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THE IMPACT OF PEOPLE-ORIENTED LEADERSHIP BEHAVIOR ON EMPLOYEE SATISFACTION IN SMALL AND MEDIUM ENTERPRISES IN VIETNAM

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ABSTRACT

Leadership behavior is one of the factors constituting a leader's capacity. Leaders need to have effective leadership behaviors to lead, empower, inspire, help employees develop and elevate themselves, as well as improve employee satisfaction with the organization. The necessary conditions of leadership competence covers Leadership quality, knowledge and application of leadership skills. The sufficient conditions require leadership behaviors based on those quality and knowledge. In order to become excellent leaders, besides qualities and knowledge, they should have effective leadership behaviors to employees develop themselves and create employee satisfaction with organizations. The more satisfied employees are, the better their working performance and the lower their absence as well as job change will be. Then, organizations and businesses will achieve their expectations of business performance. This study aimed at testing the impact of leadership behavior on employee satisfaction in Vietnamese small and medium enterprises. Based on the survey sample of 491 questionnaires for employees in small and medium enterprises, the results of quantitative research demonstrated that people-oriented leadership behavior put a positive impact on employee satisfaction in small and medium enterprises, including engagement, conciliation, patience, and persuasion. As a result, the study provided recommendations to develop leadership behaviors, which would bring about a good influence on employee satisfaction.

Keywords: People-oriented, Leadership behavior, Enterprises, Satisfaction

INTRODUCTION

Leadership theories have gradually contributed to solving two big questions in leadership studies: What is a leader? and what is effective leadership? There appears a clear trend of shifting the research focus and expanding the research scope from individual leaders to their relationship with employees, specific context, and situational factors affecting leadership effectiveness. Four basic approaches in leadership research concentrate on detecting and testing regular problems in leadership effectiveness. These approaches have numerous theories, showing the shifting research process in terms of approaching: personal qualities and characteristics, behavior, situation, and interactive influence.

Kerstin Keen (2000) emphasized the relationship between leadership knowledge and leadership behavior. Leadership behavior would be formed through the application of knowledge acquired and specific leadership activities. Therefore, it can be understood that knowledge would be an input and behavior would be an output in each individual's leadership capacity. Leadership

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behavior would affect several factors of the organization namely corporate culture, work environment, and employee satisfaction (Graves *et al.*, 2013; Ahmad & Yekta, 2014; Majidipour *et al.*, 2021). A leader with good leadership behavior should make employees respect, trust, admire, and become loyal, thereby creating excitement at work and bringing satisfaction to employees. Moreover, leadership behavior could influence employees' productivity, engagement, commitment to the organization, or intention to quit. Kovach (1995) indicated clearly that: "The biggest problem of leaders is to accurately perceive the factors that make employees satisfied". As long as employees were satisfied with their work, the work efficiency would be better, and the rate of absenteeism and job transfer would be lower. Consequently, organizations and enterprises might also achieve their desired results (Graves *et al.*, 2013; Ahmad & Yekta, 2014).

Deriving from the role of leadership behavior in the organization, several studies on leadership behavior have been conducted, including a study on leadership behavior by Stogdill, (1963). His study, which was considered the most complete version describing the leader's behavior, proposed 12 groups of behaviors that leaders had demonstrated. Also, its findings have been applied to the analysis of leadership behavior until today (Schriesheim & Kerr, 1974). As a result, suggestions should be shared to help leaders strengthen effective people-oriented leadership behaviors to improve employee satisfaction, thereby enhancing enterprise competitiveness in the current context.

Theoretical Foundations and Research Methods

Theoretical Foundations

Leadership theory has been an important topic in the social sciences for many researchers for decades. Jolson *et al.* (1993) described leadership as the ability to influence followers' performance and inspire them to accomplish a certain goal with spontaneous activities and attitude. Doyle and Smith (1999) divided leadership theory into four generations in terms of approaching: personal qualities and characteristics, behavior, situation, and interactive influence.

There have been numerous studies using the leadership behavior approach. To be specific, the first study was conducted at the Ohio State University in the late 1940s, based on the findings of Stogdill (1948). At around the same time, another group of researchers at Michigan State University explored how leadership works in small groups. A third line of research was begun by Blake and Mouton in the early 1960s, which discovered how leaders use task behavior and relationship behavior in organizations. Researchers of the Ohio State University, Hemphill (1949), and colleagues started a series of extensive and systematic studies to identify leadership behaviors related to groups' or an organization's performance. Factor analysis indicated that the questions focused on two groups of leadership behaviors: Considerate leadership; Structural leadership.

