



# Leadership Trust and Behavior Boost Employee Service Quality

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**Abstract.** This study aimed to investigate the effect of Indonesia's paternalistic leadership style on employee service quality in the heavy equipment industry, mediated by customer-oriented organizational citizenship behavior (CO-OCB) and trust in the leader (TIL). The researchers used a quantitative confirmatory factor analysis approach, distributing questionnaires to 1,660 employees in 20 branches of the largest heavy equipment dealer in Indonesia. The results showed that paternalistic leadership had a positive effect on CO-OCB, which was partially mediated by TIL, leading to an increase in employee service quality. The findings suggest that implementing paternalistic leadership can improve service quality in the heavy equipment industry. Practical implications and suggestions for future research are also discussed.

**Keywords:** Paternalistic Leadership · Trust in Leaders · Customer-oriented organizational citizenship behavior · Service Quality

## 1 Introduction

Leaders' efforts to maintain and improve employee service quality are very important for organizational performance in the context of service quality [1]. One of the most important competitive advantages of a service industry is high quality service [1, 17]. Companies must ensure that their customers' expectations are met, even exceeded, to achieve excellent service quality. Customer satisfaction depends on the positive relationship between staff and customers [1, 19, 20]. In serving customers, front-line personnel carry out production and sales activities at the same time [1, 16].

Service quality is the main factor for assessing customer satisfaction, this is important for businesses that compete in the current service industry [2]. Organizational citizenship behavior (OCB) can influence the successful implementation of service quality, because this behavior leads to the provision of service quality according to organizational standards, which leads to improved customer service [3]. A good relationship between the leader's approach and the abilities of his followers contributes to increasing company productivity [4], which will certainly improve service quality (service quality). The capacity of employees to focus their attention on the duties, responsibilities and behavior of organizational citizenship, is influenced by trust in leaders or trust in leaders [5]. Leadership style plays an important role in determining service quality [6].

Effective leadership can help strengthen the perception of organizational and individual instruments, resulting in higher Organizational Citizenship Behavior [7].

According to Ministry of Public of Works and Housing (MoPWH), the demand for heavy equipment in Indonesia will rise before and after COVID-19 in 2020–2024, particularly in the construction sector [8]. By looking at the growth in demand for heavy equipment in 2021, companies engaged in heavy equipment need to implement several strategies to win the competition, especially during the COVID-19 period. Business competition between heavy equipment dealers in Indonesia requires heavy equipment dealers to improve their performance.

In this study, researchers used Paternalistic leadership Indonesia (PLI) which consist of seven dimensions visible, authoritarian, benevolent, moral incorruptibility, moral courage, moral impartiality and moral magnanimity [10, 11]. This leadership model is combined with previous research models exploring the effect of leadership style on employee service quality (ESQ) in order to explore the effect of leadership style on employee service quality through mediating of customer-oriented organizational citizenship behavior (CO-OCB) and trust in leaders (TIL) as mediators [9]. Effective leadership, trust in leaders, and customer-oriented organizational citizenship behavior can improve the quality of employee service (ESQ) according to previous research [9].

## 2 Methodology

Quantitative approach or quantitative techniques used in this study (quantitative approach). In this study data was collected based on two sources, namely primary sources and secondary sources. Primary sources were taken from the survey process using a closed questionnaire containing several question items according to the variable indicators. Respondents' answers were collected through an electronic questionnaire, Microsoft Form with a link and barcode which was given to prospective respondents to make it easier to access the questionnaire form. Secondary sources were taken from the Human resources. To get good structural model measurement results so that hypotheses can be tested and drawn and produce acceptable conclusions, in this study the data processing used the Structural Equation Modeling (SEM) method with Lisrel 8.8 as a software tool by going through validity and reliability tests, conducting CFA analysis, model fit testing and structural model testing, for futher result and discussion.

