

Employee Well-Being And Performance In Manufacturing Smes: A Systematic Literature Review

Fatma Mohammad Hussain¹, Nurul Sharniza Husin^{2*}, Hazlinda Hassan³

¹College of Business, Universiti Utara Malaysia, Kedah, worldiamond@hotmail.com

²College of Business, Universiti Utara Malaysia, Kedah, nurulsharniza@uum.edu.my

³College of Business, Universiti Utara Malaysia, Kedah, hazlinda@uum.edu.my

*Corresponding author: nurulsharniza@uum.edu.my

Abstract - Employee performance remains a critical concern for manufacturing SMEs, particularly in resource-constrained and highly competitive environments. This systematic literature review, grounded in the Conservation of Resources theory, synthesises findings from 47 peer-reviewed studies published between 2000 and 2025 to explore how leadership styles, psychological empowerment, and employee well-being function as interrelated organisational resources that drive employee performance. The review reveals that empowering leadership styles such as transformational, inclusive, and supportive leadership enhance psychological empowerment through increased autonomy, competence, and purpose, while also strengthening organisational trust and affective commitment. These constructs, in turn, positively influence task performance, motivation, job satisfaction, and innovative work behaviour. Motivation, in particular, emerges as a central psychological mechanism that enables employees to sustain effort, overcome challenges, and align personal goals with organisational objectives. Despite these well-established relationships, the literature remains fragmented, often focusing on isolated variables and lacking integrated frameworks that consider contextual moderators such as organisational culture, trust, and structural empowerment. Methodologically, the dominance of cross-sectional data, self-report measures, and limited regional scopes restricts causal inference and theoretical generalisability. The review highlights significant conceptual and empirical gaps and calls for more longitudinal, multi-level, and sector-diverse studies. In doing so, it offers a comprehensive foundation for understanding how human-centric leadership and empowerment strategies can sustainably enhance employee performance in manufacturing SMEs and provides direction for future research and managerial practice.

Keywords: Employee Performance, SLR, Manufacturing SMEs, Well-being.

1. INTRODUCTION

Employee performance in manufacturing small and medium-sized enterprises (SMEs) is a key driver of firm sustainability, adaptability, and competitiveness. While traditional perspectives have emphasised technological advancement and structural efficiency, recent literature suggests that employee performance is influenced not only by operational or technical factors, but also by psychological conditions particularly employee well-being. In resource-constrained SME environments, where employees are often exposed to high workloads, informal structures, and limited institutional support, there is a growing interest in understanding how employee well-being contributes to sustained workforce performance.

Employee well-being is increasingly recognised as a determinant of performance, yet its conceptualisation varies widely across studies from job satisfaction and engagement to mental health, physical vitality, and emotional resilience making synthesis and comparison across contexts difficult. This definitional inconsistency has resulted in fragmented empirical findings, hindering efforts to derive generalisable insights into the role of well-being in manufacturing SME performance. Furthermore, many studies rely on region-specific samples and cross-sectional designs, particularly in Asian and Sub-Saharan SME contexts, limiting both methodological robustness and the broader applicability of their findings.

To address these issues, this study conducts a systematic literature review of 47 peer-reviewed articles published between 2000 and 2024, focusing exclusively on how employee well-being influences performance in manufacturing SMEs. This review contributes to understanding the role of employee well-being in enhancing employee performance and identifies key empirical and methodological gaps to guide future research.

2. METHODOLOGY

This systematic literature review was developed in accordance with the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) framework, ensuring a transparent, replicable, and methodologically robust process for identifying, evaluating, and synthesising relevant studies (Moher et al., 2009; Liberati et al., 2009). The purpose of the review was to examine the empirical relationship between employee well-being and employee performance within the context of manufacturing small and medium-sized enterprises (SMEs). The temporal scope of the review was set from 2000 to 2024 to capture both foundational and contemporary studies. Although the initial focus of the review was guided by research priorities within the UAE, the inclusion of international literature provided broader comparative insights, particularly in light of limited region-specific evidence on employee well-being in SME manufacturing environments.

To ensure the selection of high-quality empirical studies, literature was retrieved from Scopus and Web of Science (WOS), two major academic databases with comprehensive coverage in business, management, and organisational psychology. A Boolean search strategy was employed using combinations of terms such as “employee well-being,” “workplace well-being,” “employee performance,” “manufacturing SMEs,” and “UAE” or “United Arab Emirates.” The search was restricted to English-language, open-access, peer-reviewed journal articles. The initial search yielded 192 records from the first string and 71 from the second. After removing 51 duplicates, 213 articles remained for screening. A total of 167 articles were excluded based on abstract and full-text screening using predefined inclusion and exclusion criteria, resulting in 46 articles retained for the final review. The selection process adhered to PRISMA flow principles to maintain procedural transparency (Moher et al., 2009; Liberati et al., 2009). Inclusion criteria required that studies explicitly examined employee well-being in relation to performance within manufacturing SMEs. Studies were excluded if they lacked empirical grounding, did not measure performance-related outcomes, or focused on unrelated constructs such as leadership or organisational structure.

For the 46 selected studies, data were extracted using a structured matrix capturing publication details, research design, sample characteristics, definitions of well-being, performance indicators, measurement instruments, and key findings. The synthesis process grouped studies thematically based on the conceptualisation of well-being (e.g., job satisfaction, mental health, emotional vitality) and emphasised those employing validated measures such as Zheng et al.’s (2015) multidimensional well-being scale. Quantitative studies were further assessed for construct validity using established criteria, including Fornell and Larcker’s (1981) standards for convergent and discriminant validity in structural equation models. The methodological quality of each study was evaluated based on guidance from evidence synthesis literature, emphasising transparency, alignment between research design and objectives, and analytical rigour (Roberge-Dao et al., 2022).

Due to heterogeneity in measurement instruments, sample contexts, and operational definitions of well-being, meta-analysis was not applied. Instead, thematic synthesis allowed for the identification of conceptual patterns, measurement inconsistencies, and recurring relationships between employee well-being and performance in manufacturing SMEs. This approach enabled the mapping of both empirical trends and methodological limitations, including reliance on cross-sectional designs and region-specific sampling frames. Overall, the

methodology supports a rigorous and targeted synthesis of the literature, offering a credible foundation for future research exploring how employee well-being affects individual and organisational performance in manufacturing SME settings.

