

Maas, Peter; Graf, Albert

Article

Leadership by customers? New roles of service companies' customers

Zeitschrift für Personalforschung (ZfP)

Provided in Cooperation with:

Rainer Hampp Verlag

Suggested Citation: Maas, Peter; Graf, Albert (2004) : Leadership by customers? New roles of service companies' customers, Zeitschrift für Personalforschung (ZfP), ISSN 1862-0000, Rainer Hampp Verlag, Mering, Vol. 18, Iss. 3, pp. 329-345

This Version is available at:

<https://hdl.handle.net/10419/105253>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

Peter Maas, Albert Graf*

Leadership By Customers? New Roles of Service Companies' Customers**

In this paper we bring together two worlds that are usually strictly separated in research: leadership and customers. Until now leadership research has concentrated particularly on internal organizational processes, whereas customers were analyzed preferably in the context of marketing and service management. Research shows that the range of roles and functions of customers as key company stakeholders has changed dramatically in the last few years. Especially in service companies, customers (and communities), thought of as prosumers (*producers and consumers*), are active players, which can exert significant influence particularly on customer contact employees and on employee leadership. As only few of the established leadership concepts are open to an inclusion of customers, we choose Kerr/Jermier's (1978) substitute for leadership theory to show how the relationship between boundary spanning employees and customers can be linked to the relationship between an employee (as a follower) and his supervisor (as a leader). The analysis of this interrelatedness shows that customers can actually assume some leadership functions which subsequently will not only affect the behavior of the employees but also that of leaders. If leadership research wants to take up this challenge, it has to rethink its concepts to include new context factors relevant to the organisation. Corresponding implications and future directions for leadership research and practice are outlined.

Key words: Substitutes for Leadership, Leadership by Customers, Customer Involvement, Service Management

* Dr. Peter Maas, born 1956, University of St. Gallen, Department of Management, Kirchlistrasse 2, CH - 9010 St. Gallen, Switzerland. E-Mail: peter.maas@unisg.ch. Main research topics: Corporate Strategies and Transformation, Convergence of Industries in the Financial Services Sector, Deconstruction of Value Chains: Networks and new Business Models, Integrated Risk Management, Customer Value and Integrated Service Management.

Dipl. oec. Albert Graf, born 1966, University of St. Gallen, Department of Management, Kirchlistrasse 2, CH - 9010 St. Gallen, Switzerland. E-Mail: albert.graf@unisg.ch. Main research topics: Customer Value, Integrated Service Management, Network Management and Strategies.

** Article received: September 30, 2003

Revised version accepted after double blind review: July 13, 2004.

To date, customers have played virtually no role in leadership research. Why should these two aspects now be considered jointly?

Whereas traditional management theory has preferred an industry-oriented perspective, recent years have revealed a greater interest in studies of service management. The defining characteristics of services in contrast to physical products have an immediate impact on the constitution of relationships between customers and companies. With regard to personal services, the direct interaction between employees at the interface to the market and their customers emerges as a central element of success. If, in the past, these relationships were classically sales-driven, they are becoming more and more customer-driven due to fundamental changes in customer behavior. The new conditions of the altered framework have changed customers' attitudes and behavior patterns resulting in a new distribution of roles between the company and its customers. This has a major impact on the core relationship between customers, employees and the company in the so-called service triangle. But, what are the effects on leadership?

Although scientific research on leadership did not begin until the twentieth century (Yukl 1998, 1), a wide variety of approaches and theories on different aspects of leadership have been developed. The emphasis of early leadership research was on individual traits and skills that leaders bring to all leadership tasks (Stogdill 1948; Delhees 1995). The next major thrust was to examine the behavior of leaders and situational variables leaders must deal with (Fiedler 1967; Blake/Mouton 1964; Hersey/Blanchard 1969, 1972). Followed by the era of transformational leadership research, the emphasis shifted to leaders who create change in deep structures, major processes, or overall culture (Bass 1985, 1996; Tichy/Devanna 1986; House 1977; Conger/Kanungo 1998; Meindl 1990). A leader's qualities may include compelling vision, brilliant technical insight, and/or charismatic quality (Van Wart 2003). During the last few years the volatile environment, the growing complexity and dynamic inside and outside companies has also increased the complexity of leadership context (Osborn/Hunt/Jauch 2002). This has supported the emergence of new leadership approaches and theories taking the focus away from formal, hierarchical leadership seen as superior-subordinate interactions. Integrative models from Yukl (1998) or Hunt (1996) integrate major schools, especially the transactional and transformational schools. In several approaches employees are considered a leadership resource with growing importance with respect to empowerment, intrapreneuring or "managing the boss" (Wunderer 2003; Kuhn 2000; Spreitzer/De Janasz/Quinn 1999; Reich 1987; Pinchot 1985). But so far leadership research usually refers to leadership inside organizations, and not beyond organizational boundaries. However, taking into account recent developments in society and economies it will become necessary to extend the leadership perspective beyond organizational boundaries, including important external stakeholders such as single customers or whole customer communities.

In the following discussion we first point out our understanding of services, service management and leadership before analyzing the relevance of customers for the conceptualization of leadership. Subsequently, we critically examine the changing roles and functions of customers and their implications on the relationships between boundary spanning employees, customers and the organization. The consequences of

an increasing involvement of customers on leadership relations are discussed and corresponding implications for research and practice are derived.

