

Service Innovation as a Mediator of Organizational Factors and Customer Satisfaction: Insights from Taiwan's Tourism Industry

Ramli Hatma^{1*}, Abdul Nasir Rachman², Hardiyono¹, Siti Mujahida³, Muhammad Azizurrohman⁴

1. Department of Entrepreneurship, Faculty of Economics and Business Digital, Universitas Megarezky, Indonesia
2. Department of Nautika, Politeknik Maritim AMI Makassar, Indonesia
3. Department of Management, Sekolah Tinggi Ilmu Ekonomi Amkop, Indonesia
4. Department of Business and Management, Southern Taiwan University of Science and Technology, Taiwan

*Corresponding author e-mail: ramlihatma.bri@gmail.com

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Abstract

Purpose – This study explores the impact of employee well-being, transformational leadership, and the work environment on service innovation and customer satisfaction in Taiwan's tourism industry.

Methodology – A cross-sectional survey of 295 respondents, including workers and tourists, was conducted using a random sampling method and a 7-point Likert scale questionnaire. This quantitative study employs structural equation modelling (SEM) to examine how employee well-being, leadership style, and the work environment influence service innovation and customer satisfaction in Taiwan's tourism industry.

Findings – The results demonstrate that employee well-being, transformational leadership, and a supportive work environment significantly enhance service innovation, which, in turn, positively influences customer satisfaction. Service innovation also acts as a mediator in the relationship between organizational factors and customer satisfaction.

Originality – The originality of this manuscript lies in its focus on the mediating role of service innovation in the relationship between employee well-being, leadership style, work environment, and customer satisfaction within the context of Taiwan's tourism industry.

1. Introduction

The tourism industry is one of the most competitive and dynamic sectors globally, significantly contributing to national economies, including Taiwan's. As customer expectations rise, tourism businesses must continuously innovate to deliver exceptional service that meets and exceeds these expectations (Glaser et al., 2018). While technological advancements and operational strategies often dominate discussions on service innovation, growing attention has been given to the role of employees, particularly their well-being, as a crucial driver of service excellence (Uysal et al., 2020). Understanding how employee well-being influences service

innovation and ultimately enhances customer satisfaction is essential for tourism companies striving to maintain a competitive edge (Mahmoud et al., 2021).

Employee well-being, encompassing physical, emotional, and mental health, is increasingly recognized as a key factor in fostering productivity, creativity, and commitment among employees (Kang et al., 2015). When employees experience high levels of well-being, they are more likely to engage in innovative behaviors that lead to the development of new services or the enhancement of existing processes (Dóra et al., 2019). These innovations are especially critical in the tourism industry, where customer interactions and personalized services underpin business success (Wan et al., 2022). Satisfied and healthy employees are better equipped to innovate, thereby improving service quality and customer satisfaction (Ibrahim et al., 2022). However, the mechanisms through which employee well-being translates into service innovation and customer satisfaction remain insufficiently understood (Dóra et al., 2019; Kang et al., 2015; Wan et al., 2022), particularly in Taiwan's tourism sector.

In addition to employee well-being, leadership style and the work environment significantly shape employees' capacity and motivation to innovate (Mai et al., 2023). Transformational leadership, which inspires employees to surpass their own expectations, has been linked to higher levels of creativity and improved service delivery (Shafi et al., 2020). Similarly, a supportive and resourceful work environment fosters collaboration and innovation among employees (B.-S. Kim et al., 2021). When combined with a focus on employee well-being, these factors create an atmosphere conducive to service innovation, ultimately enhancing customer satisfaction (Pot, 2017). Customer satisfaction is a critical metric for business success, particularly in the tourism industry, where service quality directly affects customer retention and long-term sustainability (P.J. et al., 2023). In this highly competitive environment, the ability to innovate and provide unique, high-quality services is a key differentiator (Almeida & Sequeira, 2019). This study posits that employee well-being, leadership style, and the work environment are essential antecedents of service innovation, which in turn drives customer satisfaction. Furthermore, organizational support is hypothesized to amplify the positive effects of these factors on service innovation, creating a stronger pathway to customer satisfaction (Husain et al., 2024).

