

# The Relationship between Perceived Organizational Support, Customer Orientation, and Ethical Leadership in the Retail Industry: Focusing on the Moderating Effect of Leader Trust

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**Abstract: Background/Objectives:** *The purpose of this research is to examine the effect of perceived organizational support and customer orientation on ethical leadership and to examine the moderating effect of leader trust.*

**Methods/Statistical analysis:** *This research was proceeded to survey the salespersons working at retailers. 125 questionnaires were used for the final analysis. The survey respondents were judged to have sufficient knowledge and experience about their organizations and their work. Reliability analysis, validity analysis, and regression analysis were conducted*

**Findings:** *In this research, regression analysis was used to verify hypotheses. As a result of the analysis, it was found that perceived organizational support, customer orientation have a positive impact on ethical leadership. This research analyzed the moderating role of leader trust on the relationship between perceived organizational support and ethical leadership. As a result of this analysis, it was found that the leader trust showed a moderating effect. Also, this research analyzed the moderating role of leader trust on the relationship between customer orientation and ethical leadership. As a result of this analysis, it was found that the leader trust showed a moderating effect. So, all hypotheses were supported. Improvements/Applications:* *This study provides theoretical implications by expanding the antecedents of ethical leadership to distribution context and provides practical implications for the retail industry.*

**Keywords:** *Perceived Organizational Support, Customer Orientation, Ethical Leadership, Leader Trust, Retail Industry*

## I. INTRODUCTION

The attitudes and behaviors of salespeople are among the many antecedents that have an effect on the survival and growth of retailers. Several researchers argue that salespeople implement corporate marketing strategies, form an image of the company and product, and have a profound effect on the performance of the company[1,2]. Leadership is an important factor influencing the attitude and behavior of these salespeople. Leadership means the process by which a leader interacts with employees in order to achieve an organization's goals, and has a great role on the organization's achievement of its goals[3].

**Revised Manuscript Received on January 03, 2019.**

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The emphasis in the existing leadership research is the superiority of the leader. This is because the coincidence between the leader's leadership behavior and the inner value of the leader has an important effect on the recognition of the employees' leadership[4]. In this way, ethical scandals occur in various industries, and ethical leadership is emerging as a more important field. Ethical leadership means that the leader of an employee expresses normatively proper behavior through interpersonal relationships, and communicates his/her appropriate behavior to employees through interactive communication, reinforcement, and decision-making[5].

Ethical leadership is increasingly affecting employees' attitudes and behaviors in organizations. However, theoretical and comprehensive research on ethical leadership is very poor compared to the influence of ethical leadership. Past researches used social learning theory as the theory to explain the effect of ethical leadership on related concepts. The theory of social learning starts from the idea that employees learn by imitating the attitudes, values, and behaviors of role models that give them charm and confidence in their organizations. The leader is a role model that has a big influence on the employees. Employees learn from their role model what actions will be rewarded and punished and provide moral guidance[6].

Another theory that explains ethical leadership is social exchange theory. Social exchange theory explains that the relationship between organization and employee form a social exchange relationship based on mutual benefit. This means that when employees think that they are receiving favorable support from the organization in social exchange relationships, they are willing to stay in the organization, and also have a feeling of duty to do good for the organization[5,7].

In the previous studies related to ethical leadership, it has been gradually expanded to study the concept and dimension of ethical leadership, the antecedents of ethical leadership, the results of ethical leadership, and the research of antecedents and results of ethical leadership. The research area of ethical leadership is expanding to several relations such as marketing and distribution. In particular, there is little research on how ethical leadership is formed.



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In previous studies on ethical leadership, the role model is divided into three types such as childhood model, career mentor, and top management, and demonstrates the relationship with ethical leadership[8]. However, it is still necessary to study the factors affecting ethical leadership.

This research attempts to study factors affecting ethical leadership in the retail industry. The purpose of this study is to examine the effect of perceived organizational support and customer orientation on ethical leadership and to examine the moderating effect of trust in leader. This will provide theoretical implications for ethical leadership related research and provide practical implications for the retail industry.

## II. HYPOTHESES AND METHODS

### 2.1. Hypotheses

Perceived organizational support implies an overall belief in the degree to which a member of the organization values the contribution of one individual and cares about the welfare of the member. Perceived organizational support describes the process by which an organization member becomes immersed in an organization. It is the perception of the organizational members that the organization perceives the importance of individual members and engages them in the members[9].

Perceived organizational support can be viewed as an exchange between the organization and its members. The greater the organizational commitment to a member, the more perceived that the organization has greater support. There are many ways to express the fact that an organization is immersed in its members. Representative methods include organizational fairness, participation in decision-making, providing opportunities for growth, recognition of autonomy, diversity of work, support of leader, and support of peers[10].

Employees evaluate the effect of perceived organizational support on ethical leadership from the social exchange theory perspective. As workers perceive themselves as receiving more support from the organization, they will positively assess their leaders' ethical leadership. In other words, when employees receive praise, recognition, and mentoring from the organization, perceived organizational support increases, and positively affects the leader's perception of ethical leadership. The perceived organizational support can be viewed as an exchange between the organization and its members. The larger the organizational commitment to employees, the more perceived that the organization has greater support[10,11].

