

The role of transformational leadership and customer engagement towards shaping loyalty in experience-driven businesses in Cebu

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Abstract: Transformational Leadership (TL) is well established in influencing employee motivation and organizational performance, yet its impact on customer outcomes remains underexplored, especially in SMEs offering experience-based services. This study examines TL's role in shaping Customer Engagement (CE) and Customer Loyalty (CL) among agri-tourism businesses in Cebu, Philippines. Guided by Burns' and Bass' TL framework, it investigates the effects of Idealized Influence (II), Inspirational Motivation (IM), Intellectual Stimulation (IS), and Individual Consideration (IC). Using structural equation modeling (SEM) with data from 360 repeat visitors, results show that IC ($\beta = 0.479$, $p < 0.001$) and II ($\beta = 0.303$, $p = 0.002$) significantly predict CE, while IM and IS do not. CE strongly predicts CL ($\beta = 0.708$, $p < 0.001$), confirming its mediating role. Further analysis reveals that IC and II indirectly foster loyalty through CE, while IM and IS have no mediating effects. Findings highlight that loyalty in experience-based businesses is driven by visible, relational, and personalized leadership behaviors rather than abstract vision or innovation. The study contributes to leadership and service marketing literature and provides agri-tourism entrepreneurs practical guidance on personalized attention and role modeling to build loyalty and remain competitive.

Keywords: Cebu, Customer engagement, Customer loyalty, Agri-Tourism, Experience-based services, Philippines, Service marketing, SMEs, Structural equation modeling, Transformational leadership.

1. Introduction

Recently, there has been increased competition in industries that are experience-driven. To capture and maintain market share, these organizations need to cultivate and sustain customer loyalty, which, based on studies, has been linked to the effectiveness of each individual leader managing the organization. A paradigm introduced by Burns [1] further developed by Bass [2] emerged as one of the most influential theories in all of organizational behavior, including all management literature, the Transformational Leadership. This kind of leadership paradigm describes an approach wherein leaders inspire, motivate, and intellectually stimulate followers to perform beyond self-interest [3]. All these are for the good of the entire organization. This paradigm lists components that are not only important but also essentially measure the entire transformational leadership itself: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. These components enable transformational leaders to create a more compelling vision to foster innovation and cultivate deep commitment among employees, shaping internal performance and external customer outcomes [4-6].

Research in sectors such as hospitality, retail, healthcare, and other management studies consistently demonstrates that in many ways, transformational leadership significantly enhances

engagement of employees, increases service quality, produces more satisfied customers, and most importantly, develops loyal customers. Leaders who demonstrate authentic care for their employees' both personal and professional lives, and growth, foster a more positive organizational climate, which in turn helps promote discretionary efforts, creativity, and a more proactive customer orientation. Conversely, transformational leadership is increasingly recognized not only as an internal human resource asset but also as a strategic driver of customer experience. Loyalty behaviors may at some point be directly influenced by business sustainability and competitiveness, which are also driven by transformational leadership [7].

While the heavily documented impact of transformational leadership has been around and published in reputable journals across varied fields of management, especially in organizational performance and employee outcomes [4, 8] there is limited literature focusing on its role in shaping customers' psychological and behavioral responses, such as customer engagement and loyalty [7]. This still remains a relatively unexplored area of inquiry, particularly in small- and medium-sized enterprises (SMEs), community-based businesses offering Agri-Tourism Experience-Based Services [9, 10]. Much of the empirical literature has focused on large corporations and urban settings, which basically overlooks a reasonable investigation of how transformational leadership manifests in localized, entrepreneurial contexts where owner-managers often play a dual role as both leaders of the employees and primary points of customer contact [11]. This academic oversight is more prevalent in developing countries like the Philippines, where cultural values, relational norms, and resource constraints impose a more challenging environment for transformational leaders to thrive, and a more challenging environment, *moreso*, to determine whether those characteristics under transformational leadership thus have a profound effect on customer responses [9, 11].

Looking at a different angle of transformational leadership is the determination of whether those components have any role in customers' responses to the experience-based services offered by the selected SMEs in Cebu, particularly those in the agri-tourism industry. One of those very relevant responses that must be taken into account is Customer Engagement. Customer Engagement is the level of cognitive, emotional, and behavioral investments with a particular brand or a business as a whole [12] which in many studies was also identified as a key predictor of loyalty. Loyalty, on the other hand, serves as an outcome that is essential for organizational success since the advent of relational and experience-centric marketplaces. The connection, however, between transformational leadership through customer engagement leading to loyalty is insufficiently theorized or empirically tested [10]. Leadership behaviors may directly or indirectly influence how customers perceive service authenticity, emotional connection, and value, but such mechanisms may require further investigation to establish more robust, evidence-based models.

