The Mediating Effect of Employee Happiness on the Relationship between Leadership Styles and Employee Performance

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ABSTRACT

This study focuses on the employee performance of sales and marketing personnel in the computer hardware industry in Malaysia. Guided and inspired by the Situational and Contingency Theory, the purpose of this study is to understand the main drivers that influence the relationship between Leadership Styles and the performance of sales and marketing personnel. It is timely and imperative that practicing managers/leaders, HRDs and academics acknowledged with a heightened consciousness/awareness that, it is leadership that makes or breaks a team and organization. People leaves managers, not companies. Why do certain companies have such high team-morale, such strong cohesive bonding while others, a constant struggle? Gone are the obedient baby-boomers workforce, today's leaders operate in a VUCA world, coupled with the new Millennial workforce, the one style (fits all) leadership no longer work for GenY employees. In fact, their priorities within the Maslow's hierarchy of needs, have shifted for the Millennials. That's where the Situational and Contingency Theory adds value here. Hence, leadership styles require changes too. Employee Happiness do have a significant positive impact on a team's morale or happiness which ultimately affects their performance. This study looks at the influence from two main drivers, Transformational Leadership and Transactional Leadership and its effect on Employees Performance while having Employee Happiness as its mediator.

Keywords: Employee Performance, Leadership Styles, Transformational Leadership, Transactional Leadership, Employee Happiness.

1. INTRODUCTION

This study focus on employee performance of sales and marketing personnel in the computer hardware companies in Malaysia. Based on past two decades of empirical observation, employee performance within the hardware industry has not been up to par. This is not about pay as only 17% of employees leave due to salary [1]. Employees leave bosses not company. According to a Jobstreet Survey in 2016, 52% of employees leave because they are unhappy with their immediate superior. As there is not much study on local sales and marketing employee performance in this industry [2] therefore a preliminary survey were conducted. Traditionally, emphasis has always been placed on company and bosses, it is time to focus on employee happiness for if not now, then when? That's the objectives that inspire this study. Based on the background and preliminary study, most of the respondents felt that their leaders treat everyone with the same styles, as the one size fit all no longer work, because every employee are uniquely different. It should be a different strokes for different folks. This is where Situational Leadership Theory adds value. There is no one best way to lead human being, everything depends on situation and the professionalism and maturity of target audience [3], on that context, leadership styles requires changes too, given that 40% of today's workforce are GenY or Millennials and they expect work to be meaningful, inspiring and progressive, [4] versus the baby boomers. It not uncommon to see two or three generations of colleagues working in the same office.

So much has been written on Employee Happiness, a 2016 Jobstreet's survey on 5,256 respondent revealed that Malaysian workers has been plague with low levels of contentment [5]. They felt the present state of gloom will not improve and 30% of respondent felt the only way out is to leave. A recent study by Gallup Research on 7,272 US adults showed that leaders accounts for 70% of variance in workers engagement [6]. One in two has left to get away from their superior in order to improve their life. Another poll of 2000 workers in UK by HR company,

Investors in People revealed that 50% of respondent thinking of leaving their work because of poor leadership. Making that the most popular reason for resigning [7]. A new National Study revealed a need for greater attention on superior subordinate relationship [8]. For 93% of respondent said, trust in their immediate superior is key to staying happy at work as more than half said, they are not happy at work therefore not able to give their best effort. More than half the respondent says they reject a 10% salary raise to stay with a great leader. This goes to show how great leaders influence employee happiness. Clearly, managers are the key person when we talked about employee happiness or unhappiness in the workplace [9]. This study focus on how to improve employee performance of sales and marketing personnel in the local computer hardware companies from the perspective of leadership styles and employee happiness.

Problem Statement

Based on background and preliminary study, it is clear and timely that employee performance need greater attention in order for the local computer companies to optimise growth and profitability. Given that both local and global computer sales is on an explosive growth, thanks to the Covid19 pandemics, where schools and employees works from home [10]. In order to sustain in today's VUCA world, organization must have a unique approach or value added proposition in both their leadership and management [11]. Leadership strategy and people management must always go hand in hand [12]. The biggest obstacle for organizations in Malaysia is raising (employees) productivities to achieve organizational competitiveness. Hence, local computer companies must reform, adjust and adapt to grow and succeed in both domestic and export business. While there are many studies found on leadership and employee performance but there were no empirical studies found in sales and marketing nor local computer hardware industry [13]. This study arise due to the critical importance of having effective leaders in the local computer hardware companies, as leadership styles has a huge influence on the performance of sales and marketing personnel, which happens to be the backbone and life-blood of the growing computer industry.

