LEADERSHIP BEHAVIOUR, ENTREPRENEURIAL ORIENTATION AND ORGANISATIONAL PERFORMANCE IN MALAYSIAN SMALL AND MEDIUM ENTERPRISES

AZIZAH BINTI HASHIM

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ABSTRACT

The purpose of this study was to identify the leadership behaviour, entrepreneurial orientation and organisational performance of Small and Medium Enterprises (SMEs) in Malaysia. Three main constructs were selected namely leadership behaviour, entrepreneurial orientation and organisational performance based on Resource Based Theory (RBT) by Galbreath (2005) and Transformational Leadership Theory by Bass (1985). The research design used in this study was a survey method and data were collected using quantitative approaches. The respondents were 401 owner or manager of SMEs operating in manufacturing and service industries in Kuala Lumpur and Selangor. The respondents were selected using the Stratified Sampling Technique. The study instrument applied was questionnaires. The finding showed that transformational leadership has higher impact towards organisational performance (β=0.257, S.E=0.055) than transactional leadership (β=0.220, S.E=0.054). Entrepreneurial orientation also significantly contributed to organisational performance (β=0.199, S.E=0.054). Furthermore, this study found that entrepreneurial orientation acted as partial mediator between leadership behaviour and organisational performance (β=0.284, S.E= 0.256). The key implications of this study revealed that transformational leadership proved to be more efficient than transactional leadership in term of leadership behaviour. Thus, the leader of SMEs need to practise and nurture the qualities of transformational leadership, and focus on entrepreneurial orientation in order to achieve better organisational performance. This study also acknowledges the leadership and entrepreneurial orientation as a resource and capability in organisation because the integration of these two elements are the yardstick for SMEs' success in Malaysia.

TINGKAH LAKU KEPIMPINAN, ORIENTASI KEUSAHAWANAN DAN PRESTASI ORGANISASI INDUSTRI KECIL DAN SEDERHANA DI MALAYSIA

ABSTRAK

Tujuan kajian ini ialah untuk mengenalpasti tingkah laku kepimpinan, orientasi keusahawanan dan prestasi organisasi Industri Kecil dan Sederhana (IKS) di Malaysia. Berdasarkan Teori Berasaskan Sumber oleh Galbreath (2005) dan Teori Transformational Kepimpinan oleh Bass (1985), tiga konstruk utama kajian dipilih iaitu tingkah laku kepimpinan, orientasi keusahawanan dan prestasi organisasi. Reka bentuk kajian ini adalah kajian tinjauan dan data dikumpul menggunakan pendekatan kuantitatif. Pemilihan peserta kajian ini adalah dalam kalangan 401 orang pemilik atau pengurus IKS di sektor pembuatan dan perkhidmatan di Kuala Lumpur dan Selangor. Teknik Persampelan Rawak Berstrata digunakan untuk memilih responden. Instrumen kajian yang digunakan adalah soal selidik. Dapatan kajian menunjukkan bahawa kepimpinan transformasional memberi kesan tertinggi kepada prestasi organisasi (β=0.257, S.E=0.055) berbanding kepimpinan transaksional (β=0.220, S.E=0.054). Orientasi keusahawanan pula memberi kesan yang signifikan kepada prestasi organisasi (β=0.199, S.E=0.054). Selain daripada itu, kajian juga menunjukkan bahawa orientasi keusahawanan menjadi pengantara separa kepada hubungan tingkah laku kepimpinan dan prestasi organisasi (β=0.284, S.E=0.256). Implikasi utama dalam kajian ini menunjukkan bahawa kepimpinan transformasional terbukti sebagai bentuk tingkah laku kepimpinan yang lebih efisien daripada kepimpinan transaksional. Sehubungan dengan itu pemimpin IKS di Malaysia perlu memupuk dan mengamalkan kualiti kepimpinan transformasional dan juga memberi tumpuan kepada orientasi keusahawanan untuk mencapai prestasi organisasi yang baik. Kajian ini juga memperakui bahawa kepimpinan dan orientasi keusahawanan sebagai sumber dan keupayaan dalam organisasi kerana integrasi kedua-dua elemen adalah kayu pengukur kejayaan IKS di Malaysia.

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LIST OF ABBREVIATIONS

ACT	Management-by-exception (Active)
AMOS	Analysis of Moment Structure
CEO	Chief Executive Officer
CFA	Confirmatory factor analysis
CON	Contingent reward
EO	Entrepreneurial orientation
GDP	Gross domestic product
GDP-PPP	Gross domestic product – Purchasing power parity
GLCs	Malaysian Government Linked Companies
GLOBE	Global Leadership and Organisational Behavior Effectiveness
GRW	Growth
IDC	Individual Consideration
IM	Idealised Motivation
INS	Idealised influence
INO	Innovativeness
IS	Idealised Stimulation
MLQ	Multifactor Leadership Questionnaire
NSDC	National SME Development Council
PAS	Management by exception (passive)
PRO	Proactiveness

PRF	Profitability
RBT	Research Based Theory
RISK	Risk Taking
SEM	Structural Equation Modelling
SMEs	Small and Medium Enterprises
SMIDEC	Small and Medium Industries Development Corporation
SPSS	Statistical Package for the Social Sciences

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CHAPTER 1

INTRODUCTION

1.1 Introduction

The performance of Small and Medium Enterprises (SMEs) is creating a vast amount of discussion among practitioners, researchers, educators and policy makers in developing countries (Abdullah Al Mamun et al., 2018; Ruo & Ortiz, 2017: Noraini & Nurul, 2016). The characteristics and determinants of the performance of SMEs have been focus of debate and interest for many parties (Abu Bakar Sedek et al. 2018; Azlin et al, 2016; Belgacem, 2015; Ahmad Fadhly, 2015; Arslan & Staub, 2013; McKelvie & Wiklund, 2010), due to the constraints and limitations faced such as having a limited umber of employees, challenges of obtaining loan , being able to attract or retain talents, unclear tax policy and being slow to adopt new technologies (Chua et al, 2018). Some SMEs have also been hesitant to step out of their comfort zone (Fadda , 2018; Amin et al., 2016). Therefore, more efforts are continuously being made to understand how the performance of SMEs could be increased, as the SMEs is recognised as one of the important engines of growth for a country's economy (Fakhrul, 2018; Al - Dhaafri & Yusoff, 2016; Dzomonda et al., 2017; Hayat et al., 2011; Abu Kassim & Sulaiman, 2010).

The focus of this research is to examine the impact on the performance of SMEs in Malaysia from the perspectives of leadership behaviour and the entrepreneurial orientation in organisations. This is done through the quantitative research and analysis of previous research. Leadership and entrepreneurial orientation are acknowledged as essential elements for organisational success (Arshad et al., 2016; Hanafiah et al., 2016; İşcana et al.,2014; Gul et al., 2012; Hannay, 2009; Wang, 2008). An effective leadership provides a sound strategic direction and encourages the motivation of employees (Luu, 2017; Zehir et al., 2016; Hashim et al., 2012).

Leadership is essential for enhancing organisational performance since leaders are responsible for the attainment of strategic organisational goals (Soomro et al., 2018; Yang, 2016). Thus, leaders are accountable to the stakeholders of their organisations for creating the best possible products and services through optimum utilisation of the limited resources available (Usai et al., 2018; Madanchian et al., 2016; Ahmad et al., 2014; Gul et al., 2012). Entrepreneurial ventures, on the other hand, need to focus on developing entrepreneurial orientation, which serves as a strategic orientation that can set them apart from their competitors.

Both factors are needed to improve and sustain business performance and allow entrepreneurs in Malaysia to better equip and well prepared to be more competitive in order to transform Malaysia to become a high income developed nation with a knowledge-based economy by year 2020.

After this introduction, section 1.2 discusses the background of the study. Section 1.3 presents the problem statement and Section 1.4 highlights the objectives , section 1.5 highlights the research questions and section 1.6 details scope of this study. Section 1.7 presents the hypotheses of the study and section 1.8 explains the research of framework. Section 1.9 deliberates the definition of variables, section 1.10 highlights the theoretical foundation and framework of the study, section 1.11 provides the significance of the study. Section 1.12 highligts definition of key terms. Finally, section 1.13 conclude this chapter.

1.2 Background of Study

Small and Medium Industries are crucial pillar of Malaysia's economy, forming 98.5 % of the total establishments in the country. According to 11th Malaysia Plan 2016-2020, SMEs are expected to contribute up to 41% of the country's GDP by 2020, and approximately 32 initiatives will be intensified to develop resilient and sustainable SMEs (SMEs Annual Report 2017/2018).

SMEs create employment opportunities, stimulate entrepreneurial capabilities and innovation, and contribute significantly to the Gross Domestic Product (GDP) (Abu Bakar et al., 2016). According to the SME Annual Report (NSDC, 2018), SMEs contributed 37.1% of the Malaysia's GDP. SMEs also provided 59.5% of the total employment and contributed 28.4% of the total exports.

It has been recognised that SMEs is important in promoting sources of growth and strengthening the infrastructure for accelerated economic expansion and development in Malaysia due to the total number, the size and the nature of their operations (Ahmad Fadhly, 2016). The government has continuously allocated large amounts of funds through various sources and programs to assist SMEs to become more competitive in the market. However, the contributions of Malaysian SMEs are still lower in regard to the contribution to national GDP and exports than those of some other developed and developing countries (NSDC, 2018).

Despite various types of support from the government, SMEs in Malaysia still face challenges and difficulties in business operations. Some of the problems were lack of capabilities and resources, shortage of skilled workers, low technology, poor management, strong competition and international economic factors (Madanchian et al., 2017; Amin et al., 2016; Hatinah et al., 2016; Hashim, 2000; Saleh & Ndubisi, 2006). These factors have affected SMEs performance and to the country's economy in general. Thus, to overcome these challenges, good leadership and entrepreneurial attitudes need to be developed. These two factors have been identified as crucial elements that could drive the success of SMEs in the future (Okeyo & K'Obonyo, 2016 ; Abdul Aziz, 2013; Abdul Razak, 2010).

Every organisation needs sound and effective leadership. Acknowledging the important links between leadership and organisational performance, many organisations are focusing on developing effective leaders in their organisations (Yozgat & Kamanli, 2016; Hashim et al., 2012). Most of the leadership research has focused on the impact of a leader's behaviour on followers' individual performance (Lawal et al., 2014; Podsakoff et al., 1996), motivation (Papalexandris & Galanaki, 2009) and satisfaction (Tsai, 2008), rather than examining firm performance, even though many scholars believed that the most important effects of leadership are on organisational performance (Kihara, et al., 2016; Elenkov, 2002).

