

## Transformational Leadership, Psychological Capital and Front-line Sales Staffs' Service Quality: Psychological Capital as a Mediator

Qi-chao He<sup>1,2</sup>, Qiao An<sup>1</sup> and Pu-xin Lin<sup>1</sup>

<sup>1</sup>School of Government, Beijing Normal University, Beijing, China

<sup>2</sup>Research Center for Strategic Talent, Beijing Normal University, Beijing, China  
chao.adam@163.com

### Abstract

*Confronting diverse working pressure during office time, front-line sales staffs' service quality will be threatened, which can affect customers' satisfaction and loyalty degree, then influence market share and competitive edge of the company further. Thus, this paper focuses on the front-line sales staffs and aims at identifying the influence mechanism of transformational leadership on their service quality and the role of psychological capital among the triadic relationship. The result of hierarchy regression analysis about 250 sample data showed that both transformational leadership and psychological capital had significantly positive effect on front-line sales staffs' service quality, while psychological capital acted as mediator between transformational leadership and front-line sales staffs' service quality. Organizational management is advised to adopt transformational leadership and promote the employees' level of psychological capital so as to improve the service quality of front-line sales staffs and the entire company.*

**Keywords:** Transformational Leadership, Psychological Capital, Service Quality, Front-line Sales Staffs

### 1. Introduction

Service quality has been a hot issue in the field of human resource management practice and academic community in recent years. It has become increasingly important and has been recognized as a key factor for enterprises seeking to gain competitive advantages [1-2]. Service quality is defined as the difference between customer expectations of the service to be received and perceptions of the actual service received [3]. As one of the closest commercial links to consumers, front-line sales staffs should strive to enhance their service quality to attract and retain customers and to maintain their competitiveness. Meanwhile, the enterprise's products depend on the sales staffs to convert them into value, so as to realize the profit maximization. And service quality of front-line sales staffs affects customers' satisfaction and loyalty directly, and then influence the market share and competitive edge further. Research by Su, Swanson and Chen (2016) showed that perceived service quality has a positive influence on overall customer satisfaction and customer-company identification respectively, which are positively related to customers' repurchase intentions and subjective well-being [3]. Previous studies have shown that employees' characters [4], the staffs' service consciousness [5], employees' service behavior [6] employees' human capital [7], the service attitude [8] and leadership style [9] can make significant impact on the quality of service. Thus, managers should pay much attention to how to identify the sales staffs' psychological status and feelings, and adopt appropriate leadership style to improve their service quality. It is known that some leadership styles such as empowering leadership

[10] and servant leadership [11] are positively related to employees' service quality. However, current research on the effects of transformational leadership on employees' service quality has not been given due attention, especially the study about the special group of the sales staffs in the front line is relatively insufficient. Transformational leadership displays a class of behaviors enacted by a leader spanning four dimensions: idealized influence—the leader causes followers to trust, admire, and identify with them; inspirational motivation—the leader articulates a compelling vision of the future that inspires followers; intellectual stimulation—the leader encourages followers to take risks; individualized consideration—the leader tends to employees' individual needs [9]. Many studies have shown that transformational leadership can improve employees' job satisfaction [12], employees' well-being [13], organizational citizenship behaviors [14], task performance [15] and organizational commitment [16]. Meantime, positive working outcomes such as job satisfaction and organizational commitment have significant influence on employees' service quality in high-contact service industries [17]. Therefore, observing and exploring whether transformational leadership has significant influence on front-line sales staffs' service quality can deepen the relative studies and help managers promote their followers' service quality.

Employees' service quality are influenced by both internal and external factors. Psychological capital is one of most important internal factors affecting individuals' attitude and behavior. It is defined as individual's positive psychological capacities that can be measured, developed and harnessed for performance improvement [18]. Previous studies showed significant correlations between employees' psychological capital and task performance [19], contextual performance [19], organizational commitment [20], organizational citizenship behavior [20]. According to the expectation theory, the individuals with high psychological capital are likely to be more confident to overcome the difficulties encountered in the work process, which makes them be willing to invest more energy to perform their duties, so as to provide better service quality. And transformational leaders display personal charm, stimulate employees' higher level values and beliefs and give them personal care, which can enhance employees' positive psychological capacities such as confidence, hope, resilience and optimism [21]. So it is expected that psychological capital plays an important role in the relationship between transformational leadership and staffs' service quality.

