



FROM ETHICAL LEADERSHIP TO GUEST DELIGHT: THE MEDIATING ROLE OF
EMPLOYEE ENGAGEMENT IN SHAPING CUSTOMER EXPERIENCE IN HOSPITALITY

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Abstract

The hospitality industry increasingly recognises that memorable customer experiences are shaped not only by service delivery but also by the leadership practices and engagement of employees who interact with guests. This study investigates the relationships among ethical leadership, employee engagement, and customer experience in the hospitality sector, with particular focus on the mediating role of employee engagement. A quantitative, cross-sectional research design was employed, and data were collected through a structured questionnaire from respondents associated with hospitality organisations. The data were analysed using Partial Least Squares Structural Equation Modelling (PLS-SEM) through SmartPLS. The measurement model was evaluated for reliability, convergent validity, and discriminant validity, while the structural model was assessed through path analysis and bootstrapping. The findings indicate that ethical leadership significantly enhances employee engagement, while employee engagement significantly contributes to customer experience. Ethical leadership also demonstrated a significant direct relationship with customer experience. Furthermore, employee engagement significantly mediated the relationship between ethical leadership and customer experience, indicating partial mediation. The findings highlight the interconnected roles of leadership practices, employee engagement, and customer experience in hospitality organisations. The study contributes to hospitality and leadership literature by linking an organisational-level leadership factor with an employee-level mechanism and a customer-level outcome. Practically, the findings emphasise the importance of ethical leadership, employee engagement, and supportive employee-management practices in creating positive and memorable customer experiences.

Keywords: Ethical Leadership; Employee Engagement; Customer Experience; Hospitality; Guest Delight; SmartPLS.

1. Introduction

The hospitality industry is a people-centred service industry where the interactions between employees and guests have a significant impact on the perception of the hotel, restaurant, resort and other hospitality organisations. Hospitality services are intangible and are largely experienced through interpersonal encounters, and so employees are important representatives of the organisation. As a result, leadership behaviours and employee attitudes can impact internal organisational results and customer service experiences. In this context, the concepts of ethical leadership, employee engagement, and customer experience are intertwined aspects of good hospitality service delivery. Ethical leadership has been the focus of recent research as an organisational factor that affects employee attitudes, behaviours related to service,



and outcomes related to customers (Schwepker & Dimitriou, 2021; Hoang et al., 2023; Topal et al., 2026). Ethical leadership is the expression of normatively appropriate behaviour in personal actions and interpersonal relationships, as well as the communication, reinforcement, and decision-making of such behaviour (Brown et al., 2005). Ethical leaders are typically described as fair, honest, and transparent, accountable, and concerned with employees. These are especially important in the hospitality industry where staff members are expected to deal with customers' needs, service issues, emotional situations, and situations that demand discretion and problem-solving. Clear ethical guidelines and a fair approach by leaders can help to foster a culture where staff know what is expected of them and feel supported and trusted.

Ethical leadership is particularly relevant as it is frontline hospitality staff who are directly at the organisation/customer interface. In the hospitality industry, it has been found that ethical leadership has an impact on employee and service outcomes. Schwepker and Dimitriou (2021) showed that ethical leadership could be linked to the quality of an employee's performance when the employee is in direct contact with the customer, and Kim and Brymer (2011) showed that ethical leadership could be linked to an employee's attitude and behavioural outcomes in the lodging industry. The results suggest that leadership can have an impact on behaviours that are directly related to service delivery. Employee engagement is one of the key ways in which ethical leadership could impact the outcomes of the hospitality industry. According to Schaufeli et al. (2002), employee engagement is a positive, fulfilling psychological state at work that is marked by vigour, dedication and absorption. When employees are engaged, they put more energy into their jobs, both physically, cognitively and emotionally. This is especially relevant in the hospitality industry where staff are required to deliver ongoing, individualised and responsive service. Social Exchange Theory (SET) offers a theoretical framework to understand the link between ethical leadership and employee engagement. Blau (2017) suggested that people react to positive treatment reciprocally. If hospitality workers feel their leaders are fair, trustworthy, supportive and ethical, they might respond with increased commitment and involvement in their work. Another explanation is given by Social Learning Theory. Bandura and Walters (1977) suggested that people imitate behaviours that they observe in significant role models. Ethical leaders who are honest, fair, responsible and respectful can then serve as role models for employees, in keeping with the ethical leadership outlined by Brown et al. (2005).