Notably, there is still a lack of understanding about leadership in SMEs (Abdullah et al.,2018; Chua, 2018; Akbari, 2016; Chua Özera & Tınaztepe, 2014; Wang & Poutziouris, 2010). These authors claimed that studying leadership in the SME environment may result in a better understanding of the organisational performance of SMEs. These researchers further argued that small businesses with strong leadership have better performance than businesses with weak or uncertain leadership. In the context of leadership in Malaysia, the literature also claimed that very little effort has been made to examine leaders and leadership behaviour (Fakhrul, 2018; Ezanee , 2017 ; Ahmad Fadhly, 2016).

On the other hand, entrepreneurial orientation is becoming a popular subject in entrepreneurship literature (Rezaei & Ortt.2018; Hooi et al., 2016; Rodríguez-Gutiérrez ,2015; Wiklund, 1999; Rauch et al., 2009). Studies in the field of entrepreneurship have indicated that the better the entrepreneurial orientation of SME, the better the performance of the firm (Shathees et al., 2018; Luu, 2017; Ruo et al., 2016; Swierczek & Thanh Ha, 2003b; Rauch et al., 2009). Entrepreneurial orientation is regarded as a strategic orientation of the firm (Mohamed Elias et al., 2017; Covin & Slevin, 1989; Lumpkin & Dess, 1996) and a source of competitive advantage (Lumpkin & Dess, 1996).

With relatively limited resources and capabilities, entrepreneurial orientation is a survival kit and a key for outperforming SME competitors in global markets (Kantur, 2016; Knight, 2000). Regarding in Malaysian SMEs, Rosmelisa (2018) and Abdul Razak (2011) and claimed that entrepreneurial orientation is critical in directing strategic entrepreneurial activities and to achieve better productivity.

Thus, the ability of SMEs in Malaysia to possess and exercise entrepreneurial orientation is central for entrepreneurial success. However, due to mixed results in the previous research, the role of entrepreneurship and the impacts of entrepreneurial orientation on SMEs in developing countries are not well understood. (Kajalo & Lindblom, 2015; Fairoz et al., 2010). Therefore, the purpose of this study is to test the theoretical framework and hypotheses that represent the relationships between leadership, entrepreneurial orientation and organisational performance in SMEs in Malaysia.

By providing empirical evidence, the research should provide a better understanding of the contributions of leadership and entrepreneurial orientation to the performance of SMEs in Malaysia and possibly also those in similar developing economies.

1.3 Problem Statement

SMEs are recognised as an important agent of growth in many countries (Rohana, 2017., Lim, 2016; Ahmad Fadhly, 2015; Panitchpakdi, 2006; Leutkenhorst, 2004; Hilmi et al., 2010). However, the contribution of SMEs to Malaysian economy is still comparatively low compared with industrialised countries as well as other developing countries. SMEs in Malaysia only contributed about 37.1% to GDP in 2017 (NSDC, 2018). However, SMEs' contribution to GDP in Japan and Germany is about 53%, in the UK about 51% and in Korea approximately 49%. ASEAN country such as Singapore and Thailand also recorded higher SME contributions to GDP at 49% and 38% respectively. This indicates a significant opportunity to develop and refine Malaysian SMEs' performance to become a channel of growth for the country's economy (NSDC, 2018). Table 1.1 shows the contribution of SMEs to GDP in various countries including Malaysia.

Table 1.1

Contribution SMEs to GDP by Countries

COUNTRY	**GROSS DOMESTIC PRODUCT (%)**
Germany	53
Japan	53
United Kingdom	51
Republic of Korea	49
Singapore	49
Thailand	38
Malaysia	37.1

Source: SME Annual Report (2018)

Growth is important for job creation and productivity (Mohd Nor et al., 2018; Fellinhofer et al., 2016; Kurtulmuşa et al., 2015; Haltiwanger et al., 2013) as well as encouraging business expansion and internationalisation (Ranasinghe et al., 2018; Mohamed Elias, 2017; Psychogious & Garev, 2015; Roslan et al., 2013; Lu & Beamish, 2001). Thus, finding the right balance between the leadership behaviour of entrepreneurs and entrepreneurial orientation could contribute to improve SMEs' performance.

SMEs are always being pressured by fierce competition from within the industries and at global stage. To compete and continue productively in the global economy, SMEs have to undergo radical changes by becoming more entrepreneurial and having effective leadership in the industries (Ejdys, 2016; Lim, 2016; Ahmed et al., 2014; Hashim et al., 2012). If SMEs intend to grow and to increase the contribution to the Malaysia economy as expected, their leaders must able to identify the need for rejuvenation, to improve the sense of direction, preparing to create necessary changes within their organisation and, most importantly, to improve organisational performance. Hashim et al. (2012) and Engström and McKelvie (2016) added that for the organisation to sustain growth and profitability, effective leaders are needed to create the context that encourages employees to take on new challenges and achieve outstanding business results.

Although the literature has presented evidence of great interest among researchers and practitioners in the topics of leadership and entrepreneurial orientation, the arguments have tended to concentrate on whether there is a relationship between leadership, entrepreneurial orientation, and organisational performance. Despite the links identified between leadership and performance (Arshad et al., 2016; As-Sadeq & Khoury, 2006; Ling et al., 2008; Lo et al., 2010), and between entrepreneurial orientation and performance (James et al., 2016; Moreno & Casillas, 2008; Rauch et al., 2009; Wiklund, 1999), very few studies have been conducted to examine the relationship between these three variables simultaneously in SMEs in Selangor and Kuala Lumpur and focused on manufacturing sector and services sector.(Fakhrul,2018; Ezanee, 2017 ; Ahmad Fadhly, 2016). Thus, the examination of an entrepreneurial orientation as a mediator in the leadership-performance relationship could add new understanding of the direct and indirect relationships between leadership and organisational performance in the context of SMEs in Malaysia.

Finally, the SMEs in Malaysia are mostly facing capital challenges to innovate and transform their organisations towards industry 4.0 because of limited understanding of leadership in the context of SMEs in Malaysia (Alaloul et al., 2018). Thus, this investigation of the forms of leadership behaviour in SMEs in Malaysia hopes to close this gap in the literature on SMEs.

1.4 Research Objectives

The following objectives drove the direction of the research:

i. To determine the relationship between transformational leadership behaviour and organisational performance of SMEs in Malaysia.

ii. To investigate the relationship between transformational leadership behaviour and entrepreneurial orientation of SMEs in Malaysia.

iii. To examine the relationship between transactional leadership behaviour and organisational performance of SMEs in Malaysia.

iv. To analyse the relationship between transactional leadership behaviour and entrepreneurial orientation of SMEs in Malaysia.

v To study the relationship between entrepreneurial orientation and organisational performance of SMEs in Malaysia.

vi. To explore the mediating effect of entrepreneurial orientation on the relationship between transformational leadership behaviour and organisational performance of SMEs in Malaysia.

vii. To survey the mediating effect of entrepreneurial orientation on the relationship between transactional leadership behaviour and organisational performance of SMEs in Malaysia.

1.5 Research Questions

The following research questions needed to be answered:

i. To what extent does transformational leadership behaviour have and impact on organisational performance?

ii. To what dimension does transformational leadership behaviour have an impact on entrepreneurial orientation?

iii. To what range does transactional leadership behaviour have an impact on organisational performance?

iv. To what degree does transactional leadership behaviour have an impact on entrepreneurial orientation?

v. To what stage does entrepreneurial orientation have an impact on organistational performance?

vi. To what length does entrepreneurial orientation mediate the relationship between transformational leadership behaviour and organisational performance?

vii. To what extent does entrepreneurial orientation mediate the relationship between transactional leadership behaviour and organisational performance?

1.6 Scope of Study

This research focuses on the relationship between leadership behaviour and entrepreneurial orientation in SMEs in Malaysia and the effects on SMEs' performance. The leader of an SME is represented by either the owner or the top manager in the business, who tends to be the most knowledgeable person about the strategic direction of the firm (Amin et al., 2016; Keh et al., 2007; Yang, 2008) and is the real person who engages in entrepreneurial activities.

The scope of SMEs is limited to enterprises operating in the manufacturing, and service and other sectors in Selangor and Kuala Lumpur only. These two states were chosen due to their largest representation of SME establishments and significant contributions to the country's economy (NSDC,2018). The definition of SMEs is based on the definition provided by the National SME Development Council (NSDC) shown in Table 1.2.

Table 1.2

Definition of SMEs in Malaysia

Category	Micro Enterprise	Small Enterprise	Medium Enterprise
Manufacturing	Sales turnover of less than RM 300,000 or full time employees less than 5	Sales turnover from RM 300,000 to less than RM 15 million or full-time employees from 5 to less than 75	Sales turnover from RM 15 million to not exceeding RM 50 million or full-time employees from 75 to not exceeding 200
Services & Other Sectors	Sales turnover of less than RM 300,000 or full time employees less than 5	Sales turnover from RM 300,000 to less than RM 3 million or full-time employees from 5 to less than 30	Sales turnover from RM 3 million to not exceeding RM 20 million or full-time employees from 30 to not exceeding 75

Source: *National SME Development Council (2013)*

Transactional and transformational types of leadership, are the most widely searched forms of leadership (Kalsoom et al, 2018., Kihara et al., 2016., Lo et al., 2009; Judge & Piccolo, 2004), and be analysed in this study.

The three dimensions of entrepreneurial orientation, namely innovativeness, proactiveness, and risk-taking used in this study was established by Miller (1983). This is seconded by (Abebe, 2014; Amin, 2015; George and Marino, 2011; Kreiser et al., 2013, Ndubisi & Iftikhar, 2012; Semrau et al., 2015). Entrepreneurial orientation refers to the willingness of a firm to be innovative to rejuvenate market offerings, take risks to try out new and uncertain products, services and markets, and be more proactive than competitors toward new marketplace opportunities (Lumpkin & Dess, 1996; Wiklund and Shepherd, 2005; Zahra and Covin, 1995). Organisational performance is measured through growth and profitability.These two factors are the important dimensions of SMEs' performance since they represent the economic performance of SMEs (Ahmad Fadhly, 2016).

1.7 Hypotheses of Study

In this study, the following hypotheses are proposed:

H1: Transformational leadership has a significance effect on organisational performance.

H2 Transformational leadership has a significance effect on entrepreneurial orientation.

H3: Transactional leadership has a significance effect on organisational performance.

H4: Transactional leadership has a significance effect on entrepreneurial orientation.

H5: Entrepreneurial orientation has a significance effect on organisational performance.

H6: Entrepreneurial orientation has mediates the relationship between transformational leadership and organisational performance.

H7: Entrepreneurial orientation has mediates the relationship between transactional leadership and organisational performance.