Contextually set in a local agri-tourism business in Cebu, Philippines, this paper presents an advanced understanding of transformational leadership as a strategic antecedent of customer engagement and loyalty. The research examines the relationship between components of transformational leadership and customer engagement, as well as how customer engagement affects customer loyalty in agri-tourism businesses in Cebu. Transformational leadership in this context is measured by how much these behaviors are exhibited by business owners and managers, as perceived by the customers during the visit experience.

The findings are expected to extend transformational leadership theory by illuminating its influence beyond traditional employee-centric outcomes, highlighting its potential as a powerful tool for cultivating customer loyalty through enhanced engagement. Practically, the study aims to provide actionable insights for local entrepreneurs and managers on leveraging transformational leadership behaviors to create meaningful, engaging, and loyalty-building customer experiences, thus ensuring sustainable business growth in competitive service environments.

2. Literature Review

2.1. Transformational Leadership in Service Contexts

Transformational leadership (TL) is widely recognized as a leadership paradigm that transcends transactional exchanges by inspiring followers to achieve higher levels of motivation and performance. It encompasses four dimensions: idealized influence (leaders as role models), inspirational motivation (articulating a compelling vision), intellectual stimulation (encouraging innovation and critical thinking), and individualized consideration (attending to individual needs and development) [13]. While TL has been extensively examined in organizational and employee outcomes, its application in service and tourism contexts has gained increasing attention, particularly for its potential to shape customer-facing experiences [14, 15]. In tourism, leadership behaviors indirectly influence customer perceptions through employee interactions, service climate, and brand culture. Empirical studies increasingly suggest that when employees are motivated and aligned with leadership values, the resultant service behaviors foster stronger customer engagement and loyalty [12].

2.2. Transformational Leadership and Customer Engagement

When leaders walk the talk, spark enthusiasm, challenge the status quo, and genuinely care for each team member, employees feel empowered to deliver exceptional service and customers pick up on that energy [16]. Ethical role modeling (idealized influence) and personalized mentorship (individualized consideration) are on full display at every customer interaction, fostering trust and loyalty. Behind the scenes, an inspiring vision (inspirational motivation) and a culture of creative problem-solving (intellectual stimulation) infuse teams with long-term momentum even if customers do not always see it directly [2, 8, 16]. Empirical findings paint a nuanced picture: while some studies report a robust overall link between transformational leadership and customer engagement, others reveal that only select “I”s move the needle on engagement and loyalty [17, 18]. To clarify these relationships, we posit the following hypotheses:

- H₁: Idealized influence (II) positively affects customer engagement (CE)*
- H₂: Inspirational motivation (IM) positively affects customer engagement (CE)*
- H₃: Intellectual stimulation (IS) positively affects customer engagement (CE)*
- H₄: Individualized consideration (IC) positively affects customer engagement (CE)*

2.3. Customer Engagement as a Strategic Driver of Loyalty

Customer engagement (CE) has emerged as a critical construct in contemporary service marketing, reflecting the depth of a customer’s cognitive, emotional, and behavioral investment in their interactions with a brand or service provider [12, 19, 20]. Unlike satisfaction or commitment, engagement captures proactive participation and advocacy behaviors that extend beyond mere transactions. In tourism, where experiential value and emotional resonance are paramount, engagement is strongly linked to loyalty outcomes, including repeat visitation and positive word-of-mouth [21]. Prior research shows that leadership indirectly shapes engagement by cultivating employee behaviors such as attentiveness, responsiveness, and empathy that customers perceive as meaningful [22]. Thus, CE functions both as a driver of loyalty and as a mediating mechanism connecting organizational factors (such as leadership) to customer outcomes [15]. Thus, the following hypothesis is proposed:

- H₅: Customer engagement (CE) positively predicts customer loyalty (CL).*

2.4. Customer Engagement as Mediator Between Leadership and Loyalty

Grounded in Social Exchange Theory [23] and the Service-Profit Chain [24] Transformational leadership cultivates trust, vision, and personalized attention that shape service climates prompting customers to invest cognitively, emotionally, and behaviorally in a brand (customer engagement), which in turn drives loyalty [25–27]. We therefore hypothesize that customer engagement mediates the positive relationships between each dimension of transformational leadership idealized influence (H6),

inspirational motivation (H7), intellectual stimulation (H8), and individualized consideration (H9)—and customer loyalty.

