

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

LIAT ELDOR  
University of Pennsylvania  
Tel Aviv University

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 when 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

“Leading by example” (hereafter, “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 to step into subordinates’

tasks (Barsade & Mesiek, 2004). Moreover, given its popularity among organizational consultants, who often urge managers to “lead by doing,” LBE has become more a catchphrase than an academically valid leadership approach (Bolino & Turnley, 2003).

In this paper, I argue that LBE is distinct from other leadership approaches in which 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,” whereby 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

I would like to thank the editor, Anthony Nyberg, and three anonymous reviewers for their thoughtful and developmental comments, which helped considerably to improve the quality of this paper. I would also like to thank Peter Cappelli, Sigal Barsade, Nancy Rothbard, and Andrew Carton for their invaluable advice and guidance in the development of this work.

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 characteristic of charismatic leadership (Howell & Shamir, 2005).

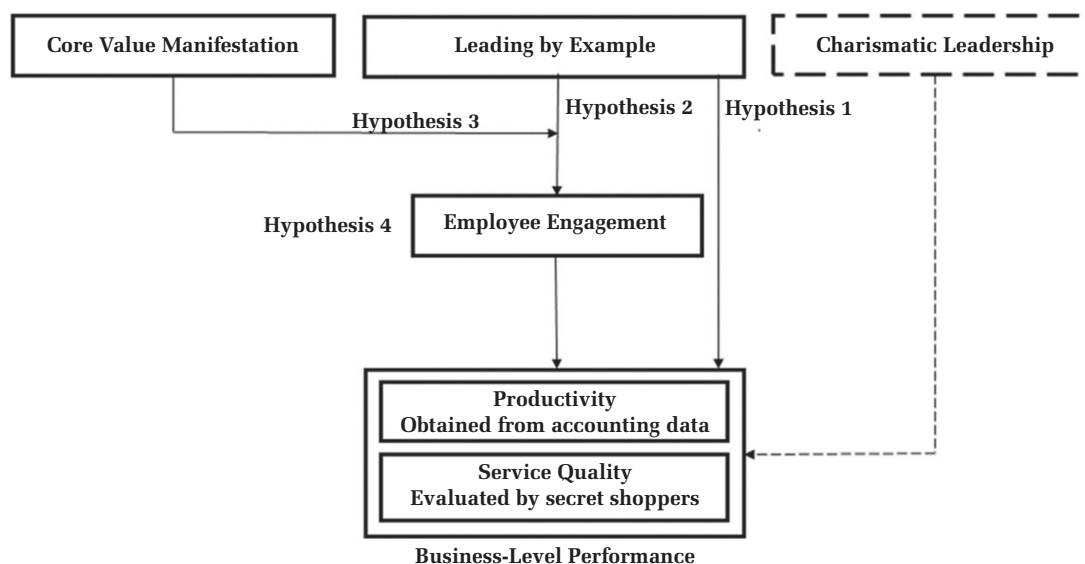
Second, the resource management model asserts that certain organizational actions can magnify the effects resources have on organizational capabilities by clarifying the link between these resources and the organization's ultimate purpose (Sirmon, Hitt, Ireland, & Gilbert, 2011). Building on Sirmon et 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., LBE) 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. Within the indirect route, 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

**FIGURE 1**  
**Theoretical Model of Value Creation of LBE 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. LBE = leading by example.

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 a higher level of analysis (i.e., business, organization). For reasons associated with ecological fallacies and multilevel 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.

### LBE

I define “leading by example” 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 execute work performance, sell a product, serve the company’s clients, and manage issues during service interactions (Zohar & Tenne-Gazit, 2008). Frank Pacetta (1994: 52) captured this notion in describing his leadership style when he served as a manager for Xerox Corporation:

At the end of our first meeting, I turned to my managers and said, “I hope everybody has a full day planned. I know I do.” I told them that when the meeting adjourned, all of us were going to hit the street. All of us—myself included.

Thus, LBE cannot be done successfully just from the leader’s office (e.g., operating a new customer service system from one’s computer or telling employees how important service quality is) but in person at the employees’ workplace (e.g., working at the front desk or serving customers on the front line).

Leadership scholars have addressed the notion of LBE theoretically. House (1977) initially introduced LBE as a suggested leadership practice. According to House, leaders can have profound effects on their employees if they “express, by their actions, a set of values and beliefs to which they want their followers to subscribe. That is, the leader role-models a value system for his/her followers” (House, 1977: 194). Later, Bass (1985: 77) argued that a leader is inspirational to an employee to “the extent the leader provides examples and patterns for its followers.” Conger and Kanungo (1987) depicted effective leaders as engaging “in exemplary acts that followers perceive as involving great personal risk, cost, and energy” (641) and who are “worthy of imitation” (642), while Podsakoff, MacKenzie, Moorman, and Fetter (1990: 112) presented effective leadership as “setting an example for employees to follow,” something Kouzes and Posner (1987) referred to as “modeling the way.” Thus, leaders may speak compellingly about vision and goals, but, if they are not providing a live demonstration of these goals, employees will not be fully engaged or identify with them (Kouzes & Posner, 1987). LBE can therefore serve as a mirror that signals to employees that these modeled practices and actions 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 (Schaubroeck et al., 2012; Waldman & Yammarino, 1999) 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, their 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 in relation to which 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 AND 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 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) through 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 regarding 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 front line, a contagion effect takes place (Barsade, 2002). This starts with exposure to a behavioral stimulus of a leader, which influences employees' cognition in such a way that their behaviors and reactions start to resemble those of their leader



(Hatfield, Cacioppo, & Rapson, 1994; Sy et al., 2005). Prior research already indicates that, through the effect of contagion, employees adopt service-oriented attitudes and behaviors, and even facial expressions, of their leaders. By internalizing the leader's ideal service approach, employees exhibit positive attitudinal manifestations to clients and serve them more effectively and attentively (e.g., Barsade & O'Neill, 2014; Barsade, Ward, Turner, & Sonnenfeld, 2000; Sy et al., 2005). According to Bandura (1991) and Bass (1985), leader modeling is more influential for enhancing behaviors that are less supported by formal job descriptions, such as service quality, by encouraging employees to act according to organizational interests while putting aside their own self-interests. Seeing their leader engaging with clients on the service front line stimulates employees to pursue the service objectives and prioritize client interests over their own self-interest (Piccolo & Colquitt, 2006).

