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The Dark Side of Leadership: Exploring the Impact of Despotic Leadership on Employees' Intrapreneurial Behavior through Happiness and Self-Efficacy

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Abstract

This paper examines the negative impacts of despotic leadership on intrapreneurial behavior of employees with a special focus on the underlying affective and cognitive processes. Based on the social cognitive theory and the broaden-and-build theory, we discuss the role of happiness in the workplace and self-efficacy in mediating the connection between authoritarian leadership and intrapreneurial engagement. Both online and face-to-face surveys were used to collect the data on 700 fulltime employees in manufacturing organizations in Pakistan. The structural equation modelling indicated that despotic leadership has a significant negative impact on intrapreneurial behaviors, both directly and indirectly, through decreased happiness and self-efficacy. Also, a chain mediation effect showed that affective well-being enhances cognitive confidence, which, together with intrapreneurial outcomes, is strengthened. The findings contribute to the body of current literature emphasizing the psychosocial mechanisms by which the destructive leadership inhibits the innovation and agency of employees. Theoretical and practical implications consist of the necessity to reduce the authoritarian attitude and promote supportive work conditions to provide the employees with sufficient psychological resources and entrepreneurial potential.

Keywords: Despotic leadership, Intrapreneurial behavior, Happiness at work, Self-efficacy, Psychosocial mechanisms, Employee innovation, Toxic leadership

Introduction

In a world where there is a high level of technological disruption, unstable markets, and the heightened competitive intensity amongst organizations, organizations are increasingly relying on entrepreneurial acting employees who operate within the business limits. The proactive, innovative, and risk-taking behaviors of employees targeted at the development of new products, processes, or strategic renewal, called intrapreneurial behavior, has become a key contributor to the organizational flexibility and long-term competitive advantage (Antoncic and Hisrich, 2003; Rigtering et al., 2019). Nevertheless, even with the increased academic focus on the concept of intrapreneurship, there is some evidence that most organizations unwillingly hinder such behavior by the influence of dysfunctional leadership practices. Among them, the most topical one is despotic leadership, an authoritarian type of leadership that is dominant, exploitative, and does not care about the well-being of subordinates (De Hoogh et al., 2015; Schaubroeck et al., 2017). The implications of such styles of leadership to the intrapreneurial behavior are still an issue of concern among not only organizational scholars but also practitioners.

The leadership is very instrumental in influencing the psychological condition and behavioural consequences of employees. Although transformational, ethical, and servant leadership models have been extensively

studied as innovation and intrapreneurial drivers (Afsar et al., 2019; Newman et al., 2018), the destructive style of leadership has been comparatively underserved. One of the most counterproductive types of leadership that undermines a sense of trust and psychological safety in organizations is despotic leadership, which refers to the continued use of power by leaders to benefit themselves and by coercing them (De Hoogh and Den Hartog, 2008; Naseer et al., 2016). Recent articles in the leading journals have attributed the negative employee performance to despotic leadership, such as emotional exhaustion, lower creativity, counterproductive work behavior, and withdrawal intentions (Khan et al., 2021; Nauman et al., 2022).

At the same time, researchers have stressed that the intrapreneurial behavior cannot be seen as a mere outcome of the structural support or formal incentives but lies in the depth of psychic resources and positive experiences of employees (Rigtering & Weitzel, 2013; Farrukh et al., 2021). Happiness at work and self-efficacy are two constructs that have become more and more prominent in this respect. Happiness in the workplace is a long-term positive emotional and cognitive assessment of work experience, which includes job satisfaction, engagement, and affective well-being (Salas-Vallina et al., 2020; Warr and Nielsen, 2018). Studies based on the broaden-and-build theory indicate that positive affect expands the thought action repertoires of people and in doing so encourages creativity, proactivity, and innovation (Fredrickson, 2001; Salas-Vallina et al., 2022). Self-efficacy is based on the social cognitive theory created by Bandura, (1997) and means what people think about themselves concerning their ability to complete tasks effectively and achieve success despite the challenges. Opportunity recognition, continuity amid uncertainty, and entrepreneurial action have always been linked with high levels of self-efficacy (Miao et al., 2017; Newman et al., 2019). In an organizational context, highly self-efficacious employees tend to be more inclined to intrapreneurial behavior due to their perceived ability to handle risks related to innovation and perceived ability to affect the outcomes (Farrukh et al., 2021; Zhang et al., 2022).

