

# The Role of Leadership Style on Frontline Employees' Perceived Ethical Climate, Polychronicity and Service Recovery Performance: An Evaluation from Customer Service Development Perspective

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## Abstract

This empirical study aims to investigate the influence of leadership styles (transformational and transactional) on frontline employees' (FLEs) perceived ethical climate, polychronicity, and service recovery performance in a service work setting in Malaysia. A total number of 249 questionnaires were gathered from a sample of full-time frontline hotel employees. The hypothesized relationships were tested using PLS-SEM Path analysis. Results based on the path analysis reveal that transactional leadership had more significant positive impact on ethical climate and service recovery performance. On the other hand, transformational leadership had more significant positive effect on FLEs' polychronicity. As inconsistent with the study hypothesis, transformational leadership had no significant effect on FLEs' service recovery performance. Theoretically, the current study by examining the untried effects and relationships such as the effect of leadership styles on polychronicity lends further contribution to the service management literature.

**Keywords:** Leadership Styles, Service Recovery Performance, Polychronicity, Ethical Climate

**JEL Classifications:** M1, M12, M19, D23

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# Liderlik Stillерinin Müşterilerle Yüz Yüze İrtibatlı Çalışanların Algılanan Etiksel İklim, Çok Yönlü İş Yapabilirlik ve Hataları Düzeltme Performansları Üzerindeki Rolü: Müşteri Servis Gelişimi Açısından Bir Değerlendirilme

## Öz

Bu ampirik çalışmanın amacı Malezya hizmet sektörü alanında dönüştürücü ve etkileşimli liderlik stilleri ile yüz yüze irtibatlı çalışanların algılanan etiksel iklim, çok yönlü iş yapabilirlik ve hataları düzeltme performansları arasında bir ilişki olup olmadığını araştırmaktır. Örneklem olarak ön büro otel çalışanlarından toplam 249 adet anket toplanmıştır. Çalışmanın hipotezleri PLS-SEM yol analizleri yöntemi kullanılarak test edilmiştir. Yol analizlerine göre, etkileşimli liderlik tipinin çalışanların algılanan etiksel iklim ve hataları düzeltme performansları üzerinde daha çok anlamlı pozitif bir etki yaptığı bulunmuştur. Çalışma hipotezine uyumsuz olarak dönüştürücü liderlik tipinin hataları düzeltme performansı üzerinde bir etkisi olmadığı bulunmuştur. Teorik olarak bu çalışma daha önce çalışılmamış etki ve ilişkileri araştırması hasebiyle servis yönetimi literatürüne ek bir katkı sunmaktadır.

**Anahtar Kelimeler:** Liderlik Stilleri, Hataları Düzeltme Performansı, Çok Yönlü İş Yapabilirlik, Etiksel İklim

**JEL Kodları:** M1, M12, M19, D23

## Introduction

The simultaneity characteristic of the hospitality works forces frontline position holders to complete number of duties in very dynamic service encounters of organization. This is common indeed, because they are front-face of an organization and are expected to offer high quality customer services and successfully handle customer complaints and service failures (Daskin and Yilmaz, 2015; Karatepe and Kilic 2007). The achievement of the service organizations mostly depends on frontline employees (FLEs; food-servers, front desk agents, bell staff, and floor attendants) who have very close and constant interactions with guests and customers. Prosocial behaviours, in other words, citizenship and customer service behaviours that are additional to the requirements of a role, have become crucial for

the service industry (Ma and Qu, 2011). A strong relationship among FLEs and customers is an important assessor for hotel service delivery success, because their service behaviour and practice influence customers' emotions (Lewis and McCann 2004). Thereby, hotel service providers have started to improve service design for positive customer service outcomes. Tharenou et al. (2007) contends that FLEs who have positive feelings about the working environment are able to exhibit better service effort, which in turn develops customer service. As a result, it is considered as critical for service organizations to analyse their employees' expectation in boosting their motivation and retention since the motivated and satisfied employees are likely to provide better improved service and behave customers better.

According to Cadwaller et al. (2010), "services are characterized by inseparability and intangibility, and it is often the employees themselves who deliver the service and act as a communication channel". This fact requires FLEs to show more attention to customer and guest experiences during service provision which assess the customer service quality received (Zeithaml et al., 2002). Motivated and satisfied FLEs are likely to engage in better service delivery and this will contribute to positive organizational outcomes such as customer trust and word-of-mouth (Nadiri and Tanova, 2010). Therefore, FLEs' service performance and satisfaction with working environment is strongly correlated with the customer service satisfaction and development which in turn boost customer loyalty towards organization.

Giving the importance of FLEs for customer service development, it stays critical to investigate what makes them to exhibit positive job outcomes such as service recovery performance, polychronicity, and perceived ethical climate. In this regard, this study proposes that leadership style may be an important antecedent of these selected employee job outcomes. Basically, there are two types of leadership style mostly reviewed in the literature such as the transactional leadership and transformational leadership. Bass (1998, 1990) stated that transactional leadership style encourages followers to reach higher performance by offering external stimulus such as recognition, pay increases, and career advancement, but at the same time punishes poor performers. In contrary, transformational leadership style adopts to generate a working environment where gives vision and sense of mission,

and makes followers to work in trust and pride. Transformational leadership is mostly related to follower's moral values (Mulla and Krishnan, 2011). Transformational leadership is mostly recognized and searched area by the researchers. A cross-cultural research conducted by Kirkman et al. (2009) found that transformational leadership had indirect effect on organizational citizenship behaviour (extra-role customer service behaviour) dimensions (conscientiousness, sportsmanship, civic virtue, courtesy, and altruism). According to Egan et al. (1995), transformational leadership style results in more effective organizational outcomes when compared to transactional style; it does not matter which method and organizational type adopted by the leaders, but leader's capabilities matter mostly. In an empirical study by Afolabi et al. (2008), effective results were found in the favour of transactional leadership, such that the transactional leadership is more effective in terms of reaching numerical organizational aims and goals. On the other hand, Bass (1999) emphasized that the transactional leadership style negatively impacts organizational performance.