Despite extensive research on employee well-being, leadership, and the work environment as predictors of organizational innovation, existing studies often lack a comprehensive exploration of the mechanisms through which these factors influence service innovation and customer satisfaction, particularly within the tourism industry. Prior research has produced inconsistent findings regarding the mediating role of service innovation, with some studies highlighting its importance and others overlooking its impact. Additionally, limited attention has been given to the interplay of these variables in Taiwan's tourism sector, where cultural nuances and industry-specific challenges uniquely shape organizational outcomes. This study addresses these gaps by exploring how employee well-being, transformational leadership, and a supportive work environment contribute to service innovation, which mediates their effects on customer satisfaction. By examining these relationships in the context of Taiwan's tourism industry, this research offers novel insights and practical implications for fostering innovation and enhancing customer satisfaction in a highly competitive global market.

1.1. Employee Well-Being and Service Innovation

Employee well-being has been consistently linked to organizational innovation, particularly in service industries where creativity and problem-solving are essential for customer satisfaction. Several studies emphasize the importance of fostering physical and emotional health among employees to enhance their capacity for innovative behaviors. For instance, Dóra et al. (2019)

found that well-being positively influences employees' ability to generate creative solutions and adapt to dynamic service demands. Similarly, a multi-level framework by Kottwitz et al. (2024) highlighted how well-being at individual and organizational levels drives service innovation, underscoring its role in promoting a supportive work environment conducive to creativity. Further research confirms these findings. A study by Jamaluddin (2025) and Murphy (2024) demonstrated that organizations prioritizing employee well-being report higher productivity and innovation rates. In the hospitality sector, mindfulness practices have been shown to reduce stress and enhance creativity, as noted by Kaya et al. (2024). Additionally, Charoensap-Kelly et al. (2021) presented empirical evidence linking resilience and well-being to innovative outcomes in knowledge-intensive industries. These studies collectively validate the hypothesis that employee well-being directly and significantly contributes to service innovation, fostering both individual and organizational success.

H₁: Employee well-being has a positive and significant effect on service innovation in Taiwan's tourism industry

1.2. Transformational Leadership and Service Innovation

Transformational leadership plays a pivotal role in fostering an environment of trust and inspiration, enabling employees to take initiative and innovate (Shafi et al., 2020; Syafriani et al., 2025). Leaders who adopt this style encourage their teams to think creatively, challenge existing practices, and explore new approaches to enhance customer service. Chukwuma & Zondo (2024) emphasize that transformational leaders inspire employees to transcend routine tasks and contribute innovative ideas, making this leadership style particularly valuable in industries like tourism, where customer expectations continually evolve. Moreover, transformational leadership drives organizational innovation by aligning employees' goals with a shared vision and motivating them to achieve higher performance (Nasir et al., 2022). For example, Thuan (2019) highlight that transformational leaders stimulate intellectual curiosity and encourage problem-solving, both essential for driving creativity in customer service. In the dynamic context of tourism, this leadership approach is indispensable for addressing the industry's need for constant adaptation and innovation to remain competitive (J.-K. Kim et al., 2023).

H₂: Transformational leadership a positive and significant effect on service innovation in Taiwan's tourism industry

1.3. Work Environment and Service Innovation

A supportive and resource-rich work environment is fundamental in fostering collaboration, idea-sharing, and innovative behaviors among employees (Wang & Oscar, 2024). Such environments provide not only the necessary tools but also an atmosphere that encourages creativity and problem-solving. Zach (2016) highlights that when employees are equipped with adequate resources and feel supported, they are more likely to engage in innovative activities that contribute to organizational success. This is particularly relevant in the tourism industry, where service delivery often hinges on continuous innovation to meet and exceed customer expectations. In addition to promoting creativity, a positive work environment enhances employee focus and productivity, enabling them to develop and implement new service solutions effectively (Bousinakis & Halkos, 2021; Inam et al., 2021). For example, (Burcharth et al., 2017) argue that workplace factors such as autonomy, access to resources, and encouragement significantly impact employees' ability to innovate. In tourism, where customer satisfaction is intricately tied to service

quality, fostering such environments ensures that employees can prioritize innovation while maintaining high standards of service delivery (M. et al., 2019).