Although these developments have occurred, recent research on organizational psychology argues that leadership styles can concurrently influence affective (e.g., happiness) and cognitive-motivational (e.g., self-efficacy) mechanism, and through them, intrapreneurial behavior (Kim et al., 2020; Salas-Vallina et al., 2023). Through undermining employees and imposing decision making by oneself, despotic leaders can potentially reduce the happiness of the employees at work and diminish their self efficacy, in turn, blocking intrapreneurial efforts indirectly. But empirical studies of these mechanisms are still disjointed and insufficient.

Even though the previous studies have confirmed that tyrannical leadership leads to negative results on employees, there are notable gaps in the literature. To begin with, the majority of the extant literature has focused on investigating the direct impact of despotic leadership on negative outcomes: deviance, burnout, and turnover intentions (Nauman et al., 2022; Schaubroeck et al., 2017), whereas its consequences on positive and developmental behaviors such as intrapreneurship have been shunned. This exclusion is remarkable, as the intrapreneurial behavior is essential to organizational renewal and long-term performance in the modern economies.

Second, some previous studies did not consider mediating mechanisms in their entirety, and the main emphasis has frequently been made either on emotional states (e.g., stress, fear) or motivational constructs (e.g., psychological empowerment) instead of taking an integrative approach (Khan et al., 2021; Naseer et al., 2016). Therefore, there is little information regarding how despotic leadership has a concomitant impact on affective and cognitive routes, namely, happy at work and self-efficacy, to influence intrapreneurial behavior. Third, recent publications in leading entrepreneurship and organizational behavior journals acknowledge the necessity of more subtle, multilevel descriptions, which bridges leadership styles and entrepreneurial behavior in terms of internal psychological processes of employees (Rigtering et al., 2019; Newman et al., 2019). Until now, the body of empirical research has been less than responsive to such calls, especially in non-western and emerging economy settings where despotism may be more widespread because of cultural and institutional influences (Khan et al., 2021; Zhang et al., 2022).

It is necessary to address these gaps in order to develop the theory and in order to inform the leadership practices that can contribute to the development of intrapreneurial behavior in modern organizations and not hamper it.

This study aims to examine the multifaceted associations between despotic leadership and intrapreneurial behavior, where happiness at work and self-efficacy are the parallel mediating variables. Based on the social cognitive theory and the affective events theory, the proposed research is going to be a thorough explanation of how destructive leadership can deter entrepreneurial efforts of employees by reducing their affective well-being and beliefs in their abilities.

Specifically, the study seeks to:

- (1) examine the direct effect of despotic leadership on intrapreneurial behavior;
- (2) assess the mediating role of happiness at work in the despotic leadership–intrapreneurial behavior relationship;
- (3) evaluate the mediating role of self-efficacy in this relationship; and
- (4) compare the relative explanatory power of affective and cognitive mediators in explaining intrapreneurial behavior.

Accordingly, the study is guided by the following research questions:

- How does despotic leadership influence employees' intrapreneurial behavior?
- To what extent does happiness at work mediate the relationship between despotic leadership and intrapreneurial behavior?
- To what extent does self-efficacy mediate the relationship between despotic leadership and intrapreneurial behavior?

This research has some significant implications to the areas of entrepreneurship and organizational psychology. Theoretically, it expands the intrapreneurship literature by placing despotic leadership as a crucial antecedent of intrapreneurial action, which will focus on the negative consequences of destructive leadership instead of supportive leadership styles. The research also provides a more holistic understanding of how leadership is associated with entrepreneurial behavior by incorporating happiness at work and self-efficacy as the two intervening variables.

In practice, the results should offer useful information to the leadership of organizations, human resource managers, and policymakers. The knowledge of psychological mechanisms of how despotic leadership inhibits intrapreneurial behavior can be used in informing leadership development programs, organizational intervention, and governance structures that minimize destructive leadership and promote the well-being of employees and innovations. Such insights may be especially useful to employees and organizations that have to work in dynamic and resource-constrained environments.

This research is narrowed down to the investigation of despotic leadership as the independent variable of interest and the intrapreneurial behaviour as the dependent variable. The research is narrowed down to the issue of happiness at work and self-efficacy, as mediating variables, although other factors like organizational culture, structural support, or environmental conditions of external factors might have some influence as well on intrapreneurial behavior. Besides, the research possesses a quantitative and cross-sectional design and analyzes employees in organizational contexts, hence restricting the causal inference and extrapolation to consider all industries, and cultural environments.

