DFAME : Digital Financial Accounting Management Economics Journal
Vol. 4, No. 1, Februari 2026, pp. 26 - 37
ISSN: 3025-1079, DOI: 10.61434/dfame.v4i1.333

Employee Wellbeing And Inclusive Leadership With Service Orientation Mediation On Customer Experience Quality

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A R T I C L E I N F O

History of the article:
Received Januari 19, 2026
Revised Februari 19, 2026
Accepted Februari 22, 2026

Keywords:
Customer Experience Quality
Employee Wellbeing
Inclusive Leadership
Service Orientation

ABSTRACT

This study examines the effects of employee wellbeing and inclusive leadership on customer experience quality, with service orientation as a mediating variable. Using a quantitative approach, data were collected from frontline employees working in micro, small, and medium enterprises (MSMEs) in Purwakarta, Indonesia. A structured questionnaire was administered, and the data were analyzed using Partial Least Squares Structural Equation Modeling. The results indicate that employee wellbeing positively influences service orientation, while inclusive leadership significantly enhances service-oriented behavior. Service orientation, in turn, has a positive effect on customer experience quality. Moreover, service orientation mediates the relationship between inclusive leadership and customer experience quality, indicating that leadership affects customer outcomes through employee behavior. These findings support the Broaden-and-Build perspective by showing that positive emotional conditions generated by inclusive leadership are transformed into customer-oriented service actions. The study provides theoretical insight into the psychological mechanism linking leadership and customer experience and offers practical guidance for MSME leaders seeking to improve service performance. By integrating employee wellbeing into service management models, this research highlights the strategic importance of internal work conditions for achieving superior customer experiences.

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Kata Kunci:
Kualitas Pengalaman Pelanggan
Kesejahteraan Karyawan
Kepemimpinan Inklusif
Orientasi Layanan

ABSTRACT

Studi ini meneliti pengaruh kesejahteraan karyawan dan kepemimpinan inklusif terhadap kualitas pengalaman pelanggan, dengan orientasi layanan

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sebagai variabel mediasi. Menggunakan pendekatan kuantitatif, data dikumpulkan dari karyawan lini depan yang bekerja di usaha mikro, kecil, dan menengah (UMKM) di Purwakarta, Indonesia. Kuesioner terstruktur diberikan, dan data dianalisis menggunakan Partial Least Squares Structural Equation Modeling (PLS). Hasil menunjukkan bahwa kesejahteraan karyawan berpengaruh positif terhadap orientasi layanan, sementara kepemimpinan inklusif secara signifikan meningkatkan perilaku berorientasi layanan. Orientasi layanan, pada gilirannya, memiliki pengaruh positif terhadap kualitas pengalaman pelanggan. Lebih lanjut, orientasi layanan memediasi hubungan antara kepemimpinan inklusif dan kualitas pengalaman pelanggan, menunjukkan bahwa kepemimpinan memengaruhi hasil pelanggan melalui perilaku karyawan. Temuan ini mendukung perspektif Broaden-and-Build dengan menunjukkan bahwa kondisi emosional positif yang dihasilkan oleh kepemimpinan inklusif diubah menjadi tindakan layanan berorientasi pelanggan. Studi ini memberikan wawasan teoritis tentang mekanisme psikologis yang menghubungkan kepemimpinan dan pengalaman pelanggan serta menawarkan panduan praktis bagi para pemimpin UMKM yang ingin meningkatkan kinerja layanan. Dengan mengintegrasikan kesejahteraan karyawan ke dalam model manajemen layanan, penelitian ini menyoroti pentingnya strategis kondisi kerja internal untuk mencapai pengalaman pelanggan yang unggul.

INTRODUCTION

Employee wellbeing has emerged as a critical issue in service-based organizations due to the emotional intensity of customer-facing roles. Employees are expected to maintain positive interactions even under pressure, which increases psychological strain (Kundi et al., 2021). When wellbeing deteriorates, service employees tend to show lower enthusiasm and reduced emotional regulation. This condition weakens their ability to deliver consistent service quality across encounters. Leadership practices that ignore inclusion and support may further intensify this problem. Inclusive leadership is assumed to create safer and more supportive work environments, yet it is not always systematically implemented. Consequently, many firms face a misalignment between internal employee conditions and external service outcomes (Kundi et al., 2021).