Researchers from the University of Michigan (1948) pointed out that leader behaviors should include people-oriented behavior and task-oriented behavior. However, differences in the assumptions remain. Researchers at the University of Michigan suggested that task-oriented and person-oriented behaviors would be opposite ends of a single continuum of leadership behavior.



Meanwhile, those at the Ohio State University believed that task-oriented behavior and people-oriented behavior should be independent styles. Therefore, leaders might be good at being both people-oriented and task-oriented, or weak in both, or they might be good at one only.

According to Stogdill's research, effective leadership behavior should include 12 behaviors divided into 2 groups, namely: people-oriented behavior and task-oriented behavior. It can be said that these approaches were based on the authors' approach (Blake *et al.*, 1964). In specific, people-oriented leadership behavior should demonstrate respect, mutual trust, enthusiasm, and concern of the leader toward his/her subordinates. Additionally, the leader would facilitate interaction, calm, and minimize employee conflicts. People-oriented leadership behavior should include the following behaviors: Representation, Demand Reconciliation, Tolerance of uncertainty, Persuasiveness, Consideration, and Integration.

In recent years, employee satisfaction has been a popular topic attracting many researchers (Aydogdu & Asikgil, 2011; Belias *et al.*, 2015). If employees feel satisfied, they will contribute more to the organization, which might be the key to enhancing labor productivity and loyalty to the organization. Locke (1976) explained that "employee satisfaction is a positive emotional state resulting from the appraisal of one's job or job experiences". In 1980, Francis and Milbourn defined employee satisfaction as the result of employees' perceptions of all aspects of their jobs. Based on the theory of Smith *et al.*, (1969) and Weiss, Dawis, England, and Lofquist (1967), Koustelios and Mpagiati (1997) also provided criteria to measure satisfaction through a Questionnaire called ESI (Employee Satisfaction Inventory). Within the scope of research, the thesis measures employee satisfaction through 3 criteria: salary, the nature of work, and promotion opportunities.

Leadership behavior and job satisfaction have always been major research areas of organizations. Several studies have examined the relationship between these two variables and concluded that leadership behavior influences remarkably a wide range of job outcomes including employee satisfaction (Boehnke *et al.*, 2003; Griffith, 2004; Chang & Lee, 2007). Besides, there has been plenty of research supporting the existence of a relationship between people-oriented leadership behavior and employee satisfaction, which all came to the conclusion that people-oriented leadership behavior has to affect employee satisfaction (Halpin, 1954; Patchen, 1962; Nealy & Blood, 1968; Greene & Schriesheim, 1977; Katerberg & Horn, 1981; Wycoff & Skogan, 1994). This is also the foundation for the authors to propose a research model on the impacts of people-oriented leadership behavior on employee satisfaction in small and medium enterprises in Vietnam.

MATERIALS AND METHODS

Inheriting previous studies and through practical evaluation, the authors propose a research model with the expectation that people-oriented leadership behavior influences positively employee satisfaction in SMEs. The research model is presented in **Figure 1**.