Theoretical Framework

The present research is based on the Social Cognitive theory (Bandura, 1997) and the Affective Events Theory (Weiss and Cropanzano, 1996) to illustrate how despotic leadership can affect intrapreneurial behavior of employees using affective and cognitive processes. Collectively, these theoretical prisms are capable of forming a solid framework of how leadership practices can influence the inner psychological condition of employees and, later, their discretionary entrepreneurial behaviors in the organization.

Despotic Leadership as a Contextual Inhibitor

Despotic leadership is a detrimental leadership style attributed to authoritarian rule, selfishness, exploitation, lack of tolerance to dissent (De Hoogh and Den Hartog, 2008; Schaubroeck et al., 2017). Despotic leaders hoard power, suppress initiative and use personal dominance over the groups rather than collective goals as opposed to constructive leaders who empower their employees and make them take risks. This and other practices lead to a work environment that is characterized by fear, uncertainty, and psychological insecurity (Naseer et al., 2016; Nauman et al., 2022).

In social cognitive terms, leadership is an example of a salient environmental stimulus that influences employees in their beliefs regarding acceptable behaviors, rewarded behaviors or behaviors that are sanctioned (Bandura, 1997). Despotic leadership is an indicator of low toleration of autonomy and experimentation, which are opposite conditions to intrapreneurial behaviour that must include taking risks, innovation and proactive problem-solving (Rigtering et al., 2019). In line with this, despotic leadership is likely to have direct negative effect on the readiness of employees to practice intrapreneurship.

Affective Pathway: Happiness at Work as a Mediator

The Affective Events Theory assumes that any event that occurs at the workplace, especially leader initiated events, generates emotional responses that affect the attitudes and behavior of employees in the long run (Weiss and Cropanzano, 1996). Happiness at work is a long-term positive affective and cognitive state of job satisfaction, job engagement, and job meaningfulness (Warr and Nielsen, 2018; Salas-Vallina et al., 2020). There are empirical studies that indicate that happier employees are more creative, tougher and ready to make discretionary efforts to perform in creative and entrepreneurial actions (Salas-Vallina et al., 2022; Montani et al., 2023).

Despotic leadership in its turn methodically destroys happiness in the workplace by promoting emotional stress, humiliation, and perceived injustice (Khan et al., 2021). Constant experience of domineering and exploitative leadership undermines the positive affect of employees, reducing their cognitive flexibility, and dishearten exploration and experimentation, which are components of intrapreneurial behavior (Fredrickson, 2001; Salas-Vallina et al., 2023). Therefore, happiness in the workplace is an important affective process that creates a connection between despotic leadership and the decreased intrapreneurial behavior.

Cognitive Pathway: Self-Efficacy as a Mediator

Social Cognitive Theory focuses on self-efficacy as the key factor that determines motivated action, persistence, and behavior selection (Bandura, 1997). Self-efficacy in organizational settings affects the perceptions of the employees of the entrepreneurial challenges as opportunities or threats (Miao et al., 2017; Newman et al., 2019). The highly self-efficacy employees tend to be more inclined to initiate change, to persevere in the case of some hindrances, and to take part in intrapreneurial behavior even when faced with uncertainty and risk (Farrukh et al., 2021).

Despotic leadership will most likely undermine the self-efficacy of the employees by limiting autonomy, devaluing the input of the employees, and only attributing success to the dominance of the leader and not the competence of employees (Naseer et al., 2016). In the long term, this type of leadership will decrease the amount of confidence that employees have in their potential to implement any relevant change, which will diminish their interest in taking part in intrapreneurial projects. The recent studies on high-impact journals emphasize that destructive leadership diminishes cognitive resources that are necessary in innovation and entrepreneurial activity (Kim et al., 2020; Zhang et al., 2022).

Integrative Mediation Framework

This paper addresses the recent sections of the multi mechanism models, which research suggests is the way leadership influences the entrepreneurial behavior via internal psychological processes of the employees (Rigtering et al., 2019; Newman et al., 2019). Happiness at work seizes the emotional power of the employees

and their willingness to explore and self-efficacy represents their ability to implement change. Combined, these intermediaries present a detailed account of the inhibition of intrapreneurial behavior through the mediation of despotic leadership in a manner other than direct.