H₃: Work environment has a positive and significant effect on service innovation in Taiwan's tourism industry

1.4. Service Innovation and Customer Satisfaction

Service innovation has a profound impact on customer satisfaction by offering enhanced and tailored service experiences that go beyond customer expectations (Fung So & Li, 2023). In the tourism industry, where delivering exceptional customer experiences is paramount, innovations such as personalized services, streamlined response times, and advanced technological solutions play a critical role (J.-K. Kim et al., 2023). Wan et al. (2022) highlight how such innovations not only improve service delivery but also foster customer loyalty by addressing their evolving needs more effectively. Additionally, research underscores a strong relationship between service innovation and positive customer outcomes (Xie et al., 2021), especially in competitive industries like tourism. Ibrahim et al. (2022) emphasize that organizations prioritizing innovation gain a distinct advantage by delivering unique value propositions that differentiate them in the marketplace. These innovations contribute significantly to customer satisfaction, enhancing the overall reputation and success of service-oriented businesses.

H₄: Service innovation has a positive and significant effect on customer satisfaction in Taiwan's tourism industry

1.5. Employee Well-Being and Customer Satisfaction Mediated by Service Innovation

Employee well-being indirectly contributes to enhanced customer satisfaction by fostering service innovation (Kang et al., 2015). When employees are healthy, motivated, and supported, they are more inclined to engage in innovative behaviors that improve service quality and delivery. Song et al. (2024) emphasize that employee well-being creates a foundation for creativity and problem-solving, essential for meeting customer needs effectively. Similarly, Dóra et al. (2019) and Elsamani et al. (2023) highlight that well-being initiatives empower employees to focus on delivering superior services, ultimately leading to higher levels of customer satisfaction. This indirect relationship underscores the critical role of employee well-being in driving customer outcomes in service industries. By investing in well-being initiatives, organizations not only improve employee engagement and morale but also enable a culture of continuous innovation (Elsamani et al., 2023). This cascading effect ensures that improvements in employee well-being translate into tangible benefits for customers, thereby enhancing overall organizational performance and reputation.

H₅: Service innovation mediates the relationship between employee well-being and customer satisfaction in Taiwan's tourism industry

1.6. Leadership Style and Customer Satisfaction Mediated by Service Innovation

Leadership style indirectly influences customer satisfaction by fostering service innovation (Budur & Poturak, 2021; Piwowar-Sulej & Iqbal, 2023). Transformational leaders play a crucial role in creating an environment that encourages creativity, empowering employees to think innovatively and implement new solutions. Buja et al. (2022) emphasize that such leaders inspire their teams to challenge the status quo, facilitating improvements in service delivery that directly enhance customer experiences. This approach is particularly effective in dynamic industries like tourism, where innovation is essential to meet evolving customer expectations. Moreover,

leadership style acts as a catalyst for aligning employee efforts with organizational goals, ensuring that innovative initiatives translate into tangible improvements in customer satisfaction (Al-Sada et al., 2017). Mai et al. (2023) highlight that transformational leadership not only drives employee engagement in innovation but also ensures the implementation of service enhancements that resonate with customers. This indirect relationship underscores the pivotal role of leadership in linking innovation with positive customer outcomes.

