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Leading by Doing: Does Leading by Example Impact Productivity and Service Quality?

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Abstract:	<p>This paper presents a research model for the creation of organizational value through leading by example. I argue that leading by example serves as a unique value-creation driver by enhancing engagement, productivity, and service quality at the business level. Using a strategy-based resource management framework, I also argue that there are synergies between leading by example and the manifestation of organizational core values. My theory is grounded in the strategy-based notion that combining organizational resources—leading by example (practical element) and organizational core values (conceptual element)—optimizes employee engagement, which in turn enhances productivity and service quality. I examine my model empirically using two-time-point panel data derived from three different sources (employees, financial data, and secret shoppers) in a sample of 233 retail stores. The findings provide evidence that leading by example improves productivity and service quality (after taking into account the potential influence of charismatic leadership). The indirect effect of leading by example on productivity and service quality (through engagement) is even stronger where manifestation of organizational core values is high. Contributions to theory, research, and practice are presented.</p>

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**Leading by Doing:
Does Leading by Example Impact
Productivity and Service Quality?**

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LEADING BY DOING: DOES LEADING BY EXAMPLE IMPACT PRODUCTIVITY AND SERVICE QUALITY?

ABSTRACT

This paper presents a research model for the creation of organizational value through leading by example. I argue that leading by example serves as a unique value-creation driver by enhancing engagement, productivity, and service quality at the business level. Using a strategy-based resource management framework, I also argue that there are synergies between leading by example and the manifestation of organizational core values. My theory is grounded in the strategy-based notion that combining organizational resources—leading by example (practical element) and organizational core values (conceptual element)—optimizes employee engagement, which in turn enhances productivity and service quality. I examine my model empirically using two-time-point panel data derived from three different sources (employees, financial data, and secret shoppers) in a sample of 233 retail stores. The findings provide evidence that leading by example improves productivity and service quality (after taking into account the potential influence of charismatic leadership). The indirect effect of leading by example on productivity and service quality (through engagement) is even stronger where manifestation of organizational core values is high. Contributions to theory, research, and practice are presented.

“I believe in the power of personal example. You can rant and rave and threaten, but the most effective way to get results is to show someone what you want done.”
(Frank Pacetta, Executive Manager, Xerox Corporation)

INTRODUCTION

Leading by example (LBE) is the extent to which a leader is engaged in live demonstrations of the expected performance (Barsade & Mesiek, 2004). By engaging in workday employee actions, the leader shows employees what is expected of them, as opposed to telling them what to do (House, 1977). Although the leadership literature has pointed to the benefits of LBE (e.g., Luthans & Avolio, 2003; Yukl, 2006), there is a dearth of studies examining whether LBE actually matters; specifically, whether it actually improves business outcomes (Yaffe & Kark, 2011). One reason LBE has been understudied might be that researchers have traditionally considered that a leader’s role is to provide instructions rather than stepping into subordinates’ tasks (Barsade & Mesiek, 2004). Moreover, given its popularity among organizational

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consultants, who often urge managers to “lead by doing,” LBE has become more a buzzword than an academically valid leadership approach (Bolino & Turnley, 2003).

In this paper, I argue that LBE is distinct from other leadership approaches where the leader articulates the desired expectations but does not illustrate them in a practical way. A prime example, and one of the most widely researched leadership practices, is charismatic leadership, where the leader influences employee behavior through rhetorical skill and an attractive vision for the future (Howell & Shamir, 2005). Although charismatic leadership and other approaches to leadership may influence employees, they do not emphasize the *doing* element, which is inherent in LBE.

To develop a theory about the value creation of LBE at the business level, I integrate leadership literature (House, 1977) and social learning theory (Bandura, 1977) with the strategy-based resource management model (Sirmon, Hitt, & Ireland, 2007). There are two fundamental tenets of the resource management model that serve as the foundation for the model I explore in this study. First, resource management is the process of structuring organizational resources to build or cultivate existing capabilities, and leveraging those capabilities to create value for owners and customers (Sirmon et al., 2007). I argue that LBE can serve as a strategic organizational resource to generate value for a variety of organizational stakeholders (i.e., employees, shareholders, and clients) by enhancing productivity and service quality at the store level. The practical nature of LBE implies that it may be more influential in improving these outcomes than leadership models based on verbal means, which is typical with charismatic leadership (Howell & Shamir, 2005).

Second, the resource management model asserts that certain organizational actions can magnify the effects resources have on organizational capabilities by clarifying the link between

these resources and the organization's ultimate purpose (Sirmon, Hitt, Ireland, & Gilbert, 2011). Building on Sirmon et al.'s (2011) model, I argue that the effect of LBE on productivity and service quality can be enhanced by integrating it with the manifestation of core values (i.e., the act of communicating an organization's prime principles to its workforce), thus clarifying the link between the leader's practical actions to the organization's ultimate goal. Articulating '*how*' things should be done (i.e., leading by example) and communicating '*why*' things should be done (i.e., core value manifestation) reflects the fact that the individual's mind is structured into two systems: Encoding concrete observations about reality while seeking logic and meaning about how to relate to this information (Kroll & Merves, 1986).

To explore how LBE affects business-level performance I propose two pathways: one direct, the other indirect. As shown in Figure 1, in the direct pathway LBE affects productivity and service quality beyond the beneficial effect of charismatic leadership. In the indirect, the combined effect of LBE with core value manifestation enhances employee engagement, which in turn indirectly amplifies the same business-level performance (via engagement). I examine my model empirically with data on store-level performance across 233 locations of a retail chain, using two-time-point panel data measures from three sources of data—employees, financial results, and secret shoppers.

By examining the value creation of LBE at the business level, I contribute to the leadership literature in three ways. First, although the leadership literature has generated much knowledge in the past 40 years (van Knippenberg & Sitkin, 2013), a critical aspect of leadership, what I call '*leading by doing*,' has been neglected. Rather, the leadership literature to date has conceptualized leadership almost exclusively from a verbal perspective. I argue that this conceptualization of leadership is narrower than the way leadership can be understood. By

exploring LBE, I therefore offer a more complete view of the leadership construct. Second, studying LBE can help scholars revisit assumptions related to one of the foremost roles of leadership: influencing employees (Bennis & Nanus, 1985). By doing so, I answer calls to explore additional leader practices to better understand how leaders can have an impact on employees (Antonakis, Avolio, & Sivasubramaniam, 2003; van Knippenberg & Sitkin, 2013). Third, whereas research on the effects of leadership has largely been conducted at the employee level of analysis (Waldman, Javidan, & Varella, 2004), very little research examines leadership at the higher level of analysis (i.e., business, organization). For reasons associated with ecological fallacies and multi-level considerations (Chan, 1998; Kozlowski & Klein, 2000) evidence at the individual level does not obviously exist at the higher level of analysis (Klein & Kozlowski, 2000). Moreover, while a handful of studies have explored empirically the effect of leadership (e.g., charismatic leadership) on finance-oriented results (e.g., productivity), they have generally failed to find support for it due to small sample sizes (Waldman, Ramirez, House, & Puranam, 2001), or because they examined a direct effect only (Waldman et al., 2004), or oversimplified by not controlling for prior performance (Ensley, Pearce, & Hmieleski, 2006). Thus, exploring the direct and indirect effects of LBE at the business level of analysis addresses empirical gaps in the leadership research in general.

LEADING BY EXAMPLE

I define LBE as the extent to which a leader demonstrates ideal workday behaviors by engaging in employee activities (Barsade & Mesiek, 2004). Examples include a store manager who serves clients on the organization’s front line to demonstrate how sales and service should be executed, or an executive director who works the front desk night shift once a week to illustrate how clients should be treated (e.g., Fair Haven Community Health Center, see Barsade & Mesiek, 2004). Such demonstrations show employees how their leaders expect them to

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3 execute work performance, sell a product, serve the company's clients, and manage issues during
4 service interactions (Zohar & Tenne-Gazit, 2008). Frank Pacetta (1994) captured this notion in
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6 describing his leadership style when he served as a manager for Xerox Corporation: "At the end
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8 of our first meeting, I turned to my managers and said, 'I hope everybody has a full day planned.
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10 I know I do.' I told them that when the meeting adjourned, all of us were going to hit the street.
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12 All of us—myself included" (52). Thus, LBE cannot be done successfully just from the leader's
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14 office (e.g., operating a new customer service system from one's computer or telling employees
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16 how important service quality is) but in person at the employees' workplace (e.g., working at the
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18 front desk or serving customers on the frontline).
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24 Leadership scholars have addressed the notion of LBE theoretically. House (1977)
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26 initially introduced LBE as a suggested leadership practice. According to House, leaders can
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28 have profound effects on their employees if they "express, by their actions, a set of values and
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30 beliefs to which they want their followers to subscribe. That is, the leader role-models a value
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32 system for his/her followers" (1977: 194). Later, Bass (1985: 77) argued that a leader is
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34 inspirational to an employee to "the extent the leader provides examples and patterns for its
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36 followers." Conger and Kanungo (1987) depicted effective leaders as engaging "in exemplary
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38 acts that followers perceive as involving great personal risk, cost, and energy" (641) and who are
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40 "worthy of imitation" (642), while Podsakoff, MacKenzie, Moorman, and Fetter (1990)
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42 presented effective leadership as "setting an example for employees to follow" (112), something
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44 Kouzes and Posner (1987) referred to as "modeling the way." Thus, leaders may speak
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46 compellingly about vision and goals, but if they are not providing a live demonstration of these
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48 goals, employees will not be fully engaged or identify with them (Kouzes & Posner, 1987). LBE
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50 can therefore serve as a mirror that signals to employees that these modeled practices and actions
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are encouraged, expected, appreciated, and rewarded (MacKenzie, Podsakoff, & Rich, 2001; Zohar & Tenne-Gazit, 2008).