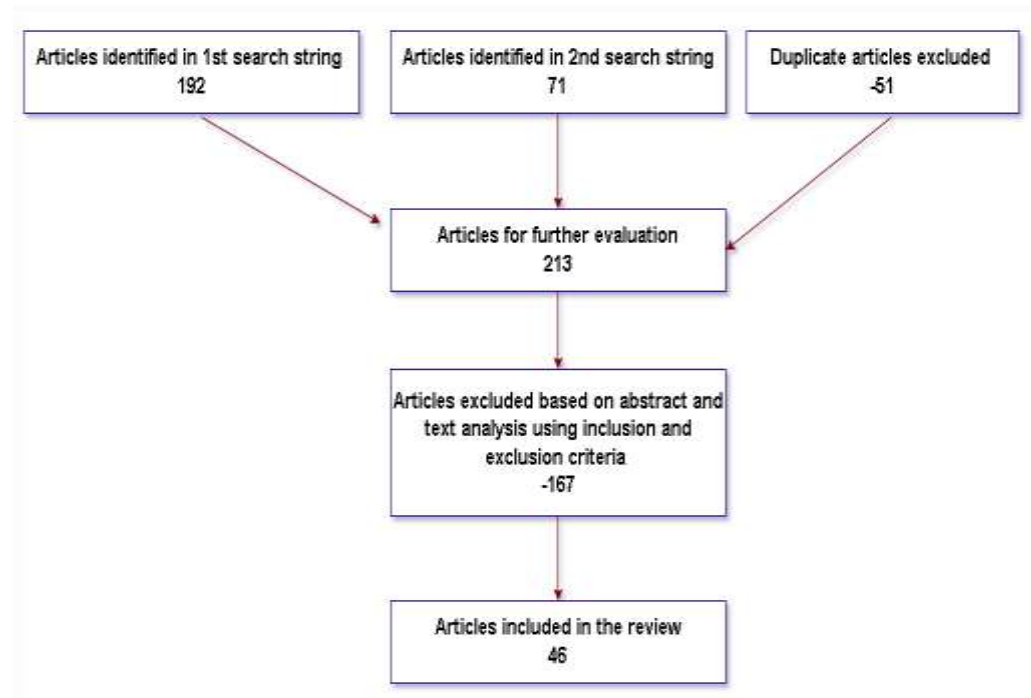


Figure 1: The Systematic Review Process

3. FACTORS INFLUENCING EMPLOYEE WELL-BEING AND PERFORMANCE IN MANUFACTURING SMES

Enhancing employee well-being and performance in manufacturing SMEs is a complex yet essential undertaking, particularly in environments characterised by limited resources, high operational demands, and informal organisational structures. This systematic literature review synthesises findings from 47 peer-reviewed studies to examine the interrelated factors that shape both well-being and performance outcomes in these contexts. The literature consistently shows that psychological, leadership, and structural factors jointly influence how employees feel, function, and contribute within SME workplaces. Well-being is conceptualised through constructs such as job satisfaction, mental health, work-life balance, emotional resilience, and psychological capital all of which have been linked to enhanced motivation, innovation, and productivity. Leadership styles particularly transformational, supportive, and inclusive emerge as critical drivers of both well-being and performance, by fostering autonomy, organisational trust, and psychological empowerment. Structural conditions, including access to workplace resources, high-performance work systems, and ergonomic design, also play a significant role in creating environments that support employee flourishing. In manufacturing SMEs, where formal support systems may be lacking, these factors become even more crucial for sustaining workforce engagement and adaptability. The findings, mapped in a thematic matrix, reveal both dominant patterns and underexplored dimensions such as emotional vitality and conflict resolution. Importantly, the review underscores the need to treat well-being and performance not as separate outcomes but as mutually reinforcing constructs shaped by contextual and organisational dynamics. These insights are further detailed in Table 1, which presents a comprehensive matrix of the constructs addressed across the reviewed studies.

Table 1: Literature Review Matrix

No	Author(s) and Year	Job Satisfaction	Mental Health	Physical	Work-Life	Psychological Capital	Employee	Transf.	Supportive	Inclusive	Supervisor	Psychological	Motivation	Organizational Trust	Task	Innovative	Human	HPWS	Workplace Resource	SME Context
1.	Arends et al. (2017)	✓	✓	✓	✓						✓				✓				✓	
2.	Badenhorst (2015)					✓	✓				✓									✓
3.	Begolli Dauti et al. (2020)	✓											✓		✓					✓
4.	Bocquet et al. (2019)			✓														✓		✓
5.	Bryson et al. (2017)	✓	✓												✓					
6.	Caldera et al. (2019)			✓														✓		✓
7.	Choudhury & Mohanty (2019)						✓						✓							
8.	Cinar & Bilodeau (2022)		✓	✓	✓		✓		✓		✓		✓	✓	✓	✓		✓	✓	✓
9.	Erdil (2022)			✓											✓				✓	✓
10.	Erschens et al. (2024)		✓						✓											✓
11.	Fettermann et al. (2018)			✓											✓					✓
12.	Frempong et al. (2016)	✓			✓										✓					✓
13.	Gorjifard (2023)		✓																	
14.	Hart (2019)	✓	✓				✓								✓					✓
15.	Holt & Powell (2015)			✓											✓					✓
16.	Huang et al. (2016)		✓				✓											✓		
17.	Islam & Amin (2022)	✓	✓	✓													✓			
18.	Jacobo-Galicia et al. (2021)	✓	✓												✓				✓	✓
19.	Jalil & Ali (2023)		✓																	✓
20.	Krekel et al. (2019)	✓	✓												✓					
21.	Lado Nogning & Gardoni (2015)															✓	✓			
22.	Lee & Park (2016)	✓		✓											✓					✓
23.	Leiter & Cooper (2017)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