H₆: Service innovation mediates the relationship between leadership style and customer satisfaction in Taiwan's tourism industry

1.7. Work Environment and Customer Satisfaction Mediated by Service Innovation

A supportive work environment fosters service innovation, ultimately resulting in higher customer satisfaction (Li et al., 2024). Employees who operate in a positive and collaborative atmosphere are more inclined to generate innovative ideas that enhance service quality. Al Kurdi et al. (2020) emphasize that a well-structured work environment not only motivates employees but also provides the resources and support needed to implement creative solutions. This directly impacts the overall quality of services delivered to customers. Furthermore, Zach (2016) highlights that a positive work environment enhances employee focus and collaboration, enabling them to prioritize innovation that improves customer experiences. By cultivating such an environment, organizations can ensure that service innovations are effectively aligned with customer needs, leading to increased satisfaction and loyalty (Wang & Oscar, 2024). This indirect relationship underscores the importance of fostering a workplace culture that supports both innovation and customer-centricity.

H₇: Service innovation mediates the relationship between work environment and customer satisfaction in Taiwan's tourism industry

1.8. Moderating Role of Organizational Support

Organizational support moderates the relationship between employee well-being, leadership style, work environment, and service innovation, enhancing their collective impact (Ren & Shen, 2024). Employees who perceive strong organizational support are more likely to engage in innovative behaviors, as they feel valued and empowered. Filieri & Mariani (2021) emphasize that when organizations provide resources, training, and encouragement, employees can better translate their well-being, effective leadership, and supportive work environments into innovative practices that drive organizational success. Additionally, Husain et al. (2024) and Zahoor et al. (2022) highlight that organizational support amplifies the positive effects of leadership and work environment on service innovation. This support creates an ecosystem where employees feel equipped and motivated to develop creative solutions, ultimately improving customer satisfaction. By fostering an environment of trust and investment in employee growth, organizational support serves as a critical enabler of service innovation and enhanced customer outcomes (NaNa & Zainal, 2024).

H₈: Organizational support moderates the relationship between employee well-being and service innovation, such that the relationship is stronger when organizational support is higher

H₉: Organizational support moderates the relationship between leadership style and service innovation, such that the relationship is stronger when organizational support is higher

H₁₀: Organizational support moderates the relationship between work environment and service innovation, such that the relationship is stronger when organizational support is higher