Management of services: An integrated view

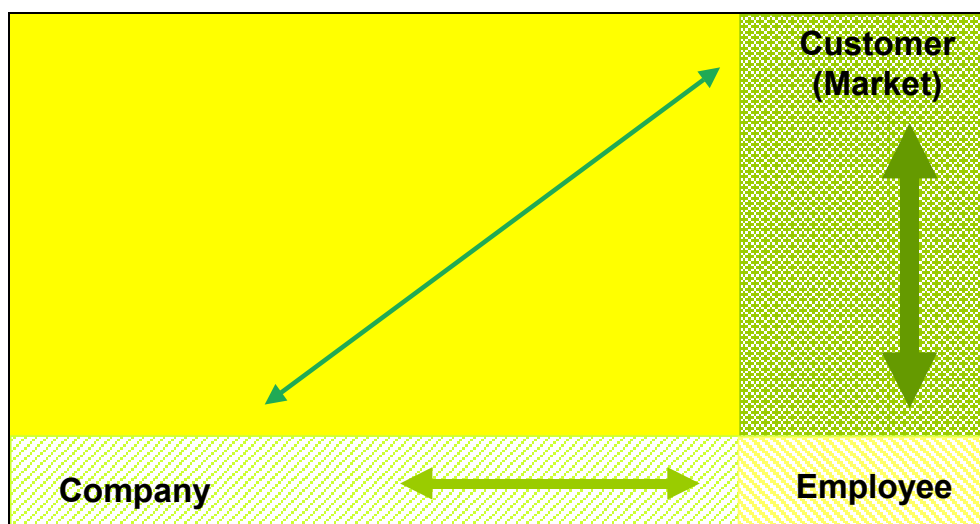
This contribution is based on a notion of service referring not only to the traditional service sector (tertiary sector) but also encompassing the entire service economy. This direction is based on the global phenomenon that the service functions are prevalent in virtually all areas of the economy (Lehmann 2001, 83).

Generally stated, services can be distinguished from products by means of the following characteristics (Bowen/Schneider 1988, 47; Bruhn 1997, 11):

- intangibility;
- uno actu principle: simultaneity of production and consumption;
- customer involvement.

Compared with products, services possess the characteristic of intangibility, which is reflected in a certain opaqueness and lacking property character of services. Services cannot be possessed; they can only be experienced, created, or participated in (Bowen/Schneider 1988, 47). Since services often have to be provided to customers on their own premises, the production and consumption of a service frequently coincide. In addition, the uno actu principle entails a direct interaction between customer and employee (Sydow 2000, 23).

Figure 1: The service triangle based on Irons (1994)



The involvement of customers in the service provision process as a prosumer (*producer and consumer*), and particularly the interaction between customer and employee, exerts an essential influence on the company providing the service. This implies a dynamic process in the relationship between the organization and its customers (Irons 1994, 153). The management must therefore be strongly market- and customer-oriented and offer those services that meet their particular customer segment's re-

quirements. Here, the service provider's success is determined at the moment of truth, namely the interaction between employee and customer (Irons 1997, 44). The employees' behavior influences the perceived quality of service and thus customers' satisfaction (Cook et al. 2002; Homburg/Stock 2001; Mafi 2000; Heskett et al. 1994; Schneider 1994). At this moment, however, the employee cannot be controlled directly by management. At the moment of truth, he/she stands alone for the company. Whether the moment of truth becomes a moment of success for both customer and company is critically dependent on the service provider's customer contact employees. No matter whether they are service or sales staff or customer relations officers, their activities link their organizations with the outside world – and particularly with customers – thus exercising a so-called boundary-spanning role (Chebat/Kollias 2000; Russ/Galang/Ferris 1998; Singh/Rhoads 1991). With regard to services, they primarily have to fulfill two functions. On the one hand, the service-specific characteristic of customer involvement results in a cooperation between those employees dealing with customers at the time of production and provision of service. On the other hand, since customers regard the customer contact employees as corporate representatives and often equate them with the service companies themselves these boundary-spanners' behaviors constitute the basis for the assessment of the company's service quality (Chung/Schneider 2002, 72). These employees are frequently much closer – physically, geographically and/or psychologically – to customers than to their company or fellow employees. Through this bridging function, they also have the important task of supplying and filtering customer information and experience to the company, particularly with regard to how often and how well the company succeeds in satisfying customer requirements (Parkington/Schneider 1979; Chung/Schneider 2002).

Due to customer contact employees' great significance in their capacities as service producers, as corporate representatives to the outside world, the management of such a staff is crucial for the success of a service provision company (Russ/Galang/Ferris 1998; Chung/Schneider 2002). Given this situation, if management wants to fulfill its function of creation, direction and development of target-oriented systems, it will need the integration of customer-oriented processes in all leadership activities, as well as the harmonization of customer and company processes. Since customers, employees and companies constantly exert a mutual influence on each other in these interaction processes, they must not be considered as isolated parts of the service management process (Fig. 1). They must all be included in the form of an integrated service provision management, with leadership, due to its significance and function, granted a central role especially for the boundary spanners.

Understanding of leadership

But, what is leadership? The numerous, diverse leadership definitions and approaches in literature reviews from, for example, Yukl (1998), Neuberger (2002) or Wunderer (2003), illustrates that there is neither a uniform nor a dominant understanding of leadership. In order to analyze customers' relevance and influence on leadership, it is therefore necessary to first sketch the fundamental definition used here for the concept of leadership. Following Weibler (2001, 29), we define: Leadership is to influence

others through socially accepted behavior, in such a way that through this influence others are directly or indirectly geared toward goal oriented behavior.

According to Rosenstiel (2000, 49), the determinants of behavior lie within the factors of ability (qualification), will (motivation), values and norms, as well as situational conditions (circumstances). Therefore leadership can refer to all or only individual factors. Referring only to individual factors, leadership is restricted to that behavior which encounters acceptance without reducing the effectiveness of the influence (Weibler 2001). The purpose of this influence is to reach defined goals. These goals must not be achieved immediately, but also with respect to temporal delay after the exertion of influence.

The criterion (in)directness includes, in addition to the temporal dimension, a dimension of content. Leadership can influence behavior through direct and/or indirect (structural) interaction (Wächter 1992, 321). Leadership based on direct interaction is face-to-face leadership by instruction, model, example information, request, etc. (Neuberger 2002, 451). Contrarily, indirect leadership is made by addressing nonspecific environmental and premise conditions, which affect the work situation of the individual e.g. work contents, job security, physiological conditions of work, organizational structures, working groups, etc. (Weibler 1994; Opens/Sydow 1981).

Customer-oriented leadership concepts?

Until now research on leadership has concentrated particularly on internal organizational processes. Little attention has been given to the impact and influence of customers or customer groups on leadership. Additionally, very few leadership approaches allow for the inclusion of customers.