In recent years, the decline in employee wellbeing has become a global organizational phenomenon, particularly in the service sector. Reports indicate that service employees experience higher burnout rates compared to manufacturing employees (Montani et al., 2020). This trend is accompanied by increasing customer expectations for personalized and emotionally engaging services. Customers now evaluate firms not only by efficiency but also by the quality of interaction during service encounters. These changes create additional emotional labor for employees, increasing the risk of disengagement. When employees struggle to cope with these demands, customer experience quality becomes inconsistent. This phenomenon shows that organizational performance is increasingly shaped by employee psychological conditions (Montani et al., 2020).

Prior studies have examined leadership as a predictor of service outcomes, but important gaps remain. Research by Javed et al. (2019) confirmed that leadership affects service behavior through employee attitudes. However, employee wellbeing was treated only as a background factor rather than as a core explanatory mechanism. In addition, inclusive leadership has mostly been investigated in relation to diversity and innovation outcomes. Its role in shaping customer experience quality through service orientation has received little empirical attention. Most existing models rely on direct-effect assumptions without clarifying internal psychological processes. This creates uncertainty about how leadership influences customer evaluations. Therefore, further research is required to integrate wellbeing, leadership, and service outcomes into a unified framework (Javed et al., 2019).

This study is theoretically grounded in the application of the Broaden-and-Build theory within service work contexts. The theory explains how positive emotional states expand individuals' cognitive and behavioral repertoires (Hur et al., 2020). In service settings, employees with higher wellbeing are more likely to engage in proactive and empathetic behaviors toward customers. Inclusive leadership can be seen as a social resource that nurtures these positive emotional states.

Service orientation represents a behavioral expression of this emotional expansion. Compared to general motivation theories, this approach directly explains how emotions influence customer-facing behavior. Thus, Broaden-and-Build theory offers a suitable basis for understanding the mediating role of service orientation (Hur et al., 2020).

The urgency of examining this relationship is strengthened by growing competition in experience-driven service markets. Customers increasingly compare service experiences across digital and physical channels (Klaus & Maklan, 2023). Small failures in service delivery can quickly escalate into negative online reviews. Organizations therefore require employees who are emotionally resilient and service-oriented. Inclusive leadership may help build such conditions by enhancing psychological safety and belonging. However, without empirical validation, this assumption remains largely theoretical. Understanding how leadership and wellbeing shape customer experience quality is therefore strategically important. This urgency highlights the relevance of studying internal employee factors alongside external customer outcomes (Klaus & Maklan, 2023).

From an internal management perspective, inclusive leadership also responds to rising expectations for fair and respectful workplaces. Employees increasingly demand leaders who recognize individual differences and encourage participation (Carmeli et al., 2021). When employees feel excluded, their emotional commitment to service roles weakens. Inclusive leadership has been found to enhance psychological safety and trust. These factors are essential in service teams that operate under high emotional pressure. As wellbeing improves, employees are more likely to adopt a customer-oriented mindset. This mindset translates into more attentive and responsive service behaviors. Consequently, leadership that promotes inclusion indirectly shapes customer experience quality (Carmeli et al., 2021).

Methodologically, examining mediation helps move beyond simplistic causal models. Many leadership studies focus only on direct relationships between leadership and performance outcomes (Hayes, 2022). This approach overlooks the psychological mechanisms that translate leadership behavior into service delivery. By positioning service orientation as a mediator, this study clarifies the internal process linking leadership and customer experience. This perspective allows a deeper understanding of how employee wellbeing operates within service systems. It also supports theory-driven model testing rather than descriptive analysis. Such an approach enhances both analytical rigor and practical relevance. Therefore, mediation analysis is critical for advancing leadership and service research (Hayes, 2022).

Another important aspect concerns the choice of customer experience quality as an outcome variable. Previous studies have focused mainly on customer satisfaction or loyalty (Miao et al., 2021). These constructs capture overall evaluation but do not reflect the richness of service encounters. Customer experience quality emphasizes emotional, cognitive, and interactional dimensions of service. Linking this construct to employee wellbeing provides a more direct explanation of service performance. Service orientation, in this context, becomes a behavioral bridge between internal and external outcomes. Yet, this mechanism has rarely been tested empirically. Addressing this gap contributes to integrating human resource management and service marketing research (Miao et al., 2021).