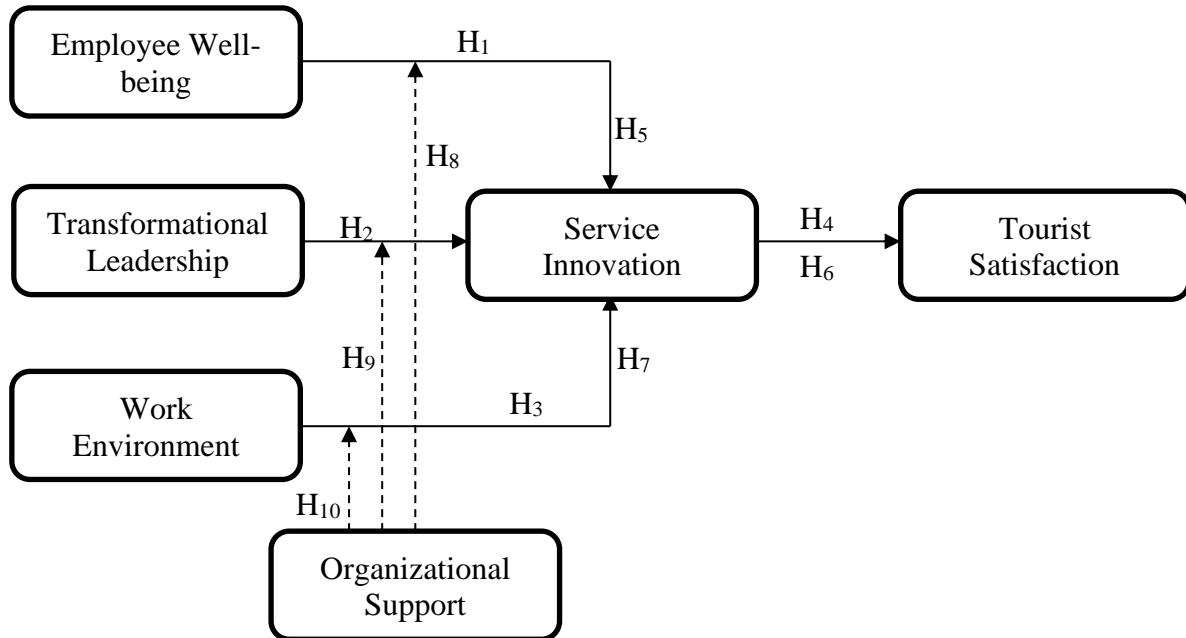


Figure 1. Research Framework

2. Research Methods

This study employed a survey design, targeting 295 respondents from Taiwan's tourism sector, including employees and customers from hotels, restaurants, and travel agencies. The data collection process spanned from January 1st to March 30th, 2024, and utilized random sampling to ensure the sample was representative of the target population. A pilot test with 50 respondents was conducted beforehand to refine the questionnaire, ensuring its clarity, relevance, and reliability. The structured questionnaire was distributed both online, via email and web links, and in person at tourism businesses, offering accessibility and flexibility for participants. The survey captured key constructs, such as employee well-being, leadership style, work environment, service innovation, and customer satisfaction, using a seven-point Likert scale to measure participant opinions and perceptions. Data analysis was conducted using SmartPLS software, applying Partial Least Squares Structural Equation Modeling (PLS-SEM) to test the hypothesized relationships among variables. PLS-SEM was chosen for its ability to handle smaller sample sizes, non-normal data, and models with formative variables, making it particularly suitable for this exploratory research. The reliability of the constructs was confirmed through Cronbach's alpha, Composite Reliability (CR), and Average Variance Extracted (AVE), all of which exceeded standard thresholds. Convergent and discriminant validity were verified using Confirmatory Factor Analysis (CFA), ensuring the robustness of the measurement model. Ethical principles guided the study, with participants providing informed consent, and their confidentiality and anonymity strictly maintained throughout the research process, adhering to established ethical standards.

3. Results and Discussions

To ensure a comprehensive understanding of the dynamics between organizational factors and service outcomes, this study gathered responses from two primary groups: employees working within Taiwan's tourism sector and tourists who had recently engaged with tourism services. The dual-perspective approach allows for the examination of both internal (employee) and external (tourist) experiences, aligning with the study's aim to investigate how organizational practices influence service innovation and customer satisfaction. The demographic breakdown presented

below captures key characteristics such as gender, age, and industry affiliation for workers, as well as country of origin for tourists, providing rich contextual data for subsequent analysis.

Table 1. Respondent Profile

Characteristic	Category	Workers (n=150)	Percentage (%)	Tourists (n=145)	Percentage (%)
Gender	Male	75	50	65	44.80
	Female	75	50	80	55.20
Age	18-25	25	16.70	35	24.10
	26-35	55	36.70	60	41.40
Working industry	36-45	50	33.30	35	24.10
	46-55	20	13.30	15	10.30
Tourist Origin	Hotel	60	40	-	-
	Restaurant	45	30	-	-
Country	Travel Agency	30	20	-	-
	Tourist Attraction	15	10	-	-
Tourist Origin	Taiwan (Domestic)	-	-	65	44.80
	China	-	-	35	24.10
Country	Japan	-	-	30	20.70
	United States	-	-	10	6.90
Tourist Origin	Other (Europe, SE Asia)	-	-	5	3.40

Source: processed data

Among the 150 workers, there was an equal split between male and female participants, each representing 50% of the sample. Most workers were between 26 and 45 years of age, and the hotel industry had the largest share of workers (40%), followed by restaurants (30%), and travel agencies (20%). In contrast, the tourist group consisted of 145 participants, with 55.2% female and 44.8% male. Most tourists were aged between 26 and 35 years (41.4%), and Taiwan was the largest source of tourists (44.8%), followed by China (24.1%) and Japan (20.7%). These results show a balanced representation of workers and tourists, allowing for a comprehensive analysis of both perspectives within the tourism industry.