Within the systemic, structural or stakeholder-oriented leadership approaches, the customer can also be seen as having a relevant influence, even if usually only indirect. However, the view of the customer having a direct influence on leadership is possible, for example, in the integrative leadership model from Yukl (1998). He recognizes other determinants of organizational effectiveness besides leadership that may surpass the leader's influence, such as direct effects of external conditions beyond the control of the leader (1998, 502). However, none of the approaches deal explicitly with the influence and significance of the customer for and on leadership. The only study that examines specifically the possible customer leadership functions was done 20 years ago by David Bowen (1983). Since this study can be regarded as an extension of the substitute for leadership theory, it and its extension around the customer will be examined in greater detail.

Substitutes for leadership

The substitute for leadership theory which goes back to Kerr and Jermier (1978) proposes that certain variables can substitute for or neutralize leadership by managers and other formal leaders and deals therefore with the limitations of interactional leadership (Weibler 2001). These variables may work against a leader's ability to exert either positive or negative influence over subordinate effectiveness and attitudes. In other words, the objective to exert positive influence on the behavior of employees can be reached with tactics other than interactional leadership (Weibler 2001, 337). The approach as-

sumes that the real key to leadership effectiveness is to identify those important situational or contextual variables that may “substitute” for a leader’s behavior, so that the leader can adapt his or her behavior accordingly (Bowen 1983).

In the initial version of the model, Kerr and Jermier (1978) were mostly concerned with identifying substitutes and neutralizers for supportive and instrumental leadership (Yukl 1998, 273). The approach was further developed by Howell, Dorfman, and Kerr (1986), who subsequently extended the taxonomy underlying the theory and developed a set of statistical criteria for determining whether neutralizers, enhancers, supplements, and/or substitutes for leadership are operative in a particular situation (Schriesheim 1997, 105). Moreover, several subsequent studies have found that substitutes for leadership variables are significantly related to many forms of leader behavior (cf. Dionne et al. 2002; Podsakoff/MacKenzie/Fetter 1993; for a comprehensive review of the relevant research see Podsakoff, MacKenzie, Ahearne, and Bommer 1995).

However, aspects of the theory remain, which have been neither tested nor supported, and it is premature to assess the theory’s validity and utility (Yukl 1998, 276). The positive contribution the theory has already made is demonstrated by the importance of many of the leadership substitutes utilized in successful leadership methodologies such as commitment or employee satisfaction. Additionally, the theory has contributed to the awareness of other alternatives such as job enrichment or automation (Howell/Dorfman/Kerr 1986). The theory provides a framework for stimulating and organizing research on the substitutes themselves (Jermier/Kerr 1997) however is limited to substitutes within organizational boundaries.

Customers as substitutes for leadership in service organizations

Based on the Kerr-Jermier’s substitute for leadership approach, Bowen (1983) focuses in his study on the question, how the unique characteristics of service organizations might result in customers acting as substitutes for leadership. He integrates customer involvement into the process of service generation and examines the different sources of guidance and support that influence the attitudes and performance of employees in service organizations. According to Bowen, there are two possible ways to consider this subject (1983, 50):

- First, customers may take the place of leaders as an interpersonal source of instrumental and supportive behaviors that matters most to the employee. Instrumental behaviors consist of telling employees what needs to be done and how to do it whereas supportive behaviors focus on telling employees things that are warming and self-worth enhancing.
- Second, customers can shape employees perception of the presence of enriched task characteristics and therefore affecting indirectly the nature of tasks performed by employees.

Bowen’s findings on the hypotheses show that even though customers do not act directly as substitutes for leadership, they do influence employees to a similar or greater degree than formal leadership, organizational formalization or professional orientation (1983, 141f.). The task of management therefore consists in selecting a combination of

formal leadership and potential substitutes for leadership - customer, subordinate, task, or organization -which will exert the most effective and efficient influence on employees. He concludes that customers can be an important source of influence in service organizations that requires attention in the design of service organizations and in the future work on leadership and its substitutes (Bowen 1983, I).

To date, even 20 years after Bowen's study, we have found no further approaches, within the context of leadership research, which examine the influence or importance of factors on leadership behavior beyond the organizational boundaries, particularly from customers. Increasingly there is work being done on leadership behavior as an influential factor in the customer orientation of employees (Homburg/Stock 2002; Hartline/Maxham/McKee 2000; Hurley/Hult 1998). Therefore the question presents itself: Is it worthwhile and relevant for leadership research to examine customers' importance for and on leadership?

Before we confront this question, we first have to direct our view towards customers. As customers interacting with service providers, by definition, are always involved in service production, this involvement is crucial for customers' influence on the company. Subsequently both past and current developments of customers' roles and functions in the service production process will be presented as in the so-called "customer involvement" process.

Customers as part of the service process – a review of the literature

The literature pays particular attention to the service characteristic of customer involvement that is fundamental both in practical relevance and in its significance in a service company's success. Customer involvement can be defined as "the amount of participation perceived by the consumer to be required to engage in a particular activity or service" (Good 1990, 4). According to this definition, customer involvement is dependent upon the type of service and customer's needs. It is determined by the customer's role in the service process within which he should or would like to play (Bitner, Faranda, Hubbert, and Zeithaml 1997; Good 1990). The spectrum of customer involvement ranges from a passive customer participation, such as physical presence, to a very high degree of customer integration where customers partially or even predominantly take on the provision of a service themselves. In this case companies are unable to effectively deliver the service results without customers' cooperation.

Table 1: Development of customers as part of the service process

Degree of involvement	Major characteristics
Customer as partial employee	Customers regarded as the main source of input uncertainty and as a negative factor.
Customer as human resource	Customers play a contributory role in limited areas in order to increase productivity.
Customer as a source of competence	Customers actively co-create unique value for themselves defined by and for themselves.
Customer as innovator	Customers' know-how and competence is transformed into new products and services.
Open Source	Organization and management of Open Source communities are customer driven; companies becoming part of a customer community.

As the literature synopsis illustrates, over time research into customer involvement has won an enormous increase in dynamic, and a number of important approaches have been developed and enhanced. An overview of the development of customer involvement research is presented in the following sections (Tab. 1). The first two sections present a historical review, while the following sections point out current developmental trends in this area of research.