2.5. Conceptual Model

Bringing these strands together, this study, as shown in Figure 1, posits a model wherein the four dimensions of transformational leadership differentially influence customer engagement, which in turn drives loyalty. The model allows testing of both direct effects (TL $\rightarrow$ CE) and mediated effects (TL $\rightarrow$ CE $\rightarrow$ CL), offering nuanced insights into which leadership behaviors are most salient for fostering engaged and loyal customers in tourism settings. By adopting this dimensional perspective and empirically validating the mediating mechanism, the study addresses a gap in the literature and contributes to both leadership theory and service marketing practice by identifying actionable levers for customer-centric leadership strategies.

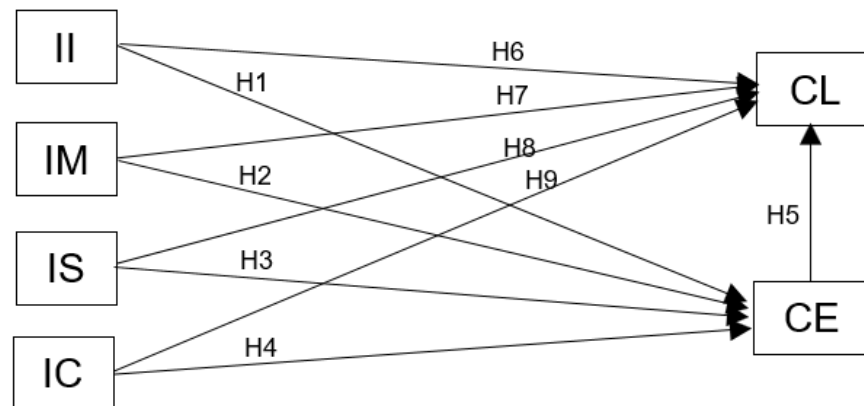


Figure 1.
Concept Model of the Study.

3. Methodology

3.1. Design

To determine the structural relationships among the different elements of transformational leadership, customer engagement, and loyalty, Structural Equation Modelling (SEM) was used. The model in this study hypothesized that components of transformational leadership, such as Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Consideration, would have a direct effect on customer engagement, which would subsequently influence customer loyalty. This study is further guided by a positivist paradigm, which emphasizes theory-driven hypothesis testing and the use of structured quantitative data to validate the proposed relationships.

3.2. Participants

The study was conducted to determine the structural relationship of the variables mentioned above. This was achieved through a survey of respondents who consisted of repeat visitors who had participated in experience-based agri-tourism activities in Cebu in any manner. This was to ensure that the respondents had sufficient experience and a meaningful perspective in assessing engagement and loyalty aspects of the study. A simple random sampling method was employed, consisting of 360 respondents. A minimum of 200, ranging up to 400 respondents, is sufficient for models with multiple observed variables [28] making 360 respondents safe within the reasonable limits. Gerbing and Anderson [29] and Boomsma [30] provided earlier recommendations for the maximum likelihood estimation technique fall only between 100 and 200, respectively [31]. The respondents in this study were properly informed about the research purpose, procedures, and their rights as participants. Before

answering the survey, each respondent was presented with an information sheet explaining the study in clear terms, after which informed consent was obtained. Participation was entirely voluntary, and respondents were assured of their right to withdraw at any time without any negative consequences. Confidentiality and anonymity were emphasized, with responses kept strictly confidential and used solely for research purposes. The study was conducted in full compliance with recognized ethical research standards, including respecting the privacy and autonomy of participants, minimizing potential risks, and maintaining secure and confidential data handling practices. The distribution of the respondent demographics is shown in Table 1.