Table 2. Descriptive Statistics

Variable	Mean	Standard Deviation	Min	Max
Employee well-being	5.9	0.8	4	7
Leadership style	6.1	0.75	4	7
Work environment	6	0.82	4	7
Service innovation	6.2	0.78	4	7
Customer satisfaction	6.4	0.85	5	7
Organizational support	5.8	0.81	4	7

Source: processed data

The descriptive statistics for the study variables, including employee well-being, leadership style, work environment, service innovation, customer satisfaction, and organisational support, indicate overall positive perceptions. Employee well-being had a mean score of 5.90, suggesting

that employees generally had a positive perception of their well-being. Leadership style and work environment had similarly high means of 6.10 and 6.00, respectively, indicating favourable views of leadership practices and working conditions. Service innovation and customer satisfaction scored even higher, with means of 6.20 and 6.40, respectively, reflecting strong perceptions of innovation and customer experience. Organisational support had a slightly lower but still positive mean of 5.80. These high mean scores across all variables suggest that both employees and tourists experienced positive conditions within Taiwan's tourism sector.

Table 3. Factor Loadings, Reliability and Validity Test

Construct	Item	Loading Factor	Cronbach's Alpha	CR	AVE
Employee Well-Being	WB ₁	0.83	0.85	0.89	0.67
	WB ₂	0.82			
	WB ₃	0.84			
Leadership Style	L ₁	0.86	0.87	0.91	0.71
	L ₁₂	0.85			
	L ₃	0.84			
Work Environment	WE ₁	0.81	0.83	0.88	0.65
	WE ₂	0.80			
	WE ₃	0.82			
Service Innovation	SI ₁	0.88	0.88	0.92	0.73
	SI ₂	0.87			
	SI ₃	0.86			
Customer Satisfaction	CS ₁	0.90	0.90	0.93	0.76
	CS ₂	0.91			
	CS ₃	0.88			
Organizational Support	OS ₁	0.82	0.86	0.90	0.68
	OS ₂	0.83			
	OS ₃	0.81			

Source: processed data

The reliability and validity of the constructs were confirmed through factor loadings, Cronbach's alpha, Composite Reliability (CR), and Average Variance Extracted (AVE). The factor loadings for each item exceeded the recommended threshold of 0.7, demonstrating that the items accurately represent their respective constructs. For example, employee well-being items had loadings between 0.82 and 0.84, while leadership style items ranged from 0.84 to 0.86, and work environment items ranged from 0.80 to 0.82. Cronbach's alpha values were all above 0.7, indicating strong internal consistency for each construct. Similarly, the CR values exceeded the threshold of 0.7, and the AVE values were above 0.5, confirming adequate convergent validity. These results indicate that the measurement model is reliable and that the constructs are well-represented by their items.

Table 4. Discriminant Validity

Construct	1	2	3	4	5	6
Employee Well-Being	0.82					
Leadership Style	0.65	0.84				
Work Environment	0.61	0.63	0.81			
Service Innovation	0.68	0.66	0.70	0.85		
Customer Satisfaction	0.69	0.68	0.72	0.74	0.87	
Organizational Support	0.66	0.64	0.69	0.71	0.68	0.83

Source: processed data

Discriminant validity was assessed using the Fornell-Larcker criterion, which confirmed that each construct was distinct from the others. The square root of the AVE for each construct was greater than its correlations with other constructs, indicating that the constructs are unique and not overly correlated with one another. For example, the square root of the AVE for employee well-being was 0.82, which was higher than its correlation with leadership style (0.65) and work environment (0.61). These results confirm that the constructs are measuring different aspects of the respondents' experiences and that there is no significant overlap between them.

3.1. Direct Effect

After validating the measurement model through reliability and validity tests, the study proceeded to examine the structural relationships among the core variables. Table 5 presents the results of the direct effect analysis, highlighting the path coefficients, t-values, and significance levels of each hypothesized relationship. The focus is on understanding how employee well-being, transformational leadership, and the work environment influence service innovation, as well as how service innovation directly impacts customer satisfaction. These findings offer critical insights into the strength and direction of the proposed relationships, forming the basis for evaluating the research hypotheses.