The rationale for adding the aforementioned job outcomes is that the switching behaviours among job duties in hotel jobs are generally required, so, polychronicity as a potential personality trait might be important driver in attaining better organizational outcomes. Under these circumstances, it seems necessary for executives to generate a pool of polychronic FLEs who can display meticulous efforts and accomplish various tasks at highly demanding work environments (Daskin, 2015). The performance of FLEs in dealing with service failure is portrayed as a significant strategic matter in the services literature (e.g., Daskin, 2015; Ruyter and Wetzels, 2000). Time management is a critical matter in hotel works due to its multitasking characteristic and complexity. According to Conte and Gintoft (2005), polychronic employees rated as good performers of customer service based on the supervisors' assessments. Another empirical research conducted in hotel industry has reported indirect impact of polychronicity on extra-role customer service behaviours which in turn increase customer service satisfaction (Daskin, 2016; Karatepe et al., 2013). Service providers nowadays accepts that the number and extent of the service problems employees face is the main influencing factor of perceived service quality provision (Colgate and Norris, 2001). Again they focus on this issue from the perspective of

service problems and how service providers manage these service failures when come to their attention. This is not different for Malaysian hotel service provider as the work environment becomes more challenging and complex in this context, it is important to recognize the importance of the selected antecedents on FLEs' recovery performance and polychronicity. Along with this, there is empirical evidence that ethical climate is an effective driver of workplace productivity and employee retention, as such, FLEs who perceive ethical working climate are prone to spend more effort for improved customer service (Karatepe, 2013). An empirical study conducted in service industry by Luria and Yagil (2008) indicates that ethical climate improves both customer service performance and customer satisfaction. Malaysian hospitality organizations has turnover problem, thus, the current study proposes that leadership applications may be a predictive factor on ethical climate in this context.

To note, in an empirical study conducted by Tracey and Hinkin (1996), higher-levels managers in hotels were found to have more tendency towards transactional leadership style. Another empirical finding by De Dai et al. (2013) proposes that transformational and transactional leadership should be used at the same time to get the best consequences of leadership styles. The current study also adopted and proposes the same approach. This study contributes to this body of research in two important ways by dealing with the limitations specifically. First, this study was conducted in the Asian context to explore whether the effects of both leadership styles on FLEs' service recovery performance, perceived ethical climate, and polychronicity are culture specific, as the majority research has been conducted in the Western contexts. As a case in point, a cross-cultural study conducted by Kirkman et al. (2009) using 560 followers and 174 leaders in China and United States showed that power distance orientation moderated the cross-level relationship that transformational leadership had with procedural justice; the relationship was more positive when power distance orientation was lower, rather than higher. Second, there is no much information related to the impact of leadership styles on FLEs' aforementioned job outcomes in a hotel setting in Malaysia, where there are managerial challenges and increasing work demands.