Moreover, I expect the effect of LBE on productivity and service quality to be stronger than that of charismatic leadership, given the tangible and practice-oriented nature of LBE. Charismatic leaders, who focus on delivering their future-oriented message through rhetoric, are inclined to distance themselves from their employees (Antonakis et al., 2016; Shamir, House, & Arthur, 1993). They use status and authority to influence employees and to connect them to a set vision (Awamleh & Gardner, 1999; Howell & Shamir, 2005; Shamir, 1995). LBE, in contrast, centers on tangible demonstrations of the expected behavior—on being a live model rather than just speaking about it theoretically. This difference is particularly salient in service-related outcomes (i.e., sales productivity) and service interactions (i.e., service quality). Prior research finds that effective leaders in service settings often encourage frontline employees to learn through trial and error and to adapt their behaviors accordingly (Bowen & Ford, 2002). This 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 the higher level of analysis (e.g., organization, work unit), in general, and at the business level, in particular (Barrick, Thurgood, Smith, & Courtright, 2015).

Kahn (1990) argued that, when employee values, goals, and skills are more aligned with those of their organization, they are more willing to engage themselves with their work. Drawing on Bass's (1985) argument that role-modeling leaders are in a better position to collectively motivate employees through affecting employees' perceptions of their competence and fit with the organization, I expect that LBE will have a positive effect on employee engagement. Exploratory group interviews that I conducted with employees from several representative stores (by geographic locations and size) in the data set support the proposed direction. In response to questions such as “How do you feel when you see your store manager actively participate in service front line?” and “How do you feel when you see your store manager leading by doing?” employees' answers included, for example, “being proud to be part of that store,” “willingness to do above and beyond in my

job,” “happy to come to work at that store,” and “willingness to give my whole soul to perform well.”

Specifically, LBE cultivates employees’ sense of engagement by making them realize that their role matters to the organization’s success (Rosso, Dekas, & Wrzesniewski, 2010). Seeing their leader demonstrate workday employee activities enables employees to realize how their service role contributes to the organization’s objectives and how the organization’s vision is accomplished through their own work (Smircich & Morgan, 1982). According to Kahn (1990), the magnitude of engagement is determined by the degree of employees’ perceived fit between their skills and the organization’s values and goals. Seeing their leader perform employee job activities gives employees knowledge (e.g., expected norms, desired behaviors, and service strategies), which, according to Kahn (1990) and Rich, LePine, and Crawford (2010), enhances 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 (Ndofor et al., 2011, 2015; Sirmon & Hitt, 2009; Sirmon et al., 2011). 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 front line are crucial for business success, thus clarifying the link between the leader’s practical actions and the organization’s ultimate purpose. This notion is drawn on a corporate culture construct, which argues that substantial beliefs and ultimate goals of an organization can act as a coordination mechanism (Cremer, 1993; Kreps, 2004; Thakor, 2016). For example, “superior service quality” is an organizational core value that represents a guiding principle for the organization’s ultimate goal of “being a market leader” (Fleishman & Peters, 1962; Lord & Brown, 2001; Rokeach, 1973; Russell, 2001; Schwartz, 1992). Management scholars have long argued that communicating the organizational core values through formal channels is a necessary means by which to direct the organization’s members toward achieving its ultimate goals (Fleishman & Peters, 1962; Schein, 2010). Here, I focus on this key aspect of core values—that is, *the way* values are communicated. Whereas prior research has largely focused on the content of core values, less attention has been given to the way core values are manifested (O’Reilly, Chatman, & Caldwell, 1991). Core values can be communicated through various ways, such as supervisor conversations, leader speeches, team meetings, videos, and organizational conferences. Here, I focus on another potential mechanism of core value manifestation in the workplace: official, written statements (e.g., posters, marketing materials, and working reports). Formal, written manifestation is one of the primary ways organizations communicate core values (Gioia & Chittipeddi, 1991; van Rekom, van Riel, & Wierenga, 2006) and serves as a cognitive learning source for employees through which they can realize and align with an organization’s business objectives and service vision (Schein, 2010; Rivera, 2012, 2015).

I propose that the combined effect of LBE and the manifestation of core values optimizes the value created by an engaged workforce. Kahn (1990) argued that employee engagement is more strongly cultivated when employees are provided with a “clear delineation 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., 2004), 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 full-time 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 in order to cultivate 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 a.m. to 6 p.m., employees have a similar opportunity to observe their leader in action, despite working in two daily shifts (i.e., 6 a.m. to 2 p.m. and 1:30 p.m. to 9:30 p.m.). The average retail store has been in operation for 14.8 years ( $SD = 9.50$ ) with an average of 50.44 ( $SD = 18.83$ ) full-time employees.

A significant feature of my data is that they 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 through 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 was presented. 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 in 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 instead 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 ( $SD = 2.69$ ) for employees and 44.56 years ( $SD = 8.25$ ) for leaders. The average tenure at the retail stores was 3.19 years ( $SD = 1.05$ ) for employees. For retail store leaders, overall tenure in the retail chain was 16.01 years ( $SD = 7.30$ ) and 7.75 years ( $SD = 4.90$ ) 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 their position less than six months before the first wave of employee surveys.

## Measures

All the measures, except productivity and service quality, used a 5-point Likert scale.

**LBE.** LBE was assessed using the 5-item exemplary behavior subscale taken from the overall leadership behavior measure that 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). With reference to a 5-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 were "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;  $ICC1 = .13$ ,  $r_{WG(j)} = .90$ , Cronbach's  $\alpha = .93$ .

**Charismatic leadership.** Charismatic leadership was measured by seven items based on the multifactor leadership questionnaire (Bass, 1985), which were refined in a revision of the original questionnaire (Bass & Avolio, 1990). Referring to a 5-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 included "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;  $ICC1 = .12$ ,  $r_{WG(j)} = .87$ , Cronbach's  $\alpha = .95$ .

**Employee engagement.** Employees at each retail store were asked to assess their level of engagement. I used Rich et al.'s (2010) 6-item scale of engagement ranging from 1 (*almost never*) to 5 (*very often*). A sample item was "I am enthusiastic in my job." Ratings were averaged over all employees within each



store to obtain an aggregate rating of engagement score for each store;  $ICC1 = .10$ ,  $r_{WG(j)} = .86$ , Cronbach's  $\alpha = .87$ .