LBE is distinct from charismatic leadership, a style in which the leader verbalizes the appropriate action but does not perform it. Charismatic leadership reflects the ability of a leader to articulate an attractive vision for the future—in other words, the promise of a better tomorrow (Mumford, Antes, Caughron, & Friedrich, 2008)—by using rhetoric and passionate argument (Awamleh & Gardner, 1999; Groves, 2005; Kirkpatrick & Locke, 1996). Key behaviors of charismatic leaders include presenting a sense of mission and expressing an inspirational vision (Antonakis, Bastardo, Jacquart, & Shamir, 2016; Deluga, 1995). Other conceptualizations of charismatic leadership focus primarily on the way a vision is articulated, such as using a dramatic communication style, creating memorable messages, displaying emotions, and using powerful imagery (Howell & Shamir, 2005; Shamir, Zakay, Breinin, & Popper, 1998). Thus, whereas charismatic leadership focuses on *verbally* articulating a *future*-oriented message, and using rhetoric as a leadership lever (Shamir & Howell, 1999; Waldman et al., 2001), the focus of LBE is on being a *live* model of the *present* expected performance.

While senior leaders may not be able to personally cultivate direct ties with each employee through explicit demonstrations on a sustained basis, LBE can trickle down through a cascading process (Waldman & Yammarino, 1999; Schaubroeck et al., 2012) and social and organizational mechanisms such as small talk, social media, and other networking and communication channels (Barsade & Mesiek, 2004; Toubiana & Zietsma, 2017; Wallace, 2004). For example, the founder and former CEO of JetBlue, David Neeleman, frequently loaded bags or personally served clients himself to convey that all employees are expected to pitch in where necessary. Videos of Neeleman live-modeling the expected service practices disseminated via

the company's website and conferences inspired JetBlue pilots to start assisting aircraft staff and clients during their downtime between flights (see Bolino & Turnley, 2003). Ehrhart and Naumann's (2004) findings support the potentially pervasive effect of LBE by indicating that when a leader has a role-modeling effect on a group of employees, his/her actions will have an expansive impact on the overall unit-level employees and their performance. Indeed, role modeling has been proposed by leadership scholars as driving a cascading process where employees who do not directly observe it can still be affected by its "cinder" through social contagion and organizational mechanisms (Hunt, 1991; Yammarino, 1994).

THEORETICAL FRAMEWORK & HYPOTHESES

The Direct Effect of LBE on Productivity and Service Quality

As noted above, the resource management model (Sirmon et al., 2011) argues that the ultimate purpose of organizational resources is to create and sustain value for the organization and its stakeholders. Prior research points to managerial skills and management actions as explicit organizational resources and unique value-creating assets (Ndofor, Sirmon, & He, 2011; Sirmon & Hitt, 2003; Sirmon et al., 2011). I argue that LBE is one such strategic resource. At the broad level of value creation, LBE helps leaders gain greater knowledge about ongoing business and client needs. It may cultivate more awareness of the efficiency of work production and procedures and develops higher sensitivity to service quality dynamics (Barsade & Mesiek, 2004; Trueman, 1991). Indeed, discussing his leading-by-doing leadership style, John deButts, AT&T's former chairman, expressed the advantage of "having a good day-to-day feel for the way the business is going" (Barsade & Mesiek, 2004: 111).

To understand the psychological effect behind LBE, Bandura's (1977) social learning theory is a key foundation. According to this theory, leaders are an important and valuable source of modeling for employees in terms of learning new capabilities, ideal behaviors, and

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expected norms given their high position and influential status in the organizational hierarchy (Bandura, 1977, 1986). This occurs through social and psychological processes (i.e., imitation, social learning, contagion, and modeling; Bandura, 1977) by which the leader generates a cognitive structure among employees on how performance should be executed and how to act in their working routine (Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009; Sy, Côté, & Saavedra, 2005).

Specifically, I argue that LBE will enhance productivity through imitation and social learning. Social learning theory (Bandura, 1977) states that individuals will strive to emulate the behaviors of their role models to ensure that their actions are in line with desired performance. Employees witnessing work performed by their leader in the natural work environment realize how effectively it can be executed, mirroring leader behaviors and adjusting their own performance accordingly (Bandura, 1991; Weiss, 1977). When managers exhibit leadership by performing employee activities, these ideal behaviors and actions become substantial learning tools about expected norms and undesired actions for employees operating in similar situations (Bandura, 1986; Mayer et al., 2009). Employees thus infer appropriate behaviors and performance expectations (Rich, 1997). By observing how their leader performs and the outcomes the leader achieves, employees receive a clearer signal about what is expected of them and how they can better meet those required outputs (Bandura, 1991), thus increasing productivity.

In addition to creating value by enhancing productivity, I argue that LBE creates value for organizations by improving the quality of service rendered to customers. When employees are exposed to their leader’s service interactions on the organizational frontline, a contagion effect takes place (Barsade, 2002). This starts with exposure to a behavioral stimulus of a leader,

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3 which influences employees' cognition in such a way that their behaviors and reactions start to
4 resemble those of their leader (Hatfield, Cacioppo, & Rapson 1994; Sy et al., 2005). Prior
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6 research already indicates that through the effect of contagion, employees adopt service-oriented
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8 attitudes and behaviors, and even facial expressions of their leaders. By internalizing the leader's
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10 ideal service approach, employees exhibit positive attitudinal manifestations to clients and serve
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12 them more effectively and attentively (e.g., Barsade & O'Niell, 2014; Barsade, Ward, Turner, &
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14 Sonnenfeld, 2000; Sy et al., 2005). According to Bandura (1991) and Bass (1985), leader
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16 modeling is more influential for enhancing behaviors that are less supported by formal job
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18 descriptions, such as service quality, by encouraging employees to act according to
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20 organizational interests while putting aside their own self-interests. Seeing their leader engaging
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22 with clients on the service frontline stimulates employees to pursue the service objectives and
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24 prioritize client interests over their own self-interest (Piccolo & Colquitt, 2006).
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31 Moreover, I expect the effect of LBE on productivity and service quality to be stronger
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33 than that of charismatic leadership given the tangible and practice-oriented nature of LBE.
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35 Charismatic leaders, who focus on delivering their future-oriented message through rhetoric, are
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37 inclined to distance themselves from their employees (Antonakis et al., 2016; Shamir, House, &
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39 Arthur, 1993). They use status and authority to influence employees and to connect them to a set
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41 vision (Awamleh & Gardner, 1999; Howell & Shamir, 2005; Shamir, 1995). LBE, in contrast,
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43 centers on tangible demonstrations of the expected behavior—on being a live model rather than
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45 just speaking about it theoretically. This difference is particularly salient in service-related
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47 outcomes (i.e., sales productivity) and service interactions (i.e., service quality). Prior research
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49 finds that effective leaders in service settings often encourage frontline employees to learn
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51 through trial and error and to adapt their behaviors accordingly (Bowen & Ford, 2002). This
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approach is more likely to bear fruit if leaders lead by doing, offering tangible demonstrations and providing live examples of ideal behavior as opposed to verbalizing desired actions in theory (Antonakis et al., 2016; Strange & Mumford, 2002). Thus, I posit:

Hypothesis 1: LBE enhances productivity and service quality at the store level, beyond the beneficial effect of charismatic leadership.

The Indirect Effect of LBE on Productivity and Service Quality

According to the resource management model (Sirmon et al., 2011), value creation for the organization’s stakeholders is a comprehensive process indirectly achieved by structuring organizational resources, developing organizational capabilities, and leveraging those capabilities to maximize the value that is created. Building on these insights (Sirmon et al., 2011), I disentangle the direct effect of LBE on productivity and service quality by taking a process-oriented view and proposing engagement as an important organizational capability that organizations can develop through LBE. I also propose that engagement can be magnified by integrating LBE with the manifestation of organizational core values, thereby enhancing the value creation of the entire process (i.e., enhanced productivity and service quality).