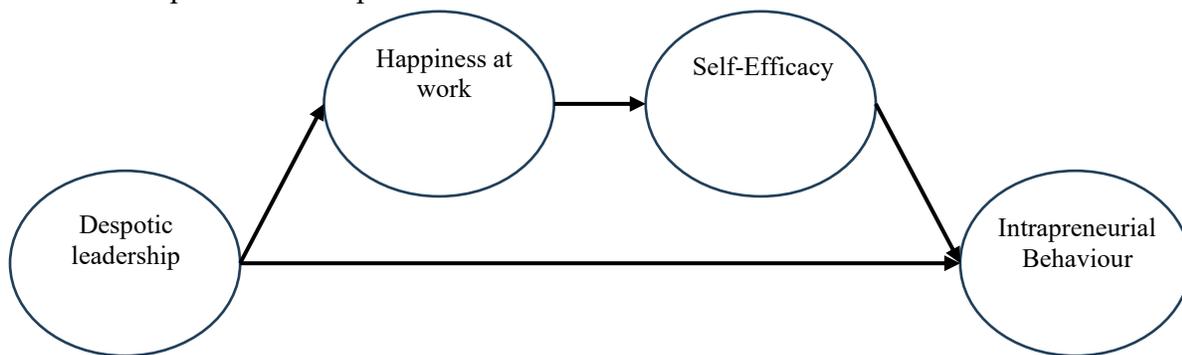


Figure1: Conceptual Model

According to the conceptual model, the negative effect that despotic leadership has on intrapreneurial behaviour is both direct and indirect, due to two parallel mediating variables: happiness at work and self efficacy. Despotic leadership is a contextual stressor that reduces the affective welfare and cognitive confidence of the employees and consequently their chances of use of innovative proactive and risk ventures within the organization.

Hypotheses Development

H1: Despotic leadership is negatively related to employees' intrapreneurial behavior.

H2: Happiness at work mediates the relationship between despotic leadership and intrapreneurial behavior, such that despotic leadership reduces happiness at work, which in turn decreases intrapreneurial behavior.

H3: Self-efficacy mediates the relationship between despotic leadership and intrapreneurial behavior, such that despotic leadership reduces self-efficacy, which in turn decreases intrapreneurial behavior.

H4: Happiness at work and self-efficacy jointly mediate the relationship between despotic leadership and intrapreneurial behavior.

Method

Data Collection and Procedure

In line with other previous studies on leadership and entrepreneurship in the setting of emerging economies (e.g., Khan et al., 2021; Newman et al., 2019), we gathered information about full-time employees of Pakistani manufacturing companies. The cultural norms of power-distance and hierarchical organization structure which relates to the relatively high power-distance oriented culture and may enhance the frequency and severity of despotic leadership behaviours are all theoretically relevant in Pakistan context.

The researcher used both online questionnaires and face-to-face issued questionnaires to increase the results of the surveys and improve the rate of response and minimize the sampling bias among the diverse units of organizations. We selected 700 full-time employees who worked in the medium- and large-scale manufacturing companies in major industrial cities in Pakistan using a convenience sampling method. It was a voluntary participation.

Each questionnaire was accompanied by a cover letter explaining the research objectives, emphasizing the academic nature of the study, and assuring respondents that their identities would remain anonymous and confidential. Participants were explicitly informed that:

- Their responses would be used solely for research purposes.
- No identifiable personal information would be retained.
- They could withdraw at any stage without penalty.

- Data would be aggregated for analysis.

These were done as per prescribed ethical principles of conducting the social science research (American Psychological Association, 2017). Participation was done with informed consent. To minimize the evaluation apprehension and social desirability bias, the respondents were assured that there was no right or wrong answer and they were urged to answer truthfully.

Out of the 700 surveys sent out, 600 of the usable responses were back thus resulting in a response rate of about 85.7 that is satisfactory in organizational research (Baruch and Holtom, 2008). Surveys that had too many empty values were omitted in analysis.

The questionnaire was separated into two parts. The demographic section was the first one that took demographic data such as age, gender, and work experience. The second part was used to measure the study constructs; despotic leadership, happiness at work, self-efficacy, and intrapreneurial behavior.

Table 1:
Demographic Characteristics of Respondents (N = 600)

Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	402	67.0
	Female	198	33.0
Age	20–29 years	186	31.0
	30–39 years	264	44.0
	40–49 years	114	19.0
	50+ years	36	6.0
Work Experience	1–5 years	210	35.0
	6–10 years	228	38.0
	11–15 years	108	18.0
	16+ years	54	9.0

Note: Percentages may not total exactly 100 due to rounding.