This relationship is supported by research that is specific to the hospital. Earlier studies have revealed a positive relationship between ethical leadership and work engagement and other employee outcomes in the hospitality industry (Aldulaimi et al., 2025). Recent studies have also found positive links between ethical leadership and employee engagement, with employee-related factors like job satisfaction playing a role in this link (Topal et al., 2026). The results of this study confirm that ethical leadership is a key organisational pillar of employee engagement. Employee engagement also has a significant impact on customer experience. Lemon and Verhoef (2016) defined customer experience as the customer's cognitive, emotional, sensory and behavioural reactions during the entire process of interaction with the organisation. In the hospitality industry, the customer journey encompasses various stages, including booking, check-in, lodging, meal service, interaction with staff, issue resolution, and checkout. The employees are thus an integral part of the customer experience. The service produced and consumed is often at the same time, which means that the behaviour, communication, responsiveness and willingness of the employees are part of the customers' perception of the service. Employees who are engaged are more likely to exhibit positive behaviours such as energy, dedication, attentiveness, and customer-oriented behaviours. Therefore, employee engagement can help to create more positive, personalised and memorable customer experiences. The title "Guest Delight" is a reflection of the reality of delivering experiences that go beyond the service. In this study, however, the empirical construct studied is Customer Experience and not guest delight as a separate construct. Customer Experience is still the dependent construct in the conceptual framework, measurement model, hypotheses and SmartPLS analysis.

Ethical leadership can also directly correlate with customer experience. While the customer may not be directly involved in the leadership practice, leadership can influence the organisational expectations, employee behaviours, service standards, and work environment in which the customer interacts with the employee. Ethical leaders can set standards for responsible service, respectful service, accountability and



appropriate response to customer concerns. Kim and Brymer (2011) showed relationships between ethical leadership and customer-oriented employee outcomes in lodging organisations, and Schwepker and Dimitriou (2021) showed relationships between ethical leadership and performance quality among customer-contact employees. Although there is increasing interest in ethical leadership in the hospitality field, there is a gap in research related to the integrated relationship between ethical leadership, employee engagement and customer experience. Previous research has investigated the link between ethical leadership and employee engagement, job satisfaction, creativity, service quality, customer orientation and other organisational outcomes (Aldulaimi et al., 2025; Schwepker & Dimitriou, 2021; Kim & Brymer, 2011). But relatively little research has been conducted on employee engagement as an intervening variable between ethical leadership and customer experience.

This relationship is theoretically significant as ethical leadership can have an impact on customers via the employees who provide hospitality services. Ethical leadership can foster trust, fairness, and positive relationships that can promote employee engagement. This psychological involvement can then be manifested in their increased attentiveness, responsiveness, dedication and customer-oriented behaviours, which can help to improve customer experience. Thus, the present study investigates an integrated empirical model where Ethical Leadership (EL) is the independent variable, Employee Engagement (EE) is the mediating variable, and Customer Experience (CE) is the dependent variable. The study is a contribution to the literature of hospitality and leadership, as it brings together the organisational, employee and customer perspectives in one empirical framework. The study explores employee engagement as an intervening variable, thereby offering a holistic perspective on the process of ethical leadership extending from organisational practices to employee psychological involvement to customer experience.

2. Literature Review

2.1 Ethical Leadership in Hospitality

Ethical leadership is a significant field of organisational research because leadership behaviour influences the perception of organisational values, interpersonal relations and acceptable behaviour in the workplace. Brown et al. (2005) defined ethical leadership as the expression of ethical conduct in personal conduct and interpersonal relationships and the communication, reinforcement, and decision-making that encourages ethical conduct among followers. Ethical leaders are usually viewed as being fair, honest, having integrity, trustworthy, accountable and caring for employees. Brown and Treviño (2006) also noted that ethical leadership is a unique leadership construct that can impact employee attitudes and behaviours through social learning and ethical role modelling. Ethical leadership is especially important in the hospitality industry as staff members often have to deal directly with customers and make decisions in a short time frame, under emotional pressure, in response to complaints and with uncertainty about service.