The effect of LBE on employee engagement. Kahn (1990) originally defined engagement as "the harnessing of organization member selves to their work roles, by which they employ and express themselves physically, cognitively, and emotionally during role performance" (694). In Kahn's (1990, 1992) view, engagement is best illustrated as a motivational concept through which employees simultaneously and holistically become physically involved in role activities, emotionally identified, and cognitively focused on the service of their organization. Engagement is therefore an ideal employee–organization relationship (Kahn, 1990, 1992) through which employees invest their "hands, head, and heart" (Ashforth & Humphrey, 1995: 110) into their organization’s objectives. Despite the scholarly calls, little research has explored engagement at

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3 the higher level of analysis (e.g., organization, work unit), in general, and at the business level, in
4 particular (Barrick, Thurgood, Smith, & Courtright, 2015).
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8 Kahn (1990) argued that when employee values, goals, and skills are more aligned with
9 those of their organization, they are more willing to engage themselves with their work. Drawing
10 on Bass' (1985) argument that role modeling leaders are in a better position to collectively
11 motivate employees through affecting employees' perceptions of their competence and fit with
12 the organization, I expect that LBE will have a positive effect on employee engagement.
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14 Exploratory group interviews that I conducted with employees from several representative stores
15 (by geographic locations and size) in the data set support the proposed direction. In response to
16 questions such as "How do you feel when you see your store manager actively participate in
17 service frontline?" and "How do you feel when you see your store manager leading by doing?"
18 employees answered with the following responses: "being proud to be part of that store,"
19 "willingness to do above and beyond in my job," "happy to come to work at that store," and
20 "willingness to give my whole soul to perform well."
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35 Specifically, LBE cultivates employees' sense of engagement by making them realize
36 that their role matters to the organization's success (Rosso, Dekas, & Wrzesniewski, 2010).
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38 Seeing their leader demonstrate workday employee activities enables employees to realize how
39 their service role contributes to the organization's objectives and how the organization's vision is
40 accomplished through their own work (Smircich & Morgan, 1982). According to Kahn (1990),
41 the magnitude of engagement is determined by the degree of employees' perceived fit between
42 their skills and the organization's values and goals. Seeing their leader perform employee job
43 activities gives employees knowledge (e.g., expected norms, desired behaviors, and service
44 strategies), which, according to Kahn (1990) and Rich, LePine, and Crawford (2010), enhances
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employees’ sense of engagement by making them feel more competent and that their skills are more aligned with the objectives and values of their organization. Kahn (1990) also argued that when employees are valued for their work activities, and not simply as the occupant of a role, they are likely to become more engaged. Realizing that the leader is willing to invest time and effort to demonstrate employee activities generates a greater sense of engagement because it conveys to employees that their work contributions are significant and valuable (May, Gilson, & Harter, 2004; Rich et al., 2010). Seeing that the leader is willing to invest resources (physical and psychological) in demonstrating employee work activities and serve as a live model, employees will be more likely to invest their own full resources (i.e., be engaged) in their work roles as well (Kahn, 1990). Thus, I posit:

Hypothesis 2: LBE increases employee engagement at the store level.

The interactive effect of LBE and core value manifestation on engagement. The resource management model states that certain organizational actions can play a crucial role in leveraging resources based upon how effectively they link those resources to the organization’s ultimate goals (Sirmon & Hitt, 2009; Sirmon et al., 2011; Ndofor et al., 2011, 2015). Possessing resources alone does not guarantee the optimization of value creation; rather, optimal value of organizational resources is realized when resources are managed effectively (Sirmon & Hitt, 2003; Sirmon et al., 2007). This is because the way resources are managed results in different capabilities and outcomes across organizations possessing similar resources and operating in similar conditions (Sirmon et al., 2007, 2011).

Building on these insights, I point to the potential synergy between LBE and organizational core values. Organizational core values convey the importance of LBE by answering *why* the leader’s tangible examples on the service frontline are crucial for business

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3 success, thus clarifying the link between the leader's practical actions and the organization's
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5 ultimate purpose. This notion is drawn on a corporate culture construct, which argues that
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7 substantial beliefs and ultimate goals of an organization can act as a coordination mechanism
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9 (Cremer, 1993; Kreps, 2004; Thakor, 2016). For example, "superior service quality" is an
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11 organizational core value that represents a guiding principle for the organization's ultimate goal
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13 of "being a market leader" (Fleishman & Peters, 1962; Lord & Brown, 2001; Rokeach, 1973;
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15 Russell, 2001; Schwartz, 1992). Management scholars have long argued that communicating the
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17 organizational core values through formal channels is a necessary means to direct the
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19 organization's members toward achieving its ultimate goals (Fleishman & Peters, 1962; Schein,
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21 2010). Here, I focus on this key aspect of core values, that is, *the way* values are communicated.
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23 Whereas prior research has largely focused on the content of core values, less attention has been
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25 given to the way core values are manifested (O'Reilly, Chatman, & Caldwell, 1991). Core values
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27 can be communicated through various ways such as supervisor conversations, leader speeches,
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29 team meetings, videos, and organizational conferences. Here, I focus on another potential
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31 mechanism of core value manifestation in the workplace: official, written statements (e.g.,
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33 posters, marketing materials, and working reports). Formal, written manifestation is one of the
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35 primary ways organizations communicate core values (Gioia & Chittipeddi, 1991; Van Rekom,
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37 Van Riel, Cees, & Wierenga, 2006) and serves as a cognitive learning source for employees
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39 through which they can realize and align with an organization's business objectives and service
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41 vision (Schein, 2010; Rivera, 2012, 2015).
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49 I propose that the combined effect of LBE and the manifestation of core values
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51 optimizes the value created by an engaged workforce. Kahn (1990) argued that employee
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53 engagement is more strongly cultivated when employees are provided with a "clear delineation
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of procedures and goals” (705). Even though an organization’s members are likely to feel some sense of engagement merely by the perception of their leader as an exemplar, this sense of engagement will be strengthened through the manifestation of core values, because this will provide employees with a better understanding of why their leaders’ practical acts are important for the organization’s success. When core value manifestation is higher, employees can better connect the leader’s tangible examples of frontline service to the organization’s success, thereby having greater clarity around how their own work and service roles contribute to the organization’s goals and success. According to Kahn (1990), the magnitude of engagement is determined by the degree of physical and psychological resources employees can invest in their work roles, and employees’ perceived fit between their workplace and the organization’s values and objectives. Combining practical and written guidance (i.e., LBE and core value manifestation) generates an enhanced capacity of resources and a stronger sense of fit among employees (May et al., 2005), which motivates employees to more willingly engage with their work roles (Kahn, 1990), even more than by the influence of LBE alone. Thus, I posit:

Hypothesis 3: There is an interactive effect of LBE and core value manifestation on employee engagement at the store level. Specifically, when core value manifestation is higher, the positive effect of LBE on employee engagement is enhanced.

Integrated Model

As discussed above, the resource management model (Sirmon et al., 2011) offers an intriguing lens through which we can take a process-oriented perspective that focuses on the indirect effect of LBE on productivity and service quality through engagement as an organizational capability. Drawing on Kahn’s (1992) engagement theory, it is reasonable to expect that an engaged workforce affects both productivity and service quality. An engaged workforce should demonstrate increased productivity because such a workforce tends to work

harder, allocate more physical energy, be more vigilant cognitively, and be more focused professionally (Barrick et al., 2015; Harter, Schmidt, & Hayes, 2002; Rich et al., 2010). Kahn (1992) and Salanova, Agut, and Peiró (2005) also argued that an engaged workforce would have a more comprehensive picture of its role, which would indicate a greater willingness to go beyond the formal duties in ways that are more helpful, attentive, and responsive to an organizational service mission. Based on Hypotheses 1 and 2, I argue that LBE will indirectly affect productivity and service quality through the mechanism of engagement. Based on Hypothesis 3, I argue that this indirect effect of LBE on productivity and service quality (through engagement) will be stronger when core value manifestation in the workplace is higher. Based on the foregoing hypotheses, I propose an integrated hypothesis as follows:

Hypothesis 4: The positive indirect effect of LBE on productivity and service quality (through employee engagement) is stronger when core value manifestation is higher.

METHOD

Sample and Procedure

I examined my model using data obtained from a major chain of retail stores in Israel. The stores sell a range of wellness products such as health care, cosmetics, cleaning, pharmaceuticals, and perfumes. All 260 retail stores are situated in prime locations such as central malls, downtown areas, and central locations in major cities and neighborhoods, and are spread across 21 national geographical regions. All retail stores carry more than 10,000 items, and have a similar visual design and organizational structure, with a store leader and non-managerial fulltime service employees. The store manager has overall responsibility for the retail store, including its profit and loss performance. Whereas the chain continuously provides the store leaders with strategic data and financial reports, leaders have considerable autonomy to bring their individuality and leadership style into management and sales practices to cultivate

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employee motivation and enhance service performance. As the HR policy of the retail chain is to promote from within for managerial positions, a store manager has a comprehensive professional understanding of the employee activities and technical skills required, having served as an employee prior to being promoted. Given that the official working hours of a store manager are from 9 am to 6 pm, employees have a similar opportunity to observe their leader in action despite working in two daily shifts (i.e., 6 am - 2 pm and 1:30 pm - 9:30 pm). The average retail store has been in operation for 14.8 years ($S.D = 9.50$) with an average of 50.44 ($S.D = 18.83$) full-time employees.