When an employee recognizes the support of an organization, he or she has a sense of emotional attachment to the organization as a reward for the support of the organization, and has a sense of duty to take action that helps the organization. This sense of duty is seen as an action that helps to achieve the organization's goals and allows the employees to take a benevolent attitude toward the actions that are critical to achieving organizational goals, such as the leader's ethical leadership[9,12]. In addition, the leader is a good role model for the salesperson. Employees who trust their leaders perceive ethical leadership more than employees who do not trust. So, leader trust will moderate the relationship between perceived organizational support and

ethical leadership.

H1-1 : Perceived organizational support will have a positive effect on ethical leadership.

H1-2 : Leader trust will moderate the relationship between perceived organizational support and ethical leadership.

Previous research on customer orientation has been proceeded at two sectors: individual and organizational. First, interpersonal contact between salespersons and customers is the main focus of research in customer orientation research at the individual sector, and the ability of salespeople to help customers and the quality of relationship with customers are important aspects of research. In addition, customer orientation research at the organizational sector focuses on behaviors of a company's customers and competitors[13].

The meaning of customer orientation is also defined in various ways depending on various research situations such as individual level, organization level, and mixture level. Customer orientation is a group of beliefs that prioritize customer interests in order to generate long-term revenue for the organization[14]. In addition, customer orientation is conceptualized as acquiring sufficient knowledge of the customer to make continuous value for the customer. It is defined as the degree to which we strive to work for our customers' needs and deepen long-term relationships with our customers[15,16].

As such, customer orientation means a variety of efforts that companies take to maximize their profits for the long-term relationship and growth with customers, and to identify and meet customer needs. Customer orientation refers to executing a company's marketing concept at the individual sector of its salespeople, making the best decisions to meet the needs of its customers, and endeavoring to achieve long-term satisfaction[17].

As the customer orientation of the salesperson increases, the salesperson seeks the best benefits of the customer and satisfies the customer's requests[18]. Because ethical leadership takes customer interests first, customer orientation will have a positive impact on ethical leadership. In addition, the leader is a good role model for the salesperson. Employees who trust their leaders perceive ethical leadership more than employees who do not trust. So, leader trust will moderate the relationship between customer orientation and ethical leadership.

H2-1 : Customer orientation will have a positive effect on ethical leadership.

H2-2 : Leader trust will moderate the relationship between customer orientation and ethical leadership.

### 2.2. Methods

In this research, the measurement items used in the previous studies were modified and measured by scales(1=“strongly disagree”, 5=“strongly agree”).

Perceived organizational support was measured in 4 items such as ‘Organization is interested in the welfare of their employees’, ‘Organization values my efforts and contributions’, ‘Organization considers the value I pursue’, ‘Organization helps me when I have problems’.



Customer Orientation was measured in 6 items such as ‘I am interested in the solution of the customer problem’, ‘I am faithful to the requirements of the customer’, ‘I communicate frequently with the customer’, ‘I give the customer voluntary help’, ‘I present the customer various information’, ‘Answer sincerely’.

Leader Trust was measured in 4 items such as ‘I am confident that the leader will help me with my work’, ‘My leader is honest’, ‘My leader is well aware of the work and performs faithfully’, ‘I can trust the leader’.

Ethical leadership was measured in 10 items such as ‘Leader listens to what I do’, ‘Leader governs salespeople who violate ethical standards’, ‘Leader makes his private life ethical’, ‘Leader keeps the salesperson's interests in mind’, ‘leader makes fair and balanced decisions’, ‘Leader is trustworthy’, ‘Leader talks about salespeople and business ethics and values’, ‘Leader gives correct examples of ethical aspects’, ‘Leader does not just look at success as a result, but also the process’, and ‘Leader asks what is the fair thing to do when making a decision’.

This study was conducted to survey the salespersons working at retailers and responded to the concepts of perceived organizational support, customer orientation, leader trust, and ethical leadership.

For this purpose, we surveyed salespeople who worked at retailers such as department stores, discount stores, and other retail stores through an external professional survey agency.

125 questionnaires were utilized for the final verification except for unfair questionnaire responses. The survey respondents were judged to have sufficient knowledge and experience about their organizations and their work, and it was judged to be suitable as a survey respondent in this study. Based on the collected data, various analyses were conducted.

### III. RESULT AND DISCUSSION

The data collected in this study were verified based on the measurement validation process. The Cronbach’s  $\alpha$  coefficient was examined to measure the reliability of the theoretical variables measured in multiple items. The Cronbach’s  $\alpha$  coefficient is more than .70 in the preliminary study, and .80 in the basic study and .90 in the applied study.

The Cronbach’s  $\alpha$  coefficient of all measured variables used in this study represents more than .80. This can be said to have been measured at a relatively reliable level. So, reliability coefficient can be evaluated as having a high internal consistency as shown in Table 1.