Measures

All the constructs were assessed with regard to the scales that were previously recognized as validated and generally embraced in the field of leadership and entrepreneurship. Respondents were asked to record their answers in a five-point likert-type scale (between 1-strongly- disagree and 5- strongly agree), unless otherwise stated.

Despotic Leadership

The six-item scale of Despotic leadership was used to measure despotic leadership (De Hoogh and Den Hartog, 2008). The scale measures the authoritarianism of leaders, their self-seeking attitude and exploitation (e.g., “My supervisor demands absolute obedience on the part of the subordinates). The validity of this scale is tested in various cultural settings, such as South Asian ones (Naseer et al., 2016; Khan et al., 2021).

Happiness at Work

The scale that was used to measure happiness at the workplace was created by Salas-Vallina et al. (2020) and incorporates affective well-being, engagement, and job satisfaction, as a whole construct. Examples of such items are: I feel happy when I am working and My job brings me a feeling of fulfillment. This indicator can be based on broaden-and-build theory (Fredrickson, 2001) and has proven to have good psychometric

measures in organizational studies..

Self-Efficacy

The scale of self-efficacy was based on the General Self-Efficacy Scale that was already tested by Albert Bandura (1997). The scale measures the beliefs that people have in their capability to cope with challenging matters and address the issues (e.g., “I believe I can deal effectively with the unexpected events). Proactive and entrepreneurial practices have always been associated with self-efficacy (Newman et al., 2019; Miao et al., 2017).

Intrapreneurial Behavior

The scale created by J. P. J. Rigtering and Urs Weitzel (2013) was used to measure intrapreneurial behavior, and the scale includes innovative, proactive, and risk-taking behaviors of employees to within the limits of an organization. Examples are: I usually achieve initiative to build up new projects and I actively seek opportunities to enhance the existing processes. The scale has been extensively applied in the modern intrapreneurship studies (Rigtering et al., 2019).

Reliability and Validity

All scales demonstrated exceptionally strong internal consistency reliability. Cronbach’s alpha coefficients exceeded the recommended threshold of 0.70 (Hair et al., 2019):

- Despotic Leadership: $\alpha = .91$
- Happiness at Work: $\alpha = .93$
- Self-Efficacy: $\alpha = .89$
- Intrapreneurial Behavior: $\alpha = .92$

To establish structural validity, we conducted Confirmatory Factor Analysis (CFA) using AMOS. The hypothesized four-factor measurement model exhibited good model fit consistent with established cut-off criteria (Hu & Bentler, 1999):

- $\chi^2/df = 2.41$
- RMSEA = .049
- GFI = .92
- CFI = .95
- TLI = .94

These indices indicate a satisfactory fit between the measurement model and the observed data. All factor loadings were significant and exceeded the recommended threshold of 0.60, supporting convergent validity. Discriminant validity was confirmed as the square root of AVE for each construct exceeded its correlations with other constructs.

Data Analysis

The analysis of the data was performed with the help of IBM SPSS Statistics 27.0 and IBM AMOS 28.0. The descriptive statistics and Pearson correlation were first conducted to evaluate the means, standard deviations, and the relationship between the variables used in the study such as despotic leadership, happiness at work, self-efficacy and intrapreneurial behavior. These initial analyses gave a general insight into the distribution characteristics of the data, the direction and magnitude of bivariate relationships. Measurement reliability and validity were then evaluated by using internal consistency coefficients and confirmatory factor analysis (CFA). After deciding on an acceptable measurement model, structural equation modeling (SEM) was utilized to draw hypothesized direct and indirect relationships between the constructs. In order to test the mediating role of happiness at work and self-efficacy, a bias-corrected bootstrap analysis with 5,000 resamples was performed to provide 95 percent confidence interval of the indirect effects. The mediation was thought to be

important when the confidence interval was not zero. This method of analysis is aligned with the current suggestions of testing the complex mediation model in the organizational studies (Hair et al., 2019; Hayes, 2018).

Results

Descriptive Statistics

Table 2 shows descriptive statistics (means and standard deviations), and Pearson correlation coefficients between despotic leadership, happiness at work, self-efficacy, and intrapreneurial behavior.