Ethical leaders who set a good example and are fair can give employees guidance on how to behave and psychological support. Hoang et al. (2023) conducted a systematic review of the literature on ethical leadership in tourism and hospitality and identified three key theoretical frameworks: social exchange theory, social learning theory, and conservation of resources theory, which have been used to examine the role of ethical leadership in the tourism and hospitality industry. The empirical studies have confirmed the significance of ethical leadership in hospitality. Kim and Brymer (2011) reported that in the lodging industry, ethical leadership was related to employee outcomes like job satisfaction and organisational commitment. Additionally, Yang et al. (2023) concluded that ethical leadership had positive effects on team service performance and individual service performance, with the mediating role of ethical climate and ethical self-efficacy, respectively, among hotel employees. The results of this study show that ethical leadership can create an environment conducive to positive employee attitudes and effective service delivery.

2.2 Ethical Leadership and Employee Engagement

In the hospitality industry, employee engagement is especially crucial as it significantly influences the quality of service provided, with service quality being closely tied to the psychological investment employees make in their work. According to Schaufeli et al. (2002), work engagement is a positive and fulfilling psychological state, which is defined by three components: vigour, dedication and absorption. Engaged



employees then expend mental effort, focus and psychological resources on their job. Social Exchange Theory (SET) offers a theory to explain the connection between ethical leadership and employee engagement. Blau (2017) suggested that social relationships emerge as a result of reciprocal exchanges. If employees feel their leaders are fair, honest and respectful, they might return the favour with positive attitudes and increased investment in their work. Ethical leadership can then foster relationships of trust and mutual benefit, which can lead to employees' increased enthusiasm and commitment.

There is another explanation: social learning theory. Bandura and Walters (1977) believed that people imitate the behaviours of influential role models. Leaders are significant behavioural models in organisations. Ethical leaders who act consistently in an ethical manner can serve as models that can impact employee attitudes and behaviours. Brown et al. (2005) also found ethical leaders to be significant sources of ethical guidance. Empirical evidence from the field of hospitality research. In a study of 246 hospitality workers in Pakistan, Wang et al. (2024) used SmartPLS to discover that ethical leadership was positively associated with work engagement and that employee ambidexterity was a mediator between the two. The study by Topal et al. (2026) found that ethical leadership had a positive impact on employee engagement, with job satisfaction and perceived HR practices acting as mediators in the relationship between the two, based on a sample of 702 female employees in the hospitality industry in Türkiye. Similarly, Aldulaimi et al. (2025), based on 425 hotel employees in India, concluded that ethical leadership had an impact on employee work engagement. The results of this study confirm that employee engagement is a significant employee outcome of ethical leadership in the hospitality industry.

H1: Ethical leadership has a significant positive effect on employee engagement.

2.3 Employee Engagement and Customer Experience

Customer experience is now an important concept in the hospitality industry because customers judge the organisation based on functional, emotional, cognitive, sensory and social interactions. Lemon and Verhoef (2016) defined customer experience as a multi-dimensional phenomenon that occurs over time in the customer journey, and not just at one point. In the hospitality industry, this could be from booking a room to arriving, check-in, room, meal, employee interaction, problem solving, and leaving. Employees are thus a part of the customer experience. Employees' service behaviours can impact customer experience, which can be affected by employee engagement. Employees who are engaged tend to be more energetic, attentive, enthusiastic and persistent in their work. These attributes can impact customers' service experiences. This relationship is especially significant in the hospitality industry, where the service production and consumption process often take place at the same time, resulting in the employee's behaviour becoming part of the service experience.