## 3 Results and Discussion

### 3.1 Respondent Profile

The number of respondents is broken down in Table 1 by working area or business unit. According to data, heavy equipment dealer employees in non-retail business units outnumber those in retail business units. Because the coal and gold mining centers are in that area, the majority of heavy equipment is also there. The intended number of respondents was 265. In order to meet this goal, 1,700 questionnaires were distributed to retail and non-retail business units. A total of 1,660 questionnaires were returned (97.64%).

**Table 1.** Number of respondents by working area or business unit.

Area	Employee Quantity	Respondent	Questioner sent	Participation Rate
Retail	1,575	817	825	99.03%
Non-Retail	3,461	843	875	96.34%
Grand Total	5,036	1,660	1,700	97.64%

Source: Human Resources PT GBY

**Table 2.** Validity dan Reliability Test Result

Variable	Dimensions	Remark	Reliability	
			CR $\geq$ 0.70	VE $\geq$ 0.50
	VIS	Valid		
	BEN	Valid		
PLI	KOR	Valid	0.97	0.86
	COUR	Valid		
	IMP	Valid		
	MAG	Valid		
TIL		Valid	0.91	0.62
CO-OCB		Valid	0.88	0.54
ESQ		Valid	0.90	0.64

Source: Lisrel 8.8 SEM Processed Results by Researchers

### 3.2 Validity and Reliability Tests

The number of respondents in this study was 1,660, which means that it is enough to do data processing using the Structural Equation Model (SEM) method in Lisrel 8.8. In this study, there were 53 observed variables, so the minimum amount of data needed for SEM processing using Lisrel was 265 respondents. Validity test standardization in Lisrel 8.8 SEM is an observed variable and is said to be valid if the standard loading factor (SFL) value is less than 0.50 and the standard error is less than 1 [12, 15]. The observed variable is said to be significant if the T-value is greater than the T-table, and for this study, the T-table value is T-table 1.65 for the one-way test and 1.96 for the two-way test [12, 15]. According to the research, latent variables are said to be reliable if the construct reliability (CR) value is 0.70 and the variance extracted (VE) value is 0.50 [12]. If anything has a VE value of 0.50, if the CR value is greater than 0.7, the reliability test results meet the requirements for an indicator to be considered reliable [13]. Table 2 describes the validity and reliability test results for this research.

Table 3 describes the result of 9 parameters Goodness of fit (GOF) meet good-fit category: RMSEA, Non-Normed Fit Index (NNFI), Normed Fix Index, Incremental Fit Index (IFI), Comparative Fit Index (CFI), Relative Fit Index (RFI), only p-value was

**Table 3.** Overall Model Fit Test Value

<b>GOF Indicator</b>	<b>Fit Measure</b>	<b>Value</b>	<b>Remark</b>
<i>p-value</i>	$p\text{-value} \geq 0.05$	0.000	<i>Poor Fit</i>
RMSEA	$RMSEA \leq 0.05$	0.042	<i>Good Fit</i>
SRMR	$SRMR \leq 0.05$	0.071	<i>Good Fit</i>
NFI	$NFI \geq 0.90$	0.98	<i>Good Fit</i>
NNFI	$NNFI \geq 0.90$	0.99	<i>Good Fit</i>
CFI	$CFI \geq 0.90$	0.99	<i>Good Fit</i>
IFI	$IFI \geq 0.90$	0.99	<i>Good Fit</i>
RFI	$RFI \geq 0.90$	0.98	<i>Good Fit</i>
GFI	$GFI \geq 0.90$	0.86	<i>Marginal Fit</i>

Source: Lisrel 8.8 SEM Processed Results by Researchers

**Table 4.** Hypothesis Formulation

H1: Paternalistic leadership in Indonesia has a positive effect on customer-oriented OCB.
H2: Customer-oriented OCB (CO-OCB) has a positive effect on employee service quality.
H3: Paternalistic leadership has a positive effect on trust in leaders.
H4: Trust in the leader has a positive effect on customer-oriented OCB.
H5: Trust in the leader mediates the relationship between paternalistic leadership and customer-oriented OCB.

Source: Hypothesis processing by researchers

categorized poor fit ( $0 \leq 0.05$ ) so that the majority of parameters categorized good fit. By having all variables values  $CR \geq 0.70$  and  $VE \geq 0.50$  and GOF good fit, overall model fit is possible to be done.