Despotic leadership was adversely related to happiness at work, self-efficacy, and intrapreneurial behaviour. On the contrary, intrapreneurial behavior was positively and significantly linked with happiness at work and self-efficacy. Such preliminary results are some of the first indications of the existing theoretical relations and the reason to proceed to structural equation modeling.

Table 2: Means (M), Standard Deviations (SD), and Correlations Among Study Variables (N = 600)

Variable	M	SD	1	2	3	4
1. Despotic Leadership	3.21	0.88	—			
2. Happiness at Work	3.67	0.79	-.48**	—		
3. Self-Efficacy	3.74	0.72	-.41**	.55**	—	
4. Intrapreneurial Behavior	3.59	0.83	-.45**	.60**	.57**	—

Note. $p < .05$, $p < .01$.

Structural Equation Model (SEM) Analysis

Model Fit Testing

Following confirmatory factor analysis, structural equation modeling (SEM) was conducted using AMOS 28.0 to test the hypothesized relationships. The structural model demonstrated a satisfactory fit to the data according to commonly accepted thresholds (Hu & Bentler, 1999; Hair et al., 2019).

Model fit indices were as follows:

- $\chi^2/df = 2.36$
- RMSEA = .048
- GFI = .93
- CFI = .96
- TLI = .95

These indices indicate an acceptable to good model fit, supporting the adequacy of the hypothesized structural model.

Path Analysis Between Variables

The standardized and unstandardized path coefficients are presented in Table 3.

Despotic leadership had a significant negative effect on intrapreneurial behavior ($\beta = -.21$, $p < .001$), supporting H1. Furthermore, despotic leadership negatively predicted happiness at work and self-efficacy, while both mediators positively predicted intrapreneurial behavior.

Table 3: Structural Path Estimates

Path	Estimate	SE	CR	p	Standardized Estimate
Despotic Leadership → Intrapreneurial Behavior	-0.19	0.05	-3.80	<.001	-.21

Path	Estimate	SE	CR	p	Standardized Estimate
Despotic Leadership → Happiness at Work	-0.42	0.06	-7.00	<.001	-.48
Despotic Leadership → Self-Efficacy	-0.31	0.05	-6.20	<.001	-.41
Happiness at Work → Intrapreneurial Behavior	0.39	0.07	5.57	<.001	.42
Self-Efficacy → Intrapreneurial Behavior	0.34	0.06	5.67	<.001	.36

Note. CR = Critical Ratio.

These findings indicate that despotic leadership directly reduces intrapreneurial behavior and indirectly influences it through both affective and cognitive pathways.

Mediation Effect Testing

To test mediation effects, a bias-corrected bootstrap analysis with 5,000 resamples was conducted. The indirect effects and corresponding 95% confidence intervals are presented in Table 4. Mediation is supported when the confidence interval does not include zero.

Table 4: Bootstrapped Indirect Effects (5,000 Resamples)

Path	Effect Type	Estimate	Lower	Upper	p
Despotic Leadership → Happiness → Intrapreneurial Behavior	Indirect	-0.16	-0.23	-0.10	<.001
Despotic Leadership → Self-Efficacy → Intrapreneurial Behavior	Indirect	-0.11	-0.17	-0.06	<.001
Despotic Leadership → Intrapreneurial Behavior	Direct	-0.19	-0.29	-0.10	<.001
Despotic Leadership → Intrapreneurial Behavior	Total	-0.46	-0.57	-0.35	<.001

The bootstrapping results indicate that both happiness at work and self-efficacy significantly mediate the relationship between despotic leadership and intrapreneurial behavior, as zero is not included in the confidence intervals. Because the direct effect remains significant after including mediators, the results support partial mediation, confirming H2, H3, and H4.

Discussion

This article analyzed the impact of despotic leadership on the intrapreneurial behavior of employees on a Pakistani manufacturing setting, considering both affective (happiness at work) and cognitive (self-efficacy) processes. The findings support the significance of psychological mechanisms in explaining the role played by destructive managerial styles in eroding the organizational vitality. We discuss the findings below in the perspective of present theory and empirical evidence.