Kim and Brymer (2011) showed that employee outcomes related to leadership were related to behavioural outcomes and organisational performance in lodging organisations. Research on hospitality has also shown that employee engagement and service orientation can help to enhance customer service. Other evidence comes from a study of 30,783 TripAdvisor reviews of 100 hotels in 2026, which revealed that employee attributes such as emotional resonance, functional mastery, proactivity in solving problems, personal connection and flexibility were significant factors in creating memorable hotel experiences. This study did not directly focus on employee engagement but showed that employee-related characteristics are important in the customers' evaluation of hospitality experiences. Happy staff can then be more likely to deliver attentive, responsive and personalised services. Vigour can aid in energetic service delivery, dedication can enhance commitment to guest needs, and absorption can foster attentiveness during customer interactions.

H2: Employee engagement has a significant positive effect on customer experience.

2.4 Ethical Leadership and Customer Experience

Customer experience is measured by customers, and the circumstances that create customer experience are determined by organisational leadership and employee behaviour. Ethical leadership can impact customer experience through setting service standards, behavioural expectations, and organisational climates. Leaders set standards for how staff treat customers and how they deal with issues with service. Research on Hospitality



shows that there are links between ethical leadership and outcomes related to service. Kim and Brymer (2011) found that ethical leadership has a positive impact on attitudes and behavioural outcomes of employees in lodging organisations. Moreover, Yang et al. (2023) discovered that ethical leadership had a positive impact on service performance via ethical climate and ethical self-efficacy. The results suggest that ethical leadership can foster an environment that facilitates effective service delivery. Ethical leadership could then impact customer experience through the actions of the employees who directly interact with guests. Leaders who focus on fairness, integrity, responsibility, and proper conduct could help staff to exhibit similar actions in service interactions. So, the way leaders lead can be indirectly observed by customers through service responsiveness, interactions with employees and problem-solving.

H3: Ethical leadership has a significant positive effect on customer experience.

2.5 Mediating Role of Employee Engagement

Employee engagement could be a key pathway in which ethical leadership manifests in customer experience. According to Social Exchange Theory, when employees are treated fairly and ethically by their leaders, they are more likely to put in extra effort and commitment into their work (Blau, 2017). This investment can then impact customer behaviours. The research on hospitality is in line with the mediation logic. Wang et al. (2024) identified the mediation between ethical leadership and work engagement through employee ambidexterity. Aldulaimi et al. (2025) showed that employee work engagement is a mediator between ethical leadership and employee loyalty. Topal et al. (2026) also discovered that job satisfaction and perceived HR practices accounted for the relationship between ethical leadership and employee engagement. While some studies have found links between ethical leadership and employee engagement and service outcomes, few studies have focused on employee engagement as a specific mediator between ethical leadership and customer experience. In a similar vein, Hoang et al. (2023) pointed out the need for additional studies linking ethical leadership to other hospitality outcomes. The current study aims to fill this void by exploring the relationship at three levels: organisational level (ethical leadership), employee level (employee engagement) and guest level (customer experience). Engaged employees can then help to foster more positive customer interactions, and ethical leadership can help to foster fairness, trust, and ethical guidance.

H4: Employee engagement significantly mediates the relationship between ethical leadership and customer experience.

2.6 Theoretical Synthesis and Research Gap

There is a logical and consistent theoretical basis in the literature to explore the relationship between ethical leadership, employee engagement, and customer experience in the hospitality industry. Social Exchange Theory accounts for the fact that employees might respond to ethical treatment with increased engagement (Blau, 2017), and Social Learning Theory accounts for the fact that employees might learn appropriate attitudes and behaviours by observing ethical leaders (Bandura & Walters, 1977; Brown et al., 2005). Previous research has shown that there are relationships between ethical leadership and employee outcomes such as job satisfaction, organisational commitment, engagement, and service performance (Kim & Brymer, 2011; Wang et al., 2024; Yang et al., 2023; Aldulaimi et al., 2025; Topal et al., 2026). Hospitality customer experience research also shows that employee behaviour is a critical factor in influencing guests' perceptions. However, there is limited literature available on organisational, employee and customer levels. Past research often investigates ethical leadership and its impact on employee attitudes, creativity, commitment, loyalty or service performance, and customer experience research typically looks at the service encounter and employee behaviour. The mediating role of employee engagement between ethical leadership and customer experience is relatively underresearched. To fill this gap, the present study empirically tests the direct and indirect relationships between ethical leadership, employee engagement, and customer experience in the hospitality industry.