1.8 Research Framework

The theoretical framework of this study is an interpretive summarization of the elements of transformational leadership and transactional leadership that has a relationship with performance, mediated by entrepreneurial orientation. This research intends to study whether transformational leadership and transactional leadership are able to predict the firm performance. In addition, entrepreneurial orientation is examined to determine whether it mediates the relationship between transformational leadership and transactional leadership with performance. Therefore, the independent variables in this study consist of transformational leadership and transactional leadership, the mediating variable is entrepreneurial orientation, while the dependent variable is organisational performance. Figure 1.1 presents the research framework of this study based on the theories discussed. The variables in the framework are then defined.

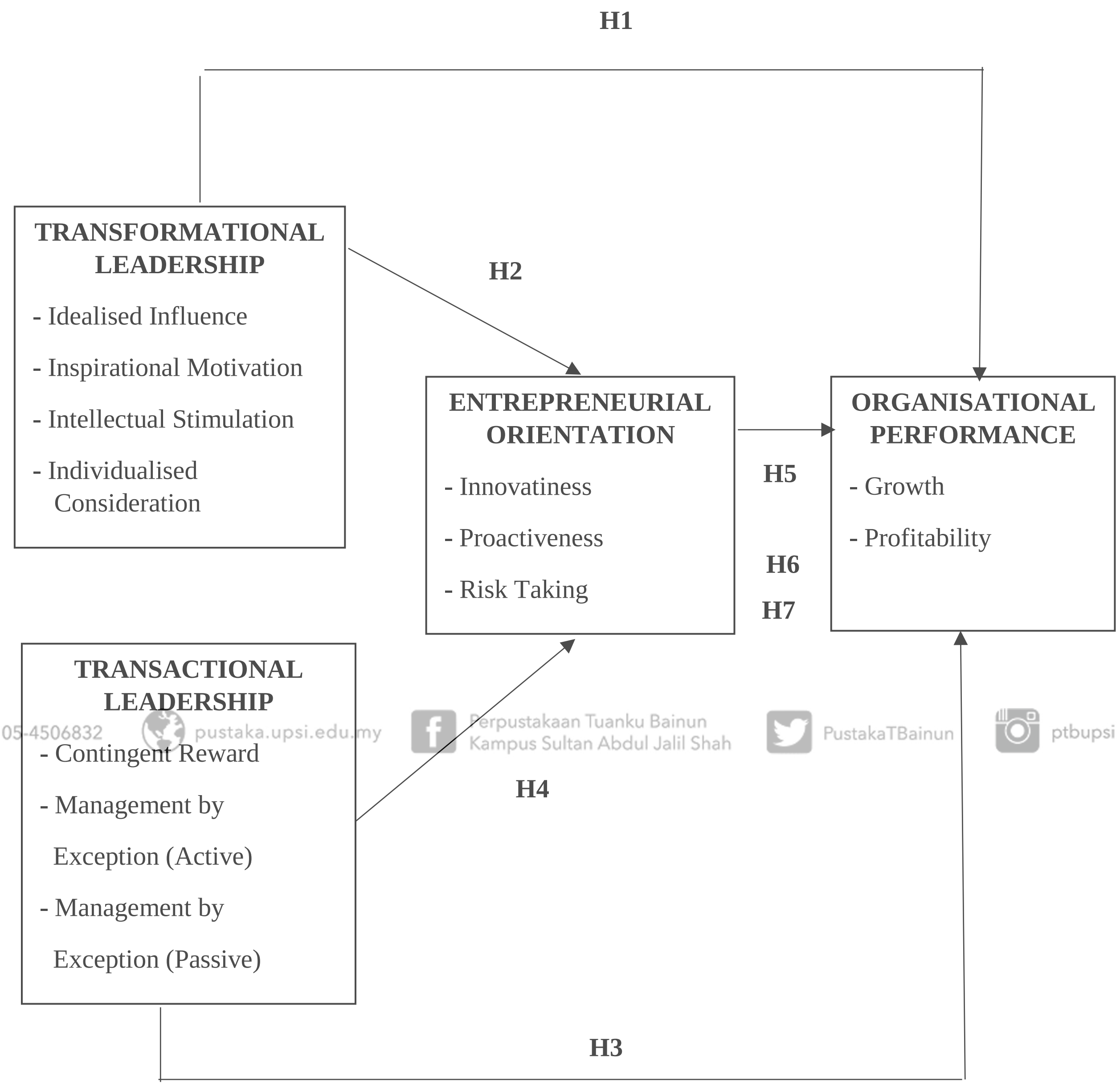

Figure 1.1 Proposed Research Model

1.9 Definitions of Variables

The definitions of variables used in this study are as follows:

1.9.1 Transformational Leadership

Transformational leadership is defined as a process where leaders broaden and raise the interest of their employees. It occurs when they generate employees' awareness and acceptance of the purpose and mission of the group and when the employees look beyond their self-interest for the benefit of the group (Bass, 1985; Bass, 1990; Bass & Riggio, 2012). There are four dimensions of transformational leadership:

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1.9.1.1 Idealised Influence

For idealised influence, leaders provide vision and sense of mission, instill pride, and get the respect and trust of employees (Bass, 1990). The leaders inspire and excite the employees with the idea that they are able to accomplish great things by putting in the extra effort. They create trust, confidence and act as role models for their employees (Bass & Riggio, 2012).

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1.9.1.2 Inspirational Motivation

For inspirational motivation, leaders communicate high expectations, use symbols to focus effort and convey important purposes to employees in simple ways and explain what needs to be done (Bass, 1990; Bass 1996; Muenjohn & Armstrong, 2008). Inspirational motivation refers to the degree to which leaders articulate a vision that is appealing and inspiring to employees (Judge & Piccolo, 2004) and establish a commitment to common and shared visions (Bass & Riggio, 2012).

1.9.1.3 Intellectual Stimulation

For intellectual stimulation, leaders encourage intelligence, rationality and careful problem solving (Bass, 1990). Leaders are willing and able to act as examples to their employees on finding new perspectives for looking at old problems. Leaders encourage employees to think outside the box and they inspire creativity (Bass & Riggio, 2012).

1.9.1.4 Individualised Consideration

For individualised consideration, leaders provide personal attention and treat each employee individually (Bass, 1990). Leaders act as mentors and spend time coaching and giving advice by paying close attention to differences among the employees (Muenjohn & Armstrong, 2008; Judge & Piccolo, 2004). Leaders identify and acknowledge individual differences of needs and desires (Bass & Riggio, 2012).

1.9.2 Transactional Leadership

Transactional leadership is the type of leadership where the leaders explain what is required from the employees and what compensation they will get when they accomplish these requirements. It is a transaction or an exchange process between leaders and followers (Bass, 1990; Bass et al., 2003). The three dimensions of transactional leadership used in this study are contingent reward, management-by-exception (active) and management-by-exception (passive).

1.9.2.1 Contingent Reward

For contingent reward, leaders approaches followers with the incentives or discipline as an exchange between the leader and follower (Avolio, 2011). In other words, it is a constructive transaction – a type of implied contract, represented by the exchange relationship between the contingent reward leader and follower (Sosik & Jung, 2010). The followers are rewarded on a job well done and penalised when they not performing.

1.9.2.2 Management-by-Exception (Active)

For management-by-exception (active), leader focus on processes with close monitoring and control of standards, policies, and deviations. Under this leadership, leader takes corrective actions before, or soon after a problem arises (Hinkin & Schriesheim, 2008; Sosik & Jung, 2010).

1.9.2.3 Management-by-Exception (Passive)

Leader with the management-by-exception (passive) factor comes into action only after a mistake happens or a problem arises (Avolio, 2011; Moss & Ritossa, 2007; Sosik & Jung, 2010). In other words, the leader intervenes only when standards are not met, akin to the concept of 'don't fix things that are not broken' (Hinkin & Schriesheim, 2008; Sosik & Jung, 2010).

1.9.3 Entrepreneurial Orientation

In this study, entrepreneurial orientation is the inclination of a company's top management to take calculated risks, to be innovative and to display proactiveness in their approach to strategic decision making (Morris & Paul, 1987). The three dimensions of entrepreneurial orientation used in this study are innovativeness, proactiveness and risk taking.

1.9.3.1 Innovativeness

Innovativeness is the willingness of a firm to engage in and support new ideas and experimentation to create new products and services (Lumpkin & Dess, 1996) as well as technological leadership via Research & Development in new processes (Michela et al., 2014).

1.9.3.2 Proactiveness

Proactiveness is the ability of a firm to foresee and act on future wants and needs in the market by establishing a first-mover advantage ahead of competitors (Lumpkin & Dess, 1996).

1.9.3.3 Risk Taking

Risk taking is the willingness of a firm to use resources for projects where the outcomes are uncertain (Miller, 1983; Wiklund & Shepherd, 2005).

1.9.4 Organisational Performance

Organisational performance is a multi-dimensional concept (Lumpkin & Dess, 1996) and becoming a high performing firm is the main objective of SMEs (Ahmad & Ghani, 2010; Madrid-Guijarro et al., 2007). Hancott (2005) suggested there are five major areas to consider in measuring organisational performance. They are market share or growth, innovative performance, the productivity of all inputs, liquidity and cash flows, and profitability.

In this study, the organisational performance of SMEs is measured and defined through growth and profitability, adapted from Matzler et al. (2008). According to Steffens et al. (2006), these two factors are the important dimensions of SMEs' performance since they represent the economic performance of SMEs (Covin & Slevin, 1991).

Mao (2009) described enterprise growth as the development of an enterprise from small to large and from weak to strong. Enterprise growth can be a stable growth of total performance, which includes output, sales volume, profits, and asset growth, or it can be a fast enhancement of total performance. Profitability indicates the ability of a firm to earn profits. A firm with high profitability has created a product or service that delivers considerable value above cost for its customers and gets a substantial share of that value in profit (Alvarez & Barney, 2004; Amit & Zott, 2001). Thus, in this study:

i. Growth is the owner's or top manager's perception of how well their company is doing with regard to market share and overall company performance relative to their competitors.

ii. Profitability is the owner's or top manager's perception of how well their company is doing in regard to the return on investment and return on sales. It is their perception of whether or not their company is making money relative to their competitors.

1.10 Theoretical Foundation of Framework

1.10.1 Transformational Leadership Theory

The first theory that contributes to the framework in this study is the transformational leadership theory. Burns (1978) claimed that transactional leaders are concerned with followers' low-level needs and transformational leaders boost the morale, motivation, and focus of followers' high-level needs. A transactional leader focuses on what your country can do for you and a transformational leader focuses on what you can do for your country.

Bass (1985) expanded Burns' views of transformational and transactional leadership into the theory of transformational leadership. According to Bass (2000), a transformational leader is the type of leader who develops followers by creating a vision that provides meaning and motivation. The ability of a transformational leader to communicate a convincing vision with enthusiasm and confidence results in followers having a strong sense of identification with the organisation and influences followers to go beyond their self-interests. Bass established that an effective leader with transformational attributes has the ability to transport his or her organisation to greater heights and to achieve greater performance (Bass, 1985; Bass, 1990a; Bass et al., 2003; Bass & Riggio, 2012).