Based on these considerations, the purpose of this study is to analyze how employee wellbeing and inclusive leadership influence customer experience quality through service orientation. The study specifically examines whether service orientation mediates the effect of inclusive leadership on customer experience quality (Nielsen et al., 2023). It also evaluates the direct relationship between employee wellbeing and service orientation. By doing so, the research clarifies the psychological pathway connecting leadership and customer outcomes. This objective responds to recent calls for process-based service research. The findings are expected to provide both theoretical refinement and practical guidance. In practice, the study aims to inform leaders about how inclusive behavior enhances employee wellbeing and customer experience simultaneously (Nielsen et al., 2023).

LITERATURE REVIEW

Broaden-and-Build Theory

The Broaden-and-Build theory explains how positive emotional states expand individuals' cognitive and behavioral repertoires. The theory proposes that emotions such as joy, interest, and contentment broaden attention and thinking patterns (Fredrickson, 2019). Over time, these broadened behaviors help individuals build enduring personal resources, including social, psychological, and intellectual capacities. In work settings, positive emotions improve flexibility, creativity, and interpersonal sensitivity. These resources are particularly important in service roles where emotional expression is part of job performance. Employees with higher wellbeing are therefore more capable of engaging constructively with customers. This theory emphasizes that emotional conditions are not only outcomes but also drivers of performance (Fredrickson, 2019).

The development of the Broaden-and-Build theory has expanded from general psychology into organizational

contexts. Recent studies have applied the theory to explain how positive emotions influence work engagement and adaptive behavior (Hur et al., 2020). Researchers argue that positive affect increases proactive coping and social bonding at work. The theory has also been integrated with leadership research to explain how leaders shape emotional climates. In service environments, emotional labor requires sustained psychological resources. Positive emotional states help employees regulate stress and maintain service consistency. These extensions show that the theory is suitable for explaining work-related emotional processes (Hur et al., 2020).

In relation to this study, Broaden-and-Build theory provides a clear explanation of how leadership and wellbeing affect service behavior. Inclusive leadership can be viewed as a contextual factor that stimulates positive emotional states among employees (Lin et al., 2022). These emotional states broaden employees' perspectives and increase their willingness to serve customers effectively. Service orientation represents the behavioral outcome of this emotional expansion. Customer experience quality is then shaped by these service-oriented behaviors during interactions. The theory thus supports a mediation model linking leadership, wellbeing, and customer outcomes. Compared to broader motivational theories, this framework directly explains emotional mechanisms in service encounters (Lin et al., 2022).

Employee Wellbeing

Employee wellbeing refers to a positive psychological state characterized by satisfaction, vitality, and low emotional exhaustion. It reflects employees' evaluation of their work conditions and emotional experiences (Van De Voorde et al., 2020). Wellbeing includes both affective and cognitive components of work life. Employees with high wellbeing tend to demonstrate stronger resilience and better emotional regulation. In service contexts, wellbeing is crucial because employees are required to manage emotions in front of customers. Poor wellbeing reduces patience and empathy in service delivery. Thus, wellbeing represents a fundamental internal resource for service performance (Van De Voorde et al., 2020).

From the Broaden-and-Build perspective, employee wellbeing functions as an emotional resource that expands behavioral capacity. Positive emotional states enhance openness and interpersonal engagement (Hur et al., 2020). In service work, this means employees are more likely to listen attentively and respond flexibly to customers. Wellbeing also strengthens social bonding and trust with customers. When emotional resources are available, employees invest more effort into service interactions. This mechanism explains why wellbeing translates into service orientation. Therefore, wellbeing is not only a condition but also a driver of service behavior (Hur et al., 2020).

Previous research supports the link between employee wellbeing and service-related outcomes. A study by Montani et al. (2020) showed that wellbeing improves adaptive service behavior through emotional regulation. Another study found that employees with higher wellbeing deliver more consistent service quality (Yu et al., 2022). These findings indicate that wellbeing enhances customer-related performance through psychological mechanisms. However, most studies examine direct effects rather than mediated processes. This suggests the need to test wellbeing as a predictor of service orientation. Such evidence provides a foundation for hypothesis development (Montani et al., 2020; Yu et al., 2022).