### 3.3 Hypothesis Formulation

Therefore, from the explanation mentioned before, the hypotheses that will be further investigated are listed in Table 4:

### 3.4 Overall Model Fit Test

After testing the suitability of the entire measurement model, measurements are then carried out to see the causal relationship between the models. The results of this measurement are used to test the hypotheses that have been set. The measurement used is to look at the T-Value results, where the T-Value results must be greater than 1.96.

The output path of the SEM test results using Lisrel 8.8 is described in Table 5 below. From Table 5 below it is known that the T-Value of the Indonesian Paternalistic

**Table 5.** Analysis of Structural Measurement Results

Hypothesis	Path	T-Value	SLF	Remark	Result
H1	PLI→ CO-OCB	-1.23	-0.10	Not Significant	Rejected
H2	CO-OCB→ ESQ	33.53	0.94	Significant	Accepted
H3	PLI → TIL	28.03	0.90	Significant	Accepted
H4	TIL→ CO-OCB	8.28	0.83	Significant	Accepted
H5	PLI → TIL → CO-OCB	Used Sobel test $\alpha =$ 0.00		Mediated	Accepted

Source: Lisrel 8.8 SEM Processed Results by Researchers

Leadership variable on the trust in leaders variable is 28.03, this value is greater than 1.96 and has a positive value so that it can be said that paternalistic leadership have a significant and positive effect to trust in leaders.

The T-Value value of the trust in leaders variable on the Customer-oriented OCB variable is 8.28 and has a positive value, this value is greater than 1.96 so that the effect is significant and positive. The T-Value of the Customer-oriented OCB variable on employee service quality is 33.53, this value is greater than 1.96 so that it can be said that the influence of the Customer-oriented OCB variable on the Employee service quality variable is significant and positive. The T-Value of Paternalistic Leadership Indonesia on Customer-oriented OCB is -1.23 this value is smaller than 1.96 so it can be concluded that the effect is not significant and negative.

With these results, not all hypotheses that have been formulated are being accepted. To make it easier to understand, the results of this structural measurement analysis are described in Table 5. Furthermore, to find out the mediation effect of trust in leaders on Paternalistic Leadership and customer-oriented OCB, it is necessary to carry out further calculations using the Sobel test [16]. The result of the Sobel test for PLI→TIL→CO-OCB is  $\alpha = 0.00$  so that it can be ascertained that TIL has a mediating effect between the causal relationship between PLI and CO-OCB or H5 is accepted. From Table 5 only H1 is rejected which informs that without Trust in leader, paternalistic leadership will not have significant impact to the customer-oriented organizational citizenship behavior.

### 3.5 Discussion

The findings of this study show that Paternalistic Leadership and Customer-oriented OCB implemented through trust in leaders improve employee service quality, which in turn improves individual performance and business performance. In contrast to previous research, H1 of the study resulted in paternalistic leadership in this research has no direct significant effect on CO-OCB [9]. H2 of the research resulted CO-OCB has direct significant effect on ESQ, H3 of the research resulted PLI has direct significant effect on TIL, H4 of the research resulted TIL has direct significant effect on CO-OCB and last H5

of the research resulted TIL mediates the relationship between paternalistic leadership and customer-oriented OCB.

The result of hypothesis 1 is in line with previous research showing that paternalistic leadership can have a negative impact on the organizational citizenship behavior of its followers when viewed from different dimensions or factors [22, 23]. The authoritarian dimension clearly and consistently has a negative impact on the attitudes, behaviors and performance of employees in an organization [22]. In addition, if a authoritarianism is more prominent than his leadership style, this will have an impact on organizational citizenship behavior (OCB) and lead to counterproductive or even unproductive work behavior [23]. Hypothesis 2 is supported by previous research, which states that the relationship between OCB and employee service quality (ESQ) shows that OCB has a direct effect and a positive influence on service quality in Indonesia [24]. This is also supported by previous studies, which show that customer-oriented OCB has a positive effect on perceived service quality and customer perceptions of service quality [25]. This relationship with the organization (OCB) is positive and significant at both the individual and group levels.