On the other hand, a transactional leader is described as providing contingent rewards and negative feedback (Hater & Bass, 1988). The main elements of transactional leadership are structuring, clarifying tasks and providing rewards for extra effort. The needs of followers are fulfilled when they deliver according to the leader's expectation (Avolio & Bass, 1988). Recent studies have indicated contingent reward and active management-by-exception as an effective component of leadership (Amiru & Daud 2012; Bass 2003).

Transformational leadership theory also forecasts that effective leaders are able to adjust their leadership behaviour between more or less transactional and more or less transformational in order to address dynamic situational demands (Hannah et al., 2008). In stable and clear-cut situations, transactional leadership can deliver effective performance (Bass, 1985). However, when dealing with new circumstances and unpredictable situations, a transformational leadership approach may be more appropriate (Avolio, 2005). Finally, Bass et al. (2003) suggested that transformational leadership is more effective than transactional leadership because transformational leaders empower the employees by developing them into high involvement individuals and teams that focus on service, quality, cost-effectiveness and high quantity of production output.

Based on the discussion above, transformational and transactional leadership are independent variables in the research framework and are expected to be factors that influence organisational performance. The practice and display of both types of leadership behaviour are expected to have significant impacts on performance. However, due to the different characteristics intrinsic to each form of leadership behaviour, it is anticipated that one form might have a greater positive impact than the other on the performance of organisations.

1.10.2 Resource-Based Theory

The Resource-based Theory (RBT) has been a subject of discussion among researchers in the field of strategic management. The RBT posited that organisational success is dependent upon resources and capabilities that have certain characteristics (Galbreath, 2005). A firm's resources and capabilities can be defined as including all assets, capabilities, organisational processes, firm attributes, and knowledge controlled by the firm that allow that firm to develop and implement strategies that improve its efficiency and effectiveness (Barney, 1995). This is a bundle of available factors owned and controlled by the firm that can be used to build up and implement their strategies (Amit & Schoemaker, 1993). Firms' resources and capabilities can generate a sustainable competitive advantage when they have the following characteristics; value, rarity, inimitability, and non-substitutability (Barney, 1991). Later, Barney (1995) emphasised that developing a sustained competitive advantage requires the unique resources and capabilities that a firm could bring to competition and its environment.

Business owners and managers must discover these resources and capabilities by looking within their firm for resources that are valuable, rare and imperfectly imitable, and then exploit these resources. Galbreath (2005) claimed that only firms which have resources possessing these attributes are able to generate and sustain the competitive advantage which affords continuing superior performance. According to Barney

(1991), a firm's resources are categorised according to physical, human and organisational capital resources. Physical capital includes the physical technology, plant and equipment, geographic location and access to raw materials. Human capital includes training, experience, intelligence, relationships, and the abilities and attributes of individual managers and workers. Organisational capital includes structures for reporting, formal and informal planning, and the whole organising process in the firm.

Other researcher, Barney (1995) added a new category of financial resources that included the debt, equity and retained earnings. Alvarez and Busenitz (2001) suggested the inclusion of the entrepreneurial resources of entrepreneurial alertness, insight, knowledge, and ability to coordinate resources. Dollinger (2003) expanded the application of this theory by including reputational resources (stakeholders' perceptions of the company) and technological resources (processes, systems, physical transformations) as sources of competitive advantage.

1.10.2.1 Leadership and Entrepreneurial Orientation as Resources in the RBT

One of the most basic assumptions of the RBT of the firm is that internal intangible resources are important in understanding an organisation's competitive success. However, little is known about which of these resources are related to one another related (Wilderom & Berg, 2000). In this study, leadership behaviour and the entrepreneurial orientation of leaders of SMEs can be seen as a firm's internal intangible resources or capabilities. Capabilities contribute more significantly to the success of a firm than either intangible or tangible assets do (Galbreath, 2005).

Strong proponents of the Capability-Based Theory of Competitive Advantage advocate that a firm can achieve sustainable competitive advantage through distinctive capabilities owned by the firm (Grant, 1991; Hayes et al., 1996) and these capabilities are the most important elements of a firm's resources due to their high levels of causal ambiguity and strong barriers to imitation and substitution (Foon, 2011). Likewise, Shurchuluu (2002) mentioned that capabilities are essential for a firm to have the ability to combine cost efficiency with continuous productivity improvements to be more competitive.

Generally, the Capability-Based Theory of Competitive Advantage suggests that a firm can achieve sustainable competitive advantage through the distinctive capabilities possessed by the firm (Grant, 1991; Prahalad & Hamel, 1990; Hayes et al., 1996) and these distinctive capabilities allow firms to make good use of their resources and achieve rents (Mahoney & Pandian, 1992). Capabilities, in fact, could be considered as the most important of a firm's resources due to their high levels of causal ambiguity and strong barriers to imitation and substitution.

Todorovic and Schlosser (2007) claimed that both of these variables, namely, leadership and entrepreneurial orientation, can be valuable rents under the RBT. They contended that appropriate leadership behaviour by the entrepreneur may enable the firm to achieve outcomes beyond its expectations. In their views, an entrepreneur, the individual, is often identified with the firm itself. The entrepreneur's vision may become the firm's vision statement. The charismatic leadership (transformational leadership) of an entrepreneur can also be viewed as an organizational-level resource, thereby contributing to organisational performance (Todorovic & Schlosser, 2007).

According to Lee et al. (2001), a high level of entrepreneurial orientation is something that firms cannot simply buy from the market. Firms need to invest a great amount of time to develop an entrepreneurial culture and then the entrepreneurial orientation can be a source of sustainable competitive advantage that leads to superior performance. Entrepreneurial orientation consisting of innovativeness, proactiveness, and risk taking is considered an internal organisational capability (Lee et al., 2001) and it has been recognised as a key source of sustainable competitive advantage (Miles & Snow, 1978).

Finally, Wilderom & Berg (2000) contended that firms require the best organisational practices and strong leadership to perform effectively. Entrepreneurial orientation can be seen as an organisational practice since it is in effect an organisational strategy in creating a sustainable competitive advantage. The leadership styles of the owner or top managers represent human capital resources. The complex interactions between these two resources in a firm could help to generate a superior performance. Consequently, in this study, leadership behaviour and entrepreneurial orientation are examined as antecedents or variables that might affect organisational performance. This study also examines the possible mediating action of entrepreneurial orientation in the relationship between leadership behaviour and organisational performance.

1.11 Significance of Study

This study is important for several reasons. First, the outcomes of this study are empirical findings on whether certain forms of leadership behaviour and entrepreneurial orientation are resources and capabilities needed by the organisation to ensure sustainable performance. Palalic and Busatlic (2015) highlighted that it is important for the top management of SMEs to ensure that all the factors of entrepreneurial orientation (innovativeness, proactiveness and risk-taking) exist in their organisation. Addressing only one of the factors would inhibit entrepreneurs from competing and strengthening their business effectively (Wiklund & Shepherd, 2005). To focus on all the factors of entrepreneurial orientation requires a good and effective leadership. Good leadership can nurture the development of the entrepreneurial skills of a firm and ensure the success of business enterprises (Yang, 2015; Yang 2008; Lussier, 2006).

Secondly, most leadership and entrepreneurial orientation studies have been conducted in Western or other developed countries, primarily in the US and Western Europe (Lieberson & O'Connor, 1972; Bass, 1997; Ardichvili, 2001; Den Hartog & Koopman, 2001; Swierczek & Thanh, 2003a ; Duru et al., 2018). Bass (1996) claimed that ‘leadership is a universal phenomenon’ (p. 732). He further argued that the concept and model of leadership developed in Western culture is as universal as the concept of leadership itself (Bass, 1996). Therefore, it would be interesting to study whether Western leadership concepts are applicable to a developing country like Malaysia.

Even though Bass (1996) posited that the leadership concept is culturally universal, the transferability of the theories of leadership to different business and cultural environments needs to be validated.

Thomas and Mueller (2000) questioned the transferability of entrepreneurial orientation to different cultural and business environments outside the United States context. Therefore, the theoretical framework of this study might help to reveal how well the Western-developed concepts of leadership, specifically, the transformational and transactional leadership theories and entrepreneurial orientation that fit the context of entrepreneurial firms in a developing country like Malaysia. According to Wang and Poutziouris (2010), a systematic approach to studying leadership in the SME environment may result in a better understanding of the organisational performance of SMEs. Therefore, these findings add to the literature on leadership and entrepreneurship by examining the applicability of these two concepts to Malaysian SMEs.

Thirdly, SMEs' development is increasingly important for the economic performance of the country. Despite this increased importance, there has been limited research on the effects of transformational and transactional leadership and entrepreneurial orientation on the organisational performance of SMEs in the manufacturing and service industries. This study, therefore, aims at generating empirical evidence for the relationships between leadership behaviour and leaders' perceptions of their firms' entrepreneurial orientation, and the influence of these factors on organisational performance. It is expected that the findings will significantly assist leaders of SMEs to be more effective in improving the entrepreneurial orientation in their firms and consequently improve organisational performance.

Thus, the findings of this study could help organisations to develop more effective leaders. The outcomes could help them to make a good choice regarding:

i. Which leadership behaviour is effective in creating entrepreneurial orientation?

ii. What are the effects of leadership behaviour and entrepreneurial orientation on organisational performance?

Finally, this study investigates and identifies the form of leadership behaviour that would be practicable for leaders of SMEs in Malaysia. The identification of this factor through empirical findings could be of great assistance to the development of training programs for new leaders of SMEs in Malaysia.The outcomes of this study will benefit government-related agencies such as SME Corporation Malaysia and the development of entrepreneurs in Malaysia. For example, a more robust and specific training program may be initiated by SME Corporation Malaysia to foster and develop appropriate leadership skills and entrepreneurial posture among entrepreneurs in Malaysia.

1.12 Definition of Key Terms

The definition of the key terms are as follow:

1.12.1 Leadership

Leadership refers to how a person behaves and takes actions to motivate, stimulate and encourage a group of individuals to achieve organisational goals (Ahmad Fahly, 2014).

1.12.2 Transformational Leadership

Transformational leadership is a process where leaders broaden and raise the interest of their employees to perform above and beyond expectations (Bass & Avolio, 2004).

1.12.3 Transactional Leadership

Transactional leadership is the type of leadership where a leader explains what is required from employees and what compensation they will get when they accomplish these requirements (Bass & Avolio, 2004).

1.12.4 Entrepreneurial Orientation

Entrepreneurial orientation is the inclination of a company's top management to take calculated risks, to be innovative, and to display pro-activeness in their approach to strategic decision making (Morris & Paul, 1987).