No	Author(s) and Year	Job Satisfaction	Mental Health	Physical	Work-Life	Psychological Capital	Employee	Transf.	Supportive	Inclusive	Supervisor	Psychological	Motivation	Organizational Trust	Task	Innovative	Human	HPWS	Workplace Resource	SME Context
24.	Loretto & Redman (2015)	✓	✓		✓		✓						✓		✓			✓	✓	
25.	Motyka (2018)	✓					✓					✓	✓		✓					
26.	Nielsen et al. (2017)	✓	✓	✓	✓	✓	✓				✓		✓	✓	✓				✓	
27.	Nopitasari et al. (2025)	✓	✓												✓					
28.	Nor et al. (2023)												✓		✓					
29.	Pawar & Kunte (2022)	✓	✓	✓									✓		✓					
30.	Putra et al. (2024)	✓		✓							✓		✓		✓					
31.	Rey-Tienda et al. (2025)		✓				✓							✓	✓					
32.	Richemond (2016)	✓																		✓
33.	Rubio-Andrés et al. (2022)		✓															✓		✓
34.	Safari et al. (2024)	✓	✓		✓				✓		✓				✓					✓
35.	Schreibauer et al. (2020)		✓																✓	✓
36.	Sethumadhavan (2025)	✓	✓	✓			✓			✓										✓
37.	Shobe (2018)	✓		✓					✓		✓				✓					
38.	Sihite et al. (2024)	✓					✓					✓			✓					✓
39.	Soriano et al. (2018)	✓	✓												✓				✓	
40.	Stepanek et al. (2019)		✓	✓											✓					
41.	Subramanian et al. (2024)						✓								✓					✓
42.	van der Put (2023)		✓	✓											✓				✓	
43.	Wahab & Tatoglu (2020)		✓		✓						✓				✓					✓
44.	Wang et al. (2017)		✓			✓									✓					✓
45.	Weis et al. (2018)		✓	✓																✓
46.	Yusoff et al. (2016)											✓			✓					✓
47.	Zawawi et al. (2024)	✓			✓		✓				✓		✓	✓	✓		✓	✓	✓	✓

Table 1 indicates that psychological empowerment and leadership styles particularly transformational, inclusive, and supportive leadership are the most frequently examined constructs across the reviewed studies, underscoring their strong empirical link to employee performance and well-being. However, their interaction with mediating constructs such as organizational trust, motivation, and affective commitment remains underexplored, appearing in fewer than one-third of the studies. This highlights a fragmented theoretical landscape, where empowerment is often studied in isolation rather than as part of an integrated motivational framework. While inclusive and supportive leadership receive recurrent attention, their conceptual integration with structural empowerment or self-determination theory constructs (e.g., autonomy, competence) is minimal, reflecting a methodological pattern that isolates leadership from broader empowerment ecosystems. Additionally, variables such as innovative behaviour, self-efficacy, and job satisfaction appear frequently but are predominantly treated as outcomes rather than reciprocal or evolving constructs, limiting system-level insights. This points to a prevailing tendency in the literature to adopt linear, input-output models, rather than feedback-rich, dynamic systems approaches that better reflect the complexity of leadership, well-being, and performance interactions in SME contexts.

3.1. Key Determinants of Employee Well-being and Performance

Employee well-being and performance in manufacturing SMEs are shaped by a constellation of psychological, leadership, and structural factors, which collectively constitute valuable resources as conceptualised within the Conservation of Resources (COR) theoretical framework (Hobfoll, 1989). COR theory posits that individuals strive to acquire, retain, and protect valued resources, and that the depletion or enhancement of such resources significantly affects their ability to function productively within organisational settings. Within this theoretical lens, constructs such as psychological capital, supportive leadership, and organisational trust may be interpreted as critical enablers that buffer against stress and enable sustained employee performance.

Psychological factors represent a foundational dimension of employee well-being, consistently identified across the reviewed studies as significant predictors of performance outcomes. Job satisfaction, often defined as the cognitive and affective evaluation of one's work experience, has been positively associated with task performance and negatively correlated with absenteeism and turnover intentions (Bryson et al., 2017; Motyka, 2018). Mental health, operationalised in several studies through indicators of psychological distress, burnout, or emotional exhaustion, has demonstrated an inverse relationship with productivity, particularly in high-strain environments characteristic of manufacturing SMEs (Cinar & Bilodeau, 2022; Stepanek et al., 2019). However, the measurement of mental health remains inconsistent across studies, with some employing general distress indices while others adopt domain-specific instruments, complicating cross-study comparability.

Work-life balance emerges as another critical determinant, contributing to both psychological resilience and affective commitment. Empirical evidence suggests that employees who perceive a healthy integration between work and personal life domains report enhanced motivation, greater loyalty to the organisation, and lower intentions to exit the workforce (Frempong et al., 2016; Safari et al., 2024). Yet, the operationalisation of this construct varies, ranging from flexible scheduling policies to perceived supervisor support for family responsibilities, indicating a need for more consistent definitions and measurement tools. Emotional vitality, a construct encompassing energy, enthusiasm, and optimism at work, has been associated with higher engagement and innovation. Nevertheless, few studies provide a robust conceptual model for how emotional vitality interacts with structural or environmental variables, limiting its theoretical utility (Islam & Amin, 2022).

Psychological capital, comprising self-efficacy, optimism, hope, and resilience, has been shown to mediate the relationship between work stressors and employee engagement, particularly in environments characterised by resource scarcity and role ambiguity. Employees with higher levels of psychological capital tend to display greater problem-solving capacity, adaptability, and initiative attributes closely aligned with performance-enhancing behaviours in SME manufacturing contexts (Shobe, 2018; Safari et al., 2024). However, empirical studies vary in the extent to which these four dimensions are examined collectively or in isolation, suggesting a lack of consensus regarding the construct's operational integrity.

Leadership styles constitute a second domain of influence, exerting both direct and indirect effects on employee well-being and performance. Transformational leadership, characterised by vision articulation, intellectual stimulation, and individualised consideration, has been linked to enhanced autonomy, organisational trust, and role clarity, all of which contribute to increased task performance and affective commitment (Leiter & Cooper, 2017; Cinar & Bilodeau, 2022). Supportive leadership emphasising empathy, open communication, and resource facilitation has similarly been shown to reduce emotional strain and strengthen psychological empowerment, particularly in SMEs where formal support structures are often lacking (Wahab & Tatoglu, 2020; Motyka, 2018). Inclusive leadership practices, though less frequently examined, appear to promote participatory decision-making, psychological safety, and team cohesion, particularly when aligned with high-involvement work systems (Sethumadhavan, 2025; Cinar & Bilodeau, 2022). However, a significant proportion of the literature treats these leadership styles as discrete constructs, rather than integrating them within broader organisational behaviour frameworks, such as leader-member exchange (LMX) or self-determination theory.