A significant feature of my data is that it enabled me to obtain objective measures of financial and service performance at the retail store level and track those performance measures for three years. I obtained my three-year panel data from three sources: employees, accounting-based measures of business performance, and secret shoppers. Employees were surveyed about leadership behavior (i.e., LBE and charismatic leadership) of store managers, the manifestation level of core values, and employee level of engagement. Employee responses were collected by an annual survey conducted in the same months over the course of three years. All of the employees were invited to participate in the study voluntarily, with complete assurance that no one, including their store leader, would see their individual responses. To increase the participation rate, the survey was advertised throughout the retail stores in multiple ways: by emails from the headquarters and in team and retail store meetings a few weeks before the survey. Given the fact that the survey included sensitive questions regarding leadership behavior (e.g., LBE) of store managers and employee level of engagement, increasing employee confidentiality was crucial to increase the response rate and reliability of the answers. Thus, employees were asked to complete a web-based survey, either during paid work hours or at

leisure time at home, to ensure the anonymity of their responses. A web-based survey method diminished concerns about the reliability of answers, since employees could complete the survey privately without fear that their store leader or peers would view their responses (Thomas, 2004). To reduce potential for social desirability, identifying details such as age, tenure, and gender were not requested and were taken from administrative records. Of the participants, 50.1% of the employees were men and 56.6% of the retail store leaders were women. The average age was 31.54 years ($S.D = 2.69$) for employees and 44.56 years ($S.D = 8.25$) for leaders. The average tenure at the retail stores was 3.19 years ($S.D = 1.05$) for employees. For retail store leaders, overall tenure in the retail chain was 16.01 years ($S.D = 7.30$) and 7.75 years ($S.D = 4.90$) as retail store leaders.

Three months after the employee survey stage was completed, I obtained from the retail chain's headquarters the business-level outcomes (i.e., productivity and service quality) for all 260 stores. This lagged research design (i.e., a three-month time period) facilitates the separation between independent variables (LBE and charismatic leadership) and mediator (employee engagement) from the business-level performance (i.e., productivity and service quality) for each year. Organizational characteristics such as the number of employees, the date of the retail store's opening, leaders' tenure (in general and as store managers in particular), and age were obtained from the archives at headquarters.

The final sample consisted of 233 retail stores (a response rate of 88.50%) and 8,137 employees (a 75.34% response rate). I eliminated 18 stores from the data, as I did not have their complete responses across the three years. I also omitted an additional six retail stores from the data because their leaders were replaced during the period examined and three retail stores whose

leader had assumed his/her position less than six months before the first wave of employee surveys.

Measures

All the measures except productivity and service quality used a five-point Likert scale.

LBE. LBE was assessed using the five-item exemplary behavior sub-scale taken from the overall leadership behavior measure, which was developed and validated by Podsakoff et al. (1990). In prior research the scale has demonstrated factorial, discriminant, and predictive validity (e.g., Podsakoff, MacKenzie, & Bommer, 1996; Podsakoff, MacKenzie, Lee, & Podsakoff, 2003; Schriesheim, Castro, & Yammarino, 2000; Schriesheim, Castro, Zhou, & DeChurch, 2006). On a five-point scale (1 = *not at all* to 5 = *all the time*), employees were asked to rate the extent to which their retail store leader exhibited certain behaviors during the workday routine and service activities of employees. Sample items are: “My retail store leader leads by ‘doing’ rather than by simply ‘telling’,” “My retail store leader is a good role model for me to follow,” and “My retail store leader leads by example.” I averaged ratings over all employees within the same store to obtain an aggregate rating of store-level LBE for each retail store leader. ICC1 = 0.13; Rwg(j) = 0.90; Cronbach’s alpha was 0.93.

Charismatic leadership. Charismatic leadership was measured by seven items based on the Multifactor Leadership Questionnaire (MLQ) (Bass, 1985), which were refined in a revision of the MLQ (Bass & Avolio, 1990). On five-point Likert scale (1 = *very rarely* to 5 = *very often*), employees were asked to rate the frequency their store leader exhibited charisma-oriented behaviors. Sample items are: “My store leader communicates a clear vision of the future” and “My store leader provides a vision of what lies ahead.” Ratings were averaged over all employees within the same store to obtain an aggregate rating for charismatic leadership. ICC1 = 0.12; Rwg(j) = 0.87; Cronbach’s alpha was 0.95.

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3 **Employee engagement.** Employees at each retail store were asked to assess their level
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5 of engagement. I used Rich et al.'s (2010) six-item scale of engagement ranging from 1 = *almost*
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7 *never* to 5 = *very often*. A sample item is: "I am enthusiastic in my job." Ratings were averaged
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9 over all employees within each store to obtain an aggregate rating of engagement score for each
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11 store. ICC1 = 0.10; Rwg(j) = 0.86; Cronbach's alpha was 0.87.
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14 **Core value manifestation.** Core value manifestation reflects employees' perceptions of
15
16 the degree to which written statements in the workplace communicate the organization's core
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18 values. I followed Cable and Edwards (2004) and Enz's (1988) methodology by asking
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20 employees to rate the degree of manifestation of the core values of their retail chain (i.e.,
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22 integrity, service quality, excellence, market leadership, and familial-like ties) rather than asking
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24 about manifestation of core values in the workplace in general. On a five-point scale ranging
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26 from 1 = *not at all* to 5 = *all the time* employees were asked to rate the extent to which the
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28 particular core values of the retail chain (i.e., integrity, service quality, excellence, market
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30 leadership, and familial-like ties) were communicated through different written materials: (1)
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32 marketing materials, (2) sales promotions, (3) internal memos and documents, (4) store emails,
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34 and (5) posters. A sample item is: "To what extent are the organizational core values (integrity,
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36 service quality, excellence, market leadership, and familial-like ties) being manifested through
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38 marketing materials in your store?"
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44 The chain's headquarters provides a large degree of autonomy to store leaders
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46 regarding managerial and marketing practices. As such, manifestation practices of core values
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48 vary across locations in the same organization. I observed that variation within my sample.
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50 Interviews with 10 store managers confirmed that store managers exhibited a wide variety of
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52 approaches, from conservatively presenting the five core values only on marketing materials and
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sales promotions (following a mandatory instruction by the retail chain) to creatively and proactively writing them on store walls, internal memos, emails, posters, and even salary reports. Ratings were aggregated over all employees within each retail store to obtain a rating for core value manifestation at the store-level of analysis. ICC1 = 0.11; Rwg(j) = 0.96; Cronbach’s alpha was 0.83.

Productivity. The productivity of each store was assessed by store revenue divided by employees’ overall work hours. I calculated the average productivity for six months starting after the three-month lag from the completion of the employee survey.

Service quality. Service quality was assessed for all retail stores by “secret shoppers” from an outside assessment agency. Secret shopper evaluation is becoming a popular method employed in a variety of service organizations and retail operations, as it is considered more valid than customer surveys (Pinar, Eser, & Strasser, 2010). The following aspects were evaluated monthly in each retail store: (1) service provider appearance, (2) willingness to provide prompt service, (3) provision of professional information, (4) degree of courtesy, and (5) degree of personal attention. Each aspect was rated on a scale ranging from 1 = *poor* to 10 = *excellent*. The scores were then averaged into a single monthly score for each retail store. I calculated the average service quality for six months starting after the three-month lag from the completion of the employee survey.

Control variables. An important concern with field studies of this type is the potential for omitted variables to create spurious associations between the independent and the dependent variables. One advantage of my panel data is the level of detail from different organizational, managerial, and employee levels, which allowed me to control for many potential omitted variables. Control variables such as store tenure (i.e., time period of operation), size (i.e.,

number of employees), and prior year's productivity and service quality affected the productivity and service quality of the years examined (e.g., Bowen & Schneider, 2014; Jiang, Chuang, & Chiao, 2015), and I therefore included them. At the managerial level, both leader tenure and age have been indicated in prior research as affecting employee attitudes and performance (Kark, Shamir, & Chen, 2003; Shamir & Lapidot, 2003; Shamir et al., 1993). I therefore included as a control the age and the tenure of the leader in the retail store in general and in particular as a leader. Lastly, following previous engagement research recommendations, I also controlled for employee tenure and age (e.g., Schaufeli & Bakker, 2004; Schaufeli, Bakker, & Salanova, 2006). Descriptive statistics and correlations are presented in Table 1.

Insert Table 1 about here

Data Analysis

In this study, the unit of analysis is the retail store, and the unit of observation is the retail store year. I assessed all the examined variables in my panel data every year over three years. I therefore used a pooled year and retail store fixed-effects regression analysis, which is recommended in panel data structure (Wooldridge, 2001). A fixed-effects model allows us to account for time-invariant unobserved characteristics at the store level that could be driving both the explanations of LBE and store-level engagement, productivity, and service quality, thus leading to biased estimates (Wooldridge, 2006). A fixed-effects method reinforces the causal inferences of the effects of LBE on engagement, productivity, and service quality by ruling out the possibility that store leaders who adopted this practice (LBE) have stable unobserved preferences for its utilization. Results from the Breusch and Pagan Multiplier test and the Hausman test confirm the appropriateness of the fixed-effects analysis rather than OLS or hierarchical linear modeling regressions. I also controlled for year fixed effects to take into

account economic and customer trends. Given that fixed-effects analysis allows for the correlation between α_j and all X_{ij} , whereas a random effects method does not, under most conditions a fixed-effects method is considered to be a more methodologically compelling and powerful method (Wooldridge, 2006).

For Hypotheses 1 and 2, I conducted a year and retail store fixed-effects regression analysis where, in the baseline model (Models 1, 4, and 7), I inserted the control variables, while in the following model I included both the control variables and the independent variable I examined (Models 2, 5, and 8). For the moderating hypothesis (Hypothesis 3), I conducted a year and retail store fixed-effects moderating regression analysis (Model 9). I further analyzed two slopes of core value manifestation [one for each type of level: high (+1 *S.D*) and low (-1 *S.D*)] on the effect of LBE on employee engagement (Figure 2). Using an R package, I tested the indirect integrated effect hypothesis (Hypotheses 4) by calculating simulation-based 95% confidence intervals for average indirect causal effects (Imai, Keele, & Yamamoto, 2010).