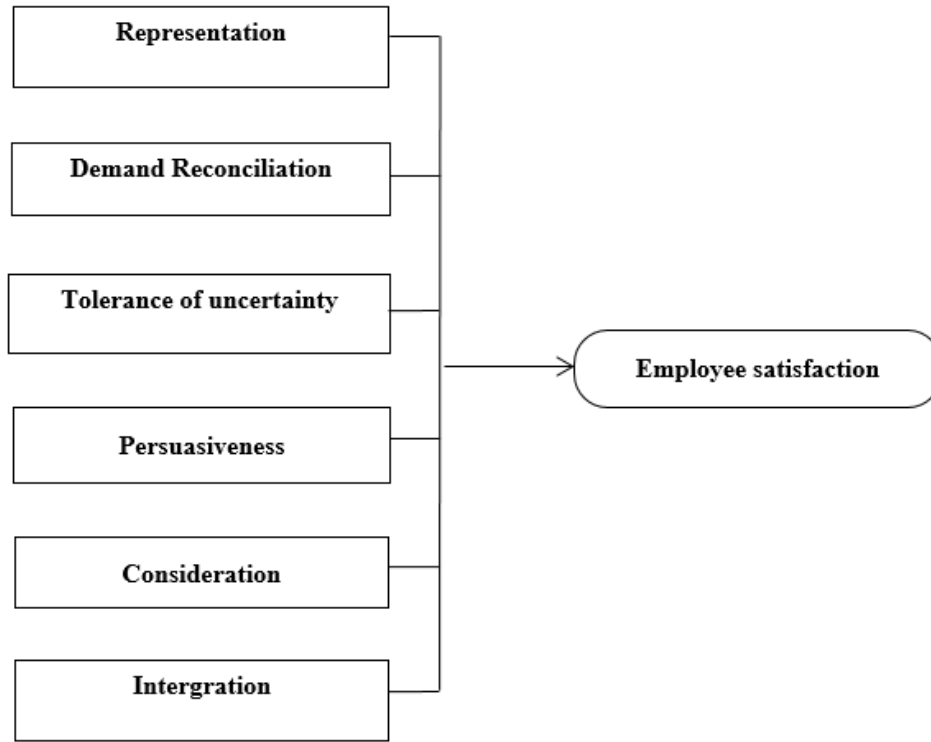


Figure 1. Proposed research model People-oriented leadership behavior

Source: Recommended by the authors

The research model consists of independent variables: the authors referred to the research on the leadership behavior of Stogdill, 1963; however, to match that research with this study context and resources, the authors chose 06 people-oriented behaviors, including Representation, demand reconciliation, tolerance of uncertainty, persuasiveness, consideration, and integration. Dependent variable: Employee satisfaction- Using the ESI- Employee Satisfaction Inventory, (Koustelios, 1991; Koustelios & Bagiatas, 1997) with adjustment to measure employee satisfaction.

The Proposed Hypotheses Include

Hypothesis H1: Representation (DD) would positively impact employee satisfaction (HLNV).

Hypothesis H2: Demand Reconciliation (HG) would positively impact employee satisfaction (HLNV).

Hypothesis H3: Tolerance of uncertainty would positively impact employee satisfaction (HLNV).

Hypothesis H4: Persuasiveness (TP) would positively impact employee satisfaction (HLNV).

Hypothesis H5: Consideration would positively impact employee satisfaction (HLNV).

Hypothesis H6: Integration (GK) would positively impact employee satisfaction (HLNV).

RESULTS AND DISCUSSION

Cronbach's Alpha for Reliability Testing

The research team carried out the quantitative analysis and deployed non-probability sampling with a questionnaire (containing the 5-level Likert scale) sent to employees working at small

and medium enterprises. Participants included 715 male and female employees who had worked in small and medium enterprises for 1 year or more, had diplomas from college or higher degree and higher, and were aged between 23-59. Out of 550 responses collected, 59 responses were ineligible, 491 responses were processed by SPSS software, the process used these methods respectively as follows Cronbach's Alpha reliability test, exploratory factor analysis (EFA), and Multiple Linear Regression.

The testing results of the scales of Consideration and employee satisfaction demonstrated that: The consideration consisted of 06 latent variables with 30 observations. If Cronbach's Alpha of latent variables ranged from 0.807 to 0.923, it would be qualified. Among 30 observed variables, the authors kept 29 observed variables with Item-Total Correlation being higher than 0.4 and removed 01 observed variable with Item-Total Correlation being smaller than 0.4 including HG2. The Cronbach's Alpha of all independent variables are shown in Table 1.

Table 1. Preliminary testing results of people-oriented leadership behaviors

Code	Variables	Corrected Item - Total Correlation
DD1	Act as the spokesperson for the group/organization.	.683
DD2	Publish the activities of the group/organization.	.715
DD3	Speak as the representative of the group/organization.	.806
DD4	Represent the group/organization when meeting partners.	.826
DD5	Represent the organization at external meetings.	.761
2. Demand Reconciliation $\alpha = 0.807$		
HG1	Solve complex problems effectively	.582
HG3	Do not let the problem become more complicated	.573
HG4	Reduce all conflicts and contradictions in the organization	.656
HG5	Actively resolve disputes and conflicts in the organization	.698
3. Tolerance of uncertainty $\alpha = 0.866$		
KN1	Patiently wait for the growth/change of the organization.	.717
KN2	Show patience before complaining/reprimanding employees.	.694
KN3	Stay calm when being uncertain about what might happen in the future.	.726
KN4	May delay action until the appropriate time.	.633
KN5	Be patient with work results.	.669
4. Persuasiveness $\alpha = 0.897$		
TP1	Trust the organization's growth.	.710
TP2	Submit convincing and well-grounded arguments.	.811
TP3	Persuade employees to trust the leader's decisions.	.767
TP4	Persuade others to act according to the "win-win" theory	.742
TP5	Able to inspire in work.	.703



