THE RELATIONSHIP BETWEEN LEADERSHIP STYLE AND JOB SATISFACTION IN ORDER TO GAIN CUSTOMERS’ SATISFACTION: AN EXPLANATORY STUDY

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ABSTRACT

Purpose—This study is to investigate the relationship between leadership style and employees’ job satisfaction in order to gain customers’ satisfaction. As an entrepreneur, it is important to have a correct leadership style to create and run his/her business. Therefore, to be a successful entrepreneur, it is important to have the correct leadership style, and to know how to satisfy his/her employees in order to gain customers’ satisfaction.

Design/methodology/approach – This study combined two research methods, which were a literature study and a qualitative research through deep interview. Furthermore, this result will be presented through a descriptive explorative research.

Findings – Even though according to previous researchers, leadership style and employees’ job satisfaction had a positive and significant relationship. Meanwhile, through this paper, it shows that successful entrepreneurs know the applicable leadership styles for their specific employees in order to gain customers’ satisfaction and business profitability. Education level seems significantly related with the correct leadership styles, even though this paper has limitation to compare between two different employees profile.

Research limitation/implication - This research had limitation as study literature with one subject research for deep interview to support this research result.

Practical Implications – The research result is expected to support entrepreneurs or future entrepreneurs to focus on the correct leadership style in order to growth their business through satisfied their employees and customers.
**Originality/value** - This paper was inspired by Su-Chao Chang and Ming-Shing Lee (2007) that examine the relationship among leadership, organizational culture, the operational of learning company and employees’ job satisfaction. However, this paper was deeper investigate on the relationship between leadership style and employees’ job satisfaction in order to gain customers’ satisfaction, through a literature study and deep interview with asuccessful SME entrepreneur.

**Keywords:** Leadership Style, Job Satisfaction, Customer Satisfaction, Entrepreneurship

**INTRODUCTION**

This paper is focus on two women entrepreneurs who own and run SME (Small Medium Enterprise) in Surabaya.

First is Mrs. Susan, a women entrepreneur who own and run one accountant consultant in Surabaya, Indonesia. Mrs. Susan is a wife with three children. She has a unique leadership style towards her employees.

Mrs. Susan mentioned: “I offers to my employees how much salary that he/she wants and as a return, I stated my expectation about his/her job description”

This behavior is un-common for Surabaya workplace. As a result, her staffs and manager has working for her for years. From this first communication, it will be interested study that could be done in order to investigate whether Mrs. Susan unique leadership style has correctly being implemented in order to reach her financial target.

Secondly is Mrs. Yani, a women entrepreneur who has three small restaurants in Surabaya. Mrs. Yani also a house wife with three children. She implements a unique leadership style towards her twenty five staffs.

Mrs. Yani shared: “I train my staffs then divided into three groups. Each group has one restaurant to take-care. They could run that restaurant as their own business. I give them authority to run that restaurant in order to achieved the given revenues target from me”
Mrs. Yani realized that she could not follow all three restaurants without giving her staffs empowered and trust them to run smaller restaurants. Meanwhile Mrs. Yani focuses to monitoring the biggest restaurant among three restaurants.

This paper investigated the different leadership styles between Mrs. Susan and Mrs. Yani how they treat their employees differently in order to reach employees’ job satisfaction.

LITERATURE REVIEW
There were three aspects that be explored:

- **Leadership**
  Leadership presents wherever human and organization exists, and leadership is the ability to influence people (Bethel, 1990). Bohn and Grafton (2002) mentioned that leader needs to develop a clear vision, and empower his/her employees. Furthermore, Heilbrun (1994) leader could be chosen through three steps: (1) decide the leader, (2) investigate the leader’s behavior, and (3) focusing on the relationship between leader and subordinates.

  Burn (1978) and Bass (1997) stated two styles of leadership which is transformational leadership, and transactional leadership. Transformational leadership means the way to improve the higher level to task request of employee (Su-Chao Chang and Ming-Shing Lee, 2007). Meanwhile, transactional leadership is demand oriented, with focal emphasis on basic and external satisfaction against demands. (Pounder, 2001; Kim and Shim, 2003).

- **Job Satisfaction**
  Job satisfaction means the mental, physical and environmental job satisfaction (Hoppock, 1935). According to Grace Davis (2004) job satisfaction is a positive effect of employees toward their job description and job situation.