At the organisational level, structural factors such as psychological empowerment and organisational trust play a mediating role in translating leadership inputs into performance outcomes. Psychological empowerment defined through dimensions such as autonomy, competence, and impact has been shown to enhance proactive behaviours, reduce learned helplessness, and support continuous improvement processes in manufacturing SMEs (Zawawi et al., 2024; Motyka, 2018). Organisational trust, understood as employees' belief in the integrity and reliability of leadership and institutional systems, facilitates knowledge sharing, reduces counterproductive work behaviours, and supports high-performance work systems (Jacobo-Galicia et al., 2021). However, relatively few studies employ longitudinal designs capable of demonstrating the causal mechanisms by which empowerment and trust evolve in response to contextual changes or leadership interventions.

Motivation particularly intrinsic motivation emerges as a central psychological mechanism linking well-being and performance. Studies indicate that autonomy, purpose, and perceived competence enhance sustained effort and goal alignment, reinforcing the productivity benefits of well-being-enhancing interventions (Leiter & Cooper, 2017). As Nor et al. (2023) affirm, motivation functions as a powerful internal driver that enables employees to persist through challenges and achieve organisational goals. It is influenced by a range of factors, including leadership, work environment, training, and perceived fairness in rewards and career paths many of which are especially salient in manufacturing SMEs. Motivation also plays a mediating role in converting these contextual and psychological resources into performance outcomes. The availability of workplace resources including physical infrastructure, access to training, ergonomic design, and timely feedback also contributes to well-being, particularly when such resources are perceived as equitably distributed and strategically aligned with employee development (Bocquet et al., 2019; Safari et al., 2024). Nonetheless, many reviewed studies do not adequately distinguish between resource availability and resource utilisation, a distinction critical to understanding the mediating role of perceived resource adequacy in the well-being-

performance relationship. The principal psychological, leadership, and structural factors identified across the literature are summarised in Table 1.

Table 2: Summary of Key Determinants of Employee Well-being and Performance in Manufacturing SMEs

Category	Factors Identified in Literature
Psychological Factors	Job Satisfaction, Mental Health, Work-Life Balance, Emotional Vitality, Intrinsic Motivation, Psychological Capital
Leadership Factors	Transformational Leadership, Supportive Leadership, Inclusive Leadership, Communication, Empathy, Trust-building
Structural Factors	Psychological Empowerment, Organisational Trust, High-Performance Work Systems (HPWS), Autonomy, Ergonomic Design, Resource Access

3.2. Global and Sectoral Distribution of Research

The global and sectoral distribution of empirical research on employee well-being and performance in manufacturing SMEs exhibits marked regional disparities in both thematic focus and methodological design. Among the 47 reviewed studies, scholarly activity is most prominent in Asia and the Middle East (37.5%), followed by Europe (29.1%), Africa (14.5%), North America (10.4%), and South America and other regions (8.5%). These uneven distributions reflect not only varying academic priorities but also contextual divergences in how employee well-being is theorised and implemented within SME ecosystems. For example, in Asian and Middle Eastern contexts, emphasis is placed on leadership dynamics, psychological empowerment, and workplace culture within culturally hierarchical structures, particularly in countries such as the United Arab Emirates, India, and those within Southeast Asia (Ametefe et al., 2025; Sethumadhavan, 2025). Here, inclusive and transformational leadership models are positioned as mechanisms for fostering psychological safety and autonomy, yet most studies remain cross-sectional and survey-based, limiting causal inference and generalisability across SME typologies (Sihite et al., 2024).

In contrast, European research exhibits a more institutional orientation, frequently addressing job satisfaction, occupational safety, and holistic wellness frameworks. These studies tend to explore how high-performance work systems (HPWS), regulatory structures, and social protections shape employee engagement and organisational performance (Rubio-Andrés et al., 2021; Pawar & Kunte, 2022). Methodologically, a greater proportion of European research adopts longitudinal or mixed-method designs, thereby facilitating deeper analysis of temporal and reciprocal relationships between well-being and productivity (Jacobo-Galicia et al., 2021). African studies, while fewer, often highlight resilience in resource-constrained environments. Investigations emphasise participatory management, coping strategies, and informal support mechanisms as critical to mitigating stress and psychosocial risk (Frempong et al., 2016). However, the theoretical underdevelopment and predominantly descriptive nature of many African contributions limit their capacity to influence global theorisation in organisational behaviour and human resource management.

Studies from North America and South America, though collectively accounting for less than one-fifth of the reviewed literature, offer distinct orientations. North American research is largely theory-driven, concentrating on strategic HRM, leadership interventions, and human capital as levers for performance (Erschens et al., 2024; Motyka, 2018). Conversely, emerging research from Latin America reflects a growing concern with inclusion, employee engagement, and innovation (Rey-Tienda et al., 2025). Yet, despite their valuable contextual insights, these regional studies often lack the methodological rigour or theoretical anchoring required to

inform broader frameworks. The dominance of Western-centric paradigms and self-reported cross-sectional designs across many studies poses challenges for synthesising a generalisable, globally representative understanding of employee well-being in manufacturing SMEs (Putra, 2023; Jalil & Ali, 2023). These regional patterns are visually depicted in Figure 1