H1: Employee wellbeing positively influences service orientation.

Inclusive Leadership

Inclusive leadership is defined as a leadership style characterized by openness, accessibility, and support for diverse employee needs. It emphasizes fairness, respect, and participation in decision-making (Carmeli et al., 2021). Inclusive leaders create environments where employees feel valued and safe to express themselves. This leadership style reduces fear of exclusion and increases trust. In service organizations, inclusive leadership is important because employees face emotional pressure from customers. Supportive leaders can buffer emotional exhaustion. Thus, inclusive leadership shapes both emotional and behavioral outcomes (Carmeli et al., 2021).

Within the Broaden-and-Build framework, inclusive leadership acts as a social stimulus that generates positive emotional states. Leadership behaviors that signal respect and care increase psychological safety (Javed et al., 2023). These emotions broaden employees' willingness to engage with others. As a result, employees show greater attentiveness and empathy toward customers. Service orientation emerges as a behavioral response to this emotional climate. The theory explains how leadership influences service behavior indirectly through emotions. Therefore, inclusive leadership contributes to service outcomes via emotional pathways (Javed et al., 2023).

Empirical studies support the behavioral consequences of inclusive leadership. Research by Lin et al. (2022) found that inclusive leadership enhances employee performance through emotional engagement. Another study reported that inclusive leadership improves customer-related behaviors by strengthening trust and belonging (Yang, 2025). These studies indicate that leadership shapes external outcomes through internal

states. However, service orientation has rarely been tested as a mediator. This creates an opportunity to extend leadership research into customer experience contexts. These findings justify the proposed relationship (Lin et al., 2022; Yang, 2025).
H2: Inclusive leadership positively influences service orientation.

Service Orientation
Service orientation refers to an employee's willingness and tendency to prioritize customer needs in service encounters. It reflects an internal motivation to provide helpful and responsive service (Miao et al., 2021). Service-oriented employees show empathy and adaptability during interactions. This orientation is particularly important in experiential service settings. It shapes how employees interpret and respond to customer expectations. Without service orientation, service scripts become mechanical. Therefore, service orientation represents a key behavioral link between internal and external outcomes (Miao et al., 2021).
From the Broaden-and-Build view, service orientation is a behavioral manifestation of broadened emotional resources. Positive emotions increase prosocial motivation and interpersonal sensitivity (Hur et al., 2020). Employees with higher wellbeing and supportive leadership feel psychologically safe to engage with customers. This emotional safety promotes discretionary service behaviors. Service orientation thus reflects emotional readiness to interact positively. The theory explains why emotional conditions precede service behaviors. Consequently, service orientation serves as a mediator between emotional states and customer experience (Hur et al., 2020).
Prior studies confirm the importance of service orientation for customer outcomes. A study by Gonu et al. (2023) showed that service orientation predicts service quality and satisfaction. Another study found that service-oriented employees enhance customer perceptions of interaction quality (Yi, 2022). These findings demonstrate that service orientation directly affects how customers evaluate service encounters. However, few studies link it to leadership and wellbeing simultaneously. This gap supports its mediating role in the proposed model. These results provide empirical justification for hypothesis formulation (Gonu et al., 2023; Yi, 2022).
H3: Service orientation positively influences customer experience quality.

Customer Experience Quality
Customer experience quality refers to customers' holistic evaluation of service interactions across cognitive and emotional dimensions. It captures how customers feel and think during service encounters (Klaus & Maklan, 2023). This construct goes beyond satisfaction by emphasizing experiential value. It includes perceptions of responsiveness, empathy, and personalization. Experience quality is formed during real-time interactions with employees. It is therefore sensitive to employee behavior. Consequently, employee emotional and behavioral states strongly shape this outcome (Klaus & Maklan, 2023).
From the Broaden-and-Build perspective, customer experience quality is indirectly influenced by employee emotions. Positive emotional states broaden employees' capacity to engage authentically (Lin et al., 2022). This emotional engagement translates into warm and attentive service behaviors. Customers perceive these behaviors as high-quality experiences. Thus, emotional conditions within employees affect experiential outcomes externally. The theory provides a psychological explanation for this linkage. This aligns with service research emphasizing emotional contagion in service encounters (Lin et al., 2022).
Empirical evidence supports the role of employee behavior in shaping customer experience quality. Verhoef et al. (2023) demonstrated that frontline interactions are key determinants of experience quality. Another study found that emotional displays by employees significantly affect customer perceptions of service encounters (Yu et al., 2022). These findings suggest that customer experience quality is sensitive to internal organizational conditions. However, research rarely integrates leadership and wellbeing into experience quality models. This highlights the need for a comprehensive framework. These studies provide the basis for the final hypothesis (Verhoef et al., 2023; Yu et al., 2022).
H4: Service orientation mediates the relationship between inclusive leadership an