Research Gap

Even though there were multiple research conducted on leadership and employee performance yet, employee performance in the local computer companies are still below par hence, this validates the research gap for this study. There is also a scarcity of mediating factor of employee happiness in the connection between leadership styles and employee performance. In a nutshell, effective leadership styles or situational leadership will increase organizational success through inspiring, inculcating and

incorporating employee happiness into the corporate workplace. In the present study, the researcher suspect that employee happiness may play a mediating role, hence this study will test if employee happiness mediates the relationship between leadership styles and employee performance. Since human beings are uniquely different individual, there is a high possibility that this uniqueness will further influence the managers' leadership styles which ultimately lead to an employee's performance improvement. Inspired by this research gap, this paper hopes to examine the mediating effects of employee happiness on the relationship between leadership styles and employee performance, in the local computer hardware industry.

2. LITERATURE REVIEW

The following are literature review of the key variables namely, employee performance, leadership styles and employee happiness.

2.1. Employee Performance

Pawirosumarto, Sarjana, and Muchtar (2017) studied employee performance from the perspective of leadership styles, discipline, and motivation on 451 employees in the private enterprise, the finding revealed that an employee's performance is directly affected by leadership styles, motivation, and discipline [14].

Fifty-two articles or literature reviews on Employee Performance was carried out for this study. Based on the above literature review, successful companies are always seeking to improve their working team's capacity so they can continue to do well during this tough operating environment [15]. There are multiple factors that play a vital role in a company's ability to be successful, but the one that had the biggest inpact is the performance of the employee [16]. Chen and Francesco (2003) expounded that employee performance can be classified as their ability to do well in a certain situation [17]. Bedarkar and Pandita (2014) explained that a worker's overall performance is derived from the success and failure of their work and contributions that is both visible and measurable [18]. Performance is categorized as to how much effort an employee invested into achieving company goals This has a direct correlation with the variable of this study, i.e., leadership styles which is severely lacking in the local computer hardware companies.

2.2. Leadership Styles

Roberts and Woods (2018) claimed that leadership styles are a social process where leader tries to get people to run alongside their plans and engage them to move forward with the mission [22]. Hallinger and Suriyankietkaew

(2018) described leadership styles as a way, to guide followers towards an organizational goal, and lead individuals to discover effective ways to achieve those goals [23]. Einola and Alvesson (2019), emphasized that good leadership requires an ability to influence those who are unable to follow or comply. The right leadership styles enable leaders to gain supporters to lead effectively towards achieving goals [24] posits that leadership is the capacity to persuade and inspire people to cooperate as a team under his leadership to accomplish a specific objective [25]. Cho et.al., proposed that leadership is the mechanism whereby leaders and supporters influence each other to achieve company goals [26]. Fischer, Jones, and Verran (2018) proposed that leadership is a way of influencing, inspiring, and coaching people to achieve company mission [27].Lang and Armstrong (2018) reiterated that team building is the ability to persuade people to work differently towards achieving a common goal [28]

2.2.1. Transformational Leadership

Transformational leaders accomplish this role by aligning their teams' expectations with the firm and by articulating an optimistic view, opportunities, and hope for the future. Attracting the right talent to join them is a key part of being a transformational leader. These three key components are idealizing, influencing them towards a common goal, while capturing their hearts and minds, both goes under the concept of power. Transformational leaders inspire their followers with active thoughts; hence the workplace and its environment are transformed into a platform for employee involvement [29].
This aims to change the way people think about visionaries. It evolves into a common goal, with groups and teams working in harmony to bring it to life. In a nutshell, transformational leadership traits such as attributed charisma, idealized influence, inspirational drive, intellectual stimulation, and individualized attention can be categorized as part of the transformational phase. According to Rowold (2014), transformational leadership style will generate results because it seeks to cultivate awareness in the potential of employees [30]. A transformational leader empowers his follower with the ability and confidence to execute duties in inline with his mindset to achieve corporate objectives. According to past research, transformational leader inspires their subordinates with a compelling vision, a sense of purpose, and priorities, that facilitates and drive them to towards peak performance. This enables employees to think outside the box and solve problems in novel ways [31]. Bastari et al., 2020. Implementing transformational leadership practices does have a positive impact on the psychological empowerment hence, performance of employees. Transformational leader who focuses on client will be in a better position to orchestrate the entire firm's goal and mission, provide the needed support, as it invents new ways to lead effectively, efficiently, and meaningfully. Using his transformational charm,

transformational leader attempts to shift his/her workers' beliefs, needs, and ideals as he/she stayed focus on personal attention and intellectual stimulation [32].