Table 5. Direct Effect Estimation

Path	Path Coefficient	t-value	p-value	Note
Employee Well-Being => Service Innovation	0.4	8.21	0.000	Supported
Leadership Style => Service Innovation	0.35	7.45	0.000	Supported
Work Environment => Service Innovation	0.37	7.89	0.000	Supported
Service Innovation => Customer Satisfaction	0.45	9.32	0.000	Supported

Source: processed data

Employee well-being had a path coefficient of 0.40 ($t = 8.21, p < 0.001$), indicating that higher levels of well-being among employees lead to greater service innovation. Similarly, leadership style had a positive effect on service innovation, with a path coefficient of 0.35 ($t = 7.45, p < 0.001$), suggesting that transformational leadership encourages innovation. The work environment also had a strong positive effect on service innovation, with a path coefficient of 0.37 ($t = 7.89, p < 0.001$). Finally, service innovation had a significant positive effect on customer satisfaction, with a path coefficient of 0.45 ($t = 9.32, p < 0.001$). These results provide strong support for the hypothesis that employee well-being, leadership style, and work environment positively impact service innovation, which in turn enhances customer satisfaction.

3.2. Indirect Effect

Beyond direct relationships, this study also explores the mediating role of service innovation in linking organizational factors to customer satisfaction. Table 6 summarises the results of the mediation analysis, indicating the indirect effects of employee well-being, leadership style, and work environment on customer satisfaction through service innovation. The analysis includes the path coefficients, t-values, and p-values, providing statistical evidence on whether service innovation significantly mediates these relationships. Understanding these mediating pathways adds depth to the model and underscores the central role of innovation in enhancing customer outcomes within the tourism sector.

Table 6. Mediating Effect of Service Innovation

Path	Indirect Effect	t-value	p-value	Note
Employee Well-Being => Service Innovation => Customer Satisfaction	0.18	4.77	0.000	Supported
Leadership Style => Service Innovation => Customer Satisfaction	0.16	4.52	0.000	Supported
Work Environment => Service Innovation => Customer Satisfaction	0.17	4.60	0.000	Supported

Source: processed data

Employee well-being had an indirect effect of 0.18 on customer satisfaction ($t = 4.77$, $p < 0.001$), showing that service innovation partially mediates the relationship between employee well-being and customer satisfaction. Similarly, leadership style had an indirect effect of 0.16 ($t = 4.52$, $p < 0.001$), indicating that the effect of leadership on customer satisfaction is mediated through service innovation. The work environment also had a significant indirect effect on customer satisfaction, with a path coefficient of 0.17 ($t = 4.60$, $p < 0.001$), demonstrating that a positive work environment leads to higher customer satisfaction via enhanced service innovation. These findings confirm the critical mediating role of service innovation in the relationships between employee well-being, leadership style, work environment, and customer satisfaction, emphasizing that fostering an innovative culture in the workplace can lead to improved customer outcomes.

The findings of this study highlight the intricate relationships between organizational factors, service innovation, and customer satisfaction, underscoring the pivotal role of service innovation as a mediator. The positive association between employee well-being and service innovation demonstrates that employees who are physically, emotionally, and mentally supported are more inclined to engage in creative behaviors, leading to improved service delivery. This aligns with the conclusions of Dóra et al. (2019) and Kang et al. (2015), who found that well-being significantly contributes to innovation, particularly in customer-facing industries where employee creativity directly impacts service quality. The results reinforce the need for organizations to invest in employee well-being initiatives as a strategic approach to fostering a culture of innovation, which ultimately benefits customers and strengthens organizational competitiveness.