**Core value manifestation.** “Core value manifestation” reflects employees’ perceptions of the degree to which written statements in the workplace communicate the organization’s core values. I followed Cable and Edwards (2004) and Enz’s (1988) methodology by asking employees to rate the degree of manifestation of the core values of their retail chain (i.e., integrity, service quality, excellence, market leadership, and familial-like ties), rather than asking about manifestation of core values in the workplace in general. Through reference to a 5-point scale, ranging from 1 (*not at all*) to 5 (*all the time*), employees were asked to rate the extent to which the particular core values of the retail chain (i.e., integrity, service quality, excellence, market leadership, and familial-like ties) were communicated through five different types of written material: (1) marketing materials, (2) sales promotions, (3) internal memos and documents, (4) store emails, and (5) posters. A sample item was “To what extent are the organizational core values (integrity, service quality, excellence, market leadership, and familial-like ties) being manifested through marketing materials in your store?”

The chain’s headquarters provides a large degree of autonomy to store leaders regarding managerial and marketing practices. As such, manifestation practices of core values vary across locations in the same organization. I observed that variation within my sample. Interviews with 10 store managers confirmed that they all exhibited a wide variety of approaches, from conservatively presenting the five core values only on marketing materials and 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;  $ICC1 = .11$ ,  $r_{WG(j)} = .96$ , Cronbach’s  $\alpha = .83$ .

**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 five 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 was 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 et al., 1993; Shamir & Lapidot, 2003). 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.

## Data Analysis

In this study, the unit of analysis was the retail store, and the unit of observation was 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 allowed me 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). Moreover, this fixed-effects method reinforced 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) had stable unobserved preferences for its utilization. Results from the Breusch and Pagan multiplier test and the Hausman test confirmed the appropriateness of the fixed-effects analysis rather than ordinary least squares 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  $\alpha_j$  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 in which, 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 was examining (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 *SD*) and low (−1 *SD*)—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 (CIs) 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 ( $\chi^2/df = 25.11$ ; CFI = .95; TLI = .94, RMSEA = .07; RMR = .03) compared to the three-factor model

combining LBE and charismatic leadership as one factor ( $\chi^2/df = 35.93$ ; CFI = .90; TLI = .88, RMSEA = .08; RMR = .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 unifactor 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 ( $\chi^2/df = 124.37$ ; CFI = .72; TLI = .69, RMSEA = .16; RMR = .07). Fourth, I evaluated the discriminant validity of LBE from charismatic leadership by conducting confirmatory factor analysis containing just these two latent factors (i.e., LBE and charismatic leadership). The fit of this model was good ( $\chi^2/df = 66.77$ ; CFI = .95; TLI = .93, RMSEA = .11; RMR = .03) compared to one whole factor including all the model items ( $\chi^2/df = 279.04$ ; CFI = .77; TLI = .71, RMSEA = .25; RMR = .11), indicating LBE is distinct from charismatic leadership.

### Hypothesis Tests

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 in Models 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, *SE* = 20.040, *p* = .008; see Model 2, column 2) as well as on service quality (estimate = 0.062, *SE* = 0.032, *p* = .006; 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 the baseline models (i.e., Models 1 and 4, respectively), which contained only the control variables. Thus, Hypothesis 1 was supported.

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, *SE* = 0.064, *p* ≤ .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

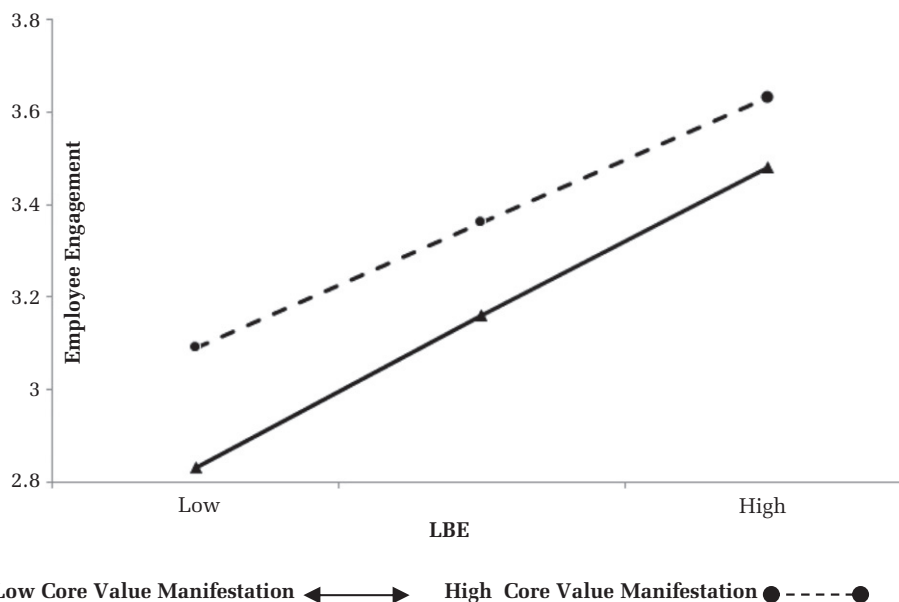
TABLE 1  
Descriptive Statistics and Correlations Matrix

	Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.	Store tenure	14.80	9.50	—													
2.	Store size	50.49	18.83	.34**	—												
3.	If outsourced workers are employed	0.92	0.27	.02	.03	—											
4.	Leader general tenure	16.01	7.30	.43**	.46*	-.02	—										
5.	Tenure as a leader	7.75	4.90	.41**	.43*	.11	.56**	—									
6.	Leader age	44.56	8.25	.38**	.42*	.07	.67**	.59**	—								
7.	Employee tenure	3.19	1.05	.70**	.33*	.09	.32**	.38**	.35***	—							
8.	Employee age	31.54	2.69	.44**	.13*	.10*	.19**	.28**	.32***	.52**	—						
9.	LBE	3.42	0.59	-.04	-.03	.04	-.03	-.02	-.12†	-.04	-.02	—					
10.	Charismatic leadership	3.31	0.67	-.11*	-.10**	-.03	-.11**	-.12*	-.10*	-.08	.004	.56***	—				
11.	Core values manifestation	3.88	0.34	-.03	-.06*	.05†	-.06*	-.02	-.08†	-.14†	-.06†	.22**	.15**	—			
12.	Engagement	3.25	0.68	-.09**	-.10*	.03	-.09*	-.04	-.09**	-.03	-.08†	.26***	.35***	.19**	—		
13.	Productivity	613.176	293.892	.22**	.32***	.32*	.19**	.20**	.21**	.24**	.06*	.07**	.03	.09*	.08*	—	
14.	Service quality	8.54	1.03	-.10**	-.06*	-.05†	-.05*	-.07*	-.03	-.05	-.04	.20***	.19**	.06†	.25**	.14**	—

Notes: Store tenure = the number years a store operates; store size = the number of employees; LBE = leading by example.