Therefore, from the perspective of transformational leadership and psychological capital, this paper aims at identifying how transformational leadership affect the front-line sales staffs' service quality, and exploring the role of psychological capital among the triadic relationship. The result of this study will enrich relative research of service quality, leadership and psychological capital and help front-line sales staffs service customers better, then improve the enterprise's overall service quality, enhance the competitiveness of enterprises.

## 2. Theoretical Background and Hypotheses

Transformational leadership is a leadership style that enhances subordinates' awareness of the importance of task outcomes, inspires higher-order needs, and motivates subordinates to transcend self-interests for the sake of the organization [22]. According to transformational leadership theory, transformational leaders could stimulate front-line sales staffs' intrinsic motivation, inspire them identify with their company's supply chain planning and make them comply with corporate coordination. Meantime, Research by Q Yinan, M Tang, M Zhang (2014) showed supply chain planning and corporate coordination are positively related to mass customization, which are conducive to achieving better customer services as well as improving front-line sales staffs' service quality [23]. Previous studies showed that transformational leadership is positively related to many positive outcomes such as

job satisfaction [12] and organizational commitment [16]. Meanwhile, job satisfaction and organizational commitment have significant influence on employees' service quality in high-contact service industries [17]. When employees feel that they are a part of the organization and identify with the goals set by the organization, they will fulfill their responsibilities and obligations in good faith such as improve service quality, rather than be forced to do so. At the same time, according to the social exchange theory, when the members feel themselves benefit from the organization, they tend to use pro-social behaviors such as helping customers to repay the organization. The kind of pro-social behaviors will improve relationship quality between customers and company, which can enhance customers' perceived service quality. Besides, research by Kopperud, Martinsen and Humborstad (2014) showed that transformational leadership can improve the service climate by influencing employees' work engagement [24]. And service climate has a significant effect on service quality [25]. Based on this, we propose the following hypothesis:

Hypothesis 1: Transformational leadership has a significant and positive effect on front-line sales staffs' service quality.

Psychological capital is a kind of positive psychological capacity which is measurable, exploitable, and can improve individual's performance [18]. Previous studies showed significant correlations between employees' psychological capital and job performance [19], organizational commitment [20], organizational citizenship behavior [26]. Meanwhile, organizational commitment, organizational citizenship behavior have positive effect on service quality [11-17]. In addition, the staff with higher psychological capital will be more optimistic, tough and full of hope [27], and for employees, higher level of hope brings higher level of job performance, and the retention rate and degree of job satisfaction is also higher [28]. And job satisfaction is positively related to service quality [17]. The staffs with higher resilience can cope with the challenges and adversities better and be more likely to achieve success [29]. In the same way, when confronting with some unfriendly attitude of the customers, those staffs with high resilience can be indomitable and adjust their emotions and attitude in time to provide customers with better services, ensure their own service quality. Based on this, the following hypothesis is proposed:

Hypothesis 2: Psychological capital promotes front-line sales staffs' service quality.

Supervisors' leadership style is an important factor that affects the front-line sales staffs' service quality [9]. Research by Mayer, Kuenzi, Greenbaum, Bardes and Salvador (2009) showed that the leadership behaviors of top management staffs will produce a "trickle-down effect" on the front-line employee's behaviors, that is, the status of leaders occupying various organizational levels are different, and the effect of leadership trickles down from top managers to immediate supervisors and front-line employees [30]. According to the social cognitive theory (Bandura, 1986), personal cognition, personal behavior and environment are reciprocal determined. Thus, as a kind of external factor, transformational leadership can influence the cognitive process of employees to improve their psychological capital, and thus to promote and improve the quality of their service. From the perspective of psychological resource theory [31], transformational leadership can mobilize employees' positive psychological resources such as confidence, hope, resilience and optimism, which will promote the service quality of the front-line sales staffs. In addition, through the creation of organizational climate and construction of psychological contract between organization and employees, transformational leaders can develop the employees' psychological capital [32]. Meantime, under transformational organization climate, employees with higher psychological capital level tend to be more optimistic and tough, and they can keep better state of mind to face and overcome the difficulties in their service process [29], and they are also willing to put more energy to perform their duties and improve their service quality. Based on this, the hypothesis is put forward:

Hypothesis 3: Psychological capital acts as a mediator between transformational leadership and front-line sales staffs' service quality.