Customer as input uncertainty

Lovelock and Young (1979) were the first to argue that an increase in productivity in the service industry can be achieved through a stronger involvement of customers in the production process. In this context, Mills, Chase, and Margulies (1983) speak of customers as “partial” employees. Implicitly here, is an expansion of the corporate organizational frontiers to include customers. Mills and Morris (1986) describe this expansion in such a way that the customer becomes a temporary member of or participant in the company. The customer’s involvement in the generation of services is regarded as the main source of input uncertainty (Argote 1982, 421; Bowen/Jones 1986, 428; Bowen/Schneider 1988, 54; Larsson/Bowen 1989, 213). All of the mentioned works attempt to provide an approach as to how a company should best deal with this input uncertainty. Customers are seen throughout as a “negative” source that must be managed as efficiently and effectively as possible.

Customer as human resource

Bowen (1986) proposed a different approach to the involvement of customers and describes how customers can be managed as internal organizational human resources. This approach and the connected role of customers were meant to lead to an increase in productivity by customers carrying out certain service operations themselves. Thereby, management’s important strategic task is to define the optimal role for the customer e.g. as a productive resource or as a contributor to quality, satisfaction and value (Bowen 1986; Bitner et al. 1997). The main focus of this research is on providing customers with a contributory role, but only within a field defined or limited by the company.

Customer as a source of competence

With today’s information and communication technologies, customers now have access to practically the same information as companies. The eradication of the previously predominant information asymmetry between companies and customers has resulted in a “shift of power” (Prahalad/Ramaswamy 2000, 81). Customers have become a new source of competence and know-how (Gibbert/Leibold/Voelpel 2001, 117; Gurgul/Rumyantseva/Enkel 2002, 5) which enable them to actively co-construct their own consumption experiences through personalized interaction, thereby co-creating unique value for themselves (Prahalad/Ramaswamy 2003). This co-created experience and the value created through it is defined by and for customers themselves, as well as by their interactions with a network of companies and communities. This implies that the company, too, may have to perform in a manner that will enable the customer to deal with the service encounter as efficiently and effectively as possible.

Customers, with their know-how and competence, will be able to make the following contributions to a company (Gibbert/Leibold/Voelpel 2001, 112):

- Image-enhancing customers: they assist a firm in finding new customers.
- Organization-enhancing customers: they improve internal structures by demanding state-of-the art solutions.
- Competence-enhancing customers: they improve the level of organizational competencies by challenging a company's employees with new and demanding projects, enabling the employees to learn.

Customer as innovator

An active co-construction by customers can also be applied to the development of products and services. Thus customers become innovators to the benefit of their providers. The principle idea is that companies make a tool kit available to their customers, enable the customers to take part in the configuration of new developments or even to create their own designs (Thomke/von Hippel 2002, 51-52; Füller/Mühlbacher/Rieder 2003, 36). This saves companies costly and time-consuming redesign cycles whilst innovations are simultaneously adapted to customers' wishes and ideas. Another approach to transforming customers' know-how into innovations is proposed by Ulwick (2002): Successful innovation configuration requires information from customers. Since customers are only familiar with what they have actually experienced, they should not be asked for solutions or features of products or services but for outcomes. Customers should define what they expect the product or service to do for them. The outcomes described enable the company to uncover opportunities in the areas of product development and market segmentation, and to improve competition analysis (Ulwick 2002).

Company integration into customer communities

Whenever customers are regarded as a source of competence or as innovators, they only become involved in new developments under the "supervision" of or in collaboration with a company. In Open Source projects, however, in which leadership and goals are not company driven, customers appear primarily as the real innovators. Apart from self-organization and self-management, the community idea constitutes an additional pillar of Open Source projects (von Hippel 2001; von Krogh 2003). The members of an Open Source community are developers, manufacturers and consumers of their own products and services.

Companies are faced with the question as to how they can include and thus utilize the Open Source movement in their business model. Successful examples are Red Hat, which offers support for a variety of Open Source software, and IBM, which now equips its hardware with the Linux operating system. The increasing contribution of customers, primarily of organized communities (Prahalad/Ramaswamy 2000) fostered by the latest developments in communication technology has changed the rules for gaining competitive advantage. A company's socialization by way of customers' influence has turned into an issue having crucial impact on the company's competitiveness. The interaction with community systems has therefore become a key factor for success (Maas 2001; Maas/Graf 2003).

Key elements in the recent development of customer involvement

- *Stronger focus on customer needs: from product to customer orientation*

The development demonstrates the urgent necessity of a shift towards customer-oriented service generation within the customer involvement approaches. In order to remain competitive and establish the potential for differentiation, it will become increasingly more important to place customers' needs and expectations in the foreground. Therefore customer involvement must not only create positive results for companies but primarily create value for customers and satisfy customers' requirements.

- *Customers assume new roles and functions*

"Modern" consumers assume new, active and multidimensional roles. Apart from the traditional customer functions regarded as dominant by companies – those of the demander and of the yield and cost factor – customers can be engaged in additional functions (Lehmann 2001), which are of growing significance to the company: the role of collaborators, co-developers, co-innovators and as source of competence and know-how.

- *The interaction and communication between customers and companies becomes crucial*

The communication process and design of the relationship between customers and companies has become a primary challenge. In order to better recognize customers' requests and needs, so that customers can exercise new roles and functions, companies must become partners in customer systems. Only effective and efficient communication and interaction between customers and employees, but also between customers and companies can make a successful customer involvement possible.