The demographic profile of the 360 respondents reflects a balanced distribution across key variables relevant to understanding customer engagement and loyalty outcomes. Age groups were well represented, with the largest segment aged 18–29 (27.8%), followed by 42–53 (24.7%) and 30–41 (23.3%), indicating heterogeneity in generational perspectives toward tourism experiences. Gender representation was nearly equal (50.8% male; 49.2% female), reducing gender bias and supporting broader generalizability. Civil status was similarly balanced, with married (48.9%) and single (49.7%) respondents almost equally distributed, suggesting that relationship status is unlikely to skew loyalty behaviors. The majority of respondents fell within lower to middle-income brackets, with 33.1% earning 10,957–21,914 and 26.7% earning below 10,956, highlighting a price-sensitive customer segment typical in emerging tourism markets. Educational attainment was predominantly at the bachelor's level (51.9%), followed closely by basic education (46.7%), suggesting that most respondents possess at least foundational knowledge to evaluate service quality and leadership-driven experiences critically. Collectively, this demographic composition underscores the representativeness of the sample and provides a contextual basis for interpreting the structural relationships observed between transformational leadership components, customer engagement, and loyalty, particularly given that individual differences in age, income, and education can moderate perceptions of personalized service and ethical leadership in tourism contexts.

Table 1.
Distribution of the respondents (n=360)

Demographic Profile	Category	n	%
Age	18 – 29	100	27.8
	30 – 41	84	23.3
	42 – 53	89	24.7
	54 – 65	58	16.1
	66 – above	29	8.1
Gender	Male	183	50.8
	Female	177	49.2
Civil Status	Married	176	48.9
	Single	179	49.7
	Others	5	1.4
Income	0 – 10,956	96	26.7
	10,957 – 21,914	119	33.1
	21,915 – 43,828	94	26.1
	43,829 – 76,699	50	13.9
	76,700 – 131,484	1	.3
	131,485 and above	0	.0
Highest Educational Attainment:	Basic Education	168	46.7
	Bachelor's Degree	187	51.9
	Graduate	5	1.4

3.3. Instrument

The research instrument was a structured questionnaire divided into three sections. The constructs measured transformational leadership components idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration through researcher-developed items guided by the transformational leadership framework Bass and Avolio [16], Avolio et al. [32], Stewart [33], Sunaengsih et al. [34], Edwards et al. [35], Alimo-Metcalfe and Alban-Metcalfe [36] and Goens and Giannotti [37] all constructs are represented with five items each. The second section assessed customer engagement, consisting of five items, influenced and patterned from Hannum et al. [38]. The third section measured customer loyalty, including both attitudinal (e.g., intent to recommend, willingness to revisit) and behavioral indicators. All items were rated on a 7-point Likert scale, ranging from 1 (strongly disagree) to 7 (strongly agree), allowing for greater sensitivity and precision in capturing respondents' attitudes [38]. Demographic questions were also included to profile the sample and control for potential confounding variables. Each of the constructs was operationalized through conducting a dedicated literature review to develop the items. A further Confirmatory Factor Analysis was conducted prior to the structural analysis.

3.4. Data Gathering Procedure and Analysis

The researcher coordinated with multiple agri-tourism sites in Cebu to recruit eligible respondents. Respondents identified as repeat visitors were approached on-site, informed about the study, and invited to participate. Trained enumerators assisted participants in completing the survey, which took approximately 10–15 minutes. Data collection spanned three months to mitigate potential biases related to peak or off-peak tourism seasons. The data analysis plan began with screening the collected data for missing values, outliers, and normality. Due to deviations from normality, robust estimation methods were applied. Specifically, maximum likelihood estimation with bias-corrected bootstrapping (2,000 resamples) was used to obtain parameter estimates and standard errors robust to non-normality [39]. The parameter estimates and significance levels obtained via bias-corrected bootstrapping (2,000 resamples) were consistent with those produced by standard maximum likelihood estimation, indicating robustness of the results despite non-normality in the data [40–43]. Descriptive statistics summarized demographic characteristics and item distributions. Confirmatory Factor Analysis (CFA) was first used to assess the measurement model, ensuring construct reliability and validity, including convergent validity (Average Variance Extracted >0.5) and discriminant validity (Fornell-Larcker criterion), as well as heterotrait-monotrait ratio (HTMT). Once the measurement model was established, Structural Equation Modeling (SEM) was performed to evaluate the hypothesized structural relationships: components of transformational leadership to customer engagement, customer engagement to customer loyalty, and the potential direct effect of transformational leadership on customer loyalty. Mediation was tested using bootstrapping techniques to assess indirect effects. Model fit was evaluated using multiple indices to ensure robustness, including absolute fit indices ($\chi^2/df < 3$, RMSEA <0.08) [44] incremental fit indices (CFI and TLI >0.90) [45, 46] and parsimony fit indices (SRMR < 0.08). AMOS version 22.0 was employed as the primary software for conducting SEM analyses, providing the tools necessary to estimate the measurement and structural models and to generate model fit indices and path estimates.