## Theoretical Background and Hypotheses

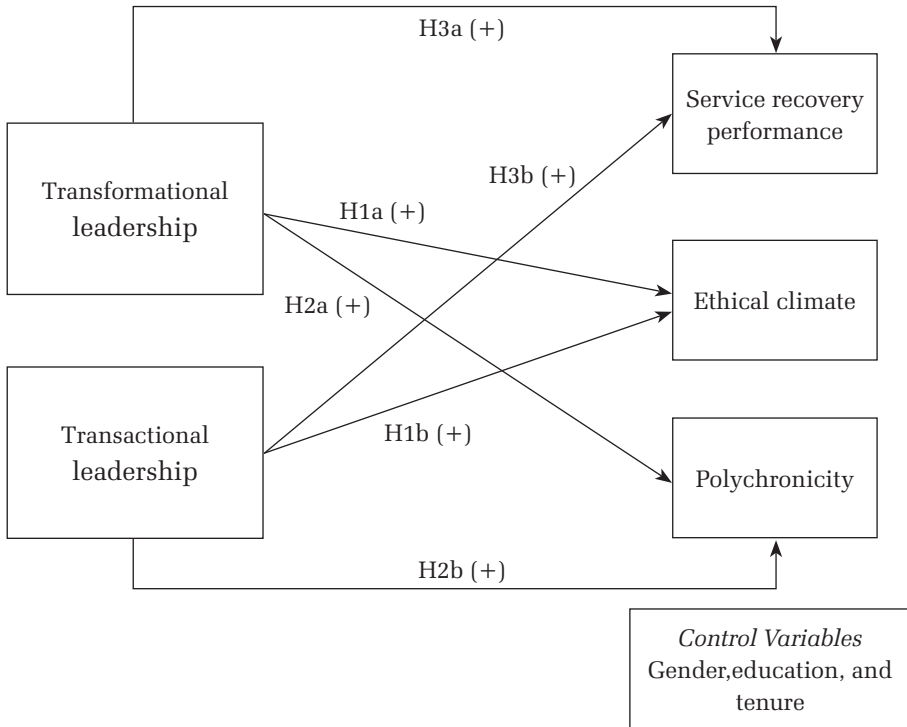
### Context and Conceptual Model

The tourism and hospitality industry is an important contributor to the global service economy. An empirical study by Tang and Tan (2013) concluded that Malaysia's economic growth is cointegrated with tourism markets. Malaysia government highlighted the industry as a critical vehicle for increasing Malaysia's long term economic development and under 10th Malaysia Plan (2011-2015). According to the United Nations World Tourism Organization (UNWTO, 2013), Malaysia was ranked at 10th in the World's Top Tourist Destination in 2012 with 25 million of international tourists' arrivals. Despite all growth and promising prospect in the industry, yet Malaysia is facing managerial challenges such as high turnover, lack of skilled employees, changing customer needs and preferences, new technology adaptation, operational costs, and customer service quality problems (Daskin and Kasim, 2015; Lua et al., 2005; Malaysian Association of Hotels, 2005; O'Mahony et al., 2011; Salleh et al., 2010). The goal of a hospitality organization is not only to survive, but also to sustain its existence by staying profitable. In order to meet the needs of the highly competitive markets, hotel organizations should continually develop the quality of customer service. According to an empirical study conducted by Awee et al. (2014) in Malaysian service sector contends that the major challenge for hotel industry is staff turnover and lack of leadership skills. The finding reveals that nearly half of the employees consider leaving their jobs due to their leaders' incapability and they are demoralized by their boss's action. More than half of the employees complain that they are not included in decision making process. This indicates that leaders (managers) are ineffective to motivate their employees for corporate organizational outcomes. In other words, there is poor interaction between leaders and their team members. Under the circumstances, it may not be possible to build a working environment where employees are satisfied and motivated to offer better customer service performance. In this regard, Malaysian hotel organizations should recognize the importance of managerial and leadership abilities. There is empirical evidence that leadership takes place a critical role in an organizational success. According to Leftwich and

Hogg (2008), leadership is recognized as an important tool by the business environments and governmental authorities for development and growth of an organization. They described leadership as an influence process among leader and followers. Gill (2006) defined leadership as a personal capacity to motivate, direct, encourage followers getting higher positive organizational outcomes. According to Sadik (2001), leadership can be defined as an imitative, selective, role taking and empathetic process on handling the implementation of strategies, source, and target. Scheule and Sneed (2013) reported that leadership has its own importance to hospitality managers today due to the growing economies and changing consumer behaviours for higher quality hospitality products and services.

Leadership in an organization is very important in shaping employees' perceptions, responses to organizational change, and acceptance of innovations, such as evidence-based practice (Aragon-Correa et al., 2007). All these evidences show that leadership style is an important vehicle in boosting organizational performance and customer service development. However, this study proposes that leadership style may have different level of effect on employee job outcomes in different work contexts such as Malaysia. Considering that, there is more need for empirical research to explore the association among leadership style and employee job outcomes in various service contexts in the hospitality industry.

This study develops and tests a conceptual model. Figure 1 presents the conceptual model and hypothetical relationships between leadership style and the selected employee outcomes. It is proposed that leadership styles (transformational leadership and transactional leadership) are positive significant predictors of service recovery performance, ethical climate and polychronicity. The current study adopts the approach that transformational and transactional leadership should be used at the same time in order to get the optimal consequences of leadership styles.



**Figure 1: Conceptual model**

### Leadership Styles and Ethical Climate

Schwepker and Hartline (2005) defined ethical climate as “a composite of organizational perceptions of the ethical values and behaviors supported and practiced by organizational members”. According to Elci and Alpan (2009), ethical climate is an important driver of intra-organizational interaction and leads employee attitudes and behaviours. Mulki et al. (2008) found that availability of ethical climate in an organization results in moral implementations associated with organizational policies, procedures, and practices. Not surprisingly, this creates a positive perceptions from employees’ side that the organization is ethical and most probably they will not want to leave organization (Karatepe, 2013; Tepeci, 2005).

Specifically, Schwepker and Hartline state (2005, 382), “Employees desire consistency between their ethical value system and the ethical



values held by the firm.” The positive perception of employees related to organization’s ethical climate results in organization-employee fit and they go well with organizational values. As a result, this creates an organizational environment where ethical practices are prevalent and decreases employee turnover. Besides, this condition makes FLEs to spend more effort for their organizations performance (Karatepe, 2013). Despite this realization, empirical research regarding the predictors of perceived ethical climate is scarce in hotel work context.

In this regard, the present study aimed to investigate the relationship between leadership styles as antecedent on perceived ethical climate in a hotel work setting in Malaysia. Schein (1985) for example proposed that leaders are the most responsible ones for creating the cultural environment of a company. Similarly, Schminke et al. (2005) and Brown (2007) claimed that ethical climate in an organisation is shaped mainly by the leader’s actions. Furthermore, Minkes et al. (1999) reported that leadership is a supporting factor for building an ethical work climate. According to Malloy and Agarwal (2003), organizational leadership effort in including employees into the decision making process and encouraging them for individual initiatives may be accepted by the employees as important indicators of ethical work climates. Based on the aforementioned discussion above, the following hypotheses were therefore proposed;

**H1a:** Transformational leadership has less significant positive effect on ethical climate.

**H1b:** Transactional leadership has more significant positive effect on ethical climate.

### **Leadership Styles and Polychronicity**

In the particular case of hotels, FLEs are often faced with a variety of unpredictable events at any one time, including dissatisfied guests, special requests, and non-standard orders, and so forth (Daskin et al., 2013). FLEs not only expected to complete these tasks simultaneously, but also display excellent service performance and delivery at the same time (Daskin et al., 2013; Karatepe et al., 2013). So, the approaches to timekeeping of staff members in a multitasking working environment may affect the

achievement of their goals and, ultimately, their overall performance. The variable that explains how employees perceive time management is known as 'polychronicity' which refers to "the extent to which people prefer to be engaged in two or more tasks or events simultaneously and believe that their preference is the best way to do things" (Bluedorn et al., 1999a).