  According to previous academic research that stated on Su-Chao Chang and Ming-Shing Lee (2007), job satisfaction could be divided into three definitions: (1) integral definition, (2) differential definition, and (3) reference structure theory. Integral definition is emphasis on employees’ attitude in their working environment with focusing on mental changing for job satisfaction (Locke, 1976; Fogarty, 1994; Robbin, 1996). Furthermore, differential definition focuses on job satisfaction and the difference between actual and expectation appreciation to employees. The wider the difference means the lower job satisfaction (Smith, et al, 1969; Hodson, 1991). Finally, Morse (1953) and Homans (1961) mentioned that reference structure theory emphasis the fact of character objectives from organization; and become the important part to influence employees’ working attitude and behavior.
Wim Groot (1999), and Henriette Maasen van den Brink (1999) share about their research result about employees’ job satisfaction s follows:

- Women have better job satisfaction compared with men
- High earning does not guarantee to have higher job satisfaction
- Higher educated employees have lesser job satisfaction

**Customer Satisfaction**

In general, customer satisfaction could be explained as a post-purchase evaluation of selling (Oh, 2000; Bolton and Drew 1991).

Meanwhile, Anton (1996) defined customer satisfaction as a state of mind in which customer needs and expectations have been exceeded, resulting in future repurchase and loyalty. The similar statement also given by Anderson and Sullivan (1993) that satisfied customer could lead to customer loyalty. Furthermore, customer loyalty leads to secure future revenues (Fornell, 1992); and cost efficiency (Reichheld and Sasser, 1990). Anderson (1994) stated that ‘words-of-mouth’ from satisfied customers will enhance the company reputation and enjoy higher economic return (Aaker and Jacobson, 1994)

Furthermore, there were two relationships that will be examined, as follows:

- **The Relationship Between Leadership and Job Satisfaction**
  According to result research of Su-Cao Chang and Ming-Shing Lee (2007), leadership and job satisfaction have a positive and significant correlation. Transformational leadership style has positive correlation with the improvement of employees’ working environment, the satisfaction of demands and executed performance (Lui et al, 2003). Meanwhile, transactional leadership style needs to stimulate employees’ expertise and allow them to pursue better job promotion opportunity; in order to reach better working performance (Robbin, 2003).

- **The Relationship Between Job Satisfaction And Customers’ Satisfaction**
  Hoseong Jeon and Beomjoon Choi (2012) mentioned those employees’ job satisfaction leads to customers’ satisfaction, but customers’ satisfaction did not affect employees’ job satisfaction.

- **The Influence of Job Satisfaction on Customers’ Satisfaction**
The Influence of Customers’ Satisfaction on Job Satisfaction
Satisfied customers will engage corporative behavior (Baterman and Organ, 1983), meanwhile, Beauty et al (1996) described that customers who satisfied will develop bond with employees. Goodwin and Gremler (1996) mentioned that employees concern about customers’ feeling and are pleased when the customers show appreciation for the service quality. Even though, customers’ satisfaction influence job satisfaction; customers’ satisfaction did not lead to job satisfaction, since job satisfaction has various aspects need to be considered.

RESEARCH METHODOLOGY
This research is a combination of literature study and qualitative research. The literature study will cover the theory about the relationship between leadership style and job satisfaction in order to gain customer’s satisfaction. After that, one subject research had been chosen for deep interview; with propose to investigate whether the literature study result could be implemented in local SME with two women entrepreneurs as the business owner and leader.

Interview contents focused on:
- The type of business
- Business vision and mission
- Leadership style
- Communication style toward employees
- Employees’ retention program
- Employees’ turn over trend
- Business profitability

The research result will be presented as descriptive explorative method.

DEEP INTERVIEW RESULTS
- The type of business
  - Part A: Mrs. Susan business is an accountant agency in Surabaya, Indonesia
  - Part B: Mrs. Yani business is in food and beverage industry with three restaurants in Surabaya, Indonesia
- Business vision and mission
  - Part A: Mrs. Susan has a clear vision and mission for her business
    - Vision: To be the home empowerment and trusted professional
    - Mission: To help the business sustain their future and to build the caring and productive community
Part B: Mrs. Yani has un-written vision and mission for her business. She wants to make money for her family, and provides a better life for her children. She also preparing the fourth restaurant for her oldest daughter with different business style, which is a café. Her mission is to focusing on specific target market, which is university’s student.