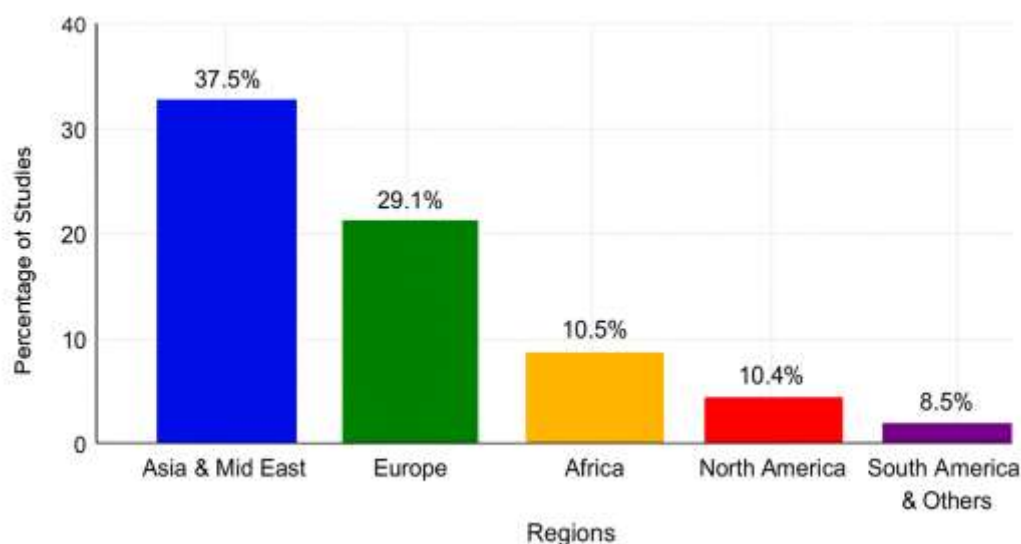


Figure 2: Geographic and thematic distribution of studies on employee well-being in SMEs.

3.3. Unresolved Theoretical, Methodological, and Contextual Gaps in the Literature

Despite an expanding body of research on employee well-being and performance in manufacturing SMEs, several critical gaps persist across the current literature. At the theoretical level, fragmentation remains a central limitation. Many studies examine discrete constructs such as leadership (Ametefe et al., 2025; Erschens et al., 2024), psychological empowerment (Shobe, 2018; Wang et al., 2017), or job satisfaction (Bryson et al., 2015; Motyka, 2018), yet few integrate these variables within comprehensive frameworks such as the Job Demands–Resources (JD-R) model, Conservation of Resources (COR) theory, or Self-Determination Theory. This lack of theoretical cohesion hinders the development of a unified understanding of how well-being translates into performance outcomes and limits the capacity for causal explanation. Moreover, important constructs such as psychological capital, emotional vitality, and meaningful work are frequently under-theorised or inconsistently operationalised, diminishing the comparability and cumulative value of findings across studies (Islam & Amin, 2021; Jalil & Ali, 2023).

Methodologically, the field remains heavily reliant on cross-sectional and self-reported survey designs, which restrict causal inference and heighten the risk of common method bias (Bryson et al., 2017; Sethumadhavan, 2025). While some studies employ quantitative modelling or meta-analytic techniques (Krekel et al., 2019; Nielsen et al., 2017), longitudinal, multi-level, and intervention-based research designs remain scarce. The absence of experimental or quasi-experimental evaluations limits understanding of how specific interventions such as leadership development or wellness programs impact well-being and performance over time. Furthermore, few studies assess implementation barriers or organisational readiness, both of which are essential for translating theoretical models into practice in resource-constrained SME contexts.

Contextually, there is a pronounced imbalance in the geographic and sectoral distribution of research. The majority of studies originate from Asia, the Middle East, and parts of Europe, while contributions from Sub-Saharan Africa, Latin America, and transitional economies

remain limited (Safari et al., 2024; Putra, 2023). Within more heavily researched regions, important contextual moderators such as firm size, industry type, and workforce diversity are frequently overlooked. Additionally, variables related to inclusion, such as gender, age, and minority status, are rarely examined in detail, despite their relevance to well-being and engagement outcomes (Rey-Tienda et al., 2025). These omissions constrain the global applicability of current research and underscore the need for more inclusive, context-sensitive approaches to understanding employee well-being in manufacturing SMEs.

4. DISCUSSION

Employee well-being continues to emerge as a critical determinant of performance in manufacturing SMEs, yet the treatment of this construct in empirical studies remains conceptually fragmented and under-theorised. While the existing literature affirms the positive relationship between well-being and productivity, there is limited integration of these findings within unified theoretical models that address the dynamic and reciprocal nature of this relationship. For example, although the Conservation of Resources (COR) theory is implicitly reflected in studies emphasising the protective function of leadership and organisational support, its full explanatory potential remains underexploited. Sethumadhavan (2025) identifies well-being as encompassing physical, mental, and emotional health, noting that inclusive cultures enhance employee retention and motivation. However, studies often analyse leadership style and well-being as parallel rather than interacting systems. Ametefe et al. (2025) demonstrate the benefits of transformational and democratic leadership on employee innovation and motivation, but these styles are rarely explored in relation to resource acquisition, loss prevention, or the mediating role of psychological capital. This conceptual gap prevents a comprehensive understanding of how leadership behaviours serve as enabling or constraining mechanisms for sustainable performance through well-being. Moreover, as emphasised by Nor et al. (2023), motivation functions as a dynamic bridge between psychological and contextual factors, playing a central role in how leadership and workplace conditions translate into performance outcomes. Motivation should not be viewed as a static trait, but rather as a responsive construct shaped by organisational support, recognition, and perceived fairness factors especially salient in resource-constrained SME environments.

Methodological limitations in the reviewed literature further restrict the capacity to establish causality and model the complexity of well-being–performance dynamics. While several studies demonstrate positive associations between well-being and organisational outcomes, these findings are predominantly drawn from cross-sectional designs reliant on self-report instruments (Erschens et al., 2024; Sihite et al., 2024). The overreliance on single-timepoint data raises concerns regarding common method bias and temporal ambiguity in determining directionality of effects. Although Erschens et al. (2024) emphasise the significance of leader well-being for employee health, few studies provide longitudinal evidence to support these causal claims. Additionally, there is a lack of methodological clarity concerning the measurement of well-being constructs. For example, Safari et al. (2024) associate management support and work-life balance with improved individual performance, but do not standardise the definition or measurement of these constructs across studies. Furthermore, while the heterogeneity of well-being indicators precludes meta-analytic synthesis, this limitation has not been sufficiently addressed through subgroup or moderator analysis. This methodological oversight diminishes the robustness of the conclusions and hinders efforts to formulate evidence-based interventions suited to the SME context, where workforce stability and managerial capacity are often constrained.