**Table 1: Reliability Analysis**

	Perceived Organizational Support	Customer Orientation	Leader Trust	Ethical Leadership
Alpha Coefficient	.891	.806	.912	.900

Validity uses factor analysis. This study conducted EFA(Exploratory Factor Analysis) to confirm the presence of distinct factors. The results showed that the validity was confirmed.

And the results of the correlation analysis between the

variables in the empirical analysis are shown in Table 2. In this study, it is found that perceived organizational support, customer orientation, and leader trust show a significant correlation with ethical leadership.

**Table 2: Correlation Analysis**

		POS	CO	LT	EL
POS	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	125			
CO	Pearson Correlation	.446**	1		
	Sig. (2-tailed)	.000			
	N	125	125		
LT	Pearson Correlation	.649**	.460**	1	
	Sig. (2-tailed)	.000	.000		
	N	125	125	125	
EL	Pearson Correlation	.662**	.485**	.738**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	125	125	125	125

\*\* . Correlation is significant at the 0.01 level (2-tailed).

In this study, regression analysis was performed by selecting perceived organizational support, customer orientation as independent variables, and ethical leadership as dependent variables. In the model summary, the R Square value is .483, which is 48.3% explanatory power(See Table 3).

**Table 3: Model Summary**

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	.695 <sup>a</sup>	.483	.474	.415

a. Predictors: (Constant), POS, CO

In this study, regression analysis was conducted to verify hypotheses. Table 4 shows regression analysis. As a result of the analysis, it can be found that perceived organizational support, customer orientation have a positive impact on ethical leadership. So Hypothesis 1-1 and 2-1 were all supported.

Perceived organizational support was found to have a positive impact on ethical leadership. This implies that the existing ethical leadership research is extended to the distribution and marketing situation. Also, customer orientation was found to have a positive effect on ethical leadership. Customer orientation was proved to be a new antecedent of ethical leadership in retail industry



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**Table 4: Regression Analysis**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
1 (Constant)	1.203	.250		4.816	.000
POS	.417	.055	.556	7.648	.000
CO	.237	.073	.237	3.258	.001

a. Dependent Variable: EL

This study analyzed the moderating role of leader trust on the relationship between perceived organizational support and ethical leadership. As a result of the analysis, hypothesis 1-2(the moderating role of leader trust on the relationship between perceived organizational support and ethical leadership) was supported (See Table 5).

**Table 5: Moderating Effect Analysis (1)**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig
		B	Std. Error			
1	(Constant)	2.586	.410		6.313	.000
	POS	-.188	.141	-.250	-1.331	.186
	LT	.029	.125	.038	.228	.820
	POS*LT	.122	.037	.980	3.263	.001

a. Dependent Variable: EL

Also, this study analyzed the moderating role of leader trust on the relationship between customer orientation and ethical leadership. As a result of the analysis, hypothesis 2-2(the moderating role of leader trust on the relationship between customer orientation and ethical leadership) was supported (See Table 6).

**Table 6: Moderating Effect Analysis (2)**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig
		B	Std. Error			
1	(Constant)	3.706	.550		6.741	.000
	CO	-.497	.147	-.498	-3.384	.001
	LT	-.377	.176	-.506	-2.150	.034
	CO *LT	.224	.044	1.616	5.097	.000

a. Dependent Variable: EL

In previous studies, leader trust was used as an antecedent or a result of ethical leadership. However, in this research, it was confirmed that leader trust plays a moderating effect between perceived organizational support and ethical leadership and between customer orientation and ethical leadership. Therefore, this study deeply analyzes the relationship between various variables affecting ethical leadership.

**IV. CONCLUSION**

Ethical leadership is increasingly affecting employees' attitudes and behaviors in organizations. However, theoretical and empirical research on ethical leadership is very poor compared to the impact of ethical leadership. This research attempts to study the antecedents of ethical leadership in the retail industry. The purpose of this research is to examine the effect of perceived organizational support and customer orientation on ethical leadership and to examine the moderating effect of leader trust.

This study was conducted to survey the salespersons working at retailers and responded to the concepts of perceived organizational support, customer orientation, leader trust, and ethical leadership. For this purpose, we surveyed salespeople who worked at retailers such as department stores, discount stores, and other retail stores through an external professional survey agency. Based on the collected data, various analyses were conducted.

As a result of the analysis, it can be found that perceived organizational support, customer orientation have a positive impact on ethical leadership. Also, it was confirmed that leader trust plays a moderating role between perceived organizational support and ethical leadership and between customer orientation and ethical leadership. This study provides the theoretical implications by expanding existing antecedents of ethical leadership to marketing and distribution situation, and provides practical implications for the retail industry.

Despite several implications, this study has several limitations. It is necessary to investigate additional antecedents of ethical leadership perceived by salespeople in the retail industry. In future research, it is necessary to further analyze additional antecedents of ethical leadership such as organizational characteristics and individual characteristics.

**ACKNOWLEDGMENT**

Funding for this paper was provided by Namseoul university.

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