Polychronic employees are problem-focused and have capability to successfully manage challenging service encounters (Karatepe et al., 2013). For instance, while polychronic restaurant waiters are dealing with customers' requests, they are also expected to be ready to deal with the other customers' problems in an organizationally-desired emotion. This type of situations is common for them, because they do not regard these simultaneous tasks as an interruption. So, they should be able carry out these tasks in a given time period. There is empirical evidence to support the premise that such individuals have positive attitudinal and behavioural results (Jang and George, 2012; Schell and Conte, 2008). However there is a lack of empirical research conducted to show what increase polychronicity among frontline staff in hospitality work settings, where multitasking work environments are prevalent.

The literature related the impact of transactional and transformational leadership demonstrate number of employee job outcomes, such as intrinsic motivation and self-efficacy (Bono and Judge 2003; McColl-Kennedy and Anderson 2002), engagement with occupation (Zhu et al., 2009), and extra-role customer service behaviours (Walumbwa et al., 2008). According to Avolio (1999), transformational leadership play an effective role in influencing individual effectiveness of polychronic subordinates. Transformational leaders focus on reinforcing the values and meanings essential to the collective vision that empowers subordinates to transcend their personal values of polychronicity in support of the vision of the organization.

Moreover, Quintana et al. (2014) found that there is a strong relationship between transformational leadership and employees' motivation and it plays an important role on creating corporate mission among employees. According to Cummings et al. (2010), a transactional leader moves the followers to be the best and achieve more than expected, hence, this could boost their spirit to go beyond with their own self-interest for the sake of the organization. To the authors' best knowledge, there is no empirical evidence

to show the relationship between leadership style and polychronicity, however, based on the aforementioned discussion, it would be logical to propose the following hypotheses;

**H2a:** Transformational leadership has more significant positive effect on polychronicity

**H2b:** Transactional leadership has less significant positive effect on polychronicity.

### **Leadership Styles and Service Recovery Performance**

One of many critical factors in successful customer and employee satisfaction through service quality is the organization's approach to service recovery (Ashill et al., 2008). Definitions of the term include "doing things very right the second time" (Ruyter and Wetzels, 2000) and "the actions that a service provider takes to respond to service failures" (Lewis and Spyropoulos, 2001). As Smith et al. (1999) state, service recovery "includes situations in which a service failure occurs but no complaint is lodged by the customers" (p. 359), meaning that service recovery also includes situations where the customer has not expressed a complaint but the provider has recognized the failure and initiated a recovery procedure. Service failures are prevalent in service encounters (Maxham and Netemeyer, 2002). Service failure situations are especially inevitable in the hotel industry due to the 'people orientated' nature of services (Daskin and Yilmaz, 2015) and the increasingly high demands of today's hotel guests (Kim et al., 2009) which requires a high level of contact between employees and customers.

Given the fact that service failures inevitably take place, the performance of FLEs in dealing with service failure is portrayed as a significant strategic matter in the hospitality management literature (e.g., Daskin and Yilmaz, 2015; Kim et al., 2009; Ruyter and Wetzels, 2000). Therefore, there is a need for more empirical research to investigate the antecedents of service recovery performance. As a result, the relationship between leadership styles and service recovery performance was aimed to be analysed by the current study.

Despite previous research being scarce on the matter, a number of studies established a connection between the "improved team performance" and the transformational leadership (e.g., MacKenzie et al., 2001). Service recovery is

greatly affected by the leadership style and it requires prompt and decisive action (Echunha et al., 2009). Comparing Western and Eastern (in particular Chinese) values and concentrating on service recovery procedure, Lin (2011) established that transformational leadership has a positive influence on the service recovery procedure. Punjaisri et al. (2013) also found a direct link between transformational leadership and service recovery performance. They indicated that in a transformational leadership type, employees perceive more trust for the leader; hence a faster service recovery performance can be attained when compared to the transactional leadership (Punjaisri et al., 2013). On the other hand, transactional leadership is a performance-oriented approach and expect followers to show satisfactory performance. This is consistent with theory of Bass and Avolio (2003), which says that transactional leadership style has effect on employee performance. However, this relationship may be positive or negative. The reason may be the culture specific. Based on the aforementioned discussion above, the present study proposes the following hypotheses;

**H3a:** Transformational leadership has more significant positive effect on service recovery performance.

**H3b:** Transactional leadership has less significant positive effect on service recovery performance.

## **Methodology**

### **Sample and Data Collection**

The sample in this study consisted of FLEs (e.g., front desk agents, room attendants, food servers, and concierges) in 2, 3, and 4-star hotels in Sungai Petani/Malaysia. The logic for choosing frontline staff is that they have frequent face-to-face or voice-to-voice interactions with customers and guests, which put them in a critical position to boost customer pleasure, build loyalty, image, profitability, and market share for the respective organization (Kusluvan, 2003). All of these hotels were contacted to ascertain the population size of FLEs (including supervisors) and obtain permission for administering the survey; 10 hotel establishments agreed to participate in the survey. There is no statistical information about the total number of FLEs who work in these hotels. Non-probability convenience sampling was conducted for this study. Prior to the distribution of main questionnaire, representatives of the hotels were contacted via a sample of

the questionnaire which was pilot tested in 15 employees from the hotels in the research content for necessary revision.

Furthermore, the research team took the opportunity to distribute 350 questionnaires. The participants were provided the questionnaires together with an explanation and a guarantee that their confidentiality and anonymity would be assured throughout the whole research process. In order to increase participation rate, the research team aimed to collect the questionnaires on the same day that they were distributed. In some instances, respondents completed the questionnaires immediately. Most commonly, the research team asked the participant FLEs to kindly complete the questionnaires and return them personally at the end of their shifts on the same day. For the unreturned questionnaires, the research team again separately visited each hotel where the participation rate was low in the following days, and the department managers were asked to remind their FLEs to complete the questionnaires and return them to the drop-boxes left by the research team. However, this method assured the FLEs that the top management would not have any kind of access to the information provided. After a week, the remaining questionnaires from the drop-boxes were also collected and it was found that 252 of them in total were returned. However, 3 were unusable due to a substantial amount of missing data. In this research, the total number of usable questionnaires was 249 and the response rate was calculated to be 71%.