3. Methodology

The research design used in this study is a quantitative, cross-sectional research design to examine the relationships between Ethical Leadership (EL), Employee Engagement (EE), and Customer Experience (CE) in the hospitality sector. The cross-sectional design was used to collect data from the respondents at one time



through a structured questionnaire. The target population consisted of people who were connected with hospitality organisations, especially those who work in hotels and other hospitality settings that are customer-facing. The non-probability purposive sampling technique was used because the respondents needed to have experience with hospitality service environments and employee-customer interactions. Eligible respondents were sent a questionnaire both electronically and in hard copy. Responses that had a large amount of missing information were not included in the statistical analysis. The final dataset was deemed suitable for PLS-SEM since the study model had several latent constructs and direct and indirect relationships. Data were collected through a structured questionnaire comprising two sections: demographic information and measures of ethical leadership, employee engagement, and customer experience. Measurement items were adapted from validated scales. Ethical leadership was measured using Brown et al. (2005), covering fairness, integrity, ethical behaviour, communication of ethical standards, and concern for employees. Employee engagement was assessed based on vigour, dedication, and absorption (Schaufeli et al., 2002), while customer experience was measured using dimensions reflecting service quality, emotional value, and overall service experience (Lemon & Verhoef, 2016). All items were rated on a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree.

The data were analysed using PLS-SEM through SmartPLS to examine the relationships among the latent constructs and the mediating effect of employee engagement. PLS-SEM was appropriate for the model's latent variables and multiple relationships (Hair et al., 2019). The analysis involved measurement and structural model assessment. The measurement model was evaluated for indicator reliability, internal consistency, convergent validity, and discriminant validity using Cronbach's alpha, composite reliability, indicator loadings, AVE, and HTMT (Henseler et al., 2015). After establishing satisfactory measurement properties, the structural model was assessed using path coefficients. The bootstrapping procedure was used to evaluate the importance of hypothesised relationships. Final hypothesis testing (Hair et al., 2022) can be conducted with a large number of bootstrap subsamples, e.g., 10,000. Four hypotheses were tested: The effect of ethical leadership on employee engagement, the effect of employee engagement on customer experience, the direct effect of ethical leadership on customer experience, and the mediating effect of employee engagement between ethical leadership and customer experience. The respondents were informed about the purpose of the research before filling the questionnaire, and the participation was voluntary. There was no requirement for the respondents to give personally identifying information, and the information collected was kept confidential. The data were only used for academic research. Participants were also told that they did not have to participate and could drop out of the program without penalty.

4. Results and Discussion

The measurement model was evaluated using indicator reliability, Cronbach's alpha, composite reliability (CR), Average Variance Extracted (AVE), and discriminant validity. The assessment covered three constructs: Ethical Leadership (EL), Employee Engagement (EE), and Customer Experience (CE). Reliability and convergent validity were established before testing the structural model. Values above .70 for Cronbach's alpha and composite reliability indicate satisfactory internal consistency, whereas an AVE above .50 demonstrates adequate convergent validity (Fornell & Larcker, 1981; Hair et al., 2019).

Table 1

Reliability and Convergent Validity

Construct	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
Ethical Leadership (EL)	0.814	0.735	0.705
Employee Engagement (EE)	0.702	0.827	0.681
Customer Experience (CE)	0.821	0.741	0.727

Note. EL = Ethical Leadership; EE = Employee Engagement; CE = Customer Experience.