2.2.2. Transactional Leadership

To start with, this is the kind of dependent incentive, whereby the leader rewards employees if they work according to agreement or put forward their required effort. This management style is referred to as using economic authority with decision-making and using incentives to get people to perform as expected. The management-by-exception approach is the second. This is to ensures if an employee fails to meet expectations, the leader proceeds with disciplinary actions. According to M. C. Lee and Ding (2020), Transactional leaders tracks an employee's behavior, predict problems, and intervene before the behavior turn into a chronic issue [33]. This type of leadership entails keeping a close eye on deviances, mistakes, and errors and responding swiftly as it occurs. When an issue arises, the passive leaders take disciplinary actions. In return, transactional leader gives their followers what they want. According to Burns, Transactional leadership is more popular than transformational leadership. In terms of defining goals, clarifying roles, negotiating contracts, and offering praise and incentives for achieving anticipated results. Bass (1985) argued that transactional leadership lays the groundwork for partnerships between leaders and teams [32].

2.3. Employee Happiness

The outcomes of this questions may address and provides solutions for managers of the local computer hardware industry, why do some sales and marketing enterprise are able to achieve sustainable growth and profitability while others struggle forever with employee performance. Why do certain organizations enjoy a high team morale while others are a silent killer of workers happiness thus affecting productivity and poor performance? [34]. A toxic environment, in short and why do some companies consistently experience high attrition rate while others seem like a magnet of talent retention? When employees are empowered, inspired and happy, they look forward going to work and feels a sense of accomplishment, they feel like being part of the family, they felt a sense of belonging with a compelling sense of purpose and clarity, resulting in a happier workforce. More importantly, they resonate with the why, not just the what or how? https://simonsinek.com/start-with-why/. When such chemistry happens, employees consistently go above and beyond their normal call of duties, to get thing done due to their strong sense of ownership. Most happy workers are more productive at work than dissatisfied ones. Happy and motivated employees are far more productive, and most company management find this more facilitative and conducive towards the achievement of organizational objectives as stated by Garcia et. al., [35].

Underpinning Theory

Situational and Contingency Leadership Theory, even though there are many articles and books published on leadership styles, yet sales and marketing personnel's performance is less than desired, and varies drastically between organization and leaders, within the computer hardware industry, hence the variables of leadership style and the context of this study. When dealing with people, it is about different strokes for different folks. Success depends on selecting the right leadership style contingent upon an employee's readiness. Situational leadership theory (SLT) helps managers in the computer industry to discover the characteristics of their followers in order to understand which styles to use, [36]. Contingency model points towards how a leaders switch behaviors and leadership styles based on situations. There is no one best way to lead human, the effectiveness of managers in the computer companies is contingent upon how their leadership styles matches the situation at that specific moment. This is how SLT helps and facilitates industry managers to choose the right approach for the right situation at that right time. This underpinning theory emphasize a leader's flexibility in leading followers, so flex your styles based on followers needs.

Development of the Research Conceptual Framework

Based on the research gap, preliminary study as well as the underpinning theory, the research conceptual framework is developed. **Figure 1** shows the Dependent Variable, Independent Variable and Mediating Variable or Employee Performance, Leadership Styles (Transformational and Transactional Leadership) and Employee Happiness respectively.
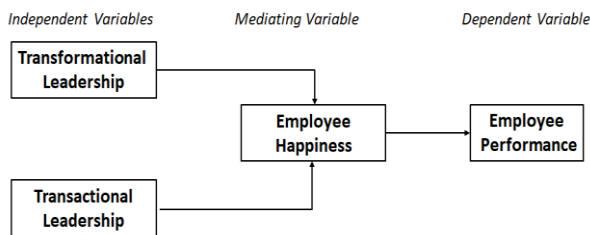

Figure 1 Proposed Research Conceptual Framework

Research Hypotheses

From the research conceptual framework shown above, the following (4) hypotheses were constructed to address the research objectives and research questions.