1.12.5 Growth

Growth is the owner's or top manager's perception of how well their company is doing in regard to market shares and overall company performance relative to their competitors (Ahmad Fadhly, 2014 ;Lim, 2016).

1.12.6 Profitability

Profitability is the owner's or top manager's perception of how well their company is doing in regard to the return on investment and return on sales (Ahmad Fadhly, 2014; Lim, 2016).

1.13 Summary

The topic of leadership has created much interest in management literature (Arif & Akram, 2018; Hee & Mui, 2018; Maaitah et al., 2018; Mkheimer,2018; Lim, 2016; Gross, 2016; Kwasi, 2015; Lawal et al., 2014; Fatemeh, 2014) and it has been established that effective leadership is important for organisations of all sizes and industries (Okyere , 2018; Martin , 2015 ; Nanjundeswaraswamy & Swammy,2014; Paracha, 2012; Gul et al., 2012); Md Saad & Mazzarol , 2010; Norris, 2008; Yang, 2008). Effective leadership ensures organisational success and good business performance, especially in the competitive environment in which most firms are operating (Ezanee at al ., 2017; Yildiz et al., 2014; Gul et al.,2012; Hayat & Riaz., 2011; Ireland & Hitt, 2005). A good leadership is needed not only to guide organisational success in SMEs (Abdullah et al., 2018; Hofmeiste et al., 2015; İşcana et al., 2014; James et al., 2015; Van, 2005) but also for business survival (Abu Bakar et al., 2018; Ezanee et al., 2018;Abdul Aziz et al.,2013;Abu Kasim & Sulaiman, 2011).

Thus, this study examines the effects of the relationship between leadership behaviour and entrepreneurial orientation on the organisational performance of SMEs in Malaysia. Leadership is a complex phenomenon. Even though many previous studies have identified that leadership have affected the performance, but the effects in the context of SMEs in developing countries still need to be validated. This is the issue that has become the focus of this study.

This chapter presents a clear picture of the need for this study. A brief background on studies and identified problems indicate the gap that needs to be filled. The research objectives and research questions provide guidance for the direction of this research. Justifications for this study deliberated on why this study was needed and the significance of the contributions that this study might make. In the next chapter, this study explores the literature on leadership, entrepreneurial orientation, and organisational performance.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The objective of this chapter is to present a review of the literature relating to the main variables in this study. Section 2.2 presents a definition of leadership followed by a historical review of various theories on leadership. There is an extensive and specific review of the theory of transformational and transactional leadership. This section also discusses the current literature and practice for this theory and its application to the context of SMEs.

Section 2.3 presents the literature on entrepreneurial competencies, its key factors and its application in research and practice. Section 2.4 discusses the literature on organisational performance, the dependent variable of this study. Section 2.5 reviews the literature that has integrated the variables used in this study. Although previous studies examining links between leadership, entrepreneurial orientation, and organisational performance are not extensive, especially in the context of SMEs, the findings from those studies in various industries and business environments provide fruitful insights for developing a strong foundation of this study. Section 2.6 discusses the development of the hypotheses and presents evidence from the literature review to support the hypotheses, and the scope of the proposed framework. Section 2.7 summarises this chapter.

2.2 Leadership

Researcher will discuss the leadership definition followed by four theories applied on leadership discipline.

2.2.1 Definition of Leadership

A review of the literature on leadership indicates that there is not only a wide range of leadership theories but also no single agreed definition of leadership (Bass, 1990a; Rost, 1993). After 40 years of researchers trying to unravel the meaning of leadership, Bass (1990a) identified more than 3,500 definitions and concluded, ‘there are almost as many definitions of leadership as those who have attempted to define the concept' (Bass 1990a, p.11). Some definitions of leadership tend to be rather narrow and some are quite comprehensive. For example, in a popular textbook on leadership, Yukl (2010) defined it as the process of getting others to understand and follow what should be accomplished and how, and the process of facilitating individual and collective efforts to accomplish shared objectives. Narrower definitions see leadership as the ability to release and engage human potential in the pursuit of common goals (Moore & Diamond, 2000) or the process whereby a person influences a group of individuals to achieve a shared purpose (Northouse, 2007).

Bass (1990a), on the other hand, defined leadership as a relationship between two or more individuals of a group that often involves a structuring or restructuring of the situation and the perceptions and expectations of the members. Leaders are seen as agents of change – people whose behaviour affects other individuals more than the other individuals' behaviour affects them. Leadership is established when one member of a group modifies the motivation or competencies of others in the group. The broad definitions of leadership are perhaps a consequence of the many attempts of researchers and scholars to study the concept of leadership. Perhaps these definitions are developed to accord with the different aspects of leadership that interest them, to match their own perspectives of the leadership process or perhaps to deal with a certain leadership context that they want to focus on. Therefore, the selection of an appropriate definition of leadership is important for interpreting the findings of a study so as to avoid confusion. Hence, in this study, the definition of leadership developed by (Arham, 2014) is used, where, leadership refers to how a person behaves and takes actions to motivate, stimulate and encourage a group of individuals to achieve organisational goals.

This definition has been developed to suit the needs of this study. Self-perception measures are used in this study to measure leadership, and this definition allows leaders to evaluate their own leadership through their understanding of how they behave, what actions they take to lead and how they engage with their employees. This definition of leadership seems appropriate for this study as:

i. It reflects on how a leader behaves in dealing with employees.
ii. It stresses the actions carried out by a leader to influence employees' engagement.

This definition indicates that any form of leadership must be accompanied by practical actions to ensure that employees are united, motivated and inspired to focus on achieving the goals of the organisation. Yukl's (2010) definition of leadership also stresses the behaviour of a leader, including the activities that are important to fulfill a leader's responsibilities. These activities include persuading others to work towards common goals and shared objectives (Yukl, 2010; Northouse, 2007).

The next section presents a review of past and current research and leadership theories. The review considers the Great Man Theory and Trait Theory, the behavioural theory, the situational theory, and the transactional and transformational leadership theory. An understanding of these past and present leadership theories serve as a foundation of this study.

2.2.2 Key Leadership Theories

Leadership can be traced back to the emergence of various religious beliefs. Transformational leadership theory has been chosen as the leadership theory for this study due to the academic attention that it has gained over the past 20 years as a useful paradigm for understanding leadership (Spreitzer et al., 2005; Judge & Piccolo, 2004). This study acknowledges that this approach to leadership is based on the Western views and interpretation of leadership. In the Eastern countries, approaches to leadership often relate to religious beliefs such as Islam, Buddhism, and Confucianism.

Leadership studies are evolving and will continue to evolve with the emergence of new disciplines (Daft & Lane, 2005 ; Barbuto, J. E. 2005). As Yammarino (2013) explains, there is no abrupt change from one theory to another, but along the evolutionary trajectory, some principal leadership theories can be identified, as discussed in the following.

2.2.2.1 Great Man Theory and Traits Theory

The earliest theory of leadership was the Great Man Theory. This theory was popular in the 19th and early 20th centuries and assumed that great leaders are born and not made (Kirkpatrick & Locke, 1991). This theory depicted great leaders as heroic, mythic and ordained to rise to leadership when required to. Then, around the late 1940s, studies on leadership started to focus on the Trait Theory of leadership. This approach was derived from the Great Man Theory and therefore had some similarities.

The Trait Theory assumed that people inherit certain traits and qualities that distinguish them as great leaders. The Trait Theory tried to identify the characteristics that differentiate leaders from followers. The theory of this leadership approach is that leadership is inborn, meaning that some people are born with certain traits that make them good leaders. Traits such as energy, intelligence, honesty, self-confidence, appearance, knowledge, optimism, tolerance of stress, persistence when encountering obstacles and result-orientation integrity were considered the characteristics of effective leaders (Yukl, 2010; Northouse, 2007; Yukl, 1989;).

Stogdill (1948) reviewed 124 studies on the Trait Theory of leadership and concluded that the studies were indecisive, inconclusive and unconvincing. However, he did identify several traits of a leader that were greater than those of the members of his group such as intelligence, scholarship, dependability, activity, social participation, and economic status. His findings also highlighted the importance of situational conditions that might influence the effectiveness of a leader and stated that leadership could not be sufficiently described by the Trait Theory.

He concluded that ‘A person does not become a leader by the virtue of some combination of traits, but the pattern of personal characteristics of the leader must bear some relevant relationship to the characteristic, activities and goals of the followers’ (Stogdill, 1948, p. 64). Intelligence, for example, may contribute to the success of a leader when group members possess an almost similar level of intelligence or a slightly lower than the leader. But this trait may be irrelevant to a leader in other situations. Therefore, having certain inborn personal traits is not a guarantee for success and Robbins (2003) concluded that having all these traits may increase the likelihood of success as a leader but they do not promise success.

In another study, Kirkpatrick and Locke (1991) recognised that traits are only a precondition for successful business leadership. Leaders endowed with the requisites traits must also take certain actions in order to be successful. It is acknowledged that the trait theories have been effective in identifying the range of traits for successful leaders (Bass 1990a) but depending only on the traits is not always an effective means of distinguishing good leaders (Bass 1990a; Barker 1997), as other criteria are also important.

2.2.2.2 Behavioural Theory

The inability to prove that individual characteristics are the main determinant of effective leadership caused a shift towards a behavioural approach to leadership, with an emphasis on leadership style or behaviour. The idea that unique characteristics made people effective leaders were no longer considered applicable in every situation. Behavioural theories which were proposed from the late 1940s to the mid-1960s argued that leadership can be learned and leaders can be developed rather than just having inborn personal characteristics (Ayman & Korabik, 2010).

A behavioural definition of leadership focuses on the view that leaders are responsible for providing and shaping an environment which enables followers to achieve specific tasks (Mosley, 1998). Mosley added that for a subordinate to fulfill organisational goals, the leader can manage his or her behaviour through organising antecedents and consequences of behaviour.

Instead of concentrating on what leaders are, this behavioural approach concentrated on what leaders do to make them great leaders and 'the relationship of behaviour to managerial effectiveness' (Yukl, 1989, p. 257). Robbins and Coulter (2005) suggested that in the behavioural approach, the effectiveness of a leader is related either to the nature of managerial work (task orientation) or to the functions, practices, and behaviour of the leader (people orientation). These two broadly defined behavioural sets also appear in categories such as and production-centered behaviour (task orientation) and employee-centered behaviour (people orientation) (Bowers & Seashore, 1966; Burns, 1978; Bass, 1990a; Judge et al., 2004).

Task-oriented leadership behaviour emphasises giving employees specific tasks, clarifying their roles and duties, and maximising their job performance capacity. People-oriented leadership behaviour concentrates on showing mutual trust and respect, making people feel part of the team, building and sustaining effective interpersonal relationships, and showing concern for employees' needs and welfare (McShane & Travaglione, 2003; Zimmermann et al., 2008).