4. Results

4.1. Psychometric Properties of the Scale

The confirmatory factor analysis results indicate that the proposed measurement model adequately fits the observed data, confirming that the latent constructs are represented reliably by their respective indicators [47]. The Comparative Fit Index (CFI) of 0.936 and Tucker–Lewis Index (TLI) of 0.928 demonstrate strong incremental fit, suggesting that the hypothesized factor structure effectively captures the covariances among the items. Absolute fit indices also support the model, with the Root

Mean Square Error of Approximation (RMSEA) of 0.054 and the Standardized Root Mean Square Residual (SRMR) of 0.040 both falling within acceptable thresholds, indicating minimal residual error. Furthermore, the chi-square to degrees of freedom ratio of 2.030 is below the widely accepted cutoff, reinforcing the adequacy of the measurement model. Collectively, these results validate the construct structure for transformational leadership, customer engagement, and tourist loyalty, thereby providing a sound basis for proceeding to the structural model analysis.

Table 2.

Model Data Fit Indices Results.

Model Fit Indices	Proposed Threshold Value	Source	Resulting Value
CFI	>0.80	Garson [45]	0.936
TLI	>0.85	Sharma et al. [46]	0.928
RMSEA	<0.08	Kenny et al. [44]	0.054
SRMR	≤0.08	Hu and Bentler [48]	0.040
Chi-square/df ratio	<3.00	Hair et al. [49]	2.030

The convergent validity and internal consistency results indicate that the six constructs generally possess acceptable measurement qualities. However, there is some fluctuation in the average variance extracted (AVE) values and factor loadings that warrants further investigation. The idealized influence model demonstrated standardized loadings between 0.713 and 0.769 and achieved a composite reliability of 0.851 with an AVE of 0.534. This exceeded the minimum requirements and confirmed appropriate convergence, despite a slightly lower loading on item II2 (0.713). Intellectual Stimulation exhibited the most robust psychometric performance, with loadings ranging from 0.753 to 0.852, an AVE of 0.629, and a composite reliability of 0.894. These results suggest a high level of internal consistency and strong factor convergence. Inspirational Motivation showed comparable robustness, with loadings from 0.683 to 0.794, an AVE of 0.563, and a composite reliability of 0.865. This indicates that the construct representation is stable, despite the slightly lower loading of IM5 (0.683). In contrast, Individualized Consideration demonstrated the weakest convergence, as evidenced by lower factor loadings (0.587–0.745), a borderline AVE of 0.471, and a composite reliability of 0.815. Nonetheless, its reliability remains acceptable, and the AVE is nearly at the 0.50 benchmark, indicating that the construct can be retained if supported by theoretical relevance. The construct is well captured by its indicators, as shown by the robust factor structure of Customer Engagement, with loadings from 0.702 to 0.827, an AVE of 0.618, and a composite reliability of 0.889. Finally, Customer Loyalty demonstrated the highest dependability, with loadings from 0.788 to 0.845, an AVE of 0.658, and an exceptionally high composite reliability of 0.974. These results validate both internal consistency and convergent validity. Overall, most constructs meet the recommended criteria without difficulty. However, the slightly low AVE for Individualized Consideration and the lower loadings of certain items (e.g., IC4 at 0.587, IM5 at 0.683) may require cautious interpretation. Nonetheless, they remain acceptable within an exploratory–confirmatory framework when weighed against theoretical justification and overall model fit.

Table 3.
Convergent and Internal Consistency.

Constructs	Items	Standardized Factor Loading	AVE	Composite Reliability
Idealized Influence	II5	0.718	0.534	0.851
	II4	0.714		
	II3	0.769		
	II2	0.713		
	II1	0.739		
Intellectual Stimulation	IS5	0.772	0.629	0.894
	IS4	0.755		
	IS3	0.753		
	IS2	0.852		
	IS1	0.829		
Inspirational Motivation	IM5	0.683	0.563	0.865
	IM4	0.752		
	IM3	0.794		
	IM2	0.753		
	IM1	0.766		
Individualized Consideration	IC5	0.667	0.471	0.815
	IC4	0.587		
	IC3	0.718		
	IC2	0.745		
	IC1	0.702		
Customer Engagement	CE5	0.702	0.618	0.889
	CE4	0.744		
	CE3	0.822		
	CE2	0.827		
	CE1	0.826		
Customer Loyalty	TL5	0.803	0.658	0.974
	TL3	0.798		
	TL4	0.788		
	TL2	0.820		
	TL1	0.845		