5. Consideration $\alpha = 0.923$		
NV1	Be friendly and approachable.	.802
NV2	Respect employees' suggestions and put them into practice within the organization.	.799
NV3	Be fair to all members of the organization.	.814
NV4	Create safety for employees.	.820
NV5	Listen to employees before taking action.	.767
6. Integration $\alpha = 0.921$		
GK1	Help employees in teams/organizations work together.	.760
GK2	Resolve conflicts that occur within the organization.	.800
GK3	Coordinate the work of members in the organization.	.800
GK4	Help employees integrate into the organization.	.825
GK5	Maintain close coordination and solidarity within the organization.	.791

Source: Research data by the authors

Employee satisfaction included 4 observed variables. The analysis results of Cronbach Alpha equals $0.835 > 0.7$ which was qualified. In these 4 observed variables, all had the Item- Total Correlation being higher than 0.4, so the authors kept these 4 observed variables unchanged. The Cronbach's Alpha of this variables is shown in **Table 2**.

Table 2. Preliminary testing results of Employee satisfaction

Code	Variables	Corrected Item - Total Correlation
1. Employee satisfaction $\alpha = 0.835$		
HLNV1	You have many opportunities for the development of your profession.	.658
HLNV2	You have many opportunities for career advancement.	.767
HLNV3	You can accumulate a lot of work experience to help you have a higher chance of promotion.	.691
HLNV4	You are satisfied with your current salary.	.556

Source: Research data by the authors

Exploratory Factor Analysis (EFA)

The study carried out EFA for 06 independent variables and 29 scales. After deploying EFA three times, the results showed that Bartlett's test had $\text{Sig} = 0.000 < 0.05$, and KMO coefficient = $0.942 > 0.5$ which ensures reliability. The Eigenvalues coefficient of the fifth factor was 1,015, it is confirmed that there are 05 factors drawn from the analysis, total variance extracted from the five factors was 72,953. This illustrated that the variation of the factors given from the analysis can explain 72.95% of the variation of the original survey data. The above-observed variables had the factor loading being > 0.5 , so there are no variables in the analysis. Five groups of factors were identified to be used in the analysis model, including Representation (DD),

Tolerance of uncertainty (KN), Persuasiveness (TP), Consideration (NV), and Integration (GK). The Exploratory Factor Analysis of this variables is shown in **Tables 3 and 4**.

Table 3. Results of KMO and Bartlett's Test of people-oriented leadership behaviors

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.942
Bartlett's Test of Sphericity	Approx. Chi-Square	9075.412
	df	300
	Sig.	.000

Source: Summary of authors' survey results

Table 4. Results of Rotated Component Matrix for people-oriented leadership behaviors

	Components				
	1	2	3	4	5
DD1			.718		
DD2			.759		
DD3			.840		
DD4			.856		
DD5			.805		
KN1					.738
KN2					.740
KN3					.767
KN4					.748
KN5					.689
TP1				.744	
TP2				.763	
TP3				.772	
TP4				.713	
TP5				.578	
NV1	.748				
NV2	.757				
NV3	.769				
NV4	.769				
NV5	.687				
GK1		.676			
GK2		.777			
GK3		.807			
GK4		.767			
GK5		.738			

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization. ^a

a. Rotation converged in 6 iterations

Source: Summary of authors' survey results



Similarly, the study carried out the EFA for dependent variables with 4 scales. After only one deployment, Bartlett's test produced Sig = 0.000 < 0.05, and KMO coefficient = 0.878 > 0.5, which ensured reliability. The above-observed variables had factor loading being >0.5, so it is unnecessary to remove any variable in the analysis.

Regression Analysis

The authors evaluated the relationship between independent variables and dependent variables through a linear regression model:

Model: Assessing the impact of people-oriented leadership behaviors on employee satisfaction (HLNV)

Through the authors' calculations, the adjusted R2 coefficient = 0.436 showed that the linear regression model is consistent with the data set at 43.6%, ANOVA analysis of the regression model is 76.809, Sig = 0.000 < 0.05 which illustrates the overall suitability of the regression model. The analysis results are shown in **Table 5**.