Many researches has shown that organisations with task-oriented leaders have high job performance, but it is usually related to low job satisfaction accompanied by high absenteeism and a high turnover rate. Organisations with a people-oriented leader have high job satisfaction, low absenteeism, and a low turnover rate. But the job performance in people-oriented organisations tends to be lower than in task-oriented organisations (McShane & Travaglione, 2003).

There are several popular behavioural theories on leadership such as the Ohio State Studies, the University of Michigan Studies and the Managerial Grid (Northouse, 2007). In all of these studies, the effectiveness of the leaders depends on their style or behaviour. In some circumstances, it has been proved that task orientation is more effective than people orientation, especially when the leader is dealing with new employees. But recently Cummings et al. (2010) found that people-oriented leadership behaviour is superior to task-oriented leadership behaviour in regard to productivity and effectiveness, team work and collaboration, job satisfaction, employee retention, working environment and employee health. Regardless of the styles used by leaders, those styles can be secluded, defined and taught, which is contrary to the underlying assumption of the traits theory.

2.2.2.3 Situational Theory

During the 1960s and 1970s, a new perspective of leadership began to emerge (Ayman & Korabik, 2010). In this view, style of leadership alone was seen as inconclusive in explaining the factors influencing organisational effectiveness. The disadvantage of the behavioural approach was considered to be a lack of consideration of the situational influences that might affect leadership effectiveness. Therefore some researchers began to assume that a situation creates conditions suitable for leaders' efficiency.

This is known as the contingency approach (Aronson, 2001). The situational approach stresses the importance of contextual factors such as the leader's authority and discretion, the nature of the work performed by the leader's unit, the attributes of followers and the nature of the external environment (Yukl, 1989; Yukl, 2010). This means that the efficiency of a leader depends on how well he or she matches their leadership behaviour to different situational factors.

Yukl (989) identified that research into the situational theory of leadership can be classified into two categories: researchers who try to discover situational factors that influence behaviour and effectiveness. The issue is whether the dependent variable is determined by the situation or by the behaviour of the leader. Some models have received greater attention than others due to their ability to distinguish the situational variables that influence leadership effectiveness. These models include the Fiedler Model, Hersey and Blanchard's Situational Leadership Theory, the Leader-Participation Model, the Path-Goal Model and Leadership Substitutes (Yukl, 1989). Among these models, Hersey and Blanchard's (1993) Situational Leadership Theory (SLT) has been the most widely used by practitioners (Butler & Reese, 1991; Blank et al., 1990). Avery and Ryan (2002) revealed that many leaders prefer situational leadership to other leadership models as it is more applicable to the organisational context.

According to Hersey and Blanchard (1993), the foundation of SLT is the interaction between the extent of leader task behaviour, leader relationship behaviour and follower readiness/maturity in performing a certain task. In this theory, the followers are the most important factor in the leadership circumstances. As the maturity level of the followers varies, so does the style of supervision by the leader. Employee readiness and maturity is defined as the extent to which a follower has the ability and willingness to accomplish a task.

Four types of leadership styles relate to four levels of employee maturity. For employees whose maturity level ranges from low to moderate, the appropriate leadership style is 'high relationship and moderate task'. As employees became more mature, the leader's style shifts to 'low relationship and low task'. In this theory, the effectiveness of leaders is based on the interaction between leader task behaviour, leader relationship behaviour, and employee readiness/maturity.

The situational contingency theory has had a huge impact on the study of leadership. However, the approach has raised some concerns about the complexity of the models and their validity (Yukl, 1999; Graeff, 1983). The approach has also been criticised for treating leadership as a one-way process, with too much emphasis and responsibility on the leader. This would create a situation, particularly with the path-goal theory (Chemers, 1997; Northouse, 2012), where employees become overly dependent on their leader in order to complete their task.

2.2.2.4 Transformational Leadership Theory

Disagreements about the situational factors that really influence leadership effectiveness arising from the multiplicity of theories and perspectives have induced researchers to shift towards a new theory of leadership. The concept of the transformational leader was first developed by Burns (1978) to deal with political leadership. Since then, the concept of transformational leadership has been the focus of much interest, discussion and debate for three decades in leadership and management literature (Zhu et al., 2012; Kimura, 2012; Hannay, 2009). Burns (1978) viewed transformational leaders and transactional leaders as separate from one another.

According to the researcher, transactional leaders are those who intend to influence their followers' self-interests. In this model, leaders emphasise task assignments, work standards and compliance by followers. They also provide rewards and punishment to influence the performance of subordinates. In contrast, transformational leaders inspire followers to work towards common goals and to achieve a high level of self-actualisation through instilling a clear mission and vision and building up trust and confidence (Burns, 1978).

Bass (1985) refined Burns' (1978) view on transactional and transformational leadership with a proposed theory of transformational leadership. He proposed that an effective leader with transformational attributes and abilities has the ability to transform his or her organisation to greater heights and to achieve greater performance (Bass 1985; Bass 1990a).

There were two distinct modifications made by Bass to Burns' initial concept of transformational leadership. First, Bass disagree with Burns' proposition that transformational and transactional leadership are two separate concepts, representing the opposite ends of a continuum. Bass (1985) claimed that these two types of leadership behaviour were not two separate concepts but rather two dimensions of a single concept. This means that effective leaders can possess both transformational and transactional leadership attributes (Bryman, 2000; Bass & Riggio, 2012). Next, Bass expanded the types of behaviour that represented transformational and transactional leadership (Judge & Piccolo, 2004).

Based on the constructs of transformational and transactional leadership behaviour developed by Burns (1978), Bass (1985) added the laissez-faire leadership construct to refer to the type of leader who 'shows unconcern, procrastinates and avoids decisions' (Bass 2000, p. 23) and avoids supervisory responsibility (Den Hartog et al., 1997). Bass (1996) used the label 'full range leadership theory' to include transformational, transactional and laissez-faire leadership.

According to Bass (1985), a transactional leader 'pursues a cost-benefit economic exchange to meet subordinates' current material and psychic needs in return for "contracted" services rendered by the subordinate' (Bass, 1985, p. 14). A transactional leader provides followers something that they want in return for something that the leader wants (Kuhnert & Lewis, 1987). Transactional leaders address the self-interest of their employees by using positive and aversive reinforcement. When employees meet objectives, rewards and praise are granted.

Negative reinforcement such as negative feedback or disciplinary action is used when they fail to meet commitments (Bass 2000; Bass et al., 2003; Bass & Riggio, 2012). It is an agreed exchange process between the leader and the followers in order to achieve the necessary standard of performance.

Most transactional leaders are risk-averse and perform well in stable and predictable conditions (Bass, 1990a). In essence, transactional leaders favour maintaining stability in the organisation through economic and social exchanges that achieve specific goals for both the leaders and the followers (Lussier & Achua, 2001). The relationship between a leader and a follower is simply based on the level of the transaction. For instance, followers with high and efficient work performance receive praise and rewards from the leader in exchange. On the other hand, followers with poor and inefficient performance receive punishment or threats. The relationship between a leader and a high achieving follower grows stronger as more transactions occur and more benefits are obtained by both parties. The leader's characteristics and leadership style are key determinants of innovative conduct in organizations. Literature revealed that a collaborative, participatory leadership style (transformational) is more likely to encourage organizational innovation than a transactional style (Xenikou, 2017). Transformational leadership also increases self-efficacy, raises intrinsic motivation, and contributes to employee’s psychological empowerment (Gumusluoglu & Ilsev, 2009; Paulsen et al., 2013).

In contrast to transactional leadership, transformational leadership is the process whereby a person engages with others and creates a connection that raises the level of motivation and morality in both the leader and follower. This type of leader is attentive to the needs and motives of followers and tries to help followers reach their full potential' (Northouse, 2007, p. 76). Bass (1985) asserted that leaders who portray themselves as transformational leaders can motivate followers to achieve performance beyond expectations. Leaders affect and transform their organisation by increasing employees' awareness of the importance of the task and its value, by elevating interest in the organisational goals instead of their personal interests, and by focusing on their higher-order needs. Transformational leaders raise employees' understanding about what is important and increase the need for achievement and self-actualisation (Bass, 2000). They motivate employees to strive beyond their self-interest for the benefit of the group (Bass & Riggio, 2012; Bass, 2000).

Transformational leaders are able to influence followers to put in extra effort due to their commitment to the leader, their intrinsic work motivation, the level of their development, or having a clear sense of purpose or mission that drives them to excel beyond a standard performance (Bass et al., 2003; Howell & Avolio, 1993), and they also develop followers to take on leadership roles (Bass & Avolio, 1993). Lussier and Achua (2001) described transformational leaders as not afraid to change the *status quo* by informing followers about the problems in the current system and providing a compelling vision of what a better organisation could be. Sarros and Santora (2001) extended the effects of transformational leaders in appealing to followers' ideals and values such as liberty, justice, peace, and equality.

2.2.3 Key Factors of Transformational Leadership

Transformational leadership is defined as a process where leaders broaden and raise the interest of their employees. It occurs when leaders generate awareness and acceptance of the purpose and mission of the group and when they inspire their employees to look beyond their self-interest for the benefit of the group (Bass, 1985; Bass, 1990b; Bass, 2000). There are four factors of transformational leadership: idealised influence, inspirational motivation, intellectual stimulation and individualised consideration (Bass & Avolio, 1997; Bass & Riggio, 2012; Bass & Avolio, 2004; Bass et al., 2003).

2.2.3.1 Idealised Influence

As an idealised influence, a leader provides vision and a sense of mission, instills pride, and receives respect and trust in employees (Bass, 1990a; Bass & Riggio, 2012). Transformational leadership inspires and excites employees with the idea that they are able to accomplish great things by putting in extra effort (Bass & Avolio, 2004). Leaders of this type create trust and confidence from employees. They demonstrate conviction, take stands and also appeal to employees on an emotional level (Judge & Piccolo, 2004). Idealised influence, also known as the charismatic attribute, is central to the transformational leadership process and is the key component of transformational leadership (Bass, 1985; Yukl, 1989).

2.2.3.2 Inspirational Motivation

Inspirational motivation refers to the degree to which leaders articulate a vision that is appealing and inspiring to employees. Inspirational leaders challenge employees to reach high standards, communicate optimism about the attainment of goals and provide meaning for the tasks at hand (Judge & Piccolo, 2004; Bass et al., 2003). Inspirational leaders communicate high expectations and use symbols to focus effort and convey important purposes to employees in simple ways (Bass, 1990a; Muenjohn & Armstrong, 2008). In other words, they articulate shared goals and mutual understanding of what is right and important in simple ways to their employees (Bass & Avolio, 2004; Bass & Riggio, 2012).