Similarly, leadership style emerges as a critical driver of service innovation. Transformational leaders, by fostering trust, offering intellectual stimulation, and providing individualized support, create an environment where employees feel motivated and empowered to innovate. This is consistent with studies by Nasir et al. (2022) and Shafi et al. (2020), which underscores the role of transformational leadership in enhancing employees' capacity to develop

new ideas and improve services. In Taiwan's tourism sector, cultivating transformational leadership is essential for driving innovation and addressing dynamic customer demands. The work environment also plays a significant role in enabling service innovation. A supportive and resource-rich environment, characterized by physical comfort, social support, and access to necessary tools, facilitates employees' ability to innovate. The findings align with the work of Pot (2017) and Zach (2016), who highlighted that a positive work environment encourages creativity and innovation, particularly in industries requiring frequent customer interactions. For Taiwan's tourism businesses, prioritizing improvements in workplace conditions can serve as a catalyst for enhancing service delivery and fostering innovation.

The strong relationship between service innovation and customer satisfaction further underscores the centrality of innovation in achieving customer-oriented outcomes. The results are consistent with Ibrahim et al. (2022) and Wan et al. (2022), who found that innovative services, such as personalized offerings and technological advancements, are key determinants of customer satisfaction. In the competitive tourism industry, where customer expectations continuously evolve, businesses that focus on innovation are better equipped to meet these demands, ensuring customer loyalty and maintaining a competitive edge. Moreover, the mediating role of service innovation reveals how employee well-being, leadership style, and work environment indirectly influence customer satisfaction through their impact on innovation. This finding echoes Almeida & Sequeira (2019) and P.J. et al. (2023), who emphasized that internal organizational factors primarily affect customer outcomes by fostering innovation. These results suggest that while each organizational factor is important independently, their combined impact on customer satisfaction is magnified when channeled through service innovation. This highlights the need for an integrated approach that aligns employee support, leadership development, and workplace enhancement with organizational innovation goals to maximize customer satisfaction.

To increase tourist satisfaction based on the findings of this study, tourism businesses should take strategic steps focused on employee well-being, leadership development, work environment enhancement, and fostering innovation. First, investing in employee well-being is crucial. This can be achieved by implementing health and wellness programs that promote mental health, physical fitness, and work-life balance. Providing flexible work arrangements and reducing employee stress ensures that employees are more creative and capable of contributing to service innovation. Organizations should view these investments as strategic initiatives to enhance both employee satisfaction and organizational outcomes. Second, fostering transformational leadership within tourism businesses can drive innovation and improve service delivery. Leadership development programs should focus on training leaders to inspire employees, encourage creative thinking, and provide individualized support. Transformational leaders, who build trust and intellectually stimulate their teams, create environments where employees feel empowered to innovate and excel in their roles. This leadership style is essential for driving continuous improvements in customer experiences. Third, enhancing the work environment is vital for fostering creativity and collaboration. Businesses should prioritize improving physical workspaces to ensure comfort and accessibility to resources. Creating a culture of collaboration and open communication is equally important. Providing employees with tools like advanced technologies and designing spaces that encourage teamwork can significantly enhance their capacity to innovate.

Prioritizing service innovation as a driver of customer satisfaction is imperative. Tourism businesses should regularly assess customer needs and encourage employees to propose innovative solutions that address these needs. Implementing feedback mechanisms and focusing on personalization and technology-driven enhancements can help businesses stay competitive and exceed customer expectations. Finally, strengthening organizational support is essential to

equipping employees for innovation. Providing adequate training, tools, and emotional support helps employees feel valued and confident in their ability to innovate.

4. Conclusions

This study demonstrates that employee well-being, transformational leadership, and a supportive work environment significantly influence service innovation, which, in turn, enhances customer satisfaction in Taiwan's tourism industry. By addressing the research questions, the findings reveal that employee well-being drives creativity and innovation, transformational leadership empowers employees to challenge norms and develop innovative solutions, and a resource-rich work environment fosters collaboration and innovation. Service innovation serves as a critical mediator, linking these organizational factors to customer satisfaction and underscoring its role as a key mechanism for achieving customer-centric outcomes. Additionally, the study highlights the importance of organizational support in amplifying these relationships, providing valuable insights into how tourism businesses can strategically foster innovation to meet evolving customer expectations and maintain competitiveness in the global market. These results contribute to the understanding of the interconnected dynamics between internal organizational practices and external customer outcomes, offering actionable strategies for enhancing service quality and satisfaction.

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