RESULTS

Preliminary Checks

I sought to reduce common method bias and assess the foundation of the study’s model through various ways. First, I relied on different sources of data (employees, accounting-based measures, and secret shoppers) and collection methods (survey and archive). Second, I conducted several confirmatory factor analyses to assess the factor structure of the study measures (i.e., LBE, charismatic leadership, core value manifestation, and engagement). The hypothesized four-factor model, in which each measure loaded on a separate latent factor, fit the data well ($X^2/df = 25.11$; CFI = 0.95; TLI = 0.94, RMSEA = 0.07; RMR = 0.03) compared to the three-factor model combining LBE and charismatic leadership as one factor ($X^2/df = 35.93$; CFI = 0.90; TLI = 0.88, RMSEA = 0.08; RMR = 0.08), supporting the solid foundation of the study’s

model. Third, to rule out the possibility that common source and method bias account for these results, an alternative uni-factor model included one latent model composed of those variables (LBE, charismatic leadership, core value manifestation, and engagement). The fit of this model was relatively poor ($X^2/df = 124.37$; CFI = 0.72; TLI = 0.69, RMSEA = 0.16; RMR = 0.07). Fourth, I evaluated the discriminant validity of LBE from charismatic leadership by conducting confirmatory factor analysis (CFA) containing just these two latent factors (i.e., LBE and charismatic leadership). The fit of this model was good ($X^2/df = 66.77$; CFI = 0.95; TLI = 0.93, RMSEA = 0.11; RMR = 0.03) compared to one whole factor including all the model items ($X^2/df = 279.04$; CFI = 0.77; TLI = 0.71, RMSEA = 0.25; RMR = 0.11), indicating LBE is distinct from charismatic leadership.

Hypothesis Tests

Insert Table 2 about here

Hypothesis 1 predicted that LBE would enhance financial and business-oriented performance (i.e., productivity and service quality) beyond the beneficial effect of charismatic leadership. Results for Hypothesis 1 are shown in Models 1 and 2 (for productivity) and 5 and 6 (for service quality) in Table 2. The first model contained only the control variables (see Models 1 and 4), whereas the second included the LBE variable as well (see Models 2 and 5). As predicted, LBE had a significant, positive effect at the business level on productivity ($estimate = 44.20$, $S.E = 20.040$, $p \leq 0.01$, see Model 2: column 2) as well as on service quality ($estimate = 0.062$, $S.E = 0.032$, $p \leq 0.01$, see Model 5: column 2) while the effect of charismatic leadership was also included in the regression model, and the effects of year and retail store collectively were fixed. All the results in Models 2 and 5 (columns 1 and 2) were significantly different from

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the baseline models (i.e., Models 1 and 4, respectively), which contained only the control variables. Thus, Hypothesis 1 was supported.

Insert Table 3 about here

Hypothesis 2 predicted that employee engagement would be positively affected by LBE. The results for Hypothesis 2 are shown in Models 7 and 8 in Table 3. As predicted, LBE had a significant, positive effect on employee engagement (*estimate* = 0.326, *S.E* = 0.064, $p \leq 0.001$, see Model 8: column 2) while the effects of year and retail store collectively were fixed. All the results in Model 8 (columns 1 and 2) were significantly different from the initial corresponding results in Model 7, which contained only the control variables. Thus, Hypothesis 2 was supported.

Insert Figure 2 about here

Hypothesis 3 predicted that there would be an interactive effect between LBE and core value manifestation on employee engagement, such that the effect of LBE on employee engagement would be enhanced when the manifestation of core values is higher (rather than lower). Results for the analysis are shown in Table 3. As presented in Model 9, the interactive effect of LBE and core value manifestation on employee engagement was significant (*estimate* = 0.158, *S.E* = 0.081, $p \leq 0.05$, see Model 9: column 2) while the effects of year and retail store collectively were fixed. I graphically depicted the regression lines that represent the effect of LBE on employee engagement at the lower (-1 *S.D*) and higher (+1 *S.D*) levels of core value manifestation. As shown, Figure 2 provides consistent support for Hypothesis 3 by showing the stimulating effect of integrating LBE with core value manifestation on employee engagement.

The engagement of the retail store's workforce was enhanced when a stronger combination of LBE and written manifestation of organizational core values was exhibited. Thus, Hypothesis 3 was supported.

Insert Table 4 about here

Hypothesis 4 proposed an integrated model. Specifically, it predicted that LBE would indirectly affect business-level outcomes (productivity and service quality) through engagement at the store level and that this effect is enhanced by the degree of the manifestation of core values. To assess these indirect effects, I used a bootstrapping method to create confidence intervals that examine the significance of these indirect effects at one standard deviation below the mean and one standard deviation above the mean of the moderator (i.e., core value manifestation). I started by examining the first business-oriented performance measure: productivity. As seen in Table 4 (see Table 4, Model 10), the results for the indirect effect of LBE on productivity (through engagement) indicated that the magnitude of the indirect effect was 39.870 for lower manifestation of organizational core values and 49.116 for higher manifestation of organizational core values. Calculating 10,000 sample draws, the 95% confidence interval for this indirect effect was (25.250 to 59.347, $p < 0.05$) at the lower level and (31.807 to 70.295, $p < 0.05$) at the higher level. These results indicated that the indirect effect of LBE on productivity (through engagement) was consistently significant (i.e., the 95% confidence interval did not include 0) at both the lower and higher levels. Drawing on Model 10's results in Table 4, I can therefore conclude that the indirect effect of LBE on store productivity (through engagement) was positive and significant, yet the strongest effect was demonstrated when the manifestation of organizational core values was higher (rather than lower). Thus, the analysis

supported my hypothesis that the indirect effect of LBE on productivity (through engagement) is strongly enhanced in a higher rather than lower manifestation of organizational core values.

Next, I reapplied the above analysis to examine the integrated indirect effect of LBE on the second business-oriented performance measure: service quality. The results pattern was consistent with the indirect path between LBE and productivity. Specifically, the magnitude of the integrated indirect effect of LBE on service quality was 0.073 for lower manifestation of organizational core values and 0.092 for higher manifestation of organizational core values (see Table 4, Model 11). Calculating 10,000 sample draws, the 95% confidence interval for this indirect effect was at the lower level (0.045 to 0.110, $p < 0.05$) and higher level (0.058 to 0.128, $p < 0.05$). Given that the 95% confidence interval did not include 0, these results clearly indicated that the indirect effect of LBE on service quality was consistently significant at both the lower and higher levels. Thus, I can conclude that while the indirect effect of LBE on service quality (through engagement) was consistently positive and significant at all levels, the strongest effect of LBE on service quality (through engagement) was when the manifestation of organizational core values was higher (rather than lower) among employees. Accordingly, the interactive effect of LBE and core value manifestation enhances both store-level productivity and service quality through employee engagement. Thus, Hypothesis 4 was supported.

Endogeneity and Supplementary Checks

To reduce concerns related to endogeneity, I employed two checks that Wooldridge (2001) and other econometricians have recommended. First is the possibility that the store-level performance outcomes (i.e., engagement, productivity, and service quality) drive the usage of LBE, rather than, as I theorize, the other way around (i.e., reverse causality). The results in Appendix A show that all the store-level performance outcomes did not predict LBE in the analyses. Second, as shown in Table 2 (Models 3 and 6), I controlled for the prior year's

performance (i.e., productivity and service quality, respectively) to rule out reverse causality (Edwards, 2008). To examine whether the relationship between LBE and business-level performance outcomes—productivity and service quality—is nonlinear, I also conducted a model in which I included all the controls, LBE, and its quadratic term, to test whether LBE has an inverted U-shaped relationship with store-level productivity and service quality. Results did not support a nonlinear relationship with either of the examined store-level performance indicators (see Appendix B).

DISCUSSION

In this paper I advance our understanding of the understudied LBE concept. In doing so, I integrate leadership literature with the resource management model to explain how LBE creates value at the business level of analysis. The findings provide substantial support for this thesis by displaying that LBE enhances productivity and fosters quality of service at the store level, above and beyond the effect of charismatic leadership. I further find that when the manifestation of organizational core values is higher in the workplace, the indirect effect of LBE on the examined business-level outcomes (through engagement) is stronger. Thus, I show empirically the synergistic interaction between complementary organizational domains—practical through LBE and conceptual by organizational core value—demonstrating that the workforce is further engaged when these two are integrated, thereby maximizing value at the business level of the entire process (Sirmon et al., 2007, 2011).

