



The relationships among leadership, goal orientation, and service quality in high-contact service industries: An empirical study

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ABSTRACT

High-contact service industries are characterized by close interaction between service employees and customers, and diverse customer needs. Such characteristics pose a great challenge to the delivery of services of superior quality. In this research we conceptually explore and empirically examine several attitudinal and motivational factors of customer-contact employees, and the management style of managers as antecedents to service quality in high-contact service sectors. Based on dyadic data collected from 230 service firms in Hong Kong, we examine the relationships among transformational leadership, transactional leadership, affective organizational commitment, learning goal orientation, performance goal orientation, and service quality. We find that learning goal orientation is more effective than performance goal orientation in fostering service quality in the high-contact service context. We also observe that transformational leadership tends to be more effective than transactional leadership in influencing employee attitude in high-contact service firms. This research pioneers theory-driven examination of service quality in high-contact service firms using data collected from service employees and shop managers for hypothesis testing.

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1. Introduction

Maglio and Spohrer (2008) define service science as the study of service systems, which are dynamic value co-creation configurations of resources including people, technology, organizations, and shared information. They also contend that understanding a service system requires relevant knowledge from different academic disciplines, including operations management (OM) and organizational behaviors (OB). Researchers of OM, statistics, and service marketing have contributed to the development of service science by investigating how the use of technology and information sharing benefit services in different environments (e.g., Tsung et al., 2007; Kleijnen et al., 2009; Buell et al., 2010). Yet how organizational theories concerning people and OB could account for service performance is a relatively unexplored area. Despite the fact that service research is commonly accepted as an interdisciplinary area of study (e.g., Spohrer and Maglio, 2008), Pilkington and Chai (2008) comment that much work needs to be

done on service research to make it truly interdisciplinary. We conduct this study with a view to advancing service science research by identifying and examining relevant organizational theories that account for service performance.

Organizational theories are relevant to service science in part because they help explain the attitudes and behaviors of service employees when interacting with customers in the service creation process. This implies that organizational theories would be much more relevant to services where a high level of employee–customer contact occurs in the service creation process. For example, cheque processing in banks entails a low level of customer contact. Under such circumstances, service creation becomes a repetitive process and quantitative OM techniques would be effective in improving the efficiency of the process (e.g., Frei et al., 1999; Soteriou and Chase, 2000). On the contrary, high-contact services are characterized by close interaction between service employees and customers, and diverse customer needs (Chase, 1981; Kellogg and Chase, 1995; Yee et al., 2008). Such characteristics may render quantitative techniques ineffective. Thus, organizational theories, which provide insights into service employees' attitudes and behaviors, could provide more helpful guidance on managing high-contact services. Since we intend to explore the linkage between organizational theories and service performance, high contact service firms are an appropriate context for our study. High-contact services are ubiquitous in service industries such as hospitality, agency services, and health and beauty cares.

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When interacting with customers with diverse needs, the attitude of the service employee is likely to be an important determinant affecting service performance (Heskett et al., 1994). We argue that a service employee's attitude is in part dependent on the employee's type of goal orientation. Referring to individuals' characteristics capturing their preference for different types of goals and the associated patterns of behaviors (Dweck, 1986), goal orientation offers a motivational framework to explain how individuals perceive, interpret, and respond to tasks in their jobs (Kanfer et al., 2008). In this study we identify service employee's learning goal orientation and performance goal orientation as key factors that influence service performance. While goal orientation is considered as a personality trait, it may be influenced by certain contextual factors (Dweck and Leggett, 1988; VandeWalle et al., 1999). As goal orientation is a concept related to individuals' sources of motivation, service employee's goal orientation is likely to be related to how employees are motivated by their managers (Bettencourt, 2004). Thus, we further argue that a service employee's goal orientation could be influenced by their manager's leadership style. In this study we identify manager's transformational leadership and transactional leadership as important factors that influence service employee's goal orientation. In addition, prior literature suggests that affective organizational commitment is an important factor that motivates employees to perform well in service contexts (e.g., Vandenberghe et al., 2007) and that it is related to how employees adopt the attitudes and behaviors expected by management (Becker and Gerhart, 1996). This implies that affective organizational commitment is a factor that could affect how service employees align their behaviors and attitudes with their managers' expectations. In this study we consider service employee's affective organizational commitment as a mediating factor between manager's leadership style and service employee's goal orientation. Following the service management literature, we use a single representative measure, namely service quality, to assess service performance by adapting the framework of SERVQUAL (Parasuraman et al., 1988; Zhou Ruiqi, 2009).