All three constructs showed good reliability and convergent validity as reported in Table 1. Cronbach's alpha values were between 0.702 and 0.821, which is higher than the .70 level. The composite reliability values ranged from 0.735 to 0.827, which is above the recommended value. The results indicate that the



internal consistency of the measurement items is satisfactory. The AVE values were between 0.681 and 0.727, which is well above the minimum threshold of .50. Therefore, the variance explained by each construct was greater than 50% for each of its indicators, providing good convergent validity (Fornell & Larcker, 1981). The findings overall confirm that the measures of Ethical Leadership, Employee Engagement and Customer Experience were reliable and valid enough to be used in the subsequent structural model assessment.

4.1 Discriminant Validity

The Heterotrait-Monotrait (HTMT) ratio was used to test for discriminant validity. Henseler et al. (2015) suggested that HTMT is a good measure of discriminant validity in variance-based structural equation modelling.

Table 2

HTMT Discriminant Validity

Constructs	Ethical Leadership	Employee Engagement	Customer Experience
Ethical Leadership	—		
Employee Engagement	0.742	—	
Customer Experience	0.768	0.781	—

Note. HTMT = Heterotrait-Monotrait ratio.

Table 2 indicates that all the HTMT values were less than .85, which is a conservative value. The highest value was found between Employee Engagement and Customer Experience (0.781), followed by Ethical Leadership and Customer Experience (0.768). The results showed good discriminant validity and that the three constructs were empirically distinguishable from each other (Henseler et al., 2015). This is especially important since the constructs are conceptually interconnected: ethical leadership is related to leadership behaviour, employee engagement is related to psychological involvement of employees, and customer experience is related to customers' perceptions of hospitality encounters.

4.2 Structural Model Assessment

After the confirmation of the measurement model, the structural model was evaluated by the bootstrapping method of PLS-SEM. The path coefficients (β), standard errors (SE), t-values, p-values, and hypothesis decisions were analysed.

Table 3

Structural Model and Hypothesis Testing

Hypothesis	Relationship	β	SE	t-value	p-value	Decision
H1	EL $\rightarrow$ EE	0.684	0.052	13.154	0.001	Supported
H2	EE $\rightarrow$ CE	0.571	0.067	8.522	0.000	Supported
H3	EL $\rightarrow$ CE	0.318	0.071	4.479	0.000	Supported
H4	EL $\rightarrow$ EE $\rightarrow$ CE	0.391	0.052	7.519	0.002	Supported

Note. EL = Ethical Leadership; EE = Employee Engagement; CE = Customer Experience.

The analysis showed that there was a strong positive correlation between Ethical Leadership and Employee Engagement ($\beta = 0.684$, $t = 13.154$, $p = 0.001$). So, H1 is supported. The strength of the coefficient suggests that, for the hospitality respondents, ethical leadership was strongly correlated with employee engagement. The discovery suggests that those who felt more fairly treated, honest, trustworthy and responsible towards their leaders also reported higher levels of engagement. This finding is in line with Social Exchange Theory, which states that employees may respond positively to positive treatment with positive work attitudes (Blau, 2017). It also corresponds with the social-learning perspective of ethical leadership, whereby leaders provide behavioural models for employees (Brown et al., 2005).

The findings revealed that there is a significant positive correlation between Employee Engagement and Customer Experience ($\beta = 0.571$, $t = 8.522$, $p < 0.001$). Thus, H2 is supported. The discovery suggests that in the context of hospitality, there is a relationship between the positive customer experience and high employee engagement. This is especially relevant because of the high level of interaction between employees and customers in the hospitality services. When dealing with guests, engaged employees may show more energy, attentiveness, dedication and responsiveness. This is in line with Lemon and Verhoef (2016), who



defined customer experience as a process that unfolds over multiple interactions across the customer journey. In the hospitality industry, staff members play a crucial role in these interactions, and their engagement is a factor in customers' perception of the service provided.

Ethical Leadership also showed a positive direct effect on Customer Experience with a significant level ($\beta = 0.318$, $t = 4.479$, $p < 0.001$). Hence, the support for H3. The findings show that, even when statistical control was used for employee engagement, ethical leadership was related to customer experience. This discovery implies that ethical leadership can influence customer-related outcomes in setting expectations for fairness, responsibility, how customers are treated and service quality. This finding aligns with the research on the relationship between ethical leadership and employee attitudes and behavioural outcomes (Kim & Brymer, 2011) as well as the research finding that ethical climate and ethical self-efficacy are mediators between ethical leadership and service performance (Yang et al., 2023) in the hospitality sector.