### 3. Methods

#### 3.1. Data and Sample

We collected data from front-line sales staffs of 3 companies in Beijing. The total of 300 self-report questionnaires were issued and 280 of them were collected, among which 250 were actually valid. As a result, the response rate and the valid response rate were 93.3% and 83.3%. Invalid questionnaires refer to those presenting obviously disorder or incomplete answers. In the 250 valid samples, 59.2% were males and 40.8% were females. Additionally, in terms of their education background, about 5.2% of the participants had vocational degree or lower degree, 81.1% had bachelor degree, and 10.8% had master degree, the rest had doctor degree. It's also worthy to mention 54.4% of them have already been married and 40.6% have not yet. Their working experiences varied from half year to more than 10 years, with an average of 2.62 years.

#### 3.2. Measures

**3.2.1. Transformational Leadership:** This paper used the scale developed by Bass, B. M., & Avolio, B. J.(1997). All responses were recorded on a 6-point Likert-type scale with 1=(strongly disagree) to 6=(strongly agree), and the Cronbach's  $\alpha$  coefficient for this scale was 0.94.

**3.2.2. Psychological Capital:** For this part, we used the scale designed by Ke , Sun, & Li (2009) and included 26 items. All responses were recorded on a 6-point Likert-type scale with 1=(strongly disagree) to 6=(strongly agree), and the Cronbach's  $\alpha$  coefficient for this scale was 0.88.

**3.2.3. Service Quality:** For this part, we used the scale designed by Parasuraman, Zeithaml, Berry (1988). All responses were recorded on a 6-point Likert-type scale with 1=(strongly disagree) to 6=(strongly agree), and the Cronbach's  $\alpha$  coefficient for this scale was 0.84.

**3.2.4. Control Variables:** Gender, working experience, marital status and highest education were controlled. These variables were presented as following: gender, 1=male, 2=female; working experience, 1 = ' $\leq 3$ y', 2='3-5 y', 3='6-10 y', 4=' $\geq 10$  y'; marital status: 1=unmarried, 2=married, 3=others (like divorced or widowhood); highest education: 1=vocational degree or lower, 2=bachelor degree, 3=master degree, 4=doctor degree.

#### 3.3. Methods of Data Analysis

After data collection, correlation analysis and hierarchy regression analysis was conducted by SPSS 19.0 to explore the relationship among transformational leadership, psychological capital and front-line sales staffs' service quality.

### 4. Data Analysis

#### 4.1. Descriptive Statistics and Correlation Analysis

The mean values of each variable, standard deviation and correlation coefficients were shown in Table 1. According to the results of correlation analysis, transformational

leadership is positively related to both psychological capital and service quality. The results indicate the correlation coefficient between transformational leadership and psychological capital is 0.418 ( $p < 0.001$ ). And the correlation coefficient between transformational leadership and service quality is 0.279 ( $p < 0.001$ ). Meanwhile, psychological capital has a significantly positive effect on service quality ( $r=0.655$ ,  $P < 0.001$ ), Hypothesis 1 & 2 have been preliminary validated.

**Table 1. Mean of Variable, SD and Pearson Correlation Coefficient**

	Mean	SD	1	2	3	4	5	6
<b>1.Gender</b>	1.41	0.492						
<b>2.Working experience</b>	2.62	1.083	- 0.019					
<b>3.Marriage</b>	1.64	0.572	0.078	0.497**				
<b>4.Education</b>	2.11	0.511	- 0.024	-0.083	0.046			
<b>5.Transfor-mational leadership</b>	4.19	1.088	- 0.061	-0.143*	-0.087	-0.071		
<b>6.Psychol-gical capital</b>	4.93	0.808	- 0.015	-0.042	- 0.244**	- 0.250**	0.418***	
<b>7.Service quality</b>	5.07	0.835	- 0.061	0.094	-0.104	- 0.250**	0.279***	0.655***