Direct Effect of Despotic Leadership on Intrapreneurial Behaviour

In line with the Hypothesis 1, despotic leadership had a significant adverse influence on intrapreneurial behaviour of the employees. This result is consistent with the available studies that show that authoritarian leadership and exploitation leadership inhibit initiative, innovation, and proactive work behaviours (Nauman et al., 2022; Schaubroeck et al., 2017). The fear and uncertainty that is brought about by the focus of despotic leaders on control, obedience, and punitive actions towards autonomous decision-making are counterproductive to the innovation of employees (De Hoogh and Den Hartog, 2008; Khan et al., 2021). The intrapreneurial behaviour that is defined as internal innovation, pursuit of opportunities, and strategic rejuvenation activities of employees demand psychological safety and freedom to experiment (Rigtering et al., 2019; Farrukh et al., 2021). These conditions are not present under despotic leadership and thus preventing the employees their desire to engage in behaviours, which may be considered risky or threatening to the

authority of the leader.

The direct effect highlights the overall theoretical argument that leadership does not only inspire but limits the behaviour of employees. Even though the existing literature is largely on supportive leadership styles that promote intrapreneurship (Afsar et al., 2019; Newman et al., 2018), our results are valuable as they show how a poisonous leadership environment undermines organisational innovativeness on a bottom-up basis.

Mediating Role of Happiness at Work Between Despotic Leadership and Intrapreneurial Behaviour

In line with Hypothesis 2, the connection between despotic leadership and intrapreneurial behaviour was mediated by happiness at work in a significant way. This finding shows that the affective experience of work can be crucially important to employees in transferring leadership contexts into behavioural consequences. Despotic leadership had a negative impact on happiness in the workplace, grabbing the positive feelings of employees, their interest, and overall job satisfaction, which in its turn decreased intrapreneurial behaviour.

This mediation corresponds with the Affective Events Theory, which assumes that events at the workplace (e.g., interaction with leaders) are influencing the affective states of employees, and consequently, affect work behaviours (Weiss and Cropanzano, 1996). The latest studies have also confirmed the significance of positive work affect in facilitating innovative and proactive behaviours (Salas-Vallina et al., 2022; Montani et al., 2023). Work happiness also enhances cognitive and behavioural repertoires, in people, which leads to exploration and investing in resources (Fredrickson, 2001). With despotic leadership, negative affect suppresses psychological openness and vitality, leads to a reduction in the willingness of employees to participate in discretionary innovation (Salas-Vallina et al., 2020).

Significantly, this result has added to the developing positive psychological mediator body of leadership studies by demonstrating that subjective well-being of employees is not just a result but also a mechanism of organisationally significant behaviours including intrapreneurship.

Mediating Role of Self-Efficacy Between Despotic Leadership and Intrapreneurial Behaviour

Hypothesis 3 was also confirmed: self-efficacy mediated the correlation between despotic leadership and intrapreneurial behaviour. In particular, tyrannical leadership weakened employee self-belief, which, in its turn, reduced their level of intrapreneurial activity.

This result is aligned with the Social Cognitive Theory (Bandura, 1997) which emphasizes that self-efficacy is a moveable variable determining the action initiation and maintenance, particularly in times of uncertainty. The employees felt that they were denied the ability to have an effect when leaders demonstrated controlling or demeaning behaviours (Naseer et al., 2016; Kim et al., 2020). The decreasing self-efficacy, in turn, reduces the possibility of the employees to perform high-effort, possibly risky endeavors such as innovation and intrapreneurship (Newman et al., 2019; Farrukh et al., 2021).

Our findings contribute to the literature on leadership-efficacy by confirming that in addition to the supportive behaviours (e.g., empowering leadership), negative leadership styles are one-sidedly detrimental to employees in terms of the psychological resources needed to take entrepreneurial action. This highlights the relevance of leader behaviour in the production of climates as well as in establishing cognitive groundwork to workplace innovation.

Chain Mediating Role of Happiness at Work and Self-Efficacy

Lastly, in favour of Hypothesis 4, the findings disclosed that happiness at work and self-efficacy mediated a connection between despotic leadership and intrapreneurial behaviour. According to this chain mediation, the first stage involves the removal of positive affective states of employees by despotic leadership, which, in turn, undermines their cognitive confidence and, as a result, decreases intrapreneurial engagement.

The theory behind such a sequential process is that positive affect has been demonstrated to improve cognitive appraisals and self-beliefs (Fredrickson, 2001; Montani et al., 2023). That is, workers are happier at work and hence become more engaged as well as more assured of their capabilities to perform difficult tasks. On the other hand, when happiness is repressed, such as in despotism, the self-efficacy will be harmed and the

influence will spread through the motivational and cognitive antecedents of intrapreneurial behaviour. The discovery combines affective and cognitive processes into a holistic approach to explaining the psychological mediation responding to the recent demands to explain the effects of leadership on employee innovation in a multifaceted way (Rigtering et al., 2019; Newman et al., 2019). This study contributes to the overall knowledge on the interdependent psychology of how leaders affect vitality in organisations by offering evidence as to how affect influences cognition in the service of behavioural effects.