†  $p < .1$   
\*  $p < .05$   
\*\*  $p < .01$   
\*\*\*  $p < .001$

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



Note: LBE = leading by example.

significantly different from the initial corresponding results in Model 7, which contained only the control variables. Thus, Hypothesis 2 was supported.

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,  $SE = 0.081$ ,  $p = .045$ ; 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 ( $-1 SD$ ) and higher ( $+1 SD$ ) levels of core value manifestation. As shown, Figure 2 provides consistent support for Hypothesis 3 by depicting 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.

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 CIs 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 (Model 10), the results for the indirect effect of LBE on productivity (through engagement) indicate 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% CI for this indirect effect was 25.250 to 59.347 at the lower level and 31.807 to 70.295 at the higher level. These results indicate that the indirect effect of LBE on productivity (through engagement) was consistently significant (i.e., the 95% CI did not include 0) at both the lower and higher levels. Drawing on Model 10's results in Table 4, I 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



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	
	1	2	1	2	1	2	1	2
<i>Effect</i>								
LBE			44.070** (19.910)	44.200** (20.040)	25.730*** (6.555)	23.050** (11.510)	0.050*** (0.018)	0.062*** (0.032)
Charismatic leadership			33.15 (20.730)	33.86 (20.860)	8.031 (7.309)	13.49 (12.02)	-0.018 (0.017)	-0.019 (0.030)
<i>Store Controls</i>								
Tenure	-1.169 (1.537)	2.594 (5.265)	-2.955** (1.100)	-3.123*** (1.126)	-0.829 (0.663)	-0.696 (0.621)	-0.009** (0.003)	-0.007** (0.003)
Size	3.163*** (3.984)	2.619 (3.984)	4.557*** (0.409)	4.508*** (0.418)	1.395*** (0.251)	1.100*** (0.236)	-0.003*** (0.005)	-0.002*** (0.001)
If outsourced workers are employed	6.306*** (2.165)	2.423 (5.276)	-3.072 (26.900)	4.455 (27.520)	-1.654 (16.160)	0.543 (15.130)	0.001 (0.003)	0.072 (0.070)
Productivity (previous year)					0.695*** (0.015)	0.823*** (0.019)		
Service quality (previous year)							0.228*** (0.015)	0.193*** (0.017)
<i>Leader Controls</i>								
Leader general tenure	2.491 (1.515)	6.618 (7.384)	2.802* (1.608)	1.964 (10.525)	1.064 (0.695)	1.156* (0.650)	0.003 (0.003)	0.016 (0.018)
Tenure as a leader	-1.700 (2.191)	-4.773 (9.647)	-0.779 (1.561)	-0.748 (1.597)	-0.527 (0.947)	-0.624 (0.886)	0.000 (0.004)	0.086*** (0.024)
Leader age	1.481 (1.452)	-2.858 (6.177)	2.670*** (0.944)	2.586*** (0.966)	0.331 (0.646)	0.408 (0.605)	-0.001 (0.003)	-0.004 (0.004)
<i>Employee Controls</i>								
Employee tenure	47.630*** (13.711)	57.353 (46.532)	53.25*** (9.262)	52.16*** (9.477)	13.44** (5.543)	8.251 (5.207)	-0.008* (0.004)	-0.031*** (0.007)
Employee age	-4.512 (3.949)	-4.305 (12.968)	-3.881 (2.838)	-4.786* (2.904)	2.550 (1.691)	2.679* (1.583)	-0.001 (0.002)	-0.003 (0.004)
Constant	328.288*** (112.911)	419.241*** (402.189)	236.0*** (93.75)	260.100*** (95.93)	147.600*** (54.51)	47.980*** (43.82)	9.347*** (0.233)	9.805*** (0.244)
Observations	699	699	699	699	699	699	699	699
R <sup>2</sup>	0.162	0.270	0.261	0.537	0.756	0.845	0.456	0.575
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Store FE								

Notes: 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. FE = fixed effect; 1 = year is fixed effect; 2 = year and store are fixed effects.

+  $p < .10$   
 \*  $p < .05$   
 \*\*  $p < .01$   
 \*\*\*  $p < .001$

**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
<i>Effect</i>						
<b>LBE</b>			<b>0.429***</b>	<b>0.326***</b>	0.677**	0.710**
			(0.052)	(0.064)	(0.336)	(0.312)
Core value manifestation					0.909***	0.806**
					(0.311)	(0.274)
<i>Interactive Effect</i>						
<b>LBE × Core value manifestation</b>					<b>0.142*</b>	<b>0.158*</b>
					(0.085)	(0.081)
<i>Store Controls</i>						
Tenure	−0.001	−0.006	−0.001	−0.011**	0.002	−0.006**
	(0.005)	(0.010)	(0.004)	(0.002)	(0.003)	(0.001)
Size	−0.004**	0.011**	−0.003*	0.006*	−0.003**	0.013*
	(0.002)	(0.008)	(0.001)	(0.007)	(0.001)	(0.001)
If outsourced workers are employed	0.014**	−0.004**	0.010**	0.007**	0.007**	−0.007**
	(0.004)	(0.012)	(0.004)	(0.001)	(0.003)	(0.002)
<i>Leader Controls</i>						
Leader general tenure	−0.003	0.034*	−0.002	−0.011**	−0.003	0.007*
	(0.005)	(0.021)	(0.004)	(0.001)	(0.004)	(0.004)
Tenure as a leader	0.005	−0.016**	0.005	−0.008**	0.003	−0.012**
	(0.007)	(0.001)	(0.006)	(0.001)	(0.005)	(0.001)
Leader age	−0.005	−0.071**	−0.005	−0.005**	−0.001	−0.039**
	(0.005)	(0.001)	(0.004)	(0.001)	(0.003)	(0.005)
<i>Employee Controls</i>						
Employee tenure	0.006	−0.244*	0.007	−0.048**	−0.038	−0.242*
	(0.036)	(0.005)	(0.031)	(0.011)	(0.023)	(0.018)
Employee age	−0.011	0.161**	−0.010	0.020**	−0.001	0.117*
	(0.012)	(0.002)	(0.011)	(0.004)	(0.008)	(0.012)
Constant	3.600***	0.798**	2.209***	0.622*	2.433***	4.036***
	(0.360)	(0.091)	(0.399)	(0.298)	(1.156)	(1.088)
Observations	699	699	699	699	699	699
$R^2$	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

*Notes:* 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. FE = fixed effect; 1 = year is fixed effect, 2 = year and store are fixed effects.