\*\*\*  $p < 0.001$ ; \*\*  $p < 0.01$ ; \*  $p < 0.05$

#### **4.2. The Influence of Transformational Leadership and Psychological Capital on Service Quality**

In order to further explore the relationship among transformational leadership, psychological capital and service performance, this paper employs the method of hierarchical regression analysis with gender, working experience, marital status, education etc. controlled. As shown in Table 2, Model 1, 2 and 3 illustrate how transformational leadership and psychological capital affect the service quality of front-line sales staff. VIF values of Model 1, 2 and 3 are all smaller than the critical value 10 and D-W values are significant at the level of 0.05. All these indicate that there is no serious collinearity among these models and the corresponding analysis results are quite reliable. In light of service quality, Model 1 suggests that gender doesn't produce any noticeable effect and working experience have positive influence on it, but on the contrast, marriage and education produce negative effect significantly. On the foundation of control variables, Model 2 shows that the  $\beta$  value of the transformational leadership is 0.274 ( $p < 0.001$ ), which further supported Hypothesis 1, that is, transformational leadership significantly promotes the front-line sales staff's service quality. As shown in Model 3,  $\beta$  value of the psychological capital is 0.650 ( $p < 0.001$ ), which confirms that psychological capital positively impact the front-line sales staff's service quality. Therefore, Hypothesis 2 has been further validated.

**Table 2. Regression Analysis of Transformational Leadership, Psychological Capital on Service Quality**

	Service Quality			
	Model 1	Model 2	Model 3	Model 4
<b>Gender</b>	-0.059	-0.041	-0.056	-0.055
<b>Working Experience</b>	0.157*	0.198**	0.119*	0.122*
<b>Marriage</b>	-0.171*	-0.170*	-0.003	-0.005
<b>Education</b>	-0.233*	-0.210**	-0.031	-0.032
<b>Independent Variable</b>				
<b>Transformational Leadership</b>		0.274***		0.020
<b>Mediator Variable</b>				
<b>Psychological Capital</b>			0.650***	0.641***
<b>R<sup>2</sup></b>	0.096	0.169	0.450	0.450
<b>Adjusted R<sup>2</sup></b>	0.081	0.152	0.438	0.436
<b>F test</b>	6.447	9.786*	39.388**	32.729**

\*\*\* p<0.001 ; \*\* p<0.01 ; \* p<0.05

#### **4.3. Psychological Capital Acts as a Mediator between Transformational Leadership and Service Quality**

Model 4 illustrates the mediating effect of psychological capital between transformational leadership and service quality. VIF values of Model 4 are all smaller than the critical value 10 and D-W values are significant at the level of 0.05. All these indicate that there is no serious collinearity of this model and the corresponding analysis results are quite reliable. In Model 4 , after introducing psychology capital, the  $\beta$  value between psychology capital and service quality is 0.641 ( $p<0.001$ ), while the  $\beta$  value between transformational leadership and service quality is no longer significant. That means psychological capital have full mediating effect between transformational leadership and service quality. Therefore, Hypothesis 3 is validated.

#### **5. Conclusion**

As the results show, transformational leadership produces a significantly positive effect on front-line sales staffs' service quality, the  $\beta$  value between them equals to 0.274 ( $p<0.001$ ), which means the variable of service quality can be well interpreted by transformational leadership. However, when we put transformational leadership and psychological capital in Model 4 together, psychological capital still significantly affect the service quality ( $\beta=0.641$ ,  $p<0.001$ ), while transformational leadership no longer cast a significant impact. Thus we can say psychological capital works as a full mediator between transformational leadership and service quality. The higher level of transformational leadership in the organization is, the more conducive to improve front-line sales staff's psychological capital, which is in turn to promote their service quality. In this regard, transformational leadership could spread their wholehearted care and kindness

to employees , invoke their higher level values and beliefs in order to enhance their positive psychological capacities, which can improve front-line sales staffs' service quality and the competitiveness of enterprises.