Theoretical Contributions

By demonstrating the effect of LBE on core business performance (i.e., productivity and service quality), this study provides three substantial contributions to the budding research on LBE, specifically, and the leadership literature more generally. First, whereas leadership scholars have suggested LBE as a practice that is potentially beneficial to effective leadership, it

has not been studied or examined empirically as a stand-alone academic concept and research topic (Barsade & Mesiek, 2004; House, 1977; Yukl, 2006). The results demonstrate that LBE positively affects employee engagement at the store level and also that its consequences spill over onto business results (i.e., productivity and service quality). Second, the leadership literature to date has conceptualized leadership almost exclusively from a verbal perspective. While advanced theoretical models of leadership have already suggested that effective leadership depends on active and interactive processes of influence (Cunliffe & Eriksen, 2011; Fairhurst & Uhl-Bien, 2012; Uhl-Bien, 2006), this study provides empirical evidence of the efficacy of such an approach that is practically oriented (i.e., LBE), and above and beyond the influence of verbally oriented leadership (i.e., charismatic leadership). By studying the concept of LBE, specifically, and the idea that leaders can influence employees by *doing* rather than merely by *talking*, more generally, I provide a more complete view and approach to the study of leadership, forming a baseline for future research.

Third, while most leadership literature and much empirical research have largely dealt with leadership effects at the individual or dyadic level of analysis, the findings of this study contribute to the leadership literature by revealing the effect of leadership at a higher level of analysis (i.e., business). To date, the vast majority of research has focused primarily on behavioral outcomes of leadership, leaving research at the business level (e.g., productivity) almost unexplored. To the best of my knowledge, no research has thus far linked leadership in general and LBE in particular with productivity and service quality. This study therefore contributes to the leadership literature by providing empirical evidence at the business level of analysis for the effect of leadership on core performance.

The study also contributes to the stand-alone literature on organizational core values. Organizational core values are widely studied and have been identified as a primary example of a specific domain that leadership researchers should isolate (House & Shamir, 1993; Schein, 2010). However, prior to this study there has been no effort to examine core value manifestation as an organizational practice to create value for different stakeholders (e.g., employees, customers, and shareholders). This study provides a first look at its business consequences. The study also considers a key aspect of core values, that is, the way values are manifested. Whereas prior research has focused largely on the content of core values (O'Reilly et al., 1991), I focus on a less explored aspect of organizational core values, concentrating on a written manifestation channel and its effect on outcomes at the business level.

The study also contributes to resource management theory. The findings of the study show that the synergistic effect jointly conveyed by practical and conceptual representations maximizes value creation. Specifically, I demonstrate that the interactive effect of LBE and core value manifestation enhances engagement, productivity, and service quality at the store level. This expands our existing understanding of how motivation-enhancing resources can be strategically integrated to positively affect business outcomes and create value to the entire organization and its stakeholders. This study also contributes to the integration of the micro and macro literatures, demonstrating that communicating the organizational core values plays an important role in the process of creating value (i.e., an engaged workforce, and enhanced productivity and service quality) by clarifying the link between organizational resources (i.e., LBE) and the organization's ultimate purpose.

Implications for Management

The results of this study make a concrete practical contribution to managers, who, by leading by example, can help an organization be more productive, serve its clients better, and

fulfill the psychological needs of their employees. These findings indicate that LBE has an important, explicit impact not only on employees but also on business-level performance. Rather than seeing LBE as a peripheral attribute of leadership, this study establishes it as important to cultivating an engaged workforce and improving store-level productivity and service quality. Further, by integrating LBE with organizational core values as a uniform strategy for the provision of organizational expectations and objectives, practically as well as conceptually, the potential of organizational capacity and value are extracted. Managers should therefore embrace LBE and recognize its potential to create organizational value.

Indeed, LBE may very well be the answer to one of the most pressing questions leaders keep asking: “How can I enhance an engaged workforce to gain a competitive advantage?” Recent engagement surveys in the United States have indicated that only one third of all employees are fully engaged at work (Gallup, 2018). Thus, implementing LBE as a new leadership mechanism and tool for cultivating the engagement levels of employees can have great value for managers as well as human resource management departments who are continuously looking for fresh ingredients to engage their human capital. Leadership training programs and the criteria for promoting managers should be aligned accordingly; specifically, they should develop current leaders into exemplary ones and promote managers to key influential positions who are leading by doing and serving as role models for their employees.

Although the study’s findings confirmed the substantive positive effect of LBE, there might also be downsides to this type of leadership for the organizations involved and their leadership, such as an over investment of time, emotional exhaustion, and the likelihood of increased employee dependency on their leaders’ activities. I also recognize that there are contexts in which LBE might be more challenging; for example, the size of the organization or

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3 manager's rank in the organizational hierarchy may lessen the appeal of LBE due to the required
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5 time and effort. Nevertheless, while I acknowledge that LBE demands time—and one of
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7 leadership's biggest concerns is effective time management—this may be time that is well worth
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9 taking.
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12 **Limitations and Directions for Future Research**

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14 Although the current two-time-point panel data study was derived from three sources of
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16 data sets (employees, financial results, and secret shoppers), it is not without limitations. First,
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18 although I have attempted to reduce common methodological biases by using a multi-source,
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20 three-year panel data design and by arranging a three-month lag between the independent
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22 variables and business-level performance, this detailed design does not fully facilitate a causal
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24 inference of the proposed effects. Future research using experimental design would enable a
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26 more decisive test of these causal relationships. Second, I acknowledge that employees'
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28 subjective ratings may not perfectly reflect the actual LBE demonstrated by the store manager
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30 and may be affected by factors such as social desirability and employee–leader relations.
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32 Nevertheless, I tried to minimize these factors by ensuring that employee questionnaires were
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34 completely anonymous, by assuring the confidentiality of their answers, and refraining from any
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36 involvement of store leaders in the data collection and research process. Third, while this
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38 research examines the effect of LBE on productivity and service quality, above the influential
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40 role of charismatic leadership, other leadership characteristics are likely to influence business
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42 performance, including ethical leadership and behavioral integrity. Future research could
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44 therefore further disentangle the relationship between LBE and other leadership-related
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46 constructs. The model developed and tested in this study may be a useful approach to clarifying
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48 how LBE is similar yet distinct from traditional leadership approaches.
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Fourth, while this is the first attempt to explicitly evaluate how core value manifestation through written statements influences business performance, this is only one mechanism of manifesting organizational core values. It would be of value to examine other potential ways of communicating core values (e.g., leader speeches and organizations’ conferences and videos). Building on the study’s findings of the business value of core value manifestation, future research would greatly benefit by continuing to refine the conceptualization and operationalization of core value manifestation. Doing so would provide a promising venue to advance both micro- and macro-management theory with regard to leadership and how core values strategically affect business performance outcomes. Future research may also examine LBE in the context of national core values where LBE may be more or less influential, or even contradictory. For instance, while some cultures grant greater latitude to authority than others (e.g., power distance in Western versus Eastern cultures; Bass, 1997; Hofstede, 2019), it is reasonable to expect that it may affect the impact ascribed to “leading by doing.”

Fifth, while I argued that the impact of LBE can trickle down through a cascading process (Schaubroeck et al., 2012) and communication channels (Barsade & Mesiek, 2004), particularly in contemporary organizations where technology, social media, and the internet are commonly used as organizational and motivational tools (Toubiana & Zietsma, 2017), the sample was taken from one retail chain of medium-sized stores. Future research may therefore extend the model of this study by examining this cascading process at a higher level of analysis (i.e., organization) and different context (e.g., high tech). Sixth, I tested the study’s model only in Israel. Nevertheless, I note that Israel could be considered a microcosm for management studies representing free market norms (Harel & Tzafrir, 1999), as its business firms share similar

financial objectives, service expectations, and desire for an engaged workforce to Western, industrial countries (Sagie & Weisberg, 2001; Hofstede, 2019).

Conclusions

LBE is frequently emphasized by organizational consultants who often suggest that managers exemplify expected employee behaviors. Perhaps because it is widely stressed by practitioners it has become more a buzzword than an empirically valid, concrete academic topic. Departing from the dominant employee-level analysis of leadership research, I demonstrate that LBE does indeed generate value in terms of a workforce's level of engagement, productivity, and service quality. I further demonstrate how leaders can foster the effect of their exemplary leadership in their workplace by integrating LBE with the conceptual domain of organizational core values. Though not necessarily easy to incorporate in the already hectic managerial routine, leaders should embrace LBE as a powerful leadership practice and motivational mechanism that can provide abundant rewards for organizations and for the variety of stakeholders involved.