Acceptance of hypothesis 3 is in line with research which conducted previously [26]. Indeed, there has not been much research on the relationship between PLI and TIL, both at home and abroad. Many researchers focus more on the effect or influence of transformational leadership on trust in leadership [27]. The opinion that PLI has an effect on TIL is in accordance with the opinion that a kind leader who supports their subordinates in facing difficulties, cares about their well-being outside the workplace, acts in accordance with the wishes of their followers, and respects their followers will increase their trust in leaders. This proves that paternalistic leadership will cause their followers to trust their leaders and managers [26]. Continuing hypothesis 4 these results are consistent with the results of previous research [28, 29]. According to them, the positive effect of leader trust on OCB in various industries has been proven. Through a meta-analysis study, they found that trust in leadership has a positive impact on the employee commitment and OCB in that the behavior and characteristics of the leaders influence how followers build trust in their leaders.

The last hypothesis 5 support by previous research also emphasized the role of trust in leaders as a mediator, even though there was no correlation between authoritarianism and OCB, or the correlation was not significant [30]. This hypothesis supported by other researchers who emphasize the importance of trust in the relationship between PLI and CO-OCB because trust is also important in other leadership styles [30, 31]. This study provides empirical evidence that trust in leaders acts as a mediator between PLI and CO-OCB based on findings previously investigating the mediating role of beliefs in perceptions of leaders and fairness, leadership, and OCB [31, 32].

Referring to the questionnaire items with a high factor loading, it can be explained that if the leader values employees' ideas and opinions by providing commensurate directions and being directly involved, employees will work enthusiastically and passionately to serve their customers voluntarily. As a result, the achievement of organizational goals is aided. At heavy equipment dealers, there are two issues that arise. The first is that service quality has always been assessed from outside the company, so service quality has never been properly described [14]. The primary cause of this misalignment, according

to the analysis above, is that correct and proper leadership was not fully implemented previously, trust in leaders (TIL) was not optimally linked to employee behavior in organizations, and that needs to be developed is more customer-oriented organizational citizenship behavior (CO-OCB).

As an implication, it is critical for heavy equipment dealer management to ensure that the leadership that is applied to employees is a leader who has genuine concern, kindness, and concern for the welfare of his followers, as is a feature of PLI. The impact of the right leadership style determines a leader's ability to communicate effectively with superiors, colleagues, and subordinates. A company or organization can improve its performance through employee service quality (ESQ) with the right leadership style. No matter how good the leadership model in an organization without trust in the leadership of its followers and customer-oriented organizational citizenship behavior will not be able to produce quality service quality. This paper shows that companies engaged in services must focus on internal service quality within their organization in order to improve external service quality. It will produce the same results if applied to different business sectors.

## 4 Conclusion

The results of the research and discussion show the following conclusions: First, Paternalistic Leadership variable is not significant and has negative effect on CO-OCB variable. Second, the OCB customer-oriented variable has a significant and positive effect on employee service quality (ESQ) variables. Third, Paternalistic leadership variable has a significant and positive effect on the trust in leader's variable. The variable trust in leaders has a significant and positive effect on the Customer-oriented OCB variable, so that the Trust in leaders and Customer-oriented OCB variables are proven and significantly mediate in full the influence of Paternalistic Leadership Indonesia and employee service quality (ESQ) variables. Future research is encouraged to be carried out to generalize the results of research in other heavy equipment dealers, or in other industrial business sectors. This research was conducted after employees returned to the office after working from home for an extended period of time during pandemic of COVID-19; employees may work under greater pressure because customers are beginning to actively propose improvement processes, which can influence their perceptions of leaders, because leaders will be more dominant in their authoritarian nature in this condition, Future research can overcome this limitation by collecting data after COVID-19 resolved. Lastly, future research may examine the relationship between paternalistic leadership and service quality and its impact on customer satisfaction directly.

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