<sup>†</sup> $p < .10$

\* $p < .05$

\*\* $p < .01$

\*\*\* $p < .001$

organizational core values was higher (rather than lower). Thus, the analysis supported my hypothesis that the indirect effect of LBE on productivity (though 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% CI for this indirect effect was, at the lower level, 0.045 to 0.110,  $p < .05$ , and, at the higher level, 0.058 to 0.128,  $p < .05$ . Given that the 95% CI did not include 0, these results clearly

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

Independent variable	Moderated by Core Value Manifestation	Model 10: Productivity			Model 11: Service Quality		
		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
LBE	-1 SD	39.870	25.250	59.347	0.073	0.045	0.110
	+1 SD	49.116	31.807	70.295	0.092	0.058	0.128

Notes:  $n = 233$ . Bootstrap sample size = 10,000. CI = confidence interval, LBE = leadership by example.

indicate 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. The first concern 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 (Table A1) 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, Table B1).

### 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 (Harter, 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 that 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 overinvestment 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 manager's rank in the organizational hierarchy may lessen the appeal of LBE due to the required time and effort. Nevertheless, while I acknowledge that LBE demands time—and one of leadership's biggest concerns is effective time management—this may be time that is well worth taking.

### Limitations and Directions for Future Research

Although the current two-time-point panel data study was derived from three sources of data sets (employees, financial results, and secret shoppers), it is not without limitations. First, although I have attempted to reduce common methodological biases by using a multisource, three-year panel data design and by arranging a three-month lag between the independent variables and business-level performance, this detailed design does not fully facilitate a causal inference of the proposed effects. Future research using experimental design would enable a more decisive test of these causal relationships. Second, I acknowledge that employees' subjective ratings may not perfectly reflect the actual LBE demonstrated by the store manager, and may be affected by factors such as social desirability and employee-leader relations. Nevertheless, I tried to minimize these factors by ensuring that employee questionnaires were completely anonymous, by assuring the confidentiality of their answers, and refraining from any involvement of store leaders in the data collection and research process. Third, while this research examines the effect of LBE on productivity and service quality, above the influential role of charismatic leadership, other leadership characteristics are likely to influence business performance, including ethical leadership and behavioral integrity. Future research could therefore

further disentangle the relationship between LBE and other leadership-related constructs. The model developed and tested in this study may be a useful approach to clarifying how LBE is similar yet distinct from traditional leadership approaches.

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 vs. Eastern cultures; Bass, 1997; Hofstede Insights, 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 (Hofstede Insights, 2019; Sagie & Weisberg, 2001).

### 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 catchphrase 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.

## REFERENCES

- Antonakis, J., Avolio, B. J., & Sivasubramaniam, N. 2003. Context and leadership: An examination of the nine-factor full-range leadership theory using the Multifactor Leadership Questionnaire. *Leadership Quarterly*, 14: 261–295.
- Antonakis, J., Bastardo, N., Jacquart, P., & Shamir, B. 2016. Charisma: An ill-defined and ill-measured gift. *Annual Review of Organizational Psychology and Organizational Behavior*, 3: 293–319.
- Ashforth, B. E., & Humphrey, R. H. 1995. Emotion in the workplace: A reappraisal. *Human Relations*, 48: 97–125.
- Awamleh, R., & Gardner, W. L. 1999. Perceptions of leader charisma and effectiveness: The effects of vision content, delivery, and organizational performance. *Leadership Quarterly*, 10: 345–373.
- Bandura, A. 1977. *Social learning theory*. Englewood Cliffs, NJ: Prentice Hall.
- Bandura, A. 1986. *Social foundations of thought and action: A social cognitive theory*. Englewood Cliffs, NJ: Prentice Hall.
- Bandura, A. 1991. Social cognitive theory of moral thought and action. In W. M. Kurtines & J. L. Gewirtz (Eds.), *Handbook of moral behavior and development*: 45–59. Hillsdale, NJ: Lawrence Erlbaum.
- Barrick, M. R., Thurgood, G. R., Smith, T. A., & Courtright, S. H. 2015. Collective organizational engagement: Linking motivational antecedents, strategic implementation, and firm performance. *Academy of Management Journal*, 58: 111–135.
- Barsade, S. 2002. The ripple effect: Emotional contagion and its influence on group behavior. *Administrative Science Quarterly*, 47: 644–677.
- Barsade, S. G., & Mesiek, S. 2004. Leading by doing. In S. Chowdhury (Ed.), *Next generation business handbook: New strategies from tomorrow's thought leaders*: 109–123. Hoboken, NJ: John Wiley & Sons.
- Barsade, S. G., & O'Neill, O. A. 2014. What's love got to do with it? The influence of a culture of *companionate* love in the long-term care setting. *Administrative Science Quarterly*, 59: 551–598.
- Barsade, S. G., Ward, A. J., Turner, J. D. F., & Sonnenfeld, J. A. 2000. To your heart's content: A model of affective diversity in top management teams. *Administrative Science Quarterly*, 45: 802–836.
- Bass, B. M. 1985. *Leadership and performance beyond expectations*. New York, NY: Free Press.
- Bass, B. M. 1997. Does the transactional–transformational paradigm transcend organizational and national boundaries? *American Psychologist*, 22: 130–142.
- Bass, B. M., & Avolio, B. J. 1990. *The multifactor leadership questionnaire*. Palo Alto, CA: Consulting Psychologists Press.
- Bennis, W. G., & Nanus, B. 1985. *Leaders: The strategies for taking charge*. New York, NY: Harper & Row.
- Bolino, M. C., & Turnley, W. H. 2003. Going the extra mile: Cultivating and managing employee citizenship behavior. *Academy of Management Executive*, 17: 60–71.
- Bowen, J., & Ford, R. C. 2002. Managing service organizations: Does having a “thing” make a difference? *Journal of Management*, 28: 447–469.
- Bowen, D. E., & Schneider, B. 2014. A service climate synthesis and future research agenda. *Journal of Service Research*, 17: 5–22.
- Cable, D. M., & Edwards, J. R. 2004. Complementary and supplementary fit: A theoretical and empirical integration. *Journal of Applied Psychology*, 89: 822–834.
- Chan, D. 1998. Functional relations among constructs in the same content domain at different levels of analysis: A typology of composition models. *Journal of Applied Psychology*, 83: 234–246.
- Conger, J. A., & Kanungo, R. N. 1987. Toward a behavioral theory of charismatic leadership in organizational settings. *Academy of Management Review*, 12: 637–647.
- Cremer, J. 1993. Corporate culture and shared knowledge. *Industrial and Corporate Change*, 2: 351–386.
- Cunliffe, A. L., & Eriksen, M. 2011. Relational leadership. *Human Relations*, 64: 1425–1449.
- Deluga, R. J. 1995. The relationship between attributional charismatic leadership and organizational citizenship behavior. *Journal of Applied Social Psychology*, 25: 1652–1669.