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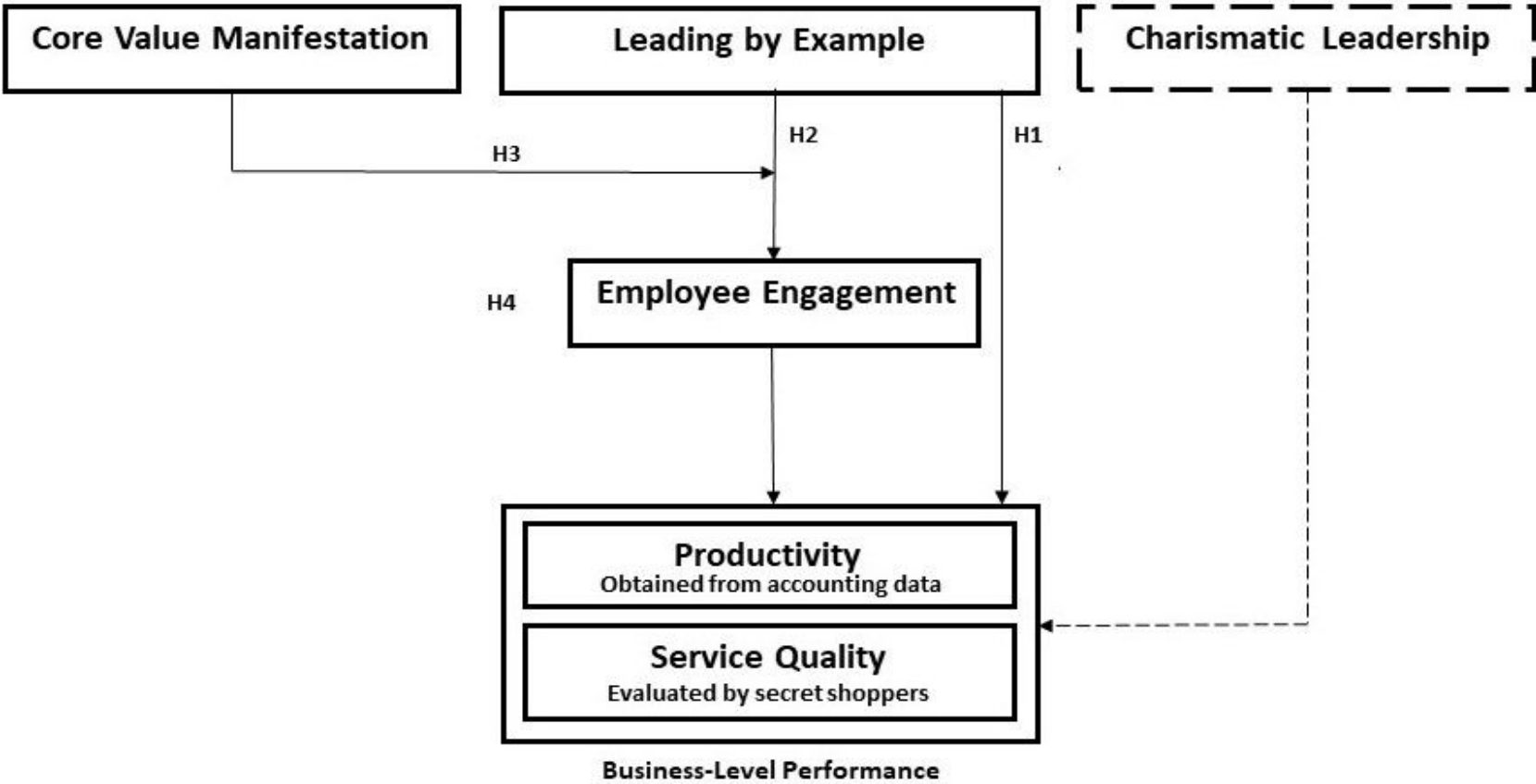
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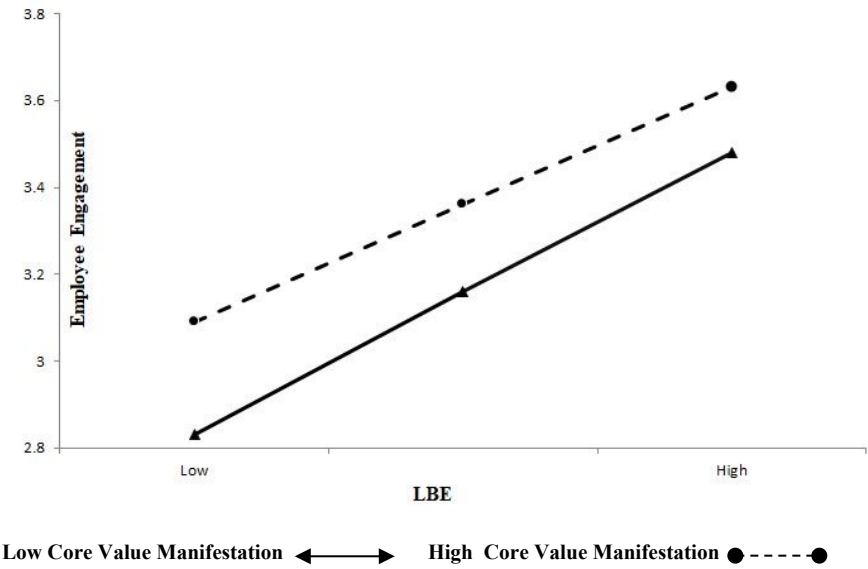
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FIGURE 1
Theoretical Model of Value Creation of Leading by Example at the Business Level



Note: Variables and relationships indicated by solid lines are the focus of our arguments in the hypotheses. Variables and relationships indicated by dashed lines are for comparison.

FIGURE 2
The Interactive Effect of LBE and Core Value Manifestation on Store-Level Employee Engagement



Note: LBE = Leading by Example.

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TABLE 1
Descriptive Statistics and Correlations Matrix

Variable	Mean	S.D	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Store Tenure	14.80	9.50	---													
2. Store Size (number of employees)	50.49	18.83	0.34**	---												
3. If Outsourced Workers are Employed	0.92	0.27	0.02	0.03	---											
4. Leader General Tenure	16.01	7.30	0.43**	0.46*	-0.02	---										
5. Tenure as a Leader	7.75	4.90	0.41**	0.43*	0.11	0.56**	---									
6. Leader Age	44.56	8.25	0.38**	0.42*	0.07	0.67**	0.59**	---								
7. Employee Tenure	3.19	1.05	0.70**	0.33*	0.09	0.32**	0.38**	0.35***	---							
8. Employee Age	31.54	2.69	0.44**	0.13*	0.10*	0.19**	0.28**	0.32***	0.52**	---						
9. LBE	3.42	0.59	-0.04	-0.03	0.04	-0.03	-0.02	-0.12^	-0.04	-0.02	---					
10. Charismatic Leadership	3.31	0.67	-0.11*	-0.10**	-0.03	-0.11**	-0.12*	-0.10*	-0.08	0.004	0.56***	---				
11. Core Values Manifestation	3.88	0.34	-0.03	-0.06*	0.05^	-0.06*	-0.02	-0.08^	-0.14^	-0.06^	0.22**	0.15**	---			
12. Engagement	3.25	0.68	-0.09**	-0.10*	0.03	-0.09*	-0.04	-0.09**	-0.03	-0.08^	0.26***	0.35***	0.19**	---		
13. Productivity	613.176	293.892	0.22**	0.32***	0.32*	0.19**	0.20**	0.21**	0.24**	0.06*	0.07**	0.03	0.09*	0.08*	---	
14. Service Quality	8.54	1.03	-0.10**	-0.06*	-0.05^	-0.05*	-0.07*	-0.03	-0.05	-0.04	0.20***	0.19**	0.06^	0.25**	0.14**	---

Note: Store Tenure = The number years a store operates; Store Size = The number of employees; LBE = Leading by Example.

[^] $p < .1$
^{*} $p < .05$
^{**} $p < .01$
^{***} $p < .001$

TABLE 2
Fixed-Effects Panel Regressions of the Effect of LBE on Productivity and Service Quality at the Store Level of Analysis

Dependent Variable	Productivity						Service Quality					
	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6	
	1	2	1	2	1	2	1	2	1	2	1	2
Effect												
LBE			44.070**	44.200**	25.730***	23.050**			0.050***	0.062**	0.031*	0.026*
			(19.910)	(20.040)	(6.555)	(11.510)			(0.018)	(0.032)	(0.017)	(0.019)
Charismatic Leadership			33.15	33.86	8.031	13.49			-0.018	-0.019	-0.008	-0.014
			(20.730)	(20.860)	(7.309)	(12.02)			(0.017)	(0.030)	(0.015)	(0.018)
<u>Store Controls</u>												
Tenure	-1.169	2.594	-2.955**	-3.123***	-0.829	-0.696	-0.009**	-0.009	-0.005**	-0.007**	-0.003*	-0.003*
	(1.537)	(5.265)	(1.100)	(1.126)	(0.663)	(0.621)	(0.003)	(0.009)	(0.002)	(0.003)	(0.002)	(0.002)
Size	3.163***	2.619	4.557***	4.508***	1.395***	1.100***	-0.003***	-0.009*	-0.001*	-0.002***	-0.0004	-0.0008
	(0.646)	(3.984)	(0.409)	(0.418)	(0.251)	(0.236)	(0.001)	(0.005)	(0.000)	(0.001)	(0.000)	(0.000)
If Outsourced Workers are Employed	6.306***	2.423	-3.072	4.455	-1.654	0.543	0.001	0.007	0.065	0.072	0.055	0.057
	(2.165)	(5.276)	(26.900)	(27.520)	(16.160)	(15.130)	(0.003)	(0.008)	(0.040)	(0.070)	(0.037)	(0.041)
Productivity (Previous Year)					0.695***	0.823***						
					(0.015)	(0.019)						
Service Quality (Previous Year)											0.228***	0.193***
											(0.015)	(0.017)
<u>Leader Controls</u>												
Leader General Tenure	2.491	6.618	2.802*	1.964	1.064	1.156*	0.003	0.011	0.002	0.016	-0.003**	-0.002
	(1.515)	(7.384)	(1.608)	(10.525)	(0.695)	(0.650)	(0.003)	(0.012)	(0.003)	(0.018)	(0.002)	(0.002)
Tenure as a Leader	-1.700	-4.773	-0.779	-0.748	-0.527	-0.624	0.000	-0.009	0.022	0.086***	0.000	0.000
	(2.191)	(9.647)	(1.561)	(1.597)	(0.947)	(0.886)	(0.004)	(0.016)	(0.014)	(0.024)	(0.002)	(0.002)
Leader Age	1.481	-2.858	2.670***	2.586***	0.331	0.408	-0.003	-0.014	-0.001	-0.004	0.002	0.002
	(1.452)	(6.177)	(0.944)	(0.966)	(0.646)	(0.605)	(0.003)	(0.011)	(0.002)	(0.004)	(0.002)	(0.003)
<u>Employee Controls</u>												
Employee Tenure	47.630***	57.353	53.25***	52.16***	13.44**	8.251	0.077***	0.159**	-0.008*	-0.031***	0.004	0.004
	(13.711)	(46.532)	(9.262)	(9.477)	(5.543)	(5.207)	(0.026)	(0.063)	(0.004)	(0.007)	(0.013)	(0.014)
Employee Age	-4.512	-4.305	-3.881	-4.786*	2.550	2.679*	-0.022***	-0.060**	-0.0001	-0.003	-0.002	-0.005
	(3.949)	(12.968)	(2.838)	(2.904)	(1.691)	(1.583)	(0.008)	(0.024)	(0.002)	(0.004)	(0.004)	(0.004)
Constant	328.288***	419.241***	236.0***	260.100***	147.600***	47.980***	9.462***	11.142***	9.347***	9.805***	7.139***	7.466***
	(112.911)	(402.189)	(93.75)	(95.93)	(54.51)	(43.82)	(0.233)	(0.876)	(0.140)	(0.244)	(0.191)	(0.162)
Observations	699	699	699	699	699	699	699	699	699	699	699	699
R-squared	0.162	0.270	0.261	0.537	0.756	0.845	0.347	0.466	0.456	0.575	0.807	0.849
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Store FE		Yes		Yes		Yes		Yes		Yes		Yes