- *Shift of power to customers and communities*

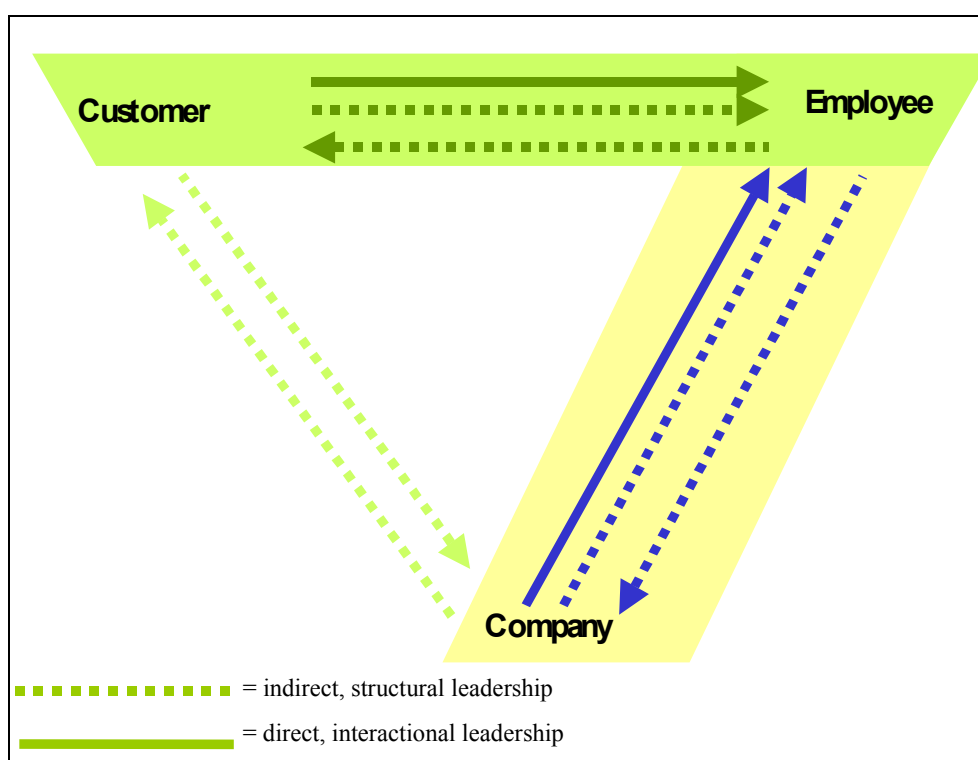
More and more often customers, as well as, whole communities, are in positions of gaining company relevant power potential. New information and communication technologies enable customers to take on tasks, as well as, roles and functions better and more quickly than companies could do themselves. New media enable customers to collaborate, exchange and organize themselves. Moreover, customers can form cohesive communities in order to interact with companies, and exert (positive or negative) influence.

Customer involvement in the context of leadership

The new developments in customer involvement demonstrate that services with particularly intensive and personal contacts lend themselves to situations where customers take on very powerful roles. This may occur, usually, but not always unconsciously, through direct interaction with and feedback to employees. This predominantly affects customer contact employees as they have the task, to take on a boundary spanning role between organizations and customers. So employee's behavior is strongly aligned to customer's expectations. In many situations the direct influence and behavior of supervisors could be even almost nonexistent: "Employees may value guidance and support from their customers more than from their superiors." (Bowen 1983, 51)

The requirements for centering business activities on customer wishes, needs, and goals, are partially satisfied by customer-oriented services, processes and employees. A corresponding leadership and company culture is also necessary. The leadership's principles and values must not only be compatible with those of the customers and communities, but also should focus on those of the customers. These customer values will have great impact in the development of a customer-oriented leadership culture. Customers can contribute significantly to successfully anchoring their values in the precepts of both the company and its leadership, through direct and intensive relationships with customer contact employees, particularly within the realm of personal services. The more the customers are integrated in the value creation process and the more concentrated the focus on specific customer groups and/or communities, the more successful this anchorage will be. The company has, therefore, the opportunity to allow the expectations and attitudes of customers with regard to the company to influence both employees and services.

Figure 2: Leadership Relationships in the Service Triangle



Transferring this, from the background of an integrated service management understanding, to leadership, it is not sufficient to limit the concept to interactional and structural leadership within the company's boundaries. Rather it must be taken into consideration that customers exert influence on employees directly and indirectly, and may also indirectly influence leadership and organization (in Fig. 2 symbolically repre-

sented by “Company”). However, employees are not to be regarded as object to be influenced by both company and customers, but instead they are to be included as indirect and structural leadership references.

The leadership triangle (Fig. 2) illustrates the stressed relationship in which employees find themselves. Employee behavior is influenced both directly and indirectly not only from the company but also its customers.

Customers assuming leadership functions

In a functionalistic viewpoint of leadership, the apparently independent individual is no longer the center of attention but instead the superordinate system. With regard to the role of leadership this means that the institution of leader(ship) is not indispensable and irreplaceable for the existence of a system. The functionalistic approach asserts that there are functional equivalents for leadership (Neuberger 2002, 327).

Furthermore, it would be very risky for a social system, such as a company, to depend on only one controlling entity, and that being one of personnel. Important system functions are redundantly safeguarded, so that, for example, interactional leadership is assured, supplemented, compensated or limited by structural controls such as rules, institutions, and values. Thus there is an abundance of substitution for leadership. For the role of leadership, this implies that leadership functions can be assumed by other persons or instances, e.g. by those being led (empowerment, entrepreneurship), by experts (e.g. controlling), by technologies and programs, by hierarchies of values (e.g. the corporate culture) and even by customers (Neuberger 2002, 329).

Which leadership functions can customers exercise by influencing boundary spanners and their management through controlled behavioral demeanor? According to Weibler there are three central leadership functions in organizations (2001, 114) The functions that customers can assume are described and exemplified as:

- *Behavior selection – decision over correct and organization normed behavior*

Today customers have almost the same access to information as the companies with whom they are dealing. Also, they have the possibility to exchange and organize themselves worldwide with other customers using the Internet. In many areas, customers are now in the situation to precisely express what is wanted or what is explicitly unwanted. This exact request can then be conveyed to employees and companies through interaction. For example, many patients acquire information before visiting a physician or hospital. Experts or others afflicted with similar symptoms then inform these patients as to their possible illness as well as any possibilities of treatment. Sometimes these new patients are better informed than physicians are about specific aspects. Therefore there are completely new expectations and requirements on the medical profession for advice and demeanor.