The Fornell–Larcker criterion for discriminant validity assessment demonstrates that the square roots of AVE ($\sqrt{\text{AVE}}$) along the diagonal are greater than the inter-construct correlations in their respective rows and columns, indicating that the majority of constructs exhibit adequate distinctiveness. Customer Engagement, for instance, demonstrates a $\sqrt{\text{AVE}}$ of 0.786, which surpasses its maximum correlation with other constructs (0.760 with Customer Loyalty). Additionally, Customer Loyalty's $\sqrt{\text{AVE}}$ of 0.811 exceeds its correlations with Customer Engagement (0.760) and all other constructs. The inter-construct correlations of Intellectual Stimulation ($\sqrt{\text{AVE}} = 0.793$) and Inspirational Motivation ($\sqrt{\text{AVE}} = 0.750$) are both exceeded by their respective $\sqrt{\text{AVE}}$ values. Similar trends are observed, such as the 0.765 correlation between Intellectual Stimulation and Inspirational Motivation. However, Individualized Consideration exhibits a lower $\sqrt{\text{AVE}}$ of 0.686, which is only marginally higher than its associations with Customer Engagement (0.523) and Customer Loyalty (0.542). This suggests that the construct has questionable discriminant validity.

Table 4.
Fornel Larcker Criterion

	IC	CE	CL	IS	IM	II
IC	1.000					
CE	0.523	1.000				
CL	0.542	0.760	1.000			
IS	0.471	0.490	0.534	1.000		
IM	0.523	0.432	0.463	0.765	1.000	
II	0.428	0.505	0.439	0.694	0.575	1.000
AVE	0.471	0.618	0.658	0.629	0.563	0.534
√AVE	0.686	0.786	0.811	0.793	0.750	0.731
MEAN	6.348	6.275	6.098	5.944	6.048	6.320
STD	0.557	0.769	0.822	0.861	0.764	0.643

However, its mild correlations indicate conceptual relatedness rather than repetition, which may be theoretically justified. The discriminant validity of the constructs is further supported by the HTMT ratios, which demonstrate that all inter-construct values are below the commonly accepted threshold of 0.85. For example, the highest HTMT value is 0.8143 between Customer Engagement and Customer Loyalty, which suggests that, despite their strong relationship, they remain empirically distinct. The discriminant validity across constructs is further confirmed by the remaining HTMT values, which are 0.7101 (II–IM) and 0.7149 (IM–IS), which are also within acceptable ranges. Collectively, these findings confirm that the characteristics are measured separately and do not exhibit multicollinearity, despite their expected relationship in a transformational leadership–engagement–loyalty paradigm.

Table 5.
Heterotrait–Monotrait Ratio.

	II	IM	IS	IC	CL	CE
II	1					
IM	0.7101	1				
IS	0.6006	0.7149	1			
IC	0.4287	0.4222	0.4785	1		
CL	0.5071	0.5523	0.4893	0.5491	1	
CE	0.5004	0.4643	0.4183	0.4852	0.8143	1

4.2. Structural Model Estimates

The structural model results indicate that among the four transformational leadership dimensions, only Idealized Influence and Individualized Consideration exert significant positive effects on customer engagement, highlighting the primacy of value-based and personalized leadership behaviors in service contexts. Idealized Influence ($\beta = 0.303$, $t = 3.109$, $p = 0.002$) demonstrates that ethical role modeling and integrity-driven leadership substantially strengthen customers' emotional and cognitive bonds with the service, reinforcing trust and credibility as engagement drivers. More notably, Individualized Consideration ($\beta = 0.479$, $t = 4.943$, $p < 0.001$) emerges as the strongest predictor of engagement, underscoring the importance of tailored attention, responsiveness, and personalized interactions in fostering customer connection. In contrast, Intellectual Stimulation ($\beta = -0.020$, $t = -0.267$, $p = 0.789$) shows a negligible and negative relationship, suggesting that customers may not directly perceive or resonate with leadership behaviors aimed at innovation and critical thinking, which are often more internally focused. Inspirational Motivation ($\beta = 0.192$, $t = 1.585$, $p = 0.113$) exhibits a positive but non-significant effect, implying that vision casting and motivational appeals may have limited direct impact on engagement unless translated into visible service experiences. With respect to loyalty outcomes, Customer Engagement proves to be a powerful determinant ($\beta = 0.708$, $t = 9.039$, $p < 0.001$), confirming its mediating role by demonstrating that engaged customers are more likely to develop enduring loyalty, manifested through advocacy, repeat patronage, and sustained emotional attachment. Beyond this mediating effect, Inspirational Motivation ($\beta = 0.296$, $t = 2.531$, $p = 0.011$) and