- Business values
  - Part A: Mrs. Susan has a clear and stated business values as follows:
    - Committed
    - Responsible
    - Experienced
    - Persistence
    - Teamwork
  - Part B: Mrs. Yani has a clear business values, but it is not stated clearly, and her staffs are not been informed. She realizes that she needs to continuously improvement to growth her business by launching new menu in monthly business. The value proposition that Mrs. Yani offers is affordable price for university’s student.

- Leadership style
  - Part A: The uniqueness of Mrs. Susan leadership style explains as follows conversation:
    Mrs. Susan said:
    
    “I implement democracy leadership to my subordinates. I encourage my employees to dare to requested salary increment. I will accept their salary incremental proposal but I also share my expectation. My office welcomes all internship students, but mostly, they won’t last longer than three months requirement from their university. Beside internship students, my employees have working for years.”

Moreover Mrs. Susan added:

“I encourage my employees to enhance their knowledge and skills. If they are interested to continue their study to master degree, I will contribute 30% of their tuition fee, the 70% left; my employees need to pay the monthly installment to me. I will add one year contact with them after graduated with my company, after that, they are free to choose to stay or leave my company. Even though, in fact, they will stay’.”
“I think my company needs to have continuously improvement, and it only happens if all human resources, including me keep up dated our knowledge, skills and working experience”.

- Part B: Meanwhile Mrs. Yani leadership style is different compared with others employers in the same industry, food and beverage. Mrs. Yani said:

  “I give my staffs challenge to gain certain revenues every day from every restaurant, I give them freedom to run my business. Even though I realize that a possibility to not submitted all the revenues to me, but as long as my income target is achieved, then it’s alright”

- Communication style toward employees
  - Part A: Mrs. Susan implements a different communication style towards her employees

  “I have differentiated my communication style toward my drivers, and towards my others employees. I will become a transactional leader when I dealing with my employees. They will get what they request as long as they achieved my challenge. Off-course the lower job hierarchy they have they will focus more on cash matter. On the other hand, the higher job hierarchy they have, they could be inspired the importance of education, communicate without open an alternative choice. For them, only have one choice: they could take it or leave it”.

  “All my 10 drivers with very low education, they could not be encouraged to understand that job reward is not only about money. They also very demanding people, and I believe if I have to communicate clearly and being understood with them”.

- Part B: On the other hand, Mrs. Yani implements same communication style to all her staffs. She chooses to give a clear direction to her staffs without any further discussion.
Employees’ retention program

Part A: Mrs Susan has a clear retention program as she mentioned below:

“As a consultant service agency, I believe that all my manpower need to be continuously up-graded. Therefore, I offer 30% scholarship program to continue their business. My company paid the all 100% tuition fee in advance, but my employee only need to pay 70% of them and divided into 0% monthly installment”.

“I also conduct training program in internal or join with external trainer, I would like to ensure all my employees are capable to doing their job”

Part B: Mrs. Yani has difficulty to get staffs for her food and beverage business since her first business start-up in 1995. Her parent in Mid-Java helps her supply manpower. Mrs. Yani retention program is preparing free accommodation and food for her staffs.

Employees’ turn-over trend

Part A: According to Mrs. Susan, there are two type of employees’ turn-over trend. Firstly, for all internship students, usually they won’t last more than three months. Besides working culture shock, they were required to do internship project in three months. Secondly, for all full-timers, the turn-over rate is very low.

Part B: Since the beginning when Mrs. Yani start-up her first food and beverage business in 1995 until now, Mrs. Yani has problem in high turn-over rate. Mrs. Yani needs to figure out how to solve this problem.

Business profitability

Without further explanation, Mrs. Susan only mentioned that her business is profit; meanwhile Mrs. Yani mentioned that her revenues from three small restaurants are around IDR 185 million in monthly basis.
DISCUSSION

- Leaders versus Entrepreneurs

According to Burn (1978) and Bass (1997), leadership styles are divided into two types, which are transformational leadership and transactional leadership. To be a good leader, they must be able to combine both leadership styles and implemented as it needed.