2.2.3.3 Intellectual Stimulation

Intellectual stimulation from leaders encourages intelligence, rationality and careful problem solving (Bass, 1990a; Bass & Riggio, 2012). This attribute also refers to the degree to which the leader challenges assumptions, takes chances, and solicits employees' views and opinions. Leaders with this attribute incite and encourage creativity in their employees (Judge & Piccolo, 2004). In their behaviour, transformational leaders provide an example to their employees of using new perspectives to look at old problems.

Leaders of this type encourage innovative thinking and allow employees to develop their capacity to solve problems unforeseen by them (Bass & Avolio, 2004). Kirkbride (2006) identified one of the main qualities of a transformational leader as the ability to encourage independent problem solving and decision making.

2.2.3.4 Individualised Consideration

Individualised consideration aspect of transformational leadership means leaders provide personal attention to employees and treat each of them individually (Bass, 1990a; Bass & Riggio, 2012). It also refers to the degree to which leaders attend to each employee's needs, act as a mentor or a coach to employees and listen to their concerns and needs (Judge & Piccolo, 2004). These leaders spend time coaching and giving advice productively by paying close attention to the differences among employees (Muenjohn & Armstrong, 2008). This is an effort by the leaders not only to identify and satisfy employees' existing needs but also to enhance and increase those needs in order to maximise and develop employees' full potential.

2.2.4 Key Factors of Transactional Leadership

Transactional leadership is where leaders explain what is required from employees and what compensation they will receive when they accomplish these requirements. It is a transaction between leaders and followers (Bass, 1990, 2000; Bass et al., 2003).

Transactional management can be described as the process of creating clear expectations on the part of followers with agreement on what they will get in return for meeting these expectations (Blanchard & Johnson, 1985). The three factors of transactional leadership that are used in this study are contingent reward, active management-by-exception, and passive management-by-exception.

2.2.4.1 Contingent Reward

Contingent reward is the exchange of rewards for efforts. It promises rewards for excellent performance, acknowledges accomplishments and punishes poor performance (Bass, 1996; Muenjohn & Armstrong, 2008). The leaders explain expectations and establish rewards for meeting these expectations (Judge & Piccolo, 2004). This is an agreed reciprocal process between leaders and followers. Each party understands the system of rewards and the requirements for certain achievements or behaviour of the followers (Bass, 1990, 2000; Bass & Riggio, 2012).

2.2.4.2 Management by Exception - Active

Management by exception factors originated from contingent reinforcement theories (Bass, 1990), in which followers are punished or rewarded for an assigned action. Inactive management-by-exception, leaders act as monitors to watch for deviations from rules and standards and take corrective actions (Bass, 1990a; Bass, 1996; Muenjohn & Armstrong, 2008; Sosik & Jung, 2010).

A leader with the characteristics of active management-by-exception continuously monitors performance outcomes and takes corrective actions before deviations become a major issue.

2.2.4.3 Management by Exception - Passive

In passive management-by-exception, leaders intervene only when procedures and standards are not met (Bass, 1990a; Bass, 1996). Leaders of that kind only expect the *status quo* to be met by followers and they do not encourage exceptional performance by followers (Hater & Bass, 1988). Both types of management-by-exception focus on identifying mistakes in business operations (Bass & Avolio, 2004; Bass & Riggio, 2012).

In passive management-by-exception leadership, a leader intervenes only after a problem has occurred. This type of leader waits for the completion of an assignment before determining that a problem exists and then intervening with corrective measures or punishment (Howell & Avolio, 1993). Barbuto (2005) suggested that intervention by the leader is necessary only when a failure takes place and punishment or corrective action is needed. Nevertheless, both types of behaviour focus on establishing standards and monitoring failures or deviations from the standards required (Zhu et al., 2012).

2.2.5 Transformational Leadership in Practice and Research

Leadership studies have been conducted in various organisational settings and environments. The literature review has identified that attempts have been made to evaluate the effect of leadership on followers' development and engagement (Luthans & Avolio, 2003), on organisational culture and a firm's innovativeness (Duygulu & Ozeren, 2009), on increasing employees' satisfaction (Casimir & Ng, 2010; Papalexandris & Galanaki, 2009), on improving employees' motivation (Papalexandris & Galanaki, 2009), and on examining the distribution of leadership in a group or examining team performance (Pearce & Sims, 2000). Other studies have examined the contextual environment of leadership (Somech, 2003; Waldman & Yammarino, 1999).

Many attempts have been made to analyse the effects of transformational leadership theory on various measures of organisational performance in different industry settings. These attempts have included analysing the effects on the performance of large corporations (Agle et al., 2006; Ensley et al., 2006), financial institutions and banks (Xenikou & Simosi, 2006; Geyer & Steyer, 1998; Howell & Avolio, 1993), the education sector (Paracha et al., 2012; Arnold et al., 2001), non-profit organisations (Chung & Lo, 2007; Langley & Kahnweiler, 2003), the hotel industry (Chiang & Wang, 2012; Patiar & Mia, 2009) and also on the performance of SMEs in developed countries (Hood, 2003), and developing countries (Lo et al., 2009). All of these studies have highlighted the importance and applicability of transformational leadership theory in various contexts and organisational settings all around the world.

Xenikou and Simosi (2006) analysed the effect of transformational leadership behaviour on organisational effectiveness and revealed that transformational leadership and organisational performance has a positive effect on subordinates' level of motivation. Arnold et al. (2001) found that transformational leadership increases trust, commitment, and team efficacy. Hood (2003) and Banerji and Krishnan (2000) evaluated the effects of transformational leadership on ethical practices. Findings from Hood (2003) revealed that transformational leaders exhibit significantly higher levels of ethical practices than either transactional or laissez-faire leaders. Howell and Avolio (1993) measured senior managers' leadership behaviour and suggested that leaders who display more attributes of transformational leadership than transactional leadership contribute positively to the achievement of business unit goals. But an earlier study by Dubinsky et al. (1995), which examined the links between transformational leadership behaviour and personality traits, presented different results. Based on a sample of 174 sales staff and manager, they found that transactional leadership might be more effective in enhancing salespeople's affective and behavioural responses.

The interest in examining the effects of transformational leadership theory has also extended to their effects on non-profit organisations (NPOs). Based on 77 samples of people involved in Social Welfare Charity Foundations (SWCFs) in Taiwan, Chung and Lo (2007) found that both transformational and transactional leadership behaviours were important for top managers in SWCF. Total of 35 respondents evaluated the leadership practices in their charity foundations as high transactional and high transformational.

Even though several characteristics of NPOs differ from those of profit-based organisations (such as employing volunteers and generating funding from donations, government subsidies and revenue from their services), they still need to pay attention to effective management practices and top managers with the right kind of leadership behaviour to ensure effective services to their customers.

Chung and Lo (2007) confirmed the results of the study by Langley and Kahnweiler (2003) of the leadership behaviour of 102 African-American pastors involved in social-political issues in the United State. These authors concluded that pastors with transformational leadership qualities are involved more frequently in social-political activities. Most of these studies have suggested that transformational leadership results in better organisational outcomes. Leaders who display transformational leadership qualities are able to engage employees, gauge their interest and motivation and improve their team commitment; all of these translate into better performance. However, there is a situation where transactional leadership might be more relevant and effective. When work requires constant monitoring, transactional leadership becomes more important.

As suggested by Dubinsky et al. (1995), salespeople are guided better by transactional leaders, perhaps due to the nature of this work, which is mostly based on commission from sales, providing a promising reward for high achievement. Constantly monitoring the sales progress and exercising punishment for poor performance might effectively influence the performance of the sales.

An important issue that needs to be discussed in regard to the transformational or transactional leadership theory is the universality of the theory for different organisational contexts and different cultures. Bass (1997) concluded that there is universality in the transformational or transactional leadership paradigm and presented cross-continental supportive evidence collected from organisations in business, education, the military, the government and the independent sector. There were similar correlations between the different types of leadership behaviour and particular outcomes in many different countries. Bass (1997) asserted that the operation of the theory and its relationships can be observed in many types of organisations and cultures, but there might be some exceptions as a consequence of unusual attributes and different beliefs. The concepts may have certain thought processes, beliefs, implicit understanding or behaviour that might be perceived differently in different cultures (Bass 1997).

Inkson and Moss (1993) questioned the universality of the transformational leadership theory when the findings from their study revealed that the correlations were all insignificant, suggesting that leaders vary their leadership behaviour according to the situation. Swierczek (1991) acknowledged in his paper that leadership theories based on Western cultural values might not be appropriate worldwide. But the outcomes from his study of two different groups consisting of 40 managers from 24 different countries in Asia (except Japan) showed otherwise.

Similarities were identified in these groups in regard to what constitutes good and bad leaders. Many of these characteristics reflected transformational and transactional leadership attributes such as efficient decision making, good communication, concern for individuals, support for employees, giving motivation and efficiency in problem solving. These outcomes from very diverse Asian managers suggest that there is a possibility of a culturally universal theory of leadership (Swierczek, 1991).

The same conclusion was also drawn in a study by Den Hartog et al. (1999) across 62 cultures. They found that even though cross-cultural research stressed that different cultural groups are likely to have different conceptions of what constitutes good leadership, certain attributes associated with transformational leadership are universally endorsed as contributing to outstanding leadership. However, they also acknowledged that some other attributes of transformational leadership are seen as barriers in certain cultures.

Bass (1997) reinforced the notion that leadership is a universal phenomenon. He maintained that transformational leaders are more effective than leaders who practise transactional or laissez-faire leadership, regardless of culture, organisation, and country. His argument was supported when outcomes from different studies in different countries presented similar results. For example, in Russia, Elenkov (2002) found that transformational leadership directly and positively impacts on the organisational performance of Russian companies' far more than transactional leadership.

In Chile, Pedraja-Rejas et al. (2006) concluded that the effect of transformational leadership on organisational performance is stronger than the effects of transactional and laissez-faire types of leadership. Finally, a more recent study by Chiang and Wang (2012) of 395 employees from 41 hotels in Taiwan also concluded that transformational leadership is positively related to cognitive and affective trust whereas transactional leadership is negatively related to cognitive trust.

Perhaps due to cultural differences, transformational leadership might not be relevant in developing countries like Malaysia. But given the outcomes generated from every part of the world in regard to the effect of transformational leadership on organisational performance, similar results might be produced. Although Swierczek (1991) initially suggested that a Western leadership theory might not be appropriate worldwide, his results stated otherwise. This means that there might be a possibility of a universal theory of leadership and that the transformational leadership theory might have similar effects across cultures.

The fact remains that transformational and transactional leadership theory is the most recent and commonly used leadership theory by researchers in the current literature (Pawar, 2003; Lo et al., 2009; Law, 2011; Judge & Piccolo, 2004) and has been proved to have impacts on the performance of organisations (Law, 2011; Matzler et al., 2008). Judge and Bono (2000) found that from 1990 to 2003, the transformational theory of leadership was more often cited in articles published in PsycINFO than all the other leadership theories combined.