### **Questionnaire Development and Measures**

Several sources from the literature were used in preparing the questionnaire for the present research. The questions of the survey were prepared in English. The survey instrument used in the current study was composed of two parts. The first part consisted of 41 questions that related to leadership styles (transformational and transactional), ethical climate, service recovery performance, and polychronicity. Based on an extensive literature review, measurements for the related constructs were adopted from the existing measures that had been used in the relevant literature. As such, this study adopted the repertoire of multifactor leadership questionnaire (MLQ) originating from Bass and Avolio (1997). 23 questions were used to measure each of the components of transformational and transactional leadership such as idealized influence (attributed), idealized influence (behaviour), inspirational motivation, individualized consideration, intellectual stimulation, contingent

rewards, management-by-exception active and management-by-exception passive. A six-item scale was adopted from Schwepker (2001) in order to measure ethical climate. A five-item scale was adapted from Boshoff and Allen (2000) to measure service recovery performance. Polychronicity was measured using seven items derived from Bluedorn et al. (1999a).

All measures used a 5-point Likert-type scale that ranged from '5' = 'strongly agree' to '1' = 'strongly disagree'. The second part of the survey instrument was composed of four demographic questions; age, gender, education, and organizational tenure. Education and tenure were measured using three-point scales. Gender on the other hand are coded as dichotomous variables (0=male and 1=female).

### **Data Analysis**

Partial Least Squares (PLS) (Chin, 1998) was employed to estimate the model (Figure 1). PLS is a second generation structural equation modeling (SEM) technique developed by Wold (1982, 1985). It works well with structural equation models that contain latent variables and a series of cause-and-effect relationships (Gustafsson and Johnson, 2004; MacKenzie et al., 2005). The measures were subjected to confirmatory factor analysis to provide support for the issues of dimensionality, convergent and discriminant validity (Anderson and Gerbing, 1988). The measures were also subjected to Cronbach alpha and Pearson product-moment correlation analyses through SPSS version 21 to provide support for the issues of internal consistency and discriminant validity. The hypothesized relationships were tested using PLS path analysis.

## **Analysis and Results**

### **Descriptive Statistics**

As shown in table 1, the majority of respondents, 43.8%, in this study were male and 56.2% were female. More than one quarter of the respondents tended to be reasonably young, under 30 years old. More than half of the respondents were degree holders (58.2%). The years of service of the respondents were between 1-4 years (28.5%), 5-10 years (41.8%), and more than 10 years (29.7%). All the employees indicated that they spent the majority of their working time directly interacting with customers. In other words, all respondents would be described as frontline staff.

**Table 1: Demographic profile**

Demographic variable	Sample composition	Percentage
Gender	Female	56.2
	Male	43.8
Age	20-29	37.3
	30-40	50.2
	Over 40	12.4
Education	Primary/Secondary	41.8
	Vocational/Undergraduate	55.4
	Masters/PhD	2.8
Organizational tenure	1-4 years	28.5
	5-10 years	41.8
	OVER 10 years	29.7

### Psychometric Properties of the Measures

The adequacy of the measurement model was evaluated based on reliability, convergent validity, and discriminant validity. The composite reliability measures for the components were above the cutoff point of .70, which indicates that items are free from random error and internal consistency was adequate (Fornell and Larcker, 1981).

Table 2 portrayed factor loadings for each variable, which were calculated using confirmatory factor analysis. As shown in Table 2, all items loaded on respective constructs except 3 items from transactional leadership scale, 2 items from transformational leadership scale, and 1 item from ethical climate since their loadings were not adequate ( $< 0.50$ ). Deletion of items is widely used for scale purification process and similar patterns are observed in other empirical studies (e.g., Babin and Boles, 1998; Karatepe, 2013; Netemeyer et al., 2004). Therefore, they were omitted from further analyses. Factor loadings were greater than .50 suggests satisfactory convergent validity. Additionally, average variances extracted for all study variables were above the minimum threshold of .50 (Bagozzi and Yi, 1988; Chin, 1998; Fornell and Larcker, 1981).