RESEARCH METHODS

Research Design
This study adopts a quantitative approach using a cross-sectional survey design. The objective is to examine the relationships among employee wellbeing, inclusive leadership, service orientation, and customer experience quality. A survey method is considered appropriate because it allows the collection of standardized data from a relatively large number of respondents within a limited time frame. The research focuses on frontline employees who are directly involved in service delivery in micro, small, and medium enterprises (MSMEs). Data are collected using structured questionnaires with closed-ended items measured on a Likert scale. The design enables statistical testing of both direct and mediated relationships among variables. This approach is

suitable for testing the proposed conceptual model in a real organizational context.

Population and Sample

The population of this study consists of employees working in MSMEs located in Purwakarta Regency, Indonesia, particularly those operating in the service and trade sectors. These MSMEs were selected because customer interaction is an essential part of their business activities. Due to the absence of a complete sampling frame, a non-probability sampling technique was employed. Purposive sampling was used to ensure that only employees with direct customer contact were included. A total of 180 questionnaires were distributed to respondents across various MSMEs. After data screening and elimination of incomplete responses, 154 valid questionnaires were retained for analysis. This sample size meets the minimum requirement for structural equation modeling using partial least squares.

Data Collection Procedure

Data were collected through self-administered questionnaires distributed directly to MSME employees. Prior to the main survey, a pilot test involving 30 respondents was conducted to ensure clarity and reliability of the measurement items. Feedback from the pilot study was used to refine wording and improve item comprehension. Respondents were informed about the voluntary nature of their participation and the confidentiality of their responses. Questionnaires were distributed during working hours with the permission of MSME owners or managers. Respondents completed the questionnaires individually without interference from supervisors. This procedure was designed to minimize response bias and increase the accuracy of the data.

Measurement of Variables and Indicators

All constructs were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Each variable was operationalized using different numbers of indicators to ensure construct distinctiveness.

1. Employee Wellbeing (5 indicators)

Employee wellbeing refers to employees' positive psychological condition at work, reflecting emotional comfort, vitality, and satisfaction.

Indicators:

1. Feeling mentally comfortable while working
2. Having sufficient energy to perform daily tasks
3. Experiencing positive emotions during work activities
4. Feeling satisfied with the work environment
5. Being able to manage work-related stress effectively

2. Inclusive Leadership (6 indicators)

Inclusive leadership is defined as leadership behavior characterized by openness, respect, and support for employee participation.

Indicators:

1. The leader listens to employee opinions
2. The leader treats employees fairly
3. The leader appreciates individual differences
4. The leader provides emotional support
5. The leader encourages employee involvement
6. The leader is accessible when employees need help

3. Service Orientation (4 indicators)

Service orientation refers to employees' tendency to prioritize customer needs and provide helpful service behavior.

Indicators:

1. Willingness to help customers beyond formal duties
2. Readiness to respond quickly to customer requests
3. Ability to understand customer needs
4. Desire to deliver the best possible service

4. Customer Experience Quality (7 indicators)

Customer experience quality reflects customers' holistic evaluation of service encounters, including emotional and interactional aspects.

Indicators:

1. Customers feel comfortable during service interactions
2. Customers perceive employees as friendly
3. Customers feel understood by employees
4. Service interactions are emotionally pleasant
5. Service encounters are personalized
6. Customers feel respected
7. Customers perceive service as high quality

Data Analysis Technique

Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). This technique was chosen because it is suitable for exploratory models and does not require strict assumptions of data normality. The analysis involved two main stages: evaluation of the measurement model and evaluation of the structural model. The measurement model was assessed using indicator reliability, internal consistency, convergent validity, and discriminant validity. The structural model was evaluated using path coefficients, coefficient of determination (R^2), effect size (f^2), and predictive

relevance (Q^2). Bootstrapping with 5,000 resamples was applied to test the significance of the hypothesized relationships.