Individualized Consideration ($\beta = 0.244$, $t = 2.624$, $p = 0.009$) also exhibit significant direct contributions to loyalty, while Idealized Influence and Intellectual Stimulation fail to do so, indicating that customers value motivational vision and personalized care more strongly than abstract ideals or innovative challenges. Taken together, these results highlight that transformational leadership is not uniformly effective; rather, its customer-facing outcomes hinge on behaviors that are visible, relational, and personalized, with Individualized Consideration emerging as the most critical driver of both engagement and loyalty in the tourism service industry.

Table 6.
Structural Model Estimates.

Hypothesized Path	Standardized Beta	T value	p-value	Decision
H1: Customer Engagement $\leftarrow$ Idealized Influence	0.303	3.109	0.002	Supported
H2: Customer Engagement $\leftarrow$ Intellectual Stimulation	-0.02	-0.267	0.789	Rejected
H3: Customer Engagement $\leftarrow$ Inspirational Motivation	0.192	1.585	0.113	Rejected
H4: Customer Engagement $\leftarrow$ Individualized Consideration	0.479	4.943	***	Supported
H5: Customer Loyalty $\leftarrow$ Customer Engagement	0.708	9.039	***	Supported
H6: Customer Loyalty $\leftarrow$ Intellectual Stimulation	-0.004	-0.052	0.959	Rejected
H7: Customer Loyalty $\leftarrow$ Idealized Influence	-0.131	-1.411	0.158	Rejected
H8: Customer Loyalty $\leftarrow$ Inspirational Motivation	0.296	2.531	0.011	Supported
H9: Customer Loyalty $\leftarrow$ Individualized Consideration	0.244	2.624	0.009	Supported

The mediation analysis indicates that customer connection is a crucial mechanism linking specific aspects of transformational leadership to visitor loyalty. The most significant indirect pathway is through Individualized Consideration (effect = 0.157, CI = 0.157–0.403, $p = 0.001$). This demonstrates that tailored leadership techniques substantially enhance engagement and foster loyalty. Although its impact is smaller, loyalty is also mediated by idealized influence (effect = 0.024, CI = 0.024–0.370, $p = 0.022$), suggesting that engagement through values-based leadership indirectly promotes loyalty. Insightful motivation (effect = -0.045, CI = -0.045–0.369, $p = 0.115$) and intellectual stimulation (effect = -0.175, CI = -0.175–0.113, $p = 0.769$) both have confidence intervals crossing zero, indicating non-significant mediation. This implies that participation in this context does not necessarily translate into loyalty through these pathways. Overall, the results suggest that engagement selectively mediates the benefits of transformational leadership, emphasizing the importance of value-based and tailored behaviors for loyalty outcomes, while motivational and innovative features are less influential.

Table 7.
Mediating Role of Customer Engagement.

Path	Indirect Effect	Lower Bound	Upper Bound	p-value	Decision
IC $\rightarrow$ CEn $\rightarrow$ CL	0.157	0.157	0.403	0.001	Significant
IM $\rightarrow$ CEn $\rightarrow$ CL	-0.045	-0.045	0.369	0.115	Not Significant
IS $\rightarrow$ CEn $\rightarrow$ CL	-0.175	-0.175	0.113	0.769	Not Significant
II $\rightarrow$ CEn $\rightarrow$ CL	0.024	0.024	0.370	0.022	Significant

Note: Significant if $p < .05$ and the confidence interval does not include zero.

5. Discussion

The findings of this investigation contribute to the understanding of how components of transformational leadership influence customer engagement and, ultimately, loyalty within an agri-tourism business context. The confirmatory factor analysis verified the distinctiveness and reliability of the constructs by demonstrating that the measurement model was statistically sound, with factor loadings, composite reliability, and AVE values primarily meeting acceptable standards. Although Individualized Consideration exhibited a slightly lower AVE, it remained conceptually valid and psychometrically acceptable, supporting its inclusion in the model. Discriminant validity tests further

confirmed that all constructs were empirically distinct, despite moderate correlations, particularly between loyalty and engagement. This provides a robust measurement framework for evaluating the structural relationships underpinning the study's hypotheses.

