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 a successful 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 as 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 customers’ 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”.