- *Behavior stabilization – incorporation of behaviors by preventing undesirable and assuring desirable conduct*

Customer contact employees are, due to their boundary spanning role, exposed to a slew of role conflicts and role ambiguities (Parkington/Schneider 1979; Singh/Rhoads 1991; Singh 1993; Schneider 1994; Chebat/Kollias 2000), if they attempt to satisfy both the requirements and expectations of their supervisors and customers. This can

be demonstrated by an example from the financial services industry. While customers expect an optimum of need fulfillment based on an independent consultation, the company is interested in the sales of its own, most profitable products. The decision, what expectations are met and to what extent they are met, is left alone to the employee. The more intense the interaction between employees and customers and the more rigorous the customer involvement in the service production, the greater the impact of positive feedback and customer satisfaction will be on the behaviors of employees. If those involved are arranged in long-term relationships, as is often the case in banks or insurance, or should customers or communities reveal a power potential for the employee (with new additional knowledge or relevant purchasing power), employees will adapt their own behavior aligning it with that of the customer to assure the desired customer response.

- *Behavior modification – causing certain types and dimensions of desirable behavior by way of triggering and controlling or (new) development of behavior*

If employees co-operate intensively with customers (groups) over longer periods of time, as for instance consultants with long-term consulting projects or auditors with large mandates, the obligation to modify behavior is great. The consulting companies' organizational norms are forced into the background through the constant direct interaction with customers, working in the customer's world (physically, psychologically, and emotionally) and the absence of the direct influence of the supervisors. Orientation and alignment of customer-defined "correct behavior" gains in significance and neutralizes or substitutes original behaviors. Employee behavior is therefore modified directly and indirectly not only from the company but also its customers. Leadership and customer goals can strengthen or mutually supplement one another, if they are congruent. However, they can be opposite and contradictory and thus bring employees in conflict with leadership or their roles.

Implications for leadership research

In his study on customers' relevance for leadership, David Bowen (1983), came to the conclusion, "that customers can be an important source of influence in service organizations. This fact requires attention in the design of service organizations and in future work on leadership and its substitutes." (1983, I) The analysis of customers' influence on service companies with the central service characteristic of customer involvement has shown that the importance and influence of customers on service creation and service companies has explicitly increased. The relationship between customers, employees and companies has achieved a new level of quality in which all involved are confronted with new challenges. Our explorative study illustrates the wide spread and important consequences for leadership.

In the last few years the complexity of leadership has grown significantly. This has led to a multitude of new and enhanced leadership approaches. The inclusion of the customer, as a relevant reference and extension of leadership beyond the organizational boundaries has all but been avoided. However this inclusion would have been possible within some integrated, structural or systemic leadership approaches.

In practice, customers are increasingly becoming a part of the service creation process with new roles and functions. Described as a "shift of power" (Pralhad/

Ramaswamy 2000, 81) away from the company and towards the customer significantly increases the importance of customers on and for leadership. The potential for direct and indirect customer influence on the behavior of employees, particularly boundary spanners, has risen notably. It is not only limited to the employee but comprises the leader as well who cannot insulate himself from it.

With this, customers can increasingly strengthen, complement but also thwart leadership functions in management or in the organization. At the same time the question surfacing to leaders is what (service) functions towards the customer they can assume. This question goes even beyond the ideas discussed in the literature of “servant leader”. In the future leadership will be forced to meet the challenge of orienting itself to customer needs and asking the question as to how it can create value for customers.

The presented conceptional models, which must in this stage be rather speculative in nature, have thus far had little empirical support. The numerous questions dealing with the inclusion of customers in leadership roles opens an entirely new field of research, which requires empirical examination. Below some of the central questions are listed:

- In a set of empirical investigations a positive correlation was found between employee and customer satisfaction (Homburg/Stock 2001; Schlesinger/Heskett 1994; Heskett 1987). The subject of the investigations was the influence of employee satisfaction on customer satisfaction. What effect does this perceived customer satisfaction have on the behavior of employees, what impact does this have on supervisors' leadership?
- The customers assuming leadership functions can cause role ambiguities, and thereby create a potential for conflict in the various relationships in the leadership triangle. What kind of conflicts can develop between internal and external leadership sources? How can leadership conflicts between customers, employees and management be recognized and mastered?
- By which combination of direct/indirect leadership and potential substitutes for leadership employee behavior can be influenced most efficiently and most effectively?

In order to initiate work on these new questions within the context of leadership research, researchers are called upon to extend the context of leadership concepts beyond organizational boundaries. These ideas offer themselves to extending well-founded leadership research approaches, for example empowerment or intrapreneurship. Here special attention must be given to fulfilling important prerequisites such that not only employees but also customer can take on leadership functions. Additionally, these ideas can be included in research results from other research disciplines, above all marketing research, which is strongly associated with new customer roles and functions. So, there is a big opportunity to bring together two usually separated worlds for a fruitful progress in research and practice.