Conceptually, the literature would benefit from more rigorous attention to mediating and moderating mechanisms within the well-being–performance relationship. The role of conflict management, for instance, has been identified as a pivotal element influencing employee

experience and organisational outcomes, yet is seldom integrated into broader explanatory frameworks. Ismail (2025) emphasises the detrimental effects of interpersonal conflict on well-being and performance, calling for inclusive and communicative cultures to support constructive resolution. Similarly, Singh and Bajaj (2025) challenge assumptions that prioritising well-being detracts from performance, demonstrating that employee-centric practices are in fact conducive to long-term organisational success. However, few studies empirically model this trade-off or examine the potential bidirectional influence between well-being and output. Contextual moderators, such as organisational size, workforce composition, or regional cultural norms, are inconsistently addressed. As Rey-Tienda et al. (2025) point out, organisational culture and person-organisation fit significantly affect employee engagement and performance, suggesting that universal approaches to well-being are insufficient. Likewise, Nor et al. (2023) argue for the inclusion of motivation as both a dependent and mediating variable in these models, particularly in SME contexts where emotional and financial resources are limited. They highlight the importance of understanding how motivation evolves in relation to structural empowerment, leadership, and perceived support. Future research should prioritise multilevel models that incorporate context-sensitive variables, while also exploring the reciprocal feedback loops between employee experience and organisational capability. Without such approaches, the field risks perpetuating a static and overly linear view of well-being that fails to capture the dynamic realities of SME environments.

5. GAP WITHIN THE LITERATURE

Despite the proliferation of research on employee well-being and performance in manufacturing SMEs, several critical knowledge gaps remain underexplored, particularly in terms of conceptual integration, empirical validation, and contextual sensitivity. One notable omission is the insufficient theorisation of the dynamic interplay between leadership styles and conflict resolution mechanisms as they jointly influence employee well-being and productivity. While the literature affirms the positive role of transformational and democratic leadership in motivating employees and enhancing innovative capacities (Ametefe et al., 2025), few studies explore how these leadership styles function in environments characterised by interpersonal or task-based conflicts. Conflict management strategies particularly collaborative and communication-based approaches are shown to be essential for preserving psychological safety and maintaining high performance (Ismail, 2025). However, empirical research rarely investigates how specific leadership behaviours moderate or mediate the effectiveness of such conflict management strategies. This gap leaves unexamined the important question of how leadership-driven conflict resolution may serve as a compound mechanism through which organisational trust and employee well-being are sustained in SMEs.

Another persistent limitation is the scarcity of multivariate and longitudinal research designs that model the feedback loops between well-being, employee engagement, and organisational performance. Existing studies generally affirm that well-being positively impacts productivity, satisfaction, and retention (Sethumadhavan, 2025; Singh & Bajaj, 2025), yet many adopt linear models that preclude the investigation of bidirectional or recursive relationships. For instance, while it is widely accepted that supportive leadership improves employee well-being (Erschens et al., 2024), there is little research examining how employees' emotional and psychological states, in turn, influence managerial behaviour, team dynamics, or strategic decision-making within SMEs. This linear conceptual framing limits the explanatory power of current models and neglects the possibility that organisational performance may reinforce well-being through increased resource availability, autonomy, and recognition. Furthermore, the use of cross-sectional designs continues to hinder causal inference and obscures temporal developments in employee experience. This methodological conservatism contrasts sharply with the need to understand how well-being trajectories unfold in dynamic, high-pressure SME environments.

Regional and cultural diversity in the literature remains limited, with the majority of studies concentrating on SMEs in Asia, Europe, and the Middle East, while Latin American and Sub-Saharan African contexts remain significantly underrepresented (Safari et al., 2024). Even within well-researched regions, there is a lack of studies addressing inclusion-based moderators such as gender, age, disability status, or migrant labour dynamics despite evidence that organisational culture and person-organisation fit significantly affect work engagement and performance (Rey-Tienda et al., 2025). This omission risks reinforcing a one-size-fits-all narrative, undermining the applicability of findings across diverse labour markets and cultural contexts. Moreover, contextual conditions such as regulatory support, access to occupational health services, and digital infrastructure which may significantly shape well-being interventions in SMEs are rarely operationalised as empirical variables. Consequently, the generalisability of existing research to policy or practice remains constrained. Addressing this literature gap requires future studies to incorporate context-sensitive designs, capable of capturing how structural, cultural, and demographic variables interact with leadership and well-being dynamics to influence employee and organisational performance.

6. CONCLUSION

The findings of this systematic literature review reaffirm the centrality of employee well-being as a strategic and psychological resource that directly and indirectly shapes performance outcomes in manufacturing SMEs. Drawing on an analysis of 47 empirical studies, the review demonstrates that leadership styles particularly transformational, inclusive, and supportive approaches play a foundational role in enabling psychological empowerment, fostering organisational trust, and cultivating work environments where employee well-being can thrive. These leadership behaviours promote autonomy, purpose, and competence, which are essential components of a resource-rich setting as framed by the Conservation of Resources theory. Psychological empowerment emerges not only as a by-product of effective leadership but also as a critical mediating mechanism that translates human-centric management practices into measurable performance gains, including improved motivation, task performance, and innovation. Employee well-being, in turn, operates as both a performance enabler and an outcome of leadership and structural empowerment, reinforcing the need to view well-being as an embedded, relational construct within SME dynamics. However, the review highlights substantial fragmentation within the literature, with many studies analysing leadership, well-being, and empowerment in isolation rather than within integrated models that reflect the interactive and context-sensitive nature of these constructs. Methodological limitations, including a heavy reliance on cross-sectional survey designs and regionally concentrated samples, restrict the ability to generalise findings or establish causal relationships. Furthermore, variables such as organisational trust, conflict resolution, and job satisfaction are often treated statically, despite their dynamic and evolving roles in the employee experience. Contextual conditions specific to manufacturing SMEs such as informality, limited resources, and workforce diversity are frequently acknowledged but insufficiently theorised, leading to models that may underrepresent the lived realities of SME work environments. As global shifts in technology, sustainability, and workforce expectations reshape the nature of work, future research must adopt longitudinal, multi-level, and cross-sectoral approaches to better capture the complexity and evolution of leadership, well-being, and performance in SMEs. This review offers a consolidated foundation for such inquiry and provides a theoretically grounded, empirically supported platform for developing human-centred strategies that support sustainable organisational performance in the SME sector

REFERENCES

1. Ab Wahab, M., & Tatoglu, E. (2020). Chasing productivity demands, worker well-being, and firm performance: The moderating effects of HR support and flexible work arrangements. *Personnel review*, 49(9), 1823-1843.