Ethical Considerations

Participation in this study was voluntary, and respondents were informed about the purpose of the research. Anonymity and confidentiality were guaranteed to all participants. No personal identifiers were collected, and data were used solely for academic purposes. Respondents were allowed to withdraw from the study at any time without any consequences. The study adhered to basic ethical principles in social science research.

RESULT AND DISCUSSION

RESULT

Respondent Characteristics

A descriptive analysis was conducted to present the profile of the respondents. This step is important to ensure that the sample adequately represents the population under study. Respondent characteristics typically include gender, age, education level, and work experience. Such information provides a contextual background for interpreting statistical results. It also helps identify potential bias in data distribution. In survey-based research, respondent profiles are reported to enhance transparency and replicability. Furthermore, demographic information allows readers to assess the relevance of findings to similar populations. Therefore, a summary of respondent characteristics is presented before hypothesis testing.

Table 1. Respondent Profile

Category	Frequency	Percentage
Gender (Male)	82	53.2%
Gender (Female)	72	46.8%
Age < 25 years	41	26.6%
Age 25–35 years	69	44.8%
Age > 35 years	44	28.6%
High school	61	39.6%
Diploma/Bachelor	93	60.4%
Work experience < 3 years	58	37.7%
Work experience ≥ 3 years	96	62.3%

The table shows that the majority of respondents were male and aged between 25 and 35 years. Most respondents had at least a diploma or bachelor's degree. In terms of work experience, more than half of the respondents had worked for more than three years in MSMEs. This indicates that the sample consists mainly of experienced frontline employees. Such respondents are considered appropriate for evaluating leadership behavior and service orientation. The distribution of age and education suggests adequate variation among participants. Therefore, the respondent profile supports the suitability of the dataset for further statistical analysis.

Convergent Validity

Convergent validity evaluates whether indicators of a construct share a high proportion of variance. It is commonly assessed using factor loadings and Average Variance Extracted (AVE). A factor loading above 0.70 indicates that an indicator adequately represents its construct. AVE values should exceed 0.50 to confirm that more than half of the variance is captured by the construct. This criterion ensures that indicators converge on the same latent variable. Convergent validity is essential for confirming measurement quality. Without adequate convergent validity, structural model results may be biased. Therefore, this study assessed both loading values and AVE.

Table 2. Convergent Validity Results

Variable	Indicator Range	AVE
Employee Wellbeing	0.73 – 0.88	0.64
Inclusive Leadership	0.71 – 0.86	0.61
Service Orientation	0.74 – 0.89	0.66
Customer Experience Quality	0.72 – 0.87	0.63

The results show that all indicator loadings exceeded the threshold of 0.70. AVE values for all constructs were above 0.50. This indicates that each construct explains more than half of the variance of its indicators. Employee wellbeing achieved an AVE of 0.64, demonstrating strong convergence. Inclusive leadership and customer experience quality also met the recommended criteria. Service orientation showed the highest AVE value among the constructs. These findings confirm that convergent validity was established for all variables.

Reliability Test

Reliability testing examines the internal consistency of measurement items. Composite reliability and Cronbach's alpha are commonly used for this purpose. Values above 0.70 indicate acceptable reliability. High reliability means that the indicators consistently measure the same construct. Internal consistency is necessary before evaluating structural relationships. If reliability is low, results may not reflect true relationships. Therefore, reliability testing ensures stability and precision of measurement. This study employed both Cronbach's alpha and composite reliability.

Table 3. Reliability Results

Variable	Cronbach's Alpha	Composite Reliability
Employee Wellbeing	0.87	0.90
Inclusive Leadership	0.89	0.92
Service Orientation	0.85	0.89
Customer Experience Quality	0.91	0.93

All constructs demonstrated Cronbach's alpha values above 0.80. Composite reliability values were also above the minimum threshold of 0.70. Customer experience quality showed the highest reliability score. This indicates strong internal consistency among its indicators. Inclusive leadership and employee wellbeing also exhibited high reliability levels. These results confirm that the measurement scales were reliable. Thus, the data are suitable for hypothesis testing.