**Table 2: Scale items, reliabilities, and confirmatory factor analysis results**

Scale items	Factor loads	AVE
<b>Transactional leadership</b>		
TFL1: Suggests new ways of looking at how to complete assignments	0.72	<b>0.58</b>
TFL2: Seeks differing perspectives when solving problems	0.51	
TFL3: Spends time teaching and coaching	0.54	
TFL4: Helps me to develop my strengths	0.65	
TFL5: Emphasizes the importance of having a collective sense of mission	0.58	
TFL7: Considers the moral and ethical consequences of decisions	0.64	
TFL8: Articulates a compelling vision of the future	0.62	
TFL9: Treats me as an individual rather than just as a member of a group	0.54	
TFL10: Considers me as having different needs, abilities, and aspirations from others	0.70	
TFL12: Displays a sense of power and confidence	0.53	
TFL14: Talks enthusiastically about what needs to be accomplished	0.50	
<b>Transformational leadership</b>		
TSL16: Focuses attention on irregularities, mistakes, exceptions, and deviations from standards.	0.57	<b>0.62</b>
TSL17: Directs my attention toward failures to meet standards	0.77	
TSL18: Makes clear what one can expect to receive when performance goals are achieved.	0.61	
TSL20: Provides me with assistance in exchange for my effort	0.67	
TSL21: Waits for things to go wrong before taking action	0.71	
TSL22: Fails to interfere until problems become serious.	0.83	
TSL23: Demonstrates that problems must become chronic before I take action.	0.78	
<b>Ethical climate</b>		
ETC24: This business has formal, written code of ethics	0.67	<b>0.55</b>
ETC25: This business enforces a code of ethics	0.52	
ETC27: This business enforces policies regarding ethical actions	0.50	
ETC28: Unethical actions is not tolerated in this business	0.64	
ETC29: This business reprimands for behavior leading to personal gains.	0.56	
<b>Polychronicity</b>		
POLY30: I like to juggle several activities at the same time.	0.82	<b>0.64</b>
POLY31: I would rather complete an entire project everyday than complete parts of several projects.	0.55	
POLY32: I believe people should try to do many things at once.	0.72	
POLY33: I prefer to do one thing at a time	0.80	
POLY34: I believe people do their best work when they have many tasks to complete.	0.50	
POLY35: I believe it is best to complete one task before starting another.	0.52	
POLY36: It is hard for me to start something new, if there are other things I have not finished.	0.52	
<b>Service recovery performance</b>		
SRP37: Considering all the things I do, I handle dissatisfied customers quite well.	0.59	<b>0.69</b>
SRP38: I do not mind dealing with complaining customers.	0.75	
SRP39: No customer I deal with leaves with problems unresolved.	0.52	
SRP40: Satisfying complaining customers is a great thrill to me.	0.80	
SRP41: Complaining customers I have dealt with in the past are among today's most loyal customers.	0.68	

\*All items are measured on five-point Likert scales ranging from 1 = *strongly disagree* to 5 = *strongly agree*.

\*All loadings are significant at the 0.01 level or better.



Due to the self-reporting nature of the survey, method variance is identified as a potential issue. As a first precaution for common method bias, the frontline supervisors were also included in the current study. Spector (1987) reported that the most frequently found sources of method variance in self-reports are acquiescence bias. The survey instrument in the present study was organized into various sections by separating the independent and dependent variables in an effort to reduce single-source method bias (Podsakoff et al., 2003). One approach to dealing with acquiescence responding in surveys and questionnaires is to employ a balance of positively and negatively keyed items in terms of the intended content. So the reversed-keyed items were included in the survey questionnaire of this study.

Further, consonant with the other recent empirical studies (e.g., Brockman and Morgan, 2006), common method bias was checked with a confirmatory factor analysis approach to Harman's single-factor test as a statistical remedy. This test is based on the assumption that common method bias is a serious problem when a single latent factor will account for more than 50% of the total variance of the measures (Podsakoff et al., 2003). But the results did not show such a situation in the current study. Thus, common method bias was not a critical threat to the magnitudes of the hypothesized relationships.

### **Correlation Analysis**

Table 3 details correlations for all study variables as well as the square root of the average variance extracted on the diagonal. The items corresponding to each construct were summed and averaged to obtain a composite score that represents that construct. Because no correlation coefficient was above 0.90, the results indicate that all constructs were distinct variables that represent different constructs (Tabachnick and Fidell, 2007). Additionally, measures are also considered to have adequate discriminant validity when the square root of the average variance extracted, computed for each construct, is larger than the correlation between the construct and any other construct in the proposed model (Chin, 1998; Fornell and Larcker, 1981). As table 3 portrays, all diagonal values were above the inter-construct correlations, thus yielded adequate discriminant validity.

**Table 3: Correlations, means, and standard deviations of composite scores of study variables**

Scale	1	2	3	4	5	
Transactional leadership	<b>.67</b>					
Transformational leadership	0.147*	<b>.76</b>				
Ethical climate	0.056	0.221**	<b>.70</b>			
Polychronicity	0.326**	0.165**	0.244**	<b>.72</b>		
Service recovery performance	0.281**	0.157*	0.222**	0.543**	<b>.70</b>	
Mean	3.57	4.23	4.11	3.77	3.55	
Standard deviation	0.49	0.30	0.43	0.58	0.70	

\*\*Correlation is significant at the 0.01 level.

\*Correlation is significant at the 0.05 level. Correlation without any asterisk is insignificant.

### Model Test Results

The hypothesized relationships were tested using PLS path analysis. A bootstrapping technique (with 500 resamples) was applied to compute the *t*-statistics and test for path significance (Chin, 1998). Table 4 portrays the path coefficients, their significance, and the  $R^2$  values of endogenous variables. The path coefficients shows the strengths of the relationships between the independent and dependent variables while the  $R^2$  value measures the predictive power of a model for the dependent variables.

Hypothesis 1a suggested that transformational leadership has less significant positive effect on FLEs' ethical climate than transactional leadership. Path analysis indicated that the path from transformational leadership to ethical climate was less significant and positive ( $\beta = 0.29$ ,  $p < 0.05$ ). Hypothesis 1a was therefore supported. Hypothesis 1b suggested that transactional leadership has more significant positive effect on FLEs' ethical climate. Path analysis indicated that transactional leadership has more significant positive effect on ethical climate ( $\beta = 0.35$ ,  $p < 0.05$ ). Hypothesis 1b was therefore supported. Transactional leadership explained 23% of the variance in ethical climate. When control variables were included in the

model, the explained variance became 24%. This means that the control variables improved the explained variance by 1%. However, only tenure had a statistically significant effect on ethical climate which suggests that the employees with longer tenure perceive more ethical climate.

