

**Thesis Title: Impact of leadership style on employee engagement and service orientation: A study of select service sector organizations in India**

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Synopsis

In service organizations, the customer-provider interactions play a crucial role in determining the perceived service quality and value gets created when an employee interacts with a customer. It has been said that 'the employee-customer encounter is the factory floor of sales and services'. This is where value gets created and that's what needs to be measured and improved. In the highly competitive environment of services, the success of a service organization depends on a strong service-oriented culture where employees believe in their organization, are enthused about its goals and find a meaning in their work. The authors of *The Service-Profit Chain* (Heskett et al., 1994) in their recent book (Heskett Schlesinger & Sasser, 2015) highlight that customer's keep coming back for more to organizations where 'engaged employees' provide exceptional service that results in higher revenues and profits for these organizations.

In such service cultures that focus on the employees, the function of leadership is to set service standards, to engage others and to persuade people to believe that carrying out their role passionately helps them fulfill both the individual and organizational vision and purpose. "Leaders who understand the service-profit chain develop and maintain a corporate culture centered on service to customers and fellow employees. They display a willingness and ability to listen, spend a great deal of time with customers and employees. They care about their employees and spend a great deal of time selecting, tracking, recognizing and engaging them" (Heskett et al., 1994).

This study was envisaged on this premise of leadership, engaged employees and service behavior chain that creates an environment for superior service delivery. The study is as an effort to understand the relationships between leadership, employee engagement and service orientation in the specific context of service sector organizations in India. Primary data both (quantitative and qualitative) was collected in the Delhi-National Capital Region from over 400 employees across several private sector service organizations. Quantitative data was collected from front-line employees using a structured survey questionnaire and in-depth interviews with managers, and leaders provided for qualitative insight.

A competing models approach was used in the study to examine three models of influence on service orientation. The first model evaluates the influence of leadership on service orientation, the second focuses on the influence of employee engagement on service orientation and the third explores the influence of leadership on service orientation through employee engagement. . One of the key findings of this research is the criticality of employee engagement as a predictor of service orientation. The study highlights the role of employee engagement in influencing the service attitudes and behavior of employees. The study also concludes that leadership styles influences employee engagement. Though the variance explained by leadership style alone is about 25 percent, but corroborating this with the other drivers of engagement, the effects of leadership maybe much higher and that leadership is seen to impact engagement directly as well as indirectly. Transformational and transactional styles both have a positive association with employee engagement and service orientation, while the passive-avoidant style has a negative association with the two.

In addition, the study established that employee engagement mediates all three associations, i.e. transformational leadership style and service orientation; transactional leadership style and service orientation and passive-avoidant leadership style and engagement. Though the perceived leadership style has a direct bearing on service orientation, this impact is significantly mediated by the presence of employee engagement. The explained variance after addition of employee engagement in the relationship of leadership styles and service orientation goes up significantly for all three leadership styles indicating the strong impact of employee engagement. In addition to affirming the transformational leadership-service orientation association, the study has been able to draw positive linkages between transactional leadership style and employee engagement, as well as the negative association between passive-avoidant leadership and employee engagement.

The study findings are in line with research and are supported by evidences in the practice of CEOs across countries who have led their organizations to a high growth trajectory. Vineet Nayar, HCL Technologies' celebrated CEO's model and book on 'Employees First and Customers Second' (Nayar, 2010) sparked a revolution in the Indian IT services sector. He defied the conventional wisdom that companies must put customers first, and then turned the hierarchical pyramid upside down by making management accountable to the employees, and not the other way around. Another example comes from Southwest Airlines, which has an unprecedented 38 straight years of profitability, a record no other US airline has been able to touch. In a talk at Wharton (2003), Herb Kelleher, the co-founder and former CEO, who grew the company from a small regional carrier with just four jets into an industry leader, explains when asked about his company's success, "It's sometimes been held out to be a conundrum in business – 'Who comes first, employees, customers

or shareholders?' We've never thought it was a conundrum. If employees are treated well, they'll treat the customers well. If the customers are treated well, they'll come back, and the shareholders will be happy".

These propositions from practice are validated in this research. The implications of this study are both at individual and at the organizational levels within the private service sector context in India. At an individual level, it may help a manager identify his/her own behavior that has a direct positive impact on both employee engagement and service orientation, and hence would be in a position to calibrate his or her behavior to elicit positive outcomes for these two variables. At an organizational level, it is possible to foster leadership styles that encourage employee engagement and higher service orientation among its people. In addition, as employee engagement emerged as the crucial variable impacting service orientation, besides leadership style the other drivers of employee engagement like supportive organizational culture, feedback, trust, career advancement opportunities, effective and transparent human resource practices highlighted in literature can be focused through the right training of supervisors and leaders.