- Edwards, J. R. 2008. To prosper, organizational psychology should overcome methodological barriers to progress. *Journal of Organizational Behavior*, 29: 469–491.
- Ehrhart, M. G., & Naumann, S. E. 2004. Organizational citizenship behavior in work groups: A group norms approach. *Journal of Applied Psychology*, 89: 960–974.
- Ensley, M. D., Pearce, C. L., & Hmieleski, K. M. 2006. The moderating effect of environmental dynamism on the relationship between entrepreneur leadership behavior and new venture performance. *Journal of Business Venturing*, 21: 243–263.
- Enz, C. A. 1988. The role of value congruity in intra organizational power. *Administrative Science Quarterly*, 33: 284–304.
- Fairhurst, G. T., & Uhl-Bien, M. 2012. Organizational discourse analysis (ODA): Examining leadership as a relational process. *Leadership Quarterly*, 23: 1043–1062.
- Fleishman, E. A., & Peters, D. R. 1962. Interpersonal values, leadership attitudes, and managerial “success.” *Personnel Psychology*, 15: 127–143.
- Gioia, D. A., & Chittipeddi, K. 1991. Sensemaking and sensegiving in strategic change initiation. *Strategic Management Journal*, 12: 433–448.
- Groves, K. S. 2005. Linking leader skills, follower attitudes, and contextual variables via an integrated model of charismatic leadership. *Journal of Management*, 31: 255–277.
- Harel, G. H., & Tzafrir, S. S. 1999. The effect of human resource management practices on the perceptions of organizational and market performance of the firm. *Human Resource Management*, 38: 185–199.
- Harter, J. 2018, August 26. Employee engagement on the rise in the U.S. Retrieved from <https://news.gallup.com/poll/241649/employee-engagement-rise.aspx>
- Hatfield, E., Cacioppo, J. T., & Rapson, R. L. 1994. *Emotional contagion*. New York, NY: Cambridge University Press.
- Harter, J. K., Schmidt, F. L., & Hayes, T. L. 2002. Business unit-level relationship between employee satisfaction, employee engagement, and business outcomes: A meta-analysis. *Journal of Applied Psychology*, 87: 268–279.
- Hofstede Insights. 2019. Hofstede model of national culture. Retrieved from <https://hi.hofstede-insights.com/national-culture>
- House, R. J. 1977. A theory of charismatic leadership. In J. G. Hunt & L. L. Larson (Eds.), *Leadership: The cutting edge*: 189–207. Carbondale, IL: Southern Illinois University Press.
- House, R. J., & Shamir, B. 1993. Toward the integration of transformational, charismatic and visionary theories. In M. Chemers & R. Ayman (Eds.), *Leadership theory and research: Perspectives and directions*: 81–107. San Diego, CA: Academic Press.
- Howell, J. M., & Shamir, B. 2005. The role of followers in the charismatic leadership process: Relationships and their consequences. *Academy of Management Review*, 30: 96–112.
- Hunt, J. G. 1991. *Leadership: A new synthesis*. Newbury Park, CA: SAGE.
- Imai, K., Keele, L., & Yamamoto, T. 2010. Identification, inference and sensitivity analysis for causal mediation effects. *Statistical Science*, 25: 51–71.
- Jiang, K., Chuang, C.-H., & Chiao, Y.-C. 2015. Developing collective customer knowledge and service climate: The interaction between service-oriented high-performance work systems and service leadership. *Journal of Applied Psychology*, 100: 1089–1106.
- Kahn, W. A. 1990. Psychological conditions of personal engagement and disengagement at work. *Academy of Management Journal*, 33: 692–724.
- Kahn, W. A. 1992. To be fully there: Psychological presence at work. *Human Relations*, 45: 321–349.
- Kark, R., Shamir, B., & Chen, G. 2003. The two faces of transformational leadership: Empowerment and dependency. *Journal of Applied Psychology*, 88: 246–255.
- Kirkpatrick, S. A., & Locke, E. A. 1996. Direct and indirect effects of three core charismatic leadership components on performance and attitudes. *Journal of Applied Psychology*, 81: 36–51.
- Klein, K. J., & Kozlowski, S. W. J. 2000. From micro to meso: Critical steps in conceptualizing and conducting multi-level research. *Organizational Research Methods*, 3: 211–236.
- Kouzes, J. M., & Posner, B. Z. 1987. *The leadership challenge: How to get extraordinary things done in organizations*. San Francisco, CA: Jossey-Bass.
- Kozlowski, S. W. J., & Klein, K. J. 2000. A multilevel approach to theory and research in organizations: Contextual, temporal, and emergent processes. In K. J. Klein & S. W. J. Kozlowski (Eds.), *Multilevel theory, research and methods in organizations: Foundations, extensions, and new directions*: 3–90. San Francisco, CA: Jossey-Bass.
- Kreps, D. M. 2004. *Corporate culture and economic theory*. New York, NY: Cambridge University Press.
- Kroll, J. F., & Merves, J. S. 1986. Lexical access for concrete and abstract words. *Journal of Experimental Psychology: Learning, Memory, and Cognition*, 12: 92–107.