2. Arends, I., Prinz, C., & Abma, F. (2017). Job quality, health and at-work productivity.
3. Badenhorst, C. (2015). Supervisor behaviour, psychological need satisfaction, employee engagement and intention to leave (Doctoral dissertation).
4. Bocquet, R., Dubouloz, S., & Chakor, T. (2019). Lean manufacturing, human resource management and worker health: Are there smart bundles of practices along the adoption process?. *Journal of Innovation Economics & Management*, 30(3), 113-144.
5. Bryson, A., Forth, J., & Stokes, L. (2017). Does employees' subjective well-being affect workplace performance?. *Human relations*, 70(8), 1017-1037.
6. Caldera, H. T. S., Desha, C., & Dawes, L. (2019). Transforming manufacturing to be 'good for planet and people', through enabling lean and green thinking in small and medium-sized enterprises. *Sustainable Earth*, 2(1), 4.
7. Choudhury, S., & Mohanty, M. K. (2019). Drivers of employee engagement-a chronological literature review excluding India. *Journal of Strategic Human Resource Management*, 8(1), 32-46.
8. Cinar, A. B., & Bilodeau, S. (2022). Sustainable workplace mental well being for sustainable SMEs: how?. *Sustainability*, 14(9), 5290.
9. Dauti, M. B., Dauti, R., & Krasniqi, M. (2020). Importance of motivation and demotivation factors in the performance of employees and managers in SME. *Knowl. Int. J*, 42(1), 103-109.
10. Erdil, A. (2022). The importance of workplace-occupational safety in the perspective of enterprise sustainable development and performance. *Avrupa Bilim ve Teknoloji Dergisi*, (42), 88-99.
11. Erschens, R., Adam, S. H., Schröpel, C., Diebig, M., Rieger, M. A., Gündel, H., ... & Junne, F. (2024, February). Improving Well-Being and Fostering Health-Oriented Leadership among Leaders in Small and Medium-Sized Enterprises (SMEs): A Systematic Review. In *Healthcare* (Vol. 12, No. 4, p. 486). MDPI.
12. Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of marketing research*, 18(1), 39-50.
13. Frempong, E. O., Ahenkora, K., & Asamoah, A. (2016). Perceptions on managerial behaviour and positive workplace experience.
14. Gorjifard, R. (2023). The healthy workforce: enhancing wellbeing and productivity in the workers of the future. *Asia Pacific Journal of Human Resources*, 61(2).
15. Hart, K. (2019). Employee wellbeing and performance. *Faculty of Business and Law*.
16. Hobfoll, S. E. (1989). Conservation of resources: a new attempt at conceptualizing stress. *American psychologist*, 44(3), 513.
17. Holt, M., & Powell, S. (2015). Health and well-being in small and medium-sized enterprises (SMEs). What public health support do SMEs really need?. *Perspectives in Public Health*, 135(1), 49-55.
18. Huang, L. C., Ahlstrom, D., Lee, A. Y. P., Chen, S. Y., & Hsieh, M. J. (2016). High performance work systems, employee well-being, and job involvement: An empirical study. *Personnel Review*, 45(2), 296-314.
19. Islam, M. S., & Amin, M. (2022). A systematic review of human capital and employee well-being: putting human capital back on the track. *European Journal of Training and Development*, 46(5/6), 504-534.
20. Jacobo-Galicia, G., Navarro-González, C. R., Montoya-Reyes, M., Mendoza-Muñoz, I., & Jiménez-López, E. (2021). The human factor as a central element in the design of the workplace. a systematic review. *Trends in industrial engineering applications to manufacturing process*, 465-506.
21. Jalil, M. F., & Ali, A. (2023). The influence of meaningful work on the mental health of SME employees in the COVID-19 era: can coping strategies mediate the relationship?. *BMC Public Health*, 23(1), 2435.