Hypothesis 2a suggested that transformational leadership has more significant positive effect on FLEs' polychronicity than transactional leadership. Path analysis indicated that the path from transformational leadership to polychronicity was more significant and positive ( $\beta = 0.30, p < 0.05$ ). Hypothesis 2a was therefore supported. Transformational leadership explained 23% of the variance in polychronicity. When control variables were included in the model, the explained variance became 24%. This means that the control variables improved the explained variance by 1%. However, only education had a statistically significant effect on polychronicity which suggests that the employees with higher education are more polychronic. On the other hand, Hypothesis 2b suggested that transactional leadership has less significant positive effect on FLEs' service recovery performance. Path analysis indicated that transactional leadership has slightly less positive effect on polychronicity ( $\beta = 0.29, p < 0.05$ ). Hypothesis 2b was therefore supported.

Hypothesis 3a suggested that transformational leadership has significant positive effect on FLEs' service recovery performance. Path analysis indicated that the path from transformational leadership to service recovery performance was not significant ( $\beta = 0.09, p < 0.21$ ). Therefore, hypothesis 3a was not supported. Hypothesis 3b suggested that transactional leadership has less significant positive effect on FLEs' service recovery performance. However, path analysis indicated that transactional leadership had more significant positive effect on service recovery performance ( $\beta = 0.26, p < 0.05$ ). Therefore, hypothesis 3b was supported.

Table 4: Path analysis results

Control variables and hypothesized relationships	Path coefficients	t-values	Supported/Not supported
<b>(I) Impact of transformational leadership</b>			
<i>Control Variables</i>			
Gender	0.05	1.07	Not Hypothesized
Education	0.04	0.87	Not Hypothesized
Tenure	0.02	0.65	Not Hypothesized
<i>Hypothesis</i>			
H1a: TFL → ETC	0.29	4.87*	Supported (less positive)
Explained Variance R <sup>2</sup> = 0.25%			
<i>Control Variables</i>			
Gender	0.08	1.53	Not Hypothesized
Education	0.25	3.77*	Not Hypothesized
Tenure	0.06	1.12	Not Hypothesized
<i>Hypothesis</i>			
H2a: TFL → POLY	0.30	5.02*	Supported (more positive)
Explained Variance R <sup>2</sup> = 0.23%			
R <sup>2</sup> after the inclusions of control variables = 0.24%			
<i>Control Variables</i>			
Gender	0.02	0.73	Not Hypothesized
Education	0.05	0.91	Not Hypothesized
Tenure	0.11	1.74	Not Hypothesized
<i>Hypothesis</i>			
H3a: TFL → SRP	0.09	1.32	Not Supported
Explained Variance R <sup>2</sup> = 0.04%			
<b>(II) Impact of transactional leadership</b>			
<i>Control Variables</i>			
Gender	0.08	1.60	Not Hypothesized
Education	0.10	1.56	Not Hypothesized
Tenure	0.18	2.83*	Not Hypothesized
<i>Hypothesis</i>			
H1b: TSL → ETC	0.35	5.80*	Supported (more positive)
Explained Variance R <sup>2</sup> = 0.23%			
R <sup>2</sup> after the inclusions of control variables = 0.24%			
<i>Control Variables</i>			
Gender	0.04	0.79	Not Hypothesized
Education	-0.07	1.51	Not Hypothesized
Tenure	0.02	0.65	Not Hypothesized
<i>Hypothesis</i>			
H2b: TSL → POLY	0.29	4.66*	Supported (less positive)
Explained Variance R <sup>2</sup> = 0.21%			
<i>Control Variables</i>			
Gender	0.06	1.20	Not Hypothesized
Education	0.05	1.03	Not Hypothesized
Tenure	0.03	0.73	Not Hypothesized
<i>Hypothesis</i>			
H3b: TSL → SRP	0.26	3.89*	Supported (more positive)
Explained Variance R <sup>2</sup> = 0.12%			

Notes: N = 249; \* The t-values demonstrate a statistically significant relationship at the 0.05 level or better. The other t-values without any asterisks are insignificant. TFL = transformational leadership; TSL = transactional leadership; ETC = ethical climate; POLY = polychronicity; SRP = service recovery performance.

## **Discussion**

## **Conclusion**

The aforementioned industrial challenges in Malaysia require hotel organizations to find ways overcoming them and developing customer service, in this sense, the current study aimed to identify the underlying leadership styles in hotel organizations in a Malaysian context and the comparative effects of them on FLEs' ethical climate, polychronicity, and service recovery performance. Specifically, the current research intended to incorporate untested relationships into its model in a Malaysian hotel work setting. This is innovative and has not been attempted before in the relevant literature in Malaysia where the managerial challenges such as turnover and service failures should be alleviated for industrial development and as such this research adopts that the leadership attributes could be predictive factor on the challenges and contributes to the existing hospitality management literature, as well as providing several guidelines for practitioners to be applied in their own settings. This study presented and tested a model and the results of the study indicated support for the hypothesized relationships, except one.

As predicted, the path-analytic result reveals that the both transformational and transactional leadership exerts a positive effect on FLEs' perceived ethical climate. Also, the both leadership style make significant impact on perceived ethical climate that improves organizational trust and harmony among employees which in turn increase customer service performance. There is empirical evidence that the employees who work in more ethical work climate expected to show better performance. However, this study shows that transactional leadership style has more significant effect on ethical climate. This result suggests that hotel managers in this context who adopted transactional leadership style are more effective on creating ethical climate perceptions on FLEs. Maybe the reason of this is the transactional leaders' task-oriented approach as Trevino and Nelson (1995) noted that "reward systems that make up implicit ethics institutionalization are the most important formal influence of peoples' behaviour".

