customer-oriented employees might have a greater opportunity to display their consideration and friendliness toward customers. In turn, this might influence customer-perceived service performance through the emotional contagion processes. We encourage future research to re-examine the moderating role of the customer relationship and to test whether employee affective delivery or positive emotions (Barger and Grandey 2006; Tsai and Huang 2002) act as mediating mechanisms in the customer orientation–service performance relationship.

Taken together, the findings of the present study contribute to the leadership literature by showing the effects of transformational leadership on customer orientation as well as by showing the mediating role of supervisor support in the trickle-down process. Our findings also extend the nomological network of customer orientation by including an additional antecedent (i.e., transformational leadership) and the potential moderator of customer relationship (Whetten 1989).

Practical Implications

As a result of our finding that transformational leadership has an effect on employee's customer orientation and that this effect is partly transmitted by employees' perceptions of supervisor support, we suggest that organizations—particularly service organizations—recruit managers who have the potential to undertake transformational leadership: for example, managers possessing high levels of extraversion (Bono and Judge 2004). Furthermore, organizational supervisor-training programs should provide “transformational leadership”-related courses that address such matters as the characteristics, behavioral dimensions, and importance of transformational leadership, as well as how to practice transformational leadership (Barling et al. 1996). These recruitment and training practices can help to ensure that supervisors are willing to coach, and to share work-related experience with, their employees. Barling et al. found that appropriate transformational leadership training can improve supervisor leadership and result in significant effects on employee perceptions of supervisor transformational leadership. This further enhances employee organizational commitment, and work-unit-level financial performance. Therefore, it is important for organizations to foster the development of

transformational leadership that leads to employees' sense of support, and that finally results in employees' willingness to better serve their customers.

Limitations and Future Research

We acknowledge several limitations of our study. First, we adopted the HLM approach to access the cross-level main effect and mediating effect of transformational leadership. Most statistical evidence, such as ICC(1) and $r_{wg(j)}$, supported our aggregation of transformational leadership into store-level phenomena. However, we obtained a less perfect ICC(2) value, which could be due to our relatively small average group sizes (3.85 employees) (Bliese 2000). A relatively low ICC(2) could lead to overly conservative estimations relating to the effect of group-level variables. However, we found that the store-level transformational leadership still positively predicted individual-level supervisor support, coworker support, and customer orientation, which were consistent with theoretical arguments and our expectations. Hence, while the ICC(2) value was not perfect, it did not seem to attenuate the effect of transformational leadership.

Second, because transformational leadership, supervisor support, coworker support, and employee customer orientation were measured from the same individuals using the same questionnaires, common method variance might have inflated the relationships between those variables (Podsakoff et al. 2003). To address this concern, we adopted the remedies recommended by Podsakoff et al. Procedurally, we counterbalanced the order of the independent and dependent variables to avoid the priming effect caused by the question context or item embeddedness. Moreover, all of the subjects were informed that there were no correct or incorrect answers, and that their confidentiality would be ensured to reduce problems associated with social desirability. Statistically, a one-factor confirmatory factor analysis presented a poor fit to the data: $\chi^2(665, N = 212) = 4960.23$, $\chi^2/df = 7.46$, IFI = .80, CFI = .80, SRMR = .150. The poor fit indicates that no hidden latent factor influenced the model structure. Finally, the findings of discriminant validity show that the study factors collected from the same source were distinct. Thus, the aforementioned approaches indicate that common method variance should not have influenced our findings adversely.

Finally, the non-experimental design of our study makes causality inference difficult because non-experimental design research is performed in an environment where confounding factors are not properly controlled. Antecedents of the field study cannot be properly manipulated by the researchers, and all measures are assumed to be independent variables, mediators, and outcome variables (Rosenbaum 2002; Rosopa and Stone-Romero 2008), which is a situation that might result in invalid causal inference. Hence, our results generated from a cross-section field study might not support a strong valid basis for making causal inferences between variables (Rosopa and Stone-Romero 2008; Stone-Romero and Rosopa 2008). To address this issue, future studies would do well to apply experimental designs using the random assignment method (Rosopa and Stone-Romero 2008; Stone-Romero and Rosopa 2008) to detect whether the presence of transformational leadership actually induces employee-perceived supervisor support and whether supervisor support eventually affects employee customer orientation. It would also be interesting to incorporate a longitudinal design to examine how transformational leadership leads to employees' perceptions of both supervisor support and coworker support and how transformational leadership enhances employee customer orientation in a temporal fashion.

To further extend the nomological network of customer orientation, it would be insightful for future research to examine whether organizational-level variables enhance customer orientation through the trickle-down process. For example, it is plausible that the organizational service climate (Schneider et al. 1998) and human practices (Liao and Chuang 2004) strengthen service employees' perceived organizational support, which in turn enhances their willingness to reciprocate organizations by showing customer-oriented attitudes toward customers.

Conclusions

The results of the current study suggest that transformational leadership directly enhances employees' customer orientation and that employee-perceived supervisor support acts as a mediator embedded in this relationship. That is, employees who receive and perceive support from transformational leaders become more motivated to satisfy and value customer needs, and eventually to form a customer orientation. Therefore, organizations should encourage supervisors to engage in transformational leadership behaviors.

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