From the deep interview process, even though Mrs. Susan mentioned that her leadership style is a transactional style, but when she mentioned her company policy to be more democracy and implemented learning organizational, it means she also has transformational leadership style. In fact, Mrs. Susan became more transactional leadership if she deals with lower workers, such as drivers.

Meanwhile, Mrs. Yani strongly uses transactional leadership style, without combine with transformational leadership. Mrs. Yani’s staffs are different with Mrs. Susan’s employees. Mrs. Yani’s staffs have lower education background. Meanwhile, Mrs. Susan’s employees have varieties education background from bachelor degree until lower education background.

This paper also wants to investigate the differences and the similar between leadership and entrepreneurship. The difference between leader and entrepreneur are:

- To be a leader, people need to have ability to influencing other people to achieve company goals (Bethel, 1990).
- According to Dr. (Hon). Ir. Ciputra an entrepreneur needs to be innovative, furthermore innovative is a combination between creative and positive market response.

The similarity between leaders and entrepreneurs are:

- Both of them need to learning continuously
- Both of them could be learnt
  Deakins on Robert Sullivan (2000) stated that ‘We do not understand how entrepreneurs learn, yet it is accepted than there is a learning experience from merely establishing a new enterprise.

Therefore, as a leader, entrepreneur needs to enhance the ability to influence people, especially his/her employees and customers. Entrepreneur also needs to improve his/her communication skills and be aware with his/her behavior.
The relationship between leadership style and job satisfaction
As it mentioned previously that leadership style is the most important point related to employees’ job. Previous segment on this paper also mentioned that various reasons that caused job satisfaction, but in reality, leadership style plays the most important roles.

Learning from Mrs. Susan case, she drives her company with a combination leadership style, and as a result, she manages to keep her employment turn-over rate in lower level.

As an entrepreneur, Mrs. Susan knows very well that employees are the most valuable company assets that need to be continuously improvement and also need to have attractive retention programs.

Meanwhile, Mrs. Yani still has a trouble with turn-over rate. Only very few of her staffs stay longer.

The relationship between job satisfaction, customers’ satisfaction, and profitability
Job satisfaction become a critical aspect in company since it has a significantly correlation positive with customers’ satisfaction. Every company needs satisfied customers that expected to be a repeat customers and then become a loyal customers; and ‘words-of-mount’ free-agents.

Loyal customers needed to secure future income; meanwhile ‘words-of-mount’ free-agents are needed to gain new customers to the business.

From Mrs. Susan case, it could be identified the employees’ satisfaction level through: (1) lower employees turn-over rate; and (2) the company gain profits since last couples years ago until present.

On the other hand, on Mrs. Yani case, even though job satisfaction is not clearly proven, the customer satisfaction is not clearly proven, but Mrs. Yani still gain profit from her three small restaurants.

As it mentioned previously, Mrs. Yani’s target market is university’s students who concern about price, taste and size. Therefore, this target market expects more than that three elements. Customer service from staffs is not significantly required for this target market.
CONCLUSION

Even though the leadership style is a significant point to evaluate job satisfaction, a leader should be able to adapt the effective and efficient leadership style in different aspects of the industry. This leadership ability needs to be earned by an entrepreneur. Furthermore, if the entrepreneur as a business leader could implement the correct leadership style, then he/she could secure the future income and to ensure the business sustainability. Since the leadership style is critical for every business, entrepreneurs should spent more time and effort to be an expert to lead people with the correct leadership style.

Mrs. Susan and Mrs. Yani have different type of customers and different type of employees. However, both of the gain profit for her business. Through this research, it could be seen that Mrs. Susan and Mrs. Yani, as successful entrepreneurs have specific formula for her leadership style towards her employees or staffs. This paper also identify that different education background needs different treatment from employer since they have different expectation of employees’ job satisfaction. Meanwhile, customers’ satisfaction for every target market is different, and as entrepreneur, the business owner should figure out what make customers satisfy and this is important to ensure business profitability. If the customers expect service from us, than employees’ satisfaction will be significantly needed in order to ensure employees will provide better service to customers.

RECOMMENDATION

This study has limitation as a literature study with two research subjects; therefore, it suggested having further research about the component of correct leadership style for entrepreneur.

REFERENCES