While service science is commonly accepted as an interdisciplinary area of study, the current literature provides little concrete idea and empirical evidence on the application of organizational theories to achieve performance gain in service. We fill this research gap by conceptually exploring and empirically testing how manager's transformational leadership and transactional leadership influence service employee's learning goal orientation and performance goal orientation, and how these two types of goal orientation influence service quality. In addition, we examine how employee's affective organizational commitment acts as a mediator between leadership style and goal orientation. We conduct an empirical study of high-contact service industries in Hong Kong. We successfully invited 230 service firms to participate in this study. We collected dyadic data from 1840 individual participants, including 1150 customers and 690 service employees of these service firms, to test our hypotheses. We contribute to the service science literature by empirically demonstrating the application value of organizational theories in service management. We also provide insights to practitioners in high-contact service industries by offering strategic guidelines on managing service employees and enhancing quality performance. In sum, we pioneer theory-driven research on service science using data from multiple respondents for hypothesis testing.

2. Theoretical background and hypothesis development

2.1. Theoretical background

Service firms are increasingly seeking ways to offer quick and reliable services (e.g., Soteriou and Chase, 2000), considering the heterogeneity of customer needs (Homburg et al., 2009) and the

difficulty in managing service encounters (e.g., Hartline and Ferrell, 1996). A growing stream of OM research stresses the importance of employees in service operations. Researchers have highlighted the need for minimizing human errors in the service delivery process. Stewart and Chase (1999) empirically investigate the impact of various human errors on service deliveries. They reveal that skill-based and rule-based errors of employees induce most service failures, suggesting service quality can be improved through error detection and correction. Van Raaij and Pruyn (1999) propose a control model to improve service quality through ensuring the validity and reliability of the services delivered. However, given that human factors might be the most critical element in the service industry, it seems that not enough emphasis has been placed on the importance of employee motivation and attitudes in service deliveries. In fact, service quality perception is likely to rely heavily on such service delivery behaviors as courtesy, personal attentiveness, responsiveness, and keeping promises (Bowen and Schneider, 1985).

One of the key challenges in service management is to motivate service employees to deliver high-quality services during service encounters. Popular concepts such as the "service-profit chain" suggest that there are links between employee attitudes, service quality, and ultimately, organization profit (Heskett et al., 1994). Empirical research supports this conceptual framework. For example, Hays and Hill (2001) find that employees' motivation and vision have significant positive effects on service quality in a multinational hotel chain. There is compelling evidence on employee attitudes significantly influencing service quality. Nevertheless, researchers have provided no concrete evidence on the exact nature of employee attitudes that would have a direct impact on service quality. In recent years, frontline employees' commitment and goal orientation have been widely regarded as critical successful factors in service industries (Hartline and Ferrell, 1996; Ashill et al., 2006).

Finally, employees' attitudes and commitment are largely backed up by leadership. It is widely recognized in the quality management literature that top leadership is an important driver of employees' work motivation through the development of a quality culture (e.g., Yeung et al., 2005; Jun et al., 2006). To create a quality culture, leadership establishes quality goals for the organization and develops a compelling vision that guides activities towards achieving the quality goals; in turn, leadership downwards gradually can bring about changes in quality culture, which affects employees' attitudes and commitment towards their work. Different leadership styles, such as transformational leadership and transactional leadership, provide various conditions that are necessary to foster employee motivational attitudes and commitment (e.g., Bettencourt, 2004). For this reason, different leadership styles yield various mechanisms for influencing employees' work attitudes. For example, Bettencourt (2004) finds that transformational leadership has a direct impact on employee commitment; however, transactional leadership has an indirect influence on commitment through leader-member exchange. Noting that researchers have so far focused heavily on one particular leadership style, i.e., transformational leadership, we see a need to conduct more research to examine the correlations between different leadership styles in general, and transformational leadership and transactional leadership in particular, to employee attitudes and commitment, which in turn would affect operational performance. Such research findings will advance the knowledge frontier of service science.

2.2. Hypothesis development

2.2.1. Transformational leadership, learning goal orientation, and service quality

Transformational leadership influences followers by elevating their individual values, goals, and aspirations beyond in-role job

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