Transformational leadership aspects were identified as having a distinct predictive power hierarchy in the structural model results. Customer involvement was most significantly impacted by Individualized Consideration, followed by Idealized Influence. Intellectual Stimulation and Inspirational Motivation were not significant. According to these results, clients are more receptive to leadership techniques that prioritize ethical modeling and personalized attention, as opposed to abstract vision-setting or innovation-focused behaviors [8, 33]. Engagement's critical role in converting excellent service experiences into advocacy and repeat visits was demonstrated by the extremely robust path from engagement to loyalty, echoing prior findings that customer engagement serves as a strategic bridge between leadership behaviors and sustained commitment [12]. Additionally, the non-significance of two transformational leadership dimensions underscores the necessity for a nuanced application of leadership theory in tourism services, as not all components of the construct contribute equally to customer-facing results [50].

The processes that underlie these correlations were further illuminated by the mediation analysis. Customer involvement strongly moderated the effects of Individualized Consideration and Idealized Influence on loyalty, but not those of Inspirational Motivation or Intellectual Stimulation. Rather than inspiring or innovation-driven cues that may remain internal to organizational processes, this selective mediation pattern suggests that loyalty is primarily derived from the emotional and cognitive connection that is developed by personalized and value-based leadership [51]. The strategic levers involvement is confirmed by the robustness of the engagement-loyalty link; leadership behaviors that improve engagement are likely to result in considerable downstream loyalty gains, consistent with research emphasizing engagement as a critical predictor of repeat patronage and advocacy in tourism contexts [21, 52].

These results indicate that organizations striving to build loyal tourist segments should reorient their attention. Leadership techniques that visibly exhibit caring, individualized support, and ethical consistency should be prioritized, as they are the most effective in shaping consumer attitudes [8]. Internally, visionary and innovative components continue to be valuable; but, their exterior influence is contingent upon their transformation into concrete client experiences. This study adds to the expanding body of literature on the customer-facing benefits of leadership by illustrating that transformative leadership is not uniformly influential throughout its dimensions; rather, only some characteristics directly or indirectly increase engagement and loyalty in tourism contexts. Future research should further develop these findings by investigating potential modifiers, such as cultural differences or service type, to enhance comprehension of the times and individuals for whom these leadership benefits are most significant [53].

6. Conclusion

This study found that among transformational leadership dimensions, individualized consideration and idealized influence significantly enhance customer engagement, while inspirational motivation and intellectual stimulation do not. Engagement strongly predicts loyalty and mediates the effects of these two key leadership behaviors, confirming its central role in translating leadership into customer outcomes. These results highlight that personalized and value-based leadership practices are most effective in fostering loyal customers in agri-tourism business settings, offering targeted insights for both theory and managerial practice.

6.1. Managerial Implications

The results highlight that personalized and ethical leadership behaviors are most influential in driving customer engagement and loyalty. Tourism managers should prioritize training leaders and frontline supervisors to practice individualized consideration demonstrating care for employees' and

customers' unique needs and idealized influence by modeling consistent values and integrity. These behaviors foster a service culture where employees naturally deliver more engaging customer experiences, leading to stronger loyalty. Conversely, while motivational speeches or innovation-focused initiatives remain valuable internally, managers must ensure these elements are translated into visible benefits for customers (e.g., improved service personalization or clearer value communication) to enhance external impact. Embedding such leadership-driven customer focus into recruitment, training, and performance systems can help tourism organizations achieve sustained competitive advantage through loyal and engaged clientele.

6.2. Theoretical Implications

This study contributes to leadership and service marketing literature by demonstrating that transformational leadership does not uniformly influence customer outcomes; rather, its dimensions exert differential effects. The findings refine transformational leadership theory in service contexts by showing that individualized consideration and idealized influence are the most salient drivers of customer engagement, whereas inspirational motivation and intellectual stimulation exert negligible direct or mediated effects. This challenges assumptions of the four-factor model's equal relevance across contexts and suggests that customer-facing impacts depend on leadership behaviors that are visible and relationally meaningful to customers. Moreover, the study strengthens customer engagement theory by empirically validating its mediating role between leadership and loyalty, positioning engagement as a central construct that connects organizational leadership practices with customer behavioral outcomes. These insights invite future research to explore boundary conditions such as cultural settings, service types, or digital touchpoints that may further moderate these relationships and refine cross-context generalizability.

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