Note: Standard errors clustered at the store level are reported in parentheses (n = 233); LBE = Leading by Example; Store Seniority = The number of years a store operates; Store Size = The number of employees; 1 = Year is fixed effect; 2 = Year and store are fixed effect. $\hat{p} < .1$; * $p < .05$; ** $p < .01$; *** $p < .001$

TABLE 3
Fixed-Effects Panel Regressions of the Effect of LBE on Engagement and the Interactive Effect of LBE and Core Value Manifestation on Engagement at the Store Level of Analysis

Dependent Variable	Engagement					
	Model 7		Model 8		Model 9	
	1	2	1	2	1	2
Effect						
LBE			0.429*** (0.052)	0.326*** (0.064)	0.677** (0.336)	0.710** (0.312)
Core Value Manifestation					0.909*** (0.311)	0.806** (0.274)
Interactive Effect						
LBE X Core Value Manifestation					0.142* (0.085)	0.158* (0.081)
Store Controls						
Tenure	-0.001 (0.005)	-0.006 (0.010)	-0.001 (0.004)	-0.011** (0.002)	0.002 (0.003)	-0.006** (0.001)
Size	-0.004** (0.002)	0.011** (0.008)	-0.003* (0.001)	0.006* (0.007)	-0.003** (0.001)	0.013* (0.001)
If Outsourced Workers are Employed	0.014** (0.004)	-0.004** (0.012)	0.010** (0.004)	0.007** (0.001)	0.007** (0.003)	-0.007** (0.002)
Leader Controls						
Leader General Tenure	-0.003 (0.005)	0.034* (0.021)	-0.002 (0.004)	-0.011** (0.001)	-0.003 (0.004)	0.007* (0.004)
Tenure as a Leader	0.005 (0.007)	-0.016** (0.001)	0.005 (0.006)	-0.008** (0.001)	0.003 (0.005)	-0.012** (0.001)
Leader Age	-0.005 (0.005)	-0.071** (0.001)	-0.005 (0.004)	-0.005** (0.001)	-0.001 (0.003)	-0.039** (0.005)
Employee Controls						
Employee Tenure	0.006 (0.036)	-0.244* (0.005)	0.007 (0.031)	-0.048** (0.011)	-0.038 (0.023)	-0.242* (0.018)
Employee Age	-0.011 (0.012)	0.161** (0.002)	-0.010 (0.011)	0.020** (0.004)	-0.001 (0.008)	0.117* (0.012)
Constant	3.600*** (0.360)	0.798** (0.091)	2.209*** (0.399)	0.622* (0.298)	2.433*** (1.156)	4.036*** (1.088)
Observations	699	699	699	699	699	699
R-squared	0.231	0.486	0.342	0.532	0.466	0.603
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Store FE		Yes		Yes		Yes

Note: Standard errors clustered at the store level are reported in parentheses (n = 233); LBE = Leading by Example; Store Tenure = The number of years a store operates; Store Size = The number of employees; 1 = Year is fixed effect; 2 = Year and store are fixed effect. $\wedge p < .1$; $*p < .05$; $**p < .01$; $***p < .001$

TABLE 4
Bootstrapped Point Estimates and Confidence intervals (CIs) Results at the Store-Level for
Conditional Indirect Effect (Moderated by Core Value Manifestation) of Leadership by Example
on Store-Level Performance: Productivity and Service Quality through Employee Engagement

Dependent variable		Model 10: Productivity			Model 11: Service Quality		
Independent variable	Moderated by Core Value Manifestation	Indirect Effect through Employee Engagement	Bootstrapping (95%)CI		Indirect Effect through Employee Engagement	Bootstrapping (95%)CI	
		$\beta_{YM} \times \beta_{MX}$	Lower Limit	Upper Limit	$\beta_{YM} \times \beta_{MX}$	Lower Limit	Upper Limit
Leadership by Example	-1 S.D	39.870	25.250	59.347	0.073	0.045	0.110
	+1 S.D	49.116	31.807	70.295	0.092	0.058	0.128

Note: n = 233; Bootstrap sample size = 10 000; CI = confidence interval

APPENDIX A

TABLE A1
Reverse Causality Fixed-Effects Regression Checks of the Effect of Engagement, Productivity,
and Service Quality on LBE at the Store Level of Analysis

Dependent Variable	LBE		
	Model A1	Model A2	Model A3
Engagement	0.083 (0.097)		
Productivity		0.000 (0.000)	
Service Quality			-0.002 (0.029)
<u>Store Controls</u>			
Tenure	0.000 (0.000)	-0.001 (0.003)	-0.024* (0.014)
Size	-0.007 (0.004)	-0.002 (0.001)	-0.002 (0.006)
If Outsourced Workers are Employed	0.021** (0.007)	0.009** (0.003)	0.010 (0.013)
<u>Leader Controls</u>			
Leader General Tenure	0.008 (0.008)	-0.002 (0.003)	-0.011 (0.014)
Tenure as a Leader	-0.009 (0.011)	-0.001 (0.004)	0.015 (0.024)
Leader Age	-0.004 (0.006)	0.001 (0.003)	-0.002 (0.015)
<u>Employee Controls</u>			
Employee Tenure	0.211** (0.051)	-0.003 (0.026)	0.184* (0.085)
Employee Age	-0.035* (0.015)	-0.004 (0.008)	-0.074* (0.041)
Constant	3.704*** (0.478)	3.151*** (0.235)	5.441*** (0.905)
Observations	699	699	699
R-squared	0.798	0.210	0.446
Year FE	Yes	Yes	Yes
Store FE	Yes	Yes	Yes

Note: Robust standard errors are reported in parentheses (n = 233); LBE = Leading by Example; Store Tenure = The number of years a store operates; Store Size = The number of employees; 1 = Year is fixed effect; 2 = Year and store are fixed effect. [^]*p* < .1; **p* < .05; ***p* < .01; ****p* < .001.

APPENDIX B

TABLE B1

Fixed-Effects Panel Regressions of the Non-Linear Relationship between LBE and Store-Level Productivity and Service Quality

Dependent Variable	Productivity	Service Quality
Effect		
LBE	59.845* (35.514)	0.050* (0.023)
LBE Squared	7.705 (5.098)	0.004 (0.002)
<u>Store Controls</u>		
Tenure	1.197*** (0.372)	0 (0.000)
Size	2.478*** (0.232)	-0.005 (0.007)
If Outsourced Workers are Employed	0.325 (0.397)	-0.014 (0.010)
<u>Leader Controls</u>		
Leader Tenure	0.399 (1.055)	0.009 (0.027)
Leader Age	0.332 (0.550)	-0.024* (0.014)
<u>Employee Controls</u>		
Employee Tenure	9.826*** (2.949)	0.050 (0.047)
Employee Age	-0.774 (0.969)	-0.009 (0.025)
Constant	456.235 (108.832)	12.781 (0.546)
Observations	699	699
R-squared	0.551	0.452
Year FE	Yes	Yes
Store FE	Yes	Yes

Note: Standard errors clustered at the store level are reported in parentheses (n = 233); LBE = Leading by Example; Store Seniority = The number of years a store operates; Store Size = The number of employees; 1 = Year is fixed effect; 2 = Year and store are fixed effect. $\hat{p} < .1$; * $p < .05$; ** $p < .01$; *** $p < .001$

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Bio

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