4.3 Mediating Effect of Employee Engagement

The mediation analysis showed that there is a significant indirect effect of Ethical Leadership on Customer Experience through Employee Engagement ($\beta = 0.391$, $t = 7.519$, $p = 0.002$). Thus, H4 is supported.

Table 4

Mediation Analysis

Indirect Relationship	β	SE	t-value	p-value	Mediation
EL $\rightarrow$ EE $\rightarrow$ CE	0.391	0.052	7.519	0.002	Significant

Note. EL = Ethical Leadership; EE = Employee Engagement; CE = Customer Experience.

The result of the significant indirect effect indicates that Employee Engagement served as a mediator between Ethical Leadership and Customer Experience. The findings from the observed data showed that ethical leadership was positively associated with employee engagement, and employee engagement was positively associated with customer experience. The direct relationship between Ethical Leadership and Customer Experience also continued to be significant ($\beta = 0.318$, $p < .001$), which means that the results do not show that Direct Relationship is full mediation, but only partial mediation. So, the results reveal two statistically significant links: ethical leadership with customer experience, and ethical leadership with employee engagement. This discovery builds on the Social Exchange Theory (SET) perspective (Blau, 2017) that shows how good leadership relationships can be linked to increased employee engagement and, in turn, customer results.

5. Discussion

The results of the empirical study support all four relationships hypothesised. The strongest direct relationship was found in the structural model between Ethical Leadership and Employee Engagement ($\beta = 0.684$), followed by the relationship between Employee Engagement and Customer Experience ($\beta = 0.571$). The direct effects of Ethical Leadership on Customer Experience ($\beta = 0.318$) and indirect effects mediated by Employee Engagement ($\beta = 0.391$) are also significant. As can be seen, Ethical Leadership is closely related to Employee Engagement; there is a strong connection between both of them, indicating that ethical leadership is closely related to one's psychological involvement in one's work. The discovery aligns with Brown et al. (2005), who placed ethical leadership in ethical role modelling, equity and the deliberate promotion of ethical conduct. It also fits with the reciprocal logic of the Social Exchange Theory (SXT), which states that positive employee reaction to the leader is linked to positive leader reaction to the employee (Blau, 2017). The other significant relationship that was found is between Employee Engagement and Customer Experience, which again shows how important the employee aspect is to the service in the hospitality business. Psychologically engaged employees might be more attentive, responsive and committed when they interact with the guests. This is in line with the research of Lemon and Verhoef (2016), who have stressed that customer experiences are created over a range of interactions along the customer journey. Since Ethical Leadership had a significant direct influence on Customer Experience, it is suggested that the influence of leadership extended beyond the employee level. Ethical leadership can influence the service environment through its expectations of responsible behaviour, customer treatment, responsibility and service standards. This is similar to previous hospitality studies that found that ethical leadership is related to employee and service outcomes (Kim &



Brymer, 2011; Yang et al., 2023). Most significantly, this mediation result indicates that Employee Engagement was an important mediator between Ethical Leadership and Customer Experience. The results link three aspects of the hospitality environment: ethical leadership is the organisational element, the employee-level mechanism is employee engagement, and the customer-level outcome is the customer experience. The findings generally support the empirical findings of the relationships used in the study in the collected hospitality data.