- Lord, R. G., & Brown, D. J. 2001. Leadership, values, and subordinate self-concepts. *Leadership Quarterly*, 12: 133–152.
- Luthans, F., & Avolio, B. 2003. Authentic leadership development. In K. S. Cameron, J. E. Button, & R. E. Quinn (Eds.), *Positive organizational scholarship: Foundations of a new discipline*: 241–258. San Francisco, CA: Berrett-Koehler.
- MacKenzie, S. B., Podsakoff, P. M., & Rich, G. A. 2001. Transformational and transactional leadership and salesperson performance. *Journal of the Academy of Marketing Science*, 29: 115–134.
- May, D. R., Gilson, R. L., & Harter, L. M. 2004. The psychological conditions of meaningfulness, safety and availability and the engagement of the human spirit at work. *Journal of Occupational and Organizational Psychology*, 77: 11–37.
- Mayer, D. M., Kuenzi, M., Greenbaum, R., Bardes, M., & Salvador, R. 2009. How low does ethical leadership flow? Test of a trickle-down model. *Organizational Behavior and Human Decision Processes*, 108: 1–13.
- Mumford, M. D., Antes, A. L., Caughron, J. J., & Friedrich, T. L. 2008. Charismatic, ideological, and pragmatic leadership: Multi-level influences on emergence and performance. *Leadership Quarterly*, 19: 144–160.
- Ndofor, H. A., Sirmon, D. G., & He, X. 2011. Firm resources, competitive actions and performance: Investigating a mediated model with evidence from the in-vitro diagnostics industry. *Strategic Management Journal*, 32: 640–657.
- Ndofor, H. A., Sirmon, D. G., & He, X. 2015. Utilizing the firm's resources: How TMT heterogeneity and resulting fault lines affect TMT tasks. *Strategic Management Journal*, 36: 1656–1674.
- O'Reilly, C. A., Chatman, J., & Caldwell, D. F. 1991. People and organizational culture: A profile comparison approach to assessing person–organization fit. *Academy of Management Journal*, 34: 487–516.
- Pacetta, F. 1994. *Don't fire them, fire them up*. New York, NY: Simon & Schuster.
- Piccolo, R. F., & Colquitt, J. A. 2006. Transformational leadership and job behaviors: The mediating role of core job characteristics. *Academy of Management Journal*, 49: 327–340.
- Pinar, M., Eser, Z., & Strasser, S. 2010. Using mystery shopping to compare the service quality of banks in Turkey. *Services Marketing Quarterly*, 31: 1–26.
- Podsakoff, P. M., MacKenzie, S. B., & Bommer, W. H. 1996. Transformational leader behaviors and substitutes for leadership as determinants of employee satisfaction, commitment, trust, and organizational citizenship behaviors. *Journal of Management*, 22: 259–298.
- Podsakoff, P. M., MacKenzie, S. B., Lee, J. Y., & Podsakoff, N. P. 2003. Common method biases in behavioral research: A critical review of the literature and recommended remedies. *Journal of Applied Psychology*, 88: 879–903.
- Podsakoff, P. M., MacKenzie, S. B., Moorman, R. H., & Fetter, R. 1990. Transformational leader behaviors and their effects on followers' trust in leader, satisfaction, and organizational citizenship behaviors. *Leadership Quarterly*, 1: 107–142.
- Rich, G. 1997. The sales manager as a role model: Effects on trust, job satisfaction, and performance of salespeople. *Journal of the Academy of Marketing Science*, 25: 319–328.
- Rich, B. L., LePine, J. A., & Crawford, E. R. 2010. Job engagement: Antecedents and effects on job performance. *Academy of Management Journal*, 53: 617–635.
- Rivera, L. A. 2012. Hiring as cultural matching: The case of elite professional service firms. *American Sociological Review*, 77: 999–1022.
- Rivera, L. A. 2015. Go with your gut: Emotion and evaluation in job interviews. *American Journal of Sociology*, 120: 1339–1389.
- Rokeach, M. 1973. *The nature of human values*. New York, NY: Free Press.
- Rosso, B. D., Dekas, K. H., & Wrzesniewski, A. 2010. On the meaning of work: A theoretical integration and review. *Research in Organizational Behavior*, 30: 91–127.
- Russell, R. F. 2001. The role of values in servant leadership. *Leadership and Organization Development Journal*, 22: 76–84.
- Sagie, A., & Weisberg, J. 2001. The transformation in human resource management in Israel. *International Journal of Manpower*, 22: 226–234.
- Salanova, M., Agut, S., & Peiró, J. 2005. Linking organizational resources and work engagement to employee performance and customer loyalty: The mediation of service climate. *Journal of Applied Psychology*, 90: 1217–1227.
- Schaubroeck, J. M., Hannah, S. T., Avolio, B. J., Kozlowski, S. W. J., Lord, R. G., Treviño, L. K., Dimotakis, N., & Peng, A. C. 2012. Embedding ethical leadership within and across organization levels. *Academy of Management Journal*, 55: 1053–1078.
- Schaufeli, W. B., & Bakker, A. B. 2004. Job demands, job resources, and their relationship with burnout and engagement: A multi-sample study. *Journal of Organizational Behavior*, 25: 293–315.
- Schaufeli, W. B., Bakker, A., & Salanova, M. 2006. The measurement of work engagement with a short