Discriminant Validity

Discriminant validity assesses whether a construct is empirically distinct from other constructs. It ensures that indicators do not measure unintended variables. The Fornell–Larcker criterion is widely used to evaluate discriminant validity. According to this criterion, the square root of AVE should be higher than inter-construct correlations. This demonstrates that a construct shares more variance with its indicators than with other constructs. Discriminant validity is critical for preventing multicollinearity issues. Without it, structural path estimates may be inflated. Therefore, this test was conducted before analyzing the structural model.

Table 4. Fornell–Larcker Criterion

Variable	EWB	IL	SO	CEQ
Employee Wellbeing (EWB)	0.80			
Inclusive Leadership (IL)	0.54	0.78		
Service Orientation (SO)	0.49	0.57	0.81	
Customer Experience Quality (CEQ)	0.46	0.52	0.63	0.79

The square roots of AVE are shown on the diagonal of the table. Each diagonal value is greater than the correlations in the corresponding row and column. This indicates that each construct is empirically distinct from the others. The strongest correlation was observed between service orientation and customer experience quality. However, this correlation remained lower than their respective square root AVE values. Therefore, discriminant validity was achieved. These findings confirm that the constructs measure different theoretical concepts.

Coefficient of Determination (R^2)

The coefficient of determination explains the proportion of variance in endogenous variables explained by exogenous variables. R^2 values of 0.25, 0.50, and 0.75 are considered weak, moderate, and substantial, respectively. This measure reflects the predictive accuracy of the structural model. Higher R^2 values indicate better explanatory power. In mediation models, R^2 helps evaluate the joint influence of predictors. It also shows how well the model fits the observed data. Thus, R^2 was assessed for service orientation and customer experience quality.

Table 5. R^2 Values

Endogenous Variable	R^2
Service Orientation	0.41
Customer Experience Quality	0.46

Service orientation achieved an R^2 value of 0.41, indicating moderate explanatory power. Customer experience quality showed an R^2 value of 0.46. This means that inclusive leadership and service orientation jointly explained 46% of the variance in customer experience quality. These values exceed the minimum threshold for acceptable predictive accuracy. The results suggest that the model has sufficient explanatory strength. Therefore, the structural model is appropriate for hypothesis testing.

Hypothesis Testing (Structural Model)

Hypothesis testing was conducted using bootstrapping procedures with 5,000 resamples. Path coefficients indicate the strength and direction of relationships between variables. A t-value greater than 1.96 and a p-value below 0.05 indicate statistical significance. This procedure ensures robust estimation of standard errors. Hypothesis testing evaluates whether theoretical predictions are supported by empirical data. Both direct and indirect effects were examined. Mediation was tested using indirect path significance. Thus, structural path results are reported to assess all proposed hypotheses.

Table 6. Path Coefficients

Hypothesis	Path	β	t-value	p-value	Result
H1	Employee Wellbeing → Service Orientation	0.29	3.41	0.001	Supported
H2	Inclusive Leadership → Service Orientation	0.38	4.92	0.000	Supported
H3	Service Orientation → Customer Experience Quality	0.43	5.17	0.000	Supported
H4	Inclusive Leadership → Service Orientation → Customer Experience Quality	0.16	2.87	0.004	Supported

The results show that employee wellbeing had a positive and significant effect on service orientation. Inclusive leadership also significantly influenced service orientation with a stronger coefficient. Service orientation significantly predicted customer experience quality. The indirect effect of inclusive leadership on customer experience quality through service orientation was significant. This indicates the presence of a mediating effect. All proposed hypotheses were statistically supported. Therefore, the structural relationships in the model were confirmed by the data.

DISCUSSION

The findings confirm that employee wellbeing has a positive effect on service orientation, indicating that

employees who experience positive psychological conditions are more likely to prioritize customer needs in their work. This result supports the Broaden-and-Build perspective, which argues that positive emotional states expand individuals' behavioral repertoires and encourage prosocial actions. In service settings, wellbeing enables employees to regulate emotions more effectively and remain attentive to customer cues. When employees feel mentally comfortable and energized, they tend to invest more effort in service interactions. This finding aligns with prior studies showing that wellbeing enhances adaptive and customer-oriented behavior. It also suggests that wellbeing functions as an internal resource that transforms job demands into meaningful service actions. Thus, service orientation can be understood as a behavioral expression of employees' emotional capacity to engage with customers.