References

- Argote, L. (1982): Input Uncertainty and Organizational Coordination in Hospital Emergency Units. In: *Administrative Science Quarterly*, 27(3), 420-434.
- Bass, B.M. (1985): *Leadership and Performance Beyond Expectations*. New York.
- Bass, B.M. (1996): *A New Paradigm of Leadership: An Inquiry into Transformational Leadership*. Alexandria, VA: U.S. Army Research Institute for the Behavioral and Social Sciences.
- Bitner, M.J. / Faranda, W.T. / Hubbert, A.R. / Zeithaml, V.A. (1997): Customer contributions and roles in service delivery. In: *International Journal of Service Industry Management*, 8(3), 193-205.
- Blake, R.R. / Mouton, J.S. (1964): *The Managerial Grid*. Houston.
- Bowen, D.E. (1983): Customers as substitutes for leadership in service organizations: Their role as non-leader sources of guidance and support. Dissertation, Michigan State University.
- Bowen, D.E. (1986): Managing Customers as Human Resources in Service Organizations. In: *Human Resource Management*, 25(3), 371-383.
- Bowen, D.E. / Jones, G.J. (1986): Transaction Cost Analysis of Service Organization-Customer Exchange. In: *Academy of Management Review*, 11(2), 428-441.
- Bowen, D.E. / Schneider, B. (1988): Services Marketing and Management: Implications for organizational Behavior. In: *Research in Organizational Behavior*, 10, 43-80.
- Bruhn, M. (1997): *Qualitätsmanagement für Dienstleistungen: Grundlagen – Konzepte – Methoden*. 2nd ed., Berlin.
- Chebat, J.-C. / Kollias, P. (2000): The Impact of Empowerment on Customer Contact Employees' Roles in Service Organizations. In: *Journal of Service Research*, 3(1), 66-81.
- Chung, B. G. / Schneider, B. (2002). Serving Multiple Masters: Role Conflict Experienced by Service Employees. In: *Journal of Services Marketing*, 16(1), 70-85.
- Conger, J.A. / Kanungo, R.N. (1998): *Charismatic Leadership in Organizations*. Thousand Oaks.
- Cook, L.S. / Bowen, D.E. / Chase, R.B. / Dasu, S. / Stewart, D.M. / Tansik, D. A. (2002): Human issues in service design. In: *Journal of Operations Management*, 20, 159-174.
- Delhees, K.H. (1995): Führungstheorien – Eigenschaftstheorie. In: Kieser, A. / Reber, G. / Wunderer, R. (eds.): *Handwörterbuch der Führung*. 2nd ed. Stuttgart, 897-906.
- Dionne, S.D. / Yammarino, F.J. / Atwater, L.E. / James, L.R. (2002): Neutralizing Substitutes for Leadership Theory: Leadership Effects and Common-source Bias. In: *Journal of Applied Psychology*, 87(3), 454-464.
- Fiedler, F.E. (1967): *A Theory of Leadership Effectiveness*. New York
- Füller, J. / Mühlbacher, H. / Rieder, B. (2003): An die Arbeit lieber Kunde! In: *Harvard Business Manager*, Heft 8 / August 2003, 36-45.
- Gibbert, M. / Leibold, M. / Voelpel, S. (2001): Rejuvenating corporate intellectual capital by co-opting customer competence. In: *Journal of Intellectual Capital*, 2(2), 109-126.
- Good, D.J. (1990): Utilizing Consumer Involvement to Market Services. In: *Review of Business*, 11(4), 3-6.
- Gurgul, G. / Romyantseva, M. / Enkel, E. (2002): Customer Integration – Establish a constant bilateral knowledge flow. Universität St. Gallen, Discussion Paper, No. 47.
- Hartline, M. / Maxham, J. / McKee, D. (2000): Corridors of Influence in the Dissemination of Customer-Oriented Strategy to Customer Contact Service Employees. In: *Journal of Marketing*, 64 (April), 35-50.
- Hersey, P. / Blanchard, K.H. (1969): Life Cycle Theory of Leadership. In: *Training and Development Journal*, 23 (1), 26-34.
- Hersey, P. / Blanchard, K.H. (1972): The Management of Change. In: *Training and Development Journal*, 26 (2), 20-24.
- Heskett, J.L. (1987): Lessons in the service sector. In: *Harvard Business Review*, 65 (2), 118-126.
- Heskett, J.L. / Jones, T.O. / Loveman, G.W. / Sasser, W.E. Jr. / Schlesinger, L.A. (1994): Putting the Service-Profit Chain to Work. In: *Harvard Business Review*, March-April 1994, 164-174.
- Homburg, Ch. / Stock, R. (2001): Der Zusammenhang zwischen Mitarbeiter- und Kundenzufriedenheit: Eine dyadische Analyse. In: *Zeitschrift für Betriebswirtschaft*, 71, 789-806.

- Homburg, Ch. / Stock, R. (2002): Führungsverhalten als Einflussgröße der Kundenorientierung von Mitarbeitern: Ein dreidimensionales Konzept. In: *Marketing – Zeitschrift für Forschung und Praxis (ZFP)*, 24 (2), 123-137.
- House, R.J. (1977): A 1976 Theory of Charismatic Leadership. In: Hunt, J.G. / Larson, L.L. (eds.): *Leadership: The Cutting Edge*, Carbondale, 189-207.
- Howell, J.P. / Dorfman, P.W. / Kerr, S. (1986): Moderator variables in leadership research. In: *Academy of Management Review*, 11, 88-102.
- Hunt, J. (1996): *Leadership: A New Synthesis*. Newbury Park.
- Hurley, R. / Hult, G. (1998): Innovation, Market Orientation, and Organizational Learning: An Integration and Empirical Examination. In: *Journal of Marketing*, 62 (July), 42-54.
- Irons, K. (1994): *Managing Service Companies: Strategies for Success*. Wokingham.
- Irons, K. (1997). *The Marketing of Services: A total approach to achieving competitive advantage*. London.
- Jermier, J.M. / Kerr, S. (1997). Substitues for Leadership: Their Meaning and Measurement – Contextual Recollections and Current Observations. In: *Leadership Quarterly*, 8(2), 95-102.
- Kerr, S. / Jermier, J.M. (1978): Substitues for Leadership: Their Meaning and Measurement. In: *Organizational Behavior and Human Performance*, 22 (3), 375-403.
- Kuhn, T. (2000): *Internes Unternehmertum*. München.
- Larsson, R. / Bowen, D.E. (1989): Organization and Customer: Managing Design and Coordination of Services. In: *The Academy of Management Review*, 14 (2), 213-233.
- Lehmann, A. (2001): Dienstleistungsmanagement – Transformation und Entwicklungsschritte. In: Maas, P. (ed.): *Integriertes Dienstleistungs-Management: Auf dem Weg zum Customer Value*. St. Gallen, 82-104.
- Lovelock, C.H. / Young, R.F. (1979): Look to Consumers to Increase Productivity. In: *Harvard Business Review*, 57 (3), 168-178.
- Maas, P. (2001): Von "P" zu "C": Customer Value als strategischer Fokus für das Management von Dienstleistungsunternehmen. In: Maas, P. (ed.): *Integriertes Dienstleistungs-Management: Auf dem Weg zum Customer Value*. St. Gallen, 44-62.
- Maas, P. / Graf, A. (2003): Von P zu C: Unternehmen in Kunden-Netzwerken. In: *IVW Management-Information*, No. 2, 17-20.
- Mafi, S.L. (2000): Managing the HRD Function and Service Quality: A Call for a New Approach. In: *Human Resource Development Quarterly*, 11 (1), 81-86.
- Meindl, J.R. (1990): On leadership: An alternative to the conventional wisdom. In: Staw, B.M. / Cummings, L.L. (eds.): *Research in organizational behavior*, 12, Greenwich, 159-203.
- Mills, P.K. / Chase, R.B. / Margulies, N. (1983): Motivating the Client / Employee System as a Service Production Strategy. In: *Academy of Management Review*, 8 (2), 301-310.
- Mills, P.K. / Morris, J.H. (1986): Client as "Partial" Employees of Service Organizations: Role Development in Client Participation. In: *Academy of Management Review*, 11 (4), 726-735.
- Neuberger, O. (2002): *Führen und führen lassen*. 6th ed. Stuttgart.
- Opens, M. / Sydow, J. (1981): Situative Führungstheorien: Ein Vergleich zweier erwartungs-valenz-theoretischer Konzepte. In: *DBW-Depot* Nr. 81, 1-4.
- Osborn, R. / Hunt, J. / Jauch, L. (2002): Toward a contextual theory of leadership. In: *The Leadership Quarterly*, 13, 797-837.
- Parkington, J.J. / Schneider, B. (1979): Some Correlates of Experienced Job Stress: A Boundary Role Study. In: *Academy of Management Journal*, 22 (2), 270-281.
- Pinchot, G. (1985): *Intrapreneuring: Why You Don't Have to Leave the Corporation to Become an Entrepreneur*. New York.
- Podsakoff, P.M. / MacKenzie, S.B. / Ahearne, M. / Bommer, W.H. (1995): Searching for a needle in a haystack: Trying to identify the illusive moderators of leader behavior. In: *Journal of Management*, 21, 422-470.
- Podsakoff, P.M. / MacKenzie, S.B. / Fetter, R. (1993): Substitues of leadership and the management of professionals, In: *Leadership Quarterly*, 4, 1-44.