Conclusion

This paper is of value to the body of knowledge on leadership and intrapreneurial behaviour as it shows that not only does despotic leadership directly deter intrapreneurial behaviour among employees, but it also indirectly hinders it via affective (happiness at work) and cognitive (self-efficacy) channels. The results contribute to the current theory by preempting the depletion of psychological energy in the context of employees being discouraged to innovate under the influence of destructive leadership, thus filling a significant gap between the negative types of leadership and the positive effects of the workplace environment. When the significant part of the previous researches is the empowering of the leadership as a predictor of the innovation (Afsar et al., 2019; Newman et al., 2018), in our case, the authoritarian character of leadership is revealed as the counterproduction factor in the frontline organisational settings.

In addition, the observation that happiness at work mediates is also consistent with broaden-and-build theory, which explains that affective states enable intrapreneurial cognition and behaviour (Fredrickson, 2001; Salas-Vallina et al., 2022). The mediating effect of self-efficacy supports social cognitive views and demonstrates that the conviction of employees in their strengths is central to risky intrapreneurial behaviors (Bandura, 1997; Farrukh et al., 2021). The chain mediation recorded focuses on how affective well-being can support cognitive confidence, which together contributes to intrapreneurial activities in a leadership situation. Taken together, these findings serve as a holistic psychosocial model of the effect of toxic leadership on the destruction of key psychological processes that are vital to organisational innovation and agency among employees.

Limitations and Future Research Directions

While the present study provides meaningful theoretical and practical insights, several limitations warrant consideration and suggest promising avenues for future research.

Cross-Sectional and Self-Report Design

The use of cross-sectional self-report information limits causal conclusions and creates the risk of common method variance (Podsakoff et al., 2012). Even though CFA and SEM were used as mitigation strategies to reduce measurement bias, longitudinal or experimental designs will be required to determine the temporal precedence of leadership exposure, affective/cognitive mediators, and intrapreneurial outcomes. It might be specified that future research can use multi-wave surveys and experience sampling techniques to record these dynamic changes in happiness and self-efficacy and their effects on intrapreneurial efforts over time.

Contextual and Cultural Boundaries

The context of this study was constrained to manufacturing organisations in Pakistan employees. The impact of culture, especially high-power distance, can promote the impact of despotic leadership (Hofstede et al., 2010). Although this increases the contextual relevance, it reduces cross-cultural generalisability. It is also pivotal that future studies examine whether these trends are generalised to different sectors (e.g. services, technology) and national cultures, in which the dynamics of leadership and psychological processes might manifest differently.

Unexplored Moderators and Boundary Conditions

Even though this research sheds light on important mediating affective and cognitive processes, boundary

conditions are yet to be explored. The most recent articles emphasise the role of such constructs as psychological safety, organisational justice, and inclusive climates in mediating the leadership impacts on innovation and wellbeing (Mehmood et al., 2024; Sabuhari et al., 2025). Psychological safety can be used as an example to cushion employees against the adverse emotional effects of despotic leadership, and retain intrapreneurial potential. The moderated mediation models should be tested in the future to explain who and in which circumstances the negative impacts of despotic leadership are reduced or enhanced.

Broadening Mediating Mechanisms

Although the aspects of happiness and self-efficacy can substantiate much of the variance in intrapreneurial behaviour, other psychological resources including psychological capital, creative self-efficacy or intrinsic motivation have been associated with innovation but have not been studied in the context of despotic leadership (turn0search31; Turner et al., 2025). Further research in this area should include these variables as further mediators or antecedent moderators to create a more comprehensive model of the effects of leadership on entrepreneurial behaviour.

Theoretical Divergences in Leadership Research

The recent systematic reviews of intrapreneurship have found theoretical fragmentation and the need to develop new frameworks that would address individual, organizational, and contextual determinants (Waghchoure and Singh, 2024). Further studies are necessary on the incorporation of integrative theories including conservation of resources or job demands-resources theories to determine the effect of resource deprivation in leadership by toxicity on intrapreneurial engagement. Also, the application of personality traits (e.g., proactive personality) in combination with leadership perceptions might be more explanatory.

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