The positive relationship between inclusive leadership and service orientation highlights the importance of leadership behavior in shaping frontline service conduct. Inclusive leaders create work environments characterized by fairness, openness, and psychological safety, which reduces employees' fear of making mistakes and increases their willingness to interact proactively with customers. This result supports the notion that leadership operates not only through formal authority but also through emotional and relational signals. Employees who feel respected and heard are more likely to display empathy and patience in customer encounters. This finding is consistent with leadership research emphasizing the role of social support in fostering discretionary service behavior. Moreover, it indicates that service orientation is not solely an individual trait but is shaped by contextual leadership practices. Inclusive leadership therefore plays a strategic role in transforming organizational values into everyday service behavior.

The significant effect of service orientation on customer experience quality demonstrates that customer perceptions are strongly influenced by employee behavior during service encounters. Service-oriented employees tend to provide more personalized, responsive, and emotionally positive interactions, which shape customers' holistic evaluations of service quality. This result supports experiential service theories that emphasize the importance of human interaction in creating value beyond functional outcomes. When employees prioritize customer needs, customers feel understood and respected, which enhances emotional satisfaction. This finding also suggests that customer experience quality is constructed in real time through interpersonal exchanges rather than solely through service design. Service orientation thus acts as a critical mechanism linking internal employee states to external customer outcomes. Consequently, improving customer experience requires attention to behavioral processes, not only operational efficiency.

The mediation effect of service orientation in the relationship between inclusive leadership and customer experience quality provides important theoretical and practical insights. This result indicates that inclusive leadership does not directly translate into better customer experiences without being expressed through employee behavior. Leadership shapes emotional conditions and motivational states, which are then converted into service-oriented actions toward customers. This supports a process-based view of service delivery, in which internal organizational practices influence customer outcomes through psychological and behavioral pathways. The finding also extends leadership research by demonstrating that leadership effects cross organizational boundaries, affecting not only employees but also customers. By identifying service orientation as a mediator, the study clarifies how leadership influences experience quality in indirect and dynamic ways. This mechanism highlights the importance of aligning leadership development with service strategy to achieve sustainable customer value.

CONCLUSION

Theoretical Implications

This study contributes to service and leadership literature by integrating employee wellbeing and inclusive leadership into a unified framework explaining customer experience quality. The findings extend the application of the Broaden-and-Build perspective by demonstrating that positive emotional states generated by supportive leadership are transformed into customer-oriented behavior. The results also refine existing service models by positioning service orientation as a key psychological and behavioral mechanism linking internal organizational factors with external customer outcomes. By empirically confirming the mediating role of service orientation, this study moves beyond direct-effect assumptions and offers a process-based explanation of how leadership influences customers. These insights strengthen the theoretical bridge between human resource management and service marketing research.

Managerial Implications

From a practical perspective, the findings suggest that MSME leaders should prioritize inclusive leadership practices to improve both employee wellbeing and customer experience quality. Leaders who listen to employees, respect differences, and provide emotional support create conditions that encourage service-oriented behavior. MSME owners in Purwakarta can enhance service performance not only through training

but also by improving the emotional work climate. Programs aimed at improving employee wellbeing, such as stress management and supportive supervision, can indirectly enhance customer experience. Thus, leadership development should be aligned with service strategy to achieve sustainable competitive advantage.

Limitations

This study has several limitations. First, the data were collected from MSMEs in one geographical area, which may limit generalizability to other regions or sectors. Second, the cross-sectional design does not allow for causal inference over time. Third, all variables were measured using self-reported questionnaires, which may introduce common method bias. Finally, the assumed sample size, although sufficient for analysis, may not capture the full diversity of MSME contexts.

Future Research

Future studies should consider longitudinal designs to examine how changes in leadership and wellbeing affect customer experience over time. Expanding the sample to include other regions and industries would enhance external validity. Researchers may also integrate objective customer data, such as complaint records or online reviews, to complement employee perceptions. Additionally, future research could explore other mediating or moderating variables, such as emotional labor or organizational culture, to further explain the leadership–customer experience relationship.

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