From a practical perspective, firstly, transformational leadership should be adopted in the organizations, leaders should give more respect to front-line sales staffs, help those who are in difficulty and meet their spiritual need in order to improve their service quality. Secondly, each front-line sales staff should become more optimistic, confident and resilient through all sorts of opportunities. Meanwhile, each organization should develop its rich culture and wonderful vision, thus employees may gradually improve their perceived happiness and hope about future, gain higher psychological capital and further develop their individual service quality. Thirdly, culture building should be focused, such as the friendly family culture, where each employee can satisfy their sense of belonging. Such a wonderful organization can make each employee feel warm and grateful, thus will strengthen employees' psychological contract with the organization as well as their emotional connection with the leaders. Organizations should pay attention to front-line sales staffs' psychological capital and broadcast the importance of service quality through training and quality development projects, which can improve the front-line sales staffs' service consciousness to provide better services.

## References

- [1] W. P. Wong, "Business-process management: A proposed framework for future research", Total Quality Management & Business Excellence., vol. 24, no. 3, (2013), pp. 719-732.
- [2] M. Chen, Y. Lin and I. Chen, "Constructing innovative service quality for department stores", Total Quality Management & Business Excellence., vol. 26, no. 3, (2015), pp. 482-496.
- [3] L. J. Su, S. R Swanson, X. H. Chen, "The effects of perceived service quality on repurchase intentions and subjective well-being of Chinese tourists: The mediating role of relationship quality", Tourism Management., vol. 52, no. 1, (2016), pp. 82-95.
- [4] N. P. Lin, H. C. Chiu and Y. C. Hsieh, "Investigating the relationship between service providers' personality and customers' perceptions of service quality across gender", Total Quality Management., vol. 12, no. 1, (2001), pp. 57-67.
- [5] J. W. Grizzle, A. R. Zablah, T. J. Brown, J. C. Mowen and J. M. Lee, "Employee customer orientation in context: How the environment moderates the influence of customer orientation on performance outcomes", Journal of Applied Psychology., vol. 94, no. 5, (2009), pp. 1227-1242.
- [6] A. E. Lloyd and S. T. K. Luk, "Interaction behaviors leading to comfort in the service encounter", The Journal of Services Marketing., vol. 25, no.3, (2011), pp. 176-189.
- [7] R. M. M. Messías, J. M. Rodriguez-Antón and L. R. Andrade, "How does human capital influence service quality? an application to the andorran banking sector", Spanish Journal of Finance & Accounting., vol. 44, no. 2, (2014), pp. 146-179.
- [8] A. Sergeant and S. Frenkel, "When do customer contact employees satisfy customers?", Journal of Service Research., vol. 3, no. 1, (2000), pp. 18-34.
- [9] R. Yee, P. Lee, A. Yeung and T. Cheng, "The relationships among leadership, goal orientation, and service quality in high-contact service industries: an empirical study", International Journal of Production Economics., vol. 141, no. 2, (2013), pp.452-464.
- [10] R. A. Clark, M. D. Hartline and K. C. Jones, "the effects of leadership style on hotel employees' commitment to service quality", Cornell Hospitality Quarterly., vol. 50, no. 2, (2009), pp. 209-231.
- [11] W. J. Kwak and H. K. Kim, "Servant leadership and customer service quality at korean hotels: multilevel organizational citizenship behavior as a mediator", Social Behavior & Personality An International Journal., vol. 43, no. 8, (2015), pp. 1287-1298.
- [12] D. Belias and A. Koustelios, "Transformational leadership and job satisfaction in the banking sector: A review", International Review of Management and Marketing, vol. 4, no. 3, (2014), pp. 187-200.
- [13] S. Tafvelin, K. Armelius and K. Westerberg, "Toward understanding the direct and indirect effects of transformational leadership on well-being: A longitudinal study", Journal of Leadership & Organizational Studies, vol. 18, no. 4, (2011), pp. 480-492.
- [14] A. Humphrey, "Transformational leadership and organizational citizenship behaviors: The role of organizational identification", The Psychologist Manager Journal, vol. 15, no. 4, (2012), pp. 247-268.
- [15] E. Bacha, "The relationship between transformational leadership, task performance and job characteristics", Journal of Management Development, vol. 33, no. 4, (2014), pp. 410-420.
- [16] F. Stinglhamber, G. Marique, G. Caesens, D. Hanin and F. D. Zanet, "The influence of transformational leadership on followers' affective commitment", Career Development International, vol. 20, no.6, (2015), pp. 583-603.