- questionnaire: A cross-national study. *Educational and Psychological Measurement*, 66: 701–716.
- Schein, E. H. 2010. *Organizational culture and leadership*. San Francisco, CA: Jossey-Bass.
- Schriesheim, C. A., Castro, S. L., & Yammarino, F. J. 2000. Investigating contingencies: An examination of the impact of span of supervision and upward controllability on leader–member exchange using traditional and multivariate within- and between-entities analysis. *Journal of Applied Psychology*, 85: 659–677.
- Schriesheim, C. A., Castro, S. L., Zhou, X., & DeChurch, L. A. 2006. An investigation of path-goal and transformational leadership theory predictions at the individual level of analysis. *Leadership Quarterly*, 17: 21–38.
- Schwartz, S. H. 1992. Universals in the content and structure of values: Theoretical advances and empirical tests in 20 countries. *Advances in Experimental Social Psychology*, 25: 1–65.
- Shamir, B. 1995. Social distance and charisma: Theoretical notes and an exploratory study. *Leadership Quarterly*, 6: 19–47.
- Shamir, B., House, R. J., & Arthur, M. B. 1993. The motivational effects charismatic leaders: A self-concept based theory. *Organization Science*, 4: 577–594.
- Shamir, B., & Howell, J. M. 1999. Organizational and contextual influences on the emergence and effectiveness of charismatic leadership. *Leadership Quarterly*, 10: 257–283.
- Shamir, B., & Lapidot, Y. 2003. Trust in organizational superiors: Systemic and collective considerations. *Organization Studies*, 24: 463–491.
- Shamir, B., Zakay, E., Breinin, E., & Popper, M. 1998. Correlates of charismatic leader behavior in military units: Subordinates' attitudes, unit characteristics, and superiors' appraisals of leader performance. *Academy of Management Journal*, 41: 387–409.
- Sirmon, D. G., & Hitt, M. A. 2003. Managing resources: Linking unique resources, management, and wealth creation in family firms. *Entrepreneurship Theory and Practice*, 27: 339–358.
- Sirmon, D. G., & Hitt, M. A. 2009. Contingencies within dynamic managerial capabilities: Interdependent effects of resource investment and deployment of firm performance. *Strategic Management Journal*, 30: 1375–1394.
- Sirmon, D. G., Hitt, M. A., & Ireland, R. D. 2007. Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of Management Review*, 32: 273–292.
- Sirmon, D. G., Hitt, M. A., Ireland, R. D., & Gilbert, B. A. 2011. Resource orchestration to create competitive advantage: Breadth, depth, and life cycle effects. *Journal of Management*, 37: 1390–1412.
- Smircich, L., & Morgan, G. 1982. Leadership: The management of meaning. *Journal of Applied Behavioral Science*, 18: 257–273.
- Strange, J. M., & Mumford, M. D. 2002. The origins of vision: Charismatic versus ideological leadership. *Leadership Quarterly*, 13: 343–377.
- Sy, T., Côté, S., & Saavedra, R. 2005. The contagious leader: Impact of the leader's mood on the mood of group members, group affective tone, and group processes. *Journal of Applied Psychology*, 90: 295–305.
- Thakor, A. V. 2016. Corporate culture in banking. *Economic Policy Review*, 22: 5–16.
- Thomas, S. J. 2004. *Using web and paper questionnaires: From design to interpretation of the results*. Thousand Oaks, CA: Corwin Press.
- Toubiana, M., & Zietsma, C. 2017. The message is on the wall? Emotions, social media and the dynamics of institutional complexity. *Academy of Management Journal*, 60: 922–953.
- Trueman, W. 1991. CEO insulation and how to fight it. *Canadian Business*, 64: 28–32.
- Uhl-Bien, M. 2006. Relational leadership theory: Exploring the social processes of leadership and organizing. *Leadership Quarterly*, 17: 654–676.
- van Knippenberg, D., & Sitkin, S. B. 2013. A critical assessment of charismatic–transformational leadership research: Back to the drawing board? *Academy of Management Annals*, 7: 1–60.
- van Rekom, J., van Riel, Cees B. M., & Wierenga, B. 2006. A methodology for assessing organizational core values. *Journal of Management Studies*, 43: 175–202.
- Waldman, D. A., Javidan, M., & Varella, P. 2004. Charismatic leadership at the strategic level: A new application of upper echelons theory. *Leadership Quarterly*, 15: 355–380.
- Waldman, D. A., Ramirez, G. G., House, R. J., & Puranam, P. 2001. Does leadership matter? CEO leadership attributes and profitability under conditions of perceived environmental uncertainty. *Academy of Management Journal*, 44: 134–143.
- Waldman, D. A., & Yammarino, F. J. 1999. CEO charismatic leadership: Levels-of-management and levels-of-analysis effects. *Academy of Management Review*, 24: 266–285.
- Wallace, P. 2004. *The internet in the workplace: How new technology is transforming work*. New York, NY: Cambridge University Press.
- Weiss, H. M. 1977. Subordinate imitation of supervisory behavior: The role of modeling in organizational

- socialization. *Organizational Behavior and Human Performance*, 19: 89–105.
- Wooldridge, J. M. 2001. *Econometric analysis of cross section and panel data*. Cambridge, MA: MIT Press.
- Wooldridge, J. M. 2006. *Introductory econometric analysis*. Mason, OH: Thomson.
- Yaffe, T., & Kark, R. 2011. Leading by example: The case of leader OCB. *Journal of Applied Psychology*, 96: 806–826.
- Yammarino, F. J. 1994. Indirect leadership: Transformational leadership at a distance. In B. M. Bass & B. J. Avolio (Eds.), *Improving organizational effectiveness through transformational leadership*: 26–47. Thousand Oaks, CA: SAGE.
- Yukl, G. 2006. *Leadership in organizations* (6th ed.). Upper Saddle River, NJ: Prentice Hall.
- Zohar, D., & Tenne-Gazit, O. 2008. Transformational leadership and group interaction as climate antecedents: A social network analysis. *Journal of Applied Psychology*, 93: 744–757.
- 
- Liat Eldor** (leldor@wharton.upenn.edu) is a postdoctorate researcher and senior fellow at the Center for Human Resources in the Management Department at the Wharton School, University of Pennsylvania. Her current research focuses on organizational and macro-level factors that influence employee–organization relationship and collective employee engagement, with particular emphasis on cultivating organizational productivity and service quality.
-

## 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)
<i>Store Controls</i>			
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)
<i>Leader Controls</i>			
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)
<i>Employee Controls</i>			
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
$R^2$	0.798	0.210	0.446
Year FE	Yes	Yes	Yes
Store FE	Yes	Yes	Yes

Notes: 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. FE = fixed effect; 1 = year is fixed effect, 2 = year and store are fixed effects.

<sup>†</sup>  $p < .10$

\*  $p < .05$

\*\*  $p < .01$

\*\*\*  $p < .001$

## APPENDIX B

TABLE B1

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

Dependent Variable	Productivity	Service Quality
<i>Effect</i>		
LBE	59.845* (35.514)	0.050* (0.023)
LBE squared	7.705 (5.098)	0.004 (0.002)
<i>Store Controls</i>		
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)
<i>Leader Controls</i>		
Leader tenure	0.399 (1.055)	0.009 (0.027)
Leader age	0.332 (0.550)	-0.024* (0.014)
<i>Employee Controls</i>		
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
$R^2$	0.551	0.452
Year FE	Yes	Yes
Store FE	Yes	Yes

*Notes:* 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. FE = fixed effect; 1 = year is fixed effect, 2 = year and store are fixed effects.

<sup>†</sup> $p < .10$

\* $p < .05$

\*\* $p < .01$

\*\*\* $p < .001$



Copyright of Academy of Management Journal is the property of Academy of Management and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.