- Podsakoff, P.M. / Niehoff, B.P. / MacKenzie, S.B. / Williams, M.L. (1993): Do Substitutes for Leadership Really Substitute for Leadership? In: *Organizational Behavior and Human Decision Processes*, 54 (1), 1-44.
- Prahalad, C.K. / Ramaswamy, V. (2000): Co-opting Customer Competence. In: *Harvard Business Review*, January-February, 79-87.
- Prahalad, C.K. / Ramaswamy, V. (2003): The New Frontier of Experience Innovation. In: *MIT Sloan Management Review*, Summer 2003, 12-18.
- Reich, R.B. (1987): Entrepreneurship reconsidered: the team as hero. In: *Harvard Business Review*, May-June 1987, 77-83.
- Rosenstiel, L. v. (2000): *Grundlagen der Organisationspsychologie: Basiswissen und Anwendungshinweise*, 4th ed. Stuttgart
- Russ, G. S. / Galang, M.C. / Ferris, G. R. (1998): Power and Influence of the Human Resources Function through Boundary Spanning and Information Management. In: *Human Resource Management Review*, 8(2), 125-148.
- Schneider, B. / Bowen, D.E. (1993): The Service Organization: Human Resources Management is Crucial. In: *Organizational Dynamics*, 21 (4), 39-52.
- Schneider, B. (1994): HRM – A Service Perspective: Towards a Customer-focused HRM. In: *International Journal of Service Industry Management*, 5 (1), 64-76.
- Schriesheim, C. A. (1997): Substitutes-for-leadership theory: Development and basic concepts. In: *The Leadership Quarterly*, 8 (2), 103-108.
- Singh, J. (1993): Boundary Role Ambiguity: Facets, Determinants, and Impacts. In: *Journal of Marketing*, 57 (2), 11-31.
- Singh, J. / Rhoads, G.K. (1991): Boundary Role Ambiguity in Marketing-Oriented Positions: A Multidimensional, Multifaceted Operationalization. In: *Journal of Marketing Research*, 28 (3), 328-338.
- Spreitzer, G.M. / De Janasz, S.C. / Quinn, R.E. (1999): Empowered to lead: the role of psychological empowerment in leadership. In: *Journal of Organizational Behavior*, 20, 511-526.
- Stogdill, R. M (1948): Personal factors associated with leadership: A survey of the literature. In: *Journal of Psychology*, 25, 35-71.
- Sydow, J. (2000): Management von Dienstleistungsbeziehungen – Kundenintegration in organisations- und netzwerktheoretischer Perspektive. In: Witt, F. (ed.): *Unternehmung und Informationsgesellschaft*. Wiesbaden, 21-33.
- Thomke, S. / von Hippel, E. (2002): Kunden zu Erfindern machen. In: *Harvard Business Manager*, Heft 5 / Juli 2002, 51-60.
- Tichy, N.M. / Devanna, M.A. (1986): *The Transformational Leader*. New York.
- Ulwick, A.W. (2002): Turn Customer Input into Innovation. In: *Harvard Business Review*, January 2002, 91-97.
- Van Wart, M. (2003): Public-Sector Leadership Theory: An Assessment. In: *Public Administration Review*, 63 (2), 214-228.
- von Hippel, E. (2001): Innovation by User Communities: Learning from Open-Source Software. In: *MIT Sloan Management Review*, 42 (4), 82-86.
- von Krogh, G. (2003): Open-Source Software Development. In: *MIT Sloan Management Review*, 44 (3), 14-18.
- Wächter, H. (1992): Vom Personalwesen zum Strategic Human Resource Management – Ein Zustandsbericht anhand der neueren Literatur. In: Stachle, W.M. / Conrad, P. (eds.): *Managementforschung 2*. Berlin, New York.
- Weibler, J. (1994): *Führung durch den nächsthöheren Vorgesetzten*. Wiesbaden.
- Weibler, J. (2001): *Personalführung*. München.
- Wunderer, R. (2003): *Führung und Zusammenarbeit*. 5th ed. Neuwied.
- Yukl, G. (1998): *Leadership In Organizations*. 4th ed. New Jersey.