Table 5. Results of linear regression analysis on the model

Model	Unnormalized coefficients		Normalized coefficients	t	Sig.	Multicollinearity		
	B	Standard deviation	Beta			Acceptable range	VIF	
1	(Constant)	.974	.167					
	DD	.029	.037	.032	.778	.437	.669	1.495
	KN	.142	.040	.157	3.579	.000	.600	1.666
	TP	.094	.050	.097	1.896	.050	.440	2.272
	NV	.182	.051	.199	3.584	.000	.374	2.674
	GK	.289	.049	.307	5.875	.000	.420	2.378

Dependent Variable: HLNV

Source: Research summary by the authors

The regression analysis demonstrated that at the 5% significance level, only Integration, Consideration, Tolerance of uncertainty, and Persuasiveness affected employee satisfaction in SMEs. Based on the normalized beta, it was found that integration had the strongest impact ($\beta = 0,307$), followed by Consideration ($\beta = 0,199$), Tolerance of uncertainty ($\beta = 0,157$), and Persuasiveness ($\beta = 0,097$). Representation did not affect employee satisfaction.

Therefore, people-oriented leadership has a positive impact on employee satisfaction. The results are similar to findings by Halpin, (1954); Patchen (1962); Hodge (1976); Katerberg and Horne (1981); Kylie Bartolo and Brett Furlonger, University of Melbourne, Australia (2000). Moreover, this study's authors were able to discover the impact levels of each behavior in the group of human-oriented behaviors on employee satisfaction.

CONCLUSION

Based on an overview of related works, the study developed an appropriate model and tested the human-oriented behaviors of leaders affecting employee satisfaction in enterprises in Vietnam. Research results showed that Integration, Consideration, Tolerance of uncertainty, and Persuasiveness would affect employee satisfaction in small and medium enterprises in Vietnam. Based on these findings, the authors offered some recommendations to improve the effectiveness of management to promote employee satisfaction through the human-oriented behavior of leaders:

Firstly, regarding Integration, in small and medium-sized enterprises, leaders should demonstrate Integration through the following activities including engaging seniors and newbies via the mentoring program. The leader is the one who must inspire each group so that the members can be more motivated, as well as organize collective competitions. Leaders are pioneers that lead all the movements of enterprises. Leaders must create a family atmosphere in the organization that is friendly, open, and trusting so that employees can comfortably share their problems and conflicts, which creates solidarity with the organization.

Secondly, in terms of Consideration, leaders and employees should participate in group training sessions, extracurricular activities as these activities will increase understanding and affection between leaders and employees. Leaders must take actions such as listening to employees, and regularly talking to employees. In leadership, leaders must take actions that show fairness. In contrast, with incompetent employees, leaders must also have thorough discipline. Through these behaviors, employees will feel satisfied with the business and devote themselves to the enterprise.

Thirdly, regarding Tolerance of uncertainty, when problems occur in enterprises, leaders must patiently find solutions, discover causes to avoid such incidents and issues in the future. Leaders, instead of spending time and energy looking for people to take responsibility, should be more concerned with using failure as an opportunity to learn and develop. Once leadership behavior is motivated by emotions, it is easy to lead to bad decisions. In times of loss of temper, lack of patience, leaders should think about the consequences if they do not control and master their emotions.

Fourthly, in terms of Persuasiveness, in small and medium-sized enterprises, it is necessary to have behaviors that show beliefs or encourage everyone including employees and leaders to believe in themselves and each other. Leaders must build teams of trust. Building a culture of trust in the organization is also a way that leaders can use to inspire all employees, which will increase trust, loyalty, and satisfaction among the staff. Therefore, any words of encouragement and praise from the leaders, especially in front of all members of the organization, will make employees feel proud. They will be more open to sharing and supporting each other in work as well as in life. It is also a leverage that motivates other employees to try and develop their abilities. This is a popular measure used by many leaders in small and medium-sized businesses because of its effectiveness.

The research findings also open up new research directions for other researchers to approach the next groups of leadership behaviors such as task-oriented behaviors to develop an effective set of leadership behaviors, and future studies can be carried out in enterprises with a larger scale.



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