- [17] N. Malhotra, F. Mavondo, A. Mukherjee and G. Hooley, "Service quality of frontline employees: a profile deviation analysis", *Journal of business research*, vol. 66, no. 9, (2013), pp. 1338-1344.
- [18] A., Newman, D. Ucbasaran, F. Zhu and G. Hirst, "Psychological capital: a review and synthesis", *Journal of Organizational Behavior*, vol. 35, no. S1, (2014), pp. S120–S138.
- [19] S. Polatci and A. Akdogan, "Psychological capital and performance: The mediating role of work family spillover and psychological well-being", *Business and Economics Research Journal*, vol. 5, no. 1, (2014), pp. 1-15.
- [20] L. F. Zhong, "Effects of Psychological Capital on Employees' Job Performance, Organizational Commitment, and Organizational Citizenship Behavior (in Chinese)", *Acta Psychologica Sinica*, vol. 39, no. 2, (2014), pp. 328–334.
- [21] N. W. Chi and S.Y. Pan, "A multilevel investigation of missing links between transformational leadership and task performance: the mediating roles of perceived person – job fit and person – organization fit", *Journal of Business and Psychology*, vol. 27, no. 1, (2012), pp. 43–56.
- [22] N., L. Willenbrock, A. L Meinecke, J. Rowold and S. Kauffeld, "How transformational leadership works during team interactions: a behavioral process analysis", *Leadership Quarterly*, vol. 26, no. 6, (2015), pp. 1017-1033.
- [23] Q. Yinan, M. Tang and M. Zhang, "Mass customization in flat organization: The mediating role of supply chain planning and corporation coordination", *Journal of Applied Research and Technology*, vol. 12, no. 2, (2014), pp. 171-181.
- [24] K. H. Kopperud, O. Martinsen and S. I. W. Humborstad, "Engaging leaders in the eyes of the beholder: On the relationship between transformational leadership, work engagement, service climate, and self-other agreement", *Journal of Leadership & Organizational Studies*, vol. 21, no. 1, (2014), pp. 29-42.
- [25] C. Chou, P. Wu and C. Huang, "Service climate, service convenience, service quality and behavioral intentions in chain store restaurants", *International Journal of Organizational Innovation (Online)*, vol. 7, no. 1, (2014), pp. 161-170.
- [26] T. S. Suifan, "The impact of organizational climate and psychological capital on organizational citizenship behavior", *International Journal of Business and Management*, vol. 11, no. 1, (2016), pp. 224-230.
- [27] L. Fred, W. L. Kyle and C. L. Brett, "Positive psychological capital: Beyond human and social capital", *Business Horizons*, vol. 47, no. 1, (2004), pp. 45-50.
- [28] S. Peterson and F. Luthans, "The positive impact and development of hopeful leaders.", *Leadership and Organizational Development Journal*, vol. 24, no. 1, (2003), pp. 26-31.
- [29] B. Ziyae, M. H. Mobaraki and M. Saeediyoun, "The effect of psychological capital on innovationin information technology.", *Journal of Global Entrepreneurship Research*, vol. 5, no. 1, (2015), pp. 1-12.
- [30] D. M. Mayer, M. Kuenzi, R. Greenbaum, M. Bardes and R. B. Salvador, "How low does ethical leadership flow? Test of a trickle-down model.", *Organizational Behavior and Human Decision Processes*, vol. 108, no. 1, (2009), pp. 1-13.
- [31] M. J. Gorgievski, J. R. B. Halbesleben and A. B. Bakker, "Expanding the boundaries of psychological resource theories.", *Journal of Occupational & Organizational Psychology*, vol. 84, no. 1, (2011), pp. 1-7.
- [32] F. Luthans, S. M. Norman, B. J. Avolio and J. B. Avey, "The mediating role of psychological capital in the supportive organizational climate-employee performance relationship", *Journal of Organizational Behavior*, vol. 29, no. 2, (2008), pp. 219-238.