22. Kowalski, T., Loretto, W., & Redman, T. (2015). Special Issue of International Journal of Human Resource Management: Well-being and HRM in the changing workplace.
23. Krekel, C., Ward, G., & De Neve, J. E. (2019). Employee wellbeing, productivity, and firm performance. *Saïd Business School WP*, 4.
24. Lee, S., & Park, H. J. (2016). Influencing factor of happiness in the employees of SME manufacturing industry. *Journal of the Korea Academia-Industrial cooperation Society*, 17(2), 361-371.
25. Leiter, M. P., & Cooper, C. L. (2017). The state of the art of workplace wellbeing. *The Routledge companion to wellbeing at work*, 1-10.
26. Liberati, A., Altman, D. G., Tetzlaff, J., Mulrow, C., Gøtzsche, P. C., Ioannidis, J. P., ... & Moher, D. (2009). The PRISMA statement for reporting systematic reviews and meta-analyses of studies that evaluate healthcare interventions: explanation and elaboration. *Bmj*, 339.
27. Moher, D., Liberati, A., Tetzlaff, J., & Altman, D. G. (2009). Preferred reporting items for systematic reviews and meta-analyses: the PRISMA statement. *Bmj*, 339.
28. Motyka, B. (2018). Employee engagement and performance: a systematic literature review. *International Journal of Management and Economics*, 54(3), 227-244.
29. Nielsen, K., Nielsen, M. B., Ogbonnaya, C., Käänsälä, M., Saari, E., & Isaksson, K. (2017). Workplace resources to improve both employee well-being and performance: A systematic review and meta-analysis. *Work & stress*, 31(2), 101-120.
30. Nogning, F. L., & Gardoni, M. (2015, March). Performance Double Prism: A performance measurement system for exploration and exploitation innovations in manufacturing SMEs. In 2015 International Conference on Industrial Engineering and Operations Management (IEOM) (pp. 1-10). IEEE.
31. Nopitasari, S., Herawati, E., & Ferdinand, N. (2025). Manajemen Konflik dalam Organisasi: Tipe, Penyebab, dan Strategi Penyelesaian. *Dynamic: Jurnal Inovasi dan Dinamika Ekonomi*, 1(2), 43-55.
32. Nor, M. F., Eliyana, A., & Sridadi, A. R. (2023). Systematic literature review: the importance of work motivation to employee performance. *Jurnal Pamator: Jurnal Ilmiah Universitas Trunojoyo*, 16(1), 34-48.
33. Pawar, D., & Kunte, M. (2022). A strategic approach to employees' well-being: study assessing the relationship between holistic wellness, job satisfaction emotions, and productivity. *Cardiometry*, (23).
34. Putra, A. S. B., Kusumawati, E. D., & Kartikasari, D. (2024). Unpacking the roots and impact of workplace well-being: A literature review. *International Journal of Multidisciplinary Approach Research and Science*, 2(01), 312-321.
35. Rey-Tienda, S., Ariza-Montes, J. A., & Leal-Rodríguez, A. L. (2025). Relationships among Organizational Culture, Person-Organization Fit, Work Engagement, Subjective Well-Being, and Performance: A Bibliometric Approach. *Journal of Business*, Universidad del Pacífico (Lima, Peru), 16(1).
36. Richemond, D. J. (2016). The Connection Between Wellness Programs and Employee Job Satisfaction in Higher Education. *Walden University*.
37. Roberge-Dao, J., Maggio, L. A., Zaccagnini, M., Rochette, A., Shikako-Thomas, K., Boruff, J., & Thomas, A. (2022). Quality, methods, and recommendations of systematic reviews on measures of evidence-based practice: an umbrella review. *JBMEvidence Synthesis*, 20(4), 1004-1073.
38. Rubio-Andrés, M., Ramos-González, M. D. M., & Sastre-Castillo, M. Á. (2022). Do high performance work systems improve workplace well-being in SMES? Implications for financial performance. *Applied Research in Quality of Life*, 17(3), 1287-1309.
39. Safari, B., Fadhlihi, A., Ahyat, M., & Irdhayanti, E. (2024). The Effect of Employee Recruitment and Selection, Management Support, and Work-Life Balance on Individual

- Performance and Employee Well-Being in the Manufacturing Industry in West Java. *Jurnal Bisnisan: Riset Bisnis dan Manajemen*, 6(1), 148-162.
40. Schreiberbauer, E. C., Hippler, M., Burgess, S., Rieger, M. A., & Rind, E. (2020). Work-related psychosocial stress in small and medium-sized enterprises: an integrative review. *International journal of environmental research and public health*, 17(20), 7446.
 41. Sethumadhavan, R. (2025). Creating a Positive Workplace for the Employee Wellbeing. In *Harnessing Happiness and Wisdom for Organizational Well-Being* (pp. 131-150). IGI Global Scientific Publishing.
 42. Shobe, K. (2018). Productivity driven by job satisfaction, physical work environment, management support and job autonomy. *Business and Economics Journal*, 9(2), 1-9.
 43. Sihite, M., Jusup, S. M., Ilham, R., & Widayati, T. (2024). Employee Engagement, Employee Satisfaction, and Employee Empowerment and Their Influence on Productivity in MSMEs. *International Journal of Business, Law, and Education*, 5(2), 2866-2875.
 44. Soriano, A., Kozusznik, M. W., Peiró, J. M., & Mateo, C. (2018). Mediating role of job satisfaction, affective well-being, and health in the relationship between indoor environment and absenteeism: Work patterns matter!. *Work*, 61(2), 313-325.
 45. Stepanek, M., Jahanshahi, K., & Millard, F. (2019). Individual, workplace, and combined effects modeling of employee productivity loss. *Journal of occupational and environmental medicine*, 61(6), 469-478.
 46. Subramanian, N., M, S., & A, J. W. (2024). Human-related lean practices for manufacturing SMEs' lean transformation: a systematic literature review. *Nankai Business Review International*, 15(3), 478-501.
 47. Tortorella, G. L., Castro-Fettermann, D., & Lupi-Vergara, L. G. (2018). Análise do efeito das práticas sociotécnicas no desempenho em qualidade e saúde dos colaboradores em empresas com implementação lean. *Cuadernos de Administración*, 31(56), 31-54.
 48. van der Put, A. C. (2023). Healthy at work: The role of the work environment in worksite health promotion (Doctoral dissertation, Utrecht University).
 49. Van Tuin, L., Schaufeli, W. B., & Van den Broeck, A. (2021). Engaging leadership: Enhancing work engagement through intrinsic values and need satisfaction. *Human Resource Development Quarterly*, 32(4), 483-505.
 50. Wang, Z., Liu, H., Yu, H., Wu, Y., Chang, S., & Wang, L. (2017). Associations between occupational stress, burnout and well-being among manufacturing workers: mediating roles of psychological capital and self-esteem. *BMC psychiatry*, 17(1), 364.
 51. Weis, J., Gilbert, G., Aranda-Mena, G., Rahmani, F., & London, K. (2018). Understanding the current gaze of workplace wellbeing in offsite manufacturing. In *Joint CIB W099 and TG59 International Safety, Health, and People in Construction Conference* (p. 457).
 52. Yusoff, R. B. M., Imran, A., Qureshi, M. I., & Kazi, A. G. (2016). Investigating the relationship of employee empowerment and sustainable manufacturing performance. *International Review of Management and Marketing*, 6(4), 284-290.
 53. Zawawi, A. A., Noorshuhaimi, M. S., & Harun, N. I. (2024). The Impact of Employee Commitment, Satisfaction, Recognition and Reward, Organizational Justice, and Employee Engagement in the Manufacturing Industry. *Sains Humanika*, 16(2), 17-23.
 54. Zheng, X., Zhu, W., Zhao, H., & Zhang, C. H. I. (2015). Employee well-being in organizations: Theoretical model, scale development, and cross-cultural validation. *Journal of organizational behavior*, 36(5), 621-644.