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Happiness at work or HAW is not just sheer enjoyment or feeling good, and having a nice experience, it points towards the critical importance of having a meaningful work life, [37][38]. An employee is considered happy when they repeatedly feels good positive emotions which translate to experiencing a happier workplace without significant threats [39]. Employee happiness or workplace happiness is seen as using scarce resource to overcome challenges in an enlightened manner [40] [41]. It is about conscious appreciation of the highs and management of the lows, that employee performance are optimised. Doing so enhances both employees happiness as well as others. Edmund and Pryce-Jones, posits that HAW was described as having a joyful and conducive working atmosphere, a feeling of being appreciated by their superior. The following hypotheses were developed to address the research objectives and questions:

Hypotheses 1: Employee Happiness mediates the relationship between Transformational Leadership and (Sales & Marketing) Employee's Performance.

Hypotheses 2: Employee Happiness mediates the relationship between Transactional Leadership and (Sales & Marketing) Employee's Performance.

3. RESEARCH METHODOLOGY

Research methodology includes the research design, population, sample size and sampling techniques, measurement, data collection, statistical tool and analysis as illustrated below:

Research Design

A good research design should leads the researcher towards obtaining relevant, accurate and meaningful data. Quantitative methodology relies on data collection to generate numeric data from survey questionnaires [41] (Sekaran & Bougie, 2013). This research design adopts the three key areas, it is a quantitative study, correlational type of investigation and carried out on a cross sectional mode meaning data is collated just once, over a short period of time, to address the research questions. Conducted with minimum interference which means the respondent has the absolute freedom in answering all the questionnaires independently. This research design is most appropriate for this study given the limitations of time, costs and resources available. Prior research was used as a guide in deciding the most meaningful research format and data analysis method.

Population

To create a sampling strategy, first we define the test population. Sekaran (2003) refers population to a category of individuals, activities or matters that the researcher

intends to investigate [42]. In this case, our target population for these study consist of sales and marketing personnel in the local computer hardware companies in Malaysia.

Sample Size

According to Barclay et.al., (1995). The "10 times" rule applies, therefore, the minimum sample size for this study would be 6 x10 or the equivalent of 60 or ten times the maximum number of path targeting at any construct in the outer model.

Sampling Techniques and Data Collection Method

The study is carried out using purposive non-random sampling technique to intentionally identify individuals that are relevant and important for a detail understanding of the phenomenon being studied. As the objective of this study, is to explore the links between various variables in the computer hardware companies hence the sales and marketing personnel working in the local computer companies will be in the ideal position to shed lights and provide relevant, timely and meaningful information that makes this data collection highly effective.

Data Analysis

Data analysis consists of descriptive analysis, factors analysis, reliability analysis, correlational analysis including multiple regression analysis. In this study, data collated from Sales and Marketing personnel of the computer companies will be analysed using (SPSS) or Statistical Package for Social Science as well as (PLS-SEM) Partial Least Squares – Structural Equation Modelling techniques via Smart PLS 3.0 in order to identify and determine the mediating effects of Employee Happiness on the relationship between both Leadership Styles and Employee Performance.

4. CONCLUSION

This segment explains the limitations in carrying out this study as well as its conclusion.

Limitation

Like any research, this one comes with several constraints, challenges or limitations. First, conducting surveys is an effective tool to gauge real impact at grassroot level. the current Covid-19 pandemics imposes constraints and challenges in terms of time and speed in getting thing done efficiently and effectively. Current mandated social distancing and the 18 months lockdowns made physical surveys a constraint especially face to face meeting, preliminary surveys and interviews. Researcher are working round the clock to design questionnaires that are

meaningfully short and easy, to avoid exerting unnecessary stress on respondent. Second, I would suggest future study, to include another variable to test the moderating effects between leadership styles and employee happiness; to be meaningful and conclusive. The final limitation is the usage of quantitative method in data collection and analyses as this might possibly limits the outcome of accuracy. Hence future research could explore qualitative methods or case study to enhance outcome accuracy, given the in-play of conjecture relationships.

Research Conclusion

The objective of this study is to seek ways of improving employee performance of the local computer hardware companies through the mediating effects of Employee Happiness between the relationship of Leadership Styles and Employee Performance.

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