The finding concerning the effect of transformational and transactional leadership styles on FLEs' polychronicity were significant and consistent

with the proposed hypotheses of the present study. This finding is a new one in the related literature. This study finding shows that transformational leadership has more significant positive effect on FLEs' polychronicity. Polychronic individuals are more adaptive towards demanding situations which are prevalent in hotel work context. This makes them to exhibit more extra-role efforts which are not clearly stated in job specifications. Therefore, employees who are motivated by transformational leadership skills show better performance than the expected. As Northouse (2007) stated, "inspirational motivation is descriptive of leaders who communicate high expectations to followers, inspiring them through motivation to become committed to and a part of the shared vision in the organization" (p. 183).

Finally, the path-analytic result reveals that transactional leadership exerts significant positive effect on FLEs' service recovery performance. On the other hand, the findings did not find a significant relationship between transformational leadership and service recovery performance. This was not consistent with the proposed hypothesis of the present study and the past research (Bass and Avolio, 2003; Punjaisri et al., 2013). Service recovery performance can be considered as extra-role customer service behaviours and require FLEs to spend extra effort which not generally specified in job specifications. As in many service industries, it is also frontline staff in hotels that are at the forefront of recovering much of the service in customer contact settings (Lewis and McCann, 2004). Given the fact that service failures inevitably take place, the performance of FLEs in dealing with service failure is portrayed as a significant strategic matter. As employees may accept to be punished due to individual service failures, at the same time, they expect to be rewarded for their extra performances to recover others' service failures. In a Malaysian hotel setting, employees perceived that transactional leadership style fits better for their service recovery performances.

The Malaysian hotel industry is having challenges, such as staff turnover, low service performance and leadership incapability. The current study shows the effect of both transformational and transactional leadership skills can't be ignored by the industry and should be improved for higher level of polychronicity and service recovery performance among FLEs. Frequently, FLEs in hotels must deal with unexpected and unclear situations, and need to be able to react to these appropriately and perform quickly in

a short timeframe (Daskin, 2015). The multitasking and time constraint characteristics of hotel jobs suggest that polychronic-orientated individuals are the most suited to frontline areas in this industry. On the other hand, Ashill et al. (2005) shows that “many critical behaviours in business organizations build on acts of cooperation, altruism, and spontaneous, unrewarded help from employees”. This proves how much service recovery effort plays a critical role in the functioning of successful customer service performance, which identifies why managers should be interested to diagnose what maximizes and/or minimizes service recovery effort. While the hotel working environment becomes more challenging and complex, it is essential to recognize the influence of polychronicity and recovery effort on customer service performance. Specially, hotels represent a work climate in which time management is essential, and multitasking skills are required to complete tasks within a specific timeframe.

### **Managerial Implications**

It is important to keep employees committed and retain their strengths and sustain productivity, which guarantees the development of an organization. Tourism and hospitality organizations are seen as the backbone of the Malaysian economy, so they need to overcome the aforementioned challenges and maintain managerial development. In this regard, this study proposed and found that the leadership style could be an important factor on customer service performance and organizational development through ethical climate, employee polychronicity and service recovery performance. Both the transformational and transactional leadership style should be adopted by the hotel organizations. This study gives an idea to hotel managers that which leadership style is more effective on aforementioned job outcomes. The current study stresses that the effectiveness of transformational leadership has been overemphasized and elevated in the Western literature because leadership is highly cultural specific. On the other hand, this study suggests that hotel managers who exhibit the transactional leadership style can be perceived differently by employees and may have more significant effect on their perceived ethical climate and service recovery performance in the Asian context. Transactional leadership focuses on exchange-based leader-follower relationships. As Bass et al. (2003) stated that “followers agree

with, accept, or comply with the leader in exchange for praise, rewards, and resources or the avoidance of disciplinary action". Employees may perceive monetary reward used by managers as an effective tool. As Goodwin et al (2001) suggested that transformational leaders should not only recognize employees' performance on a leader-follower relationship basis but should also consider the value of fairness in rewarding good performers.

Hotel organizations should consider the link between leadership styles and their relationship to organizational productivity and development, via employees' aforementioned job outcomes and others. It is apparent that both the leadership style can provide different skills at the different levels to their followers. Managerial initiatives such as explicitly designing and establishing organizational policies pertaining to training, employee reward systems, as well as creating an ethical work climate that fosters transformational and transactional leadership behaviors, should facilitate higher service recovery performance and polychronicity. Hotel managers should emphasize the commitment of management to training and rewards system, ethical work climate, supportive management, and communicate clear organizational policies about each.

In addition to this, leadership abilities may be improved by the tourism faculties of Malaysian universities. Advanced leadership courses should be arranged by trainers and tourism educators. For this, with the cooperation of tourism faculties and the hotel industry representatives should come together and discuss about the better management of the industry. The followers should be informed about the academic research studies relating the leadership styles. For ex; this study is a useful research for the related parties.

### **Limitations and Future Research Directions**

The findings reported in the current paper should be considered in light of some study limitations. The cross-sectional design of the study was the first limitation, which prevents the researcher to have causal deductions. Also data from a single source (FLEs) generally pose the problem of common method bias, although this did not seem to be a problem with the current data. Using longitudinal data from multiple sources in the future would be



helpful in mitigating these concerns. This research was unable to incorporate a qualitative approach. Future research in this area should aim to use in-depth interviews and observations to provide a more detailed insight into the outcomes of leadership styles. In confirming the findings of current study, as well as to broaden the scope and make generalizations, more studies of frontline staff members in Malaysia are needed. The current study used only one service setting (hotels) to test the hypothesized relationships. Replications of this study in different service sectors such as restaurants, airlines, and travel agencies would be helpful in cross-validating the current findings. Finally, incorporating job resources such as training, organizational culture, psychological capital or supervisory support into the research model in future research would provide additional insights into the moderators of aforementioned employee outcomes.

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