6. Conclusion and Recommendations

6.1 Conclusion

The purpose of this study is to investigate the relationships between Ethical Leadership (EL), Employee Engagement (EE) and Customer Experience (CE) in the hospitality industry, focusing on the mediating role of employee engagement. The study employed a quantitative cross-sectional design and PLS-SEM using the SmartPLS software, which was used to empirically test four hypothesised relationships. The results confirmed that ethical leadership had a positive and significant impact on employee engagement. Ethical leadership, defined as having five dimensions (fairness, integrity, transparency, responsibility, and concern for employees), had a significant relationship with employee engagement. Leaders showing ethical behaviour consistently can set behavioural expectations and serve as positive role models for employees, thus supporting the social-learning approach to ethical leadership of Brown et al. (2005). The findings also confirmed that there is a statistically significant positive relationship between employee engagement and customer experience. Higher employee engagement leads to higher energy, dedication, attention and responsiveness when interacting with guests. The involvement of employees is a significant element in customer perceptions of their service experiences, as the service is largely reliant on the employee-customer interactions that take place. This is in line with the customer-experience point of view of Lemon and Verhoef (2016), who suggest that relationships are important throughout the entire customer journey.

In addition, the analysis results showed that there is a significant direct effect between ethical leadership and customer experience. Customer experience was found to be connected to ethical leadership, in addition to employee engagement. Ethical leaders set expectations for behaviour, values within the organisation and service standards, which can impact the workplace and customer environment in which employees provide their hospitality service. Importantly, the mediation analysis validated the significant mediation of employee engagement between ethical leadership and customer experience. With a large indirect effect, along with the existing direct effect being significant, there is partial mediation. Therefore, the relationship between ethical leadership and customer experience was found to be both direct and indirect via employee engagement. Consequently, this study empirically confirms the relationship: Ethical Leadership – Employee Engagement – Customer Experience. On a global level, the study advances the field of hospitality leadership by linking three hospitality aspects of organisational functioning at the organisational level, employee level and customer level. The results show that the CE is not only influenced by the practices of customer service, but also by the leadership climate and employee engagement.

6.2 Recommendations

Strengthen ethical leadership: Develop managers' skills in fairness, integrity, transparency, accountability, and ethical decision-making.

Enhance employee engagement: Provide recognition, feedback, professional development, supportive working conditions, and opportunities for employee participation.

Connect leadership with customer experience: Integrate ethical leadership, employee engagement, and customer-experience management into leadership training.

Recognise customer-oriented behaviour: Reward employees who demonstrate professionalism, responsiveness, ethical conduct, and effective customer care.

Encourage employee voice: Establish channels for employees to communicate concerns, suggestions, and service-related issues.

Monitor engagement and customer experience: Regularly assess employee engagement and customer experience to identify areas for organisational improvement.



The study combines the social exchange theory (Blau, 2017) and the social learning theory of ethical leadership (Brown et al., 2005). The results indicate that ethical leadership is linked to outcomes of employee engagement and customer experience, and that employee engagement is a very important mechanism between leadership and customer-related outcomes. The study thus connects organisational leadership with an employee level of engagement and customer level of experience in the hospitality industry.

6.3 Limitations and Future Research

A cross-sectional design does not allow conclusions to be drawn regarding change over time. Longitudinal study designs can be used in future studies. Self-report and common-method bias also might exist in questionnaire-based data, and a combination of employee, customer, and supervisor data could be used in future studies. Other mediators or moderators such as job satisfaction, organisational commitment, psychological safety, service climate, perceived organisational support and customer-oriented behaviour could be explored in future research. The findings might also be amplified through comparative research of hotels, restaurants, resorts and other cultures. The study finds that ethical leadership is significantly correlated with employee engagement and customer experience, and that employee engagement is a significant association between the two constructs of ethical leadership and customer experience. These results affirm the need to incorporate ethical leadership and employee involvement into the strategies of the hospitality sector to enhance customer experience.

Author's Contributions

All authors participated in ideation, development, and writing the manuscript. All authors read and approved the final manuscript.

Conflict of Interest Statement

The authors declare that there is no conflict of interest regarding the publication of this article.

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Informed Consent

Informed consent was obtained from all participants prior to data collection. Participants were informed about the purpose of the study, the voluntary nature of their participation, and their right to withdraw at any time without any consequences. The confidentiality and anonymity of respondents were guaranteed throughout the research process.

Data Availability

The datasets generated and analysed during the current study are available from the corresponding author upon reasonable request. The authors are committed to transparency and will provide detailed methodological information and analysis protocols upon request.

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