2.2.6 Transformational Leadership and SMEs

Ardichvili (2001) claimed that there is universal acceptance of the importance of leadership in large organisations, but research on leadership behaviour in small businesses and new ventures is scarce. To date, there have been many initiatives by scholars and researchers to assess the importance of transformational and transactional leadership in SMEs (Hood, 2003; Yang, 2008; Matzler et al., 2008; Visser et al., 2005; Pedraja-Rejas et al., 2006; Damirch et al., 2011) and many have found that transformational leadership is relevant to the context of the SME business environment (Hayat & Riaz, 2011; Matzler et al., 2008; Ling et al., 2008). For example, Hayat and Riaz (2011) claimed that transformational and transactional leadership types are highly relevant to SMEs as they are closely related to the business approach of SMEs and the environment in which entrepreneurs operate.

Matzler et al. (2008) maintained that transformational leadership is strongly related to entrepreneurship and SMEs. They reasoned that because SMEs are small, the entrepreneur is the one who guides the vision and direction, which is equivalent to the idealised influence of transformational leadership. Being able to communicate expectations to each employee is relevant to the inspirational and individualised aspects of transformational leadership characteristics. Secondly, they argued that, due to limited resources, SMEs explicitly address the intrinsic motivation of employees because SMEs are unable to use extensive extrinsic rewards in transactions with employees since they do not have enough financial leeway. Finally, they argued that SMEs operate in a dynamic environment and global economy which are distinguished by unpredictable opportunities and threats; therefore, transformational leadership is perhaps suitable for SMEs to adapt to this kind of environment.

In line with the view of Matzler et al. (2008), Ling et al. (2008) also reasoned that the less complex and more fluid nature of SMEs than large organisations provides an advantageous setting for transformational CEOs to play a significant role in enhancing organisational performance. CEOs in SMEs have a great level of managerial discretion and freedom in which they are more fully empowered than CEOs in large organisations to empower others. In 2003, Hood (2003) examined the data from 382 CEOs of small to medium size high-technology firms in the United State. The results of the study demonstrated that the impact of transformational leadership on ethical practices is greater and more significant than the impact of transactional or laissez-faire leadership. The researcher concluded that transactional leaders may follow ethical practices that are legal mandates, whereas transformational leaders go beyond the legal requirements and voluntarily undertake more socially responsible and ethical practices.

Visser et al. (2005) conducted a study of transformational leadership in South Africa involving 535 owners and managers of SMEs. The results revealed that there is a medium degree of positive relationship between transformational leadership and entrepreneurship. They showed that owners and managers of SMEs in South Africa possess characteristics of both entrepreneurs and transformational leaders.

Finally, Arif and Akram (2018) conducted a study of transformational leadership in Islamabad, Pakistan involving 110 employees in MIA group.The results showed that there is a signifant relationship between transformational leadership and business performance.

These studies have concurred that the transformational and transactional leadership theory is applicable to the SMEs business environment. Regardless of the size of an organisation, leaders who effectively deploy transformational and transactional leadership produce positive results for their organisations.

2.2.7 Recent Leadership Theories

This study acknowledges that other leadership theories have started to receive some attention in leadership literature, such as spiritual leadership, distributed leadership, servant leadership, authentic leadership and many others. ‘Spiritual leadership’ is defined as the values, attitudes, and behaviour that are necessary to intrinsically motivate oneself and others to have a sense of spiritual survival and well-being through calling and membership (Fry, 2003). ‘Distributed leadership’ is defined as leadership from a distance, where communication is done through technological means such as e-mail and websites (Kayworth & Leidner, 2000).

However, these new forms of leadership behaviour are beyond the scope of this study. Some researchers have questioned the applicability of these new concepts to SMEs (Kempster et al., 2010). For example, given the size of SMEs, perhaps applying distributed leadership may not be effective since there is a lack of agreement on whether distributed leadership exists, and the effects of applying this form of leadership to SMEs have yet to be explored. Therefore these new forms of leadership behaviour are not included.

Even with the introduction of newer leadership approaches, the transformational and transactional leadership theory has proved to be relevant in the context of SMEs (Matzler et al., 2008; Pedraja-Rejas et al., 2006; Damirch et al., 2011; Akbari, 2016., Arif & Akram, 2018). Measures adopted to assess these types of leadership are well validated in the Western literature. However, these measures need to be applied in the context of a developing country such as Malaysia to assess their suitability and transferability to a different context.

2.2.8 Leadership Research and Practices in Malaysia

One of the topics that have been and always will be the centre of much discussion in the management literature is leadership (Hannay, 2009; Bahaudin & Kazuhito, 2012; Petrovskaya. & Mirakyan, 2018). Even though research on the leadership phenomenon in Malaysia is not as extensive as in Western countries, there have been attempts made by local and international scholars to develop an understanding of leadership practices in Malaysia. However, a recent literature review shows that very little effort has been made to examine leaders in relation to the leadership behaviour adopted in SMEs (Mohd Sam et al., 2012; Hashim et al., 2012; Ahmad Fadhly, 2016;).

Autocratic leadership was the dominant leadership style in all industries in Malaysia for many years. This style of leadership was accepted by employees due to their lack of education and poor exposure to information about the rights of employees, and possibly also because the business leaders were generally the owners of the firms. One of the strong effects of colonialism was to impose the top-down management style on the developing industries in the country, hence encouraging the leaders to practise autocratic leadership for a long time (Abdul Rani et al., 2008; Ansari et al., 2004; Shafique & Kalyar, 2018). Ansari et al. (2004) also suggested that autocratic and directive leadership was effective for Malaysian managers during that period. However, since the mid-1980s, firms everywhere have undergone a vast transformation, including firms in Malaysia (Abdul Rani et al., 2008; Alaloul, 2018). The growth of the knowledge economy and the transformation of the workforce have changed the ways managers lead (Jayasingam & Cheng, 2009; Rajabi et al., 2018). Employees are more knowledgeable now and require more effective leadership from their leaders and they may no longer accept the simple use of positional power and authority to lead them (Arham, 2014; Ramita et al., 2016).

Other factors contributing to this transformation are the adoption of emerging democratic management ideas, a better education system, a vast exposure to information, joint ventures, technology adoption, and the country’s drive towards a high level of industrialisation and economic development (Abdul Rani, 2006; Mansor & Kennedy, 2000; Rohana et al., 2017). These factors have been linked with the Westernisation of many management practices and various styles of leadership practised by the leaders of the industries.

One of the largest international studies of leadership involving Malaysia is the Global Leadership and Organizational Behavior Effectiveness (GLOBE) (1999). 60 other countries around the world were also involved in this study, which was led by Professor Robert House of the Wharton School at the University of Pennsylvania. The conceptual basis of the study was published in House et al. (1999) and preliminary analysis of the data on leadership was published by Den Hartog et al. (1999). Data collected in Malaysia were drawn from a total of 125 managers. One of the major outcomes from the study by Den Hartog et al. (1999) was that charismatic/transformational leadership has become universally endorsed leadership behaviour that is characteristic of outstanding leadership across countries.

Kennedy (2002) and, Mansor and Kennedy (2000) explored the GLOBE study closely in regard to understanding leadership in Malaysia. They found that the results of the 88 Malaysian sample were similar to those of the other GLOBE countries in that charismatic/transformational leadership and team-orientation were ranked as highly important contributors to outstanding leadership. Malaysian ratings for charismatic/transformational leadership were close to the average for all the countries.

The third most important factor for leadership in Malaysia is the human factor. Malaysia was placed in the top 25 percent of countries in this dimension. Even though the rating for participative leadership was positive for Malaysian managers, the rating was below those for most countries. Malaysian managers rated self-protective leadership the same as the other countries and rated autonomous leadership above the median rating of all GLOBE countries.

Several key attributes that differentiate the leadership culture in Malaysia are a high humane orientation rating and a low rating for participative leadership. There is a universal endorsement of the importance of charismatic/transformational leadership. Managers in Malaysia are considered to be inspirational and to be prepared to accept and to employ a directive leadership style, but they are also expected to balance this style with a human orientation, a consideration of the needs and concerns of subordinates (Kennedy, 2002; Mansor & Kennedy, 2000).

Several other authors have also closely examined transformational and transactional leadership in the context of business leaders in Malaysia. These studies were on the role of transformational leadership in the public sector (Md Noor, 2010; Asgari, 2008; Rohana et al., 2017), the roles of transformational and transactional leadership and organisational commitment in the manufacturing industry (Lo et al., 2009), the relationship between leadership behaviour and leadership effectiveness in Malaysian Government Linked Companies (GLCs) (Amirul & Daud, 2012), the effects of transformational and transactional leadership on individual outcomes (Ismail et al., 2010; Roslida, 2011), and the innovative performance of SMEs (Md Saad & Mazzarol, 2010; Rosmelisa, 2018).

The review of the literature on leadership practices in Malaysia has revealed that a particular leadership behaviour does have a significant role in enhancing the performance of the organisation. However, the results are varied and inconclusive and therefore a more integrated effort is needed to understand the role of leadership behaviour in relation to organisational performance. The review also found a lack of initiative by previous scholars to examine the effect of transformational and transactional leadership in the context of SMEs in Malaysia. Therefore, this study proposes research questions that attempt to provide a better understanding of the effects of transformational and transactional leadership on organisational performance in the context of SMEs in Malaysia. As Lim (2016) suggested, an understanding of leadership behaviour is critical to the further development of SMEs in Malaysia, due to their size and resource limitations.

2.3 Entrepreneurship and Entrepreneurial Orientation

In today's competitive business environment, strengthening entrepreneurship is important for any enterprise that is developing its responsiveness to a globalised and changing environment. Entrepreneurship, according to the concept introduced by Schumpeter in 1934, is characterised by innovative behaviour and a strategic orientation in pursuit of profitability and growth (Carland et al., 1988) and it involves a process of combining resources for value creation in an organisation (Tan, 2007; Petrovskaya & Mirakyan,2018). Others have defined entrepreneurship as the creation of new enterprise (Low & MacMillan, 1988; Santos & Marinho, 2018), new entry (Lumpkin & Dess, 1996; Samsir, 2018) and taking advantage of opportunities by blending resources in ways which have impacts on the market (Wiklund, 1999; Adomoko et al., 2016).

Compared to the leadership field that has received scholarly attention since the beginning of the 20th century, entrepreneurship is a young body of knowledge although rapidly growing (Cogliser & Brigham, 2004; Santos et al., 2018). The study of entrepreneurship is at an early stage of development from the conceptual and methodological points of view (Aldrich & Baker, 1997), relatively young compared with the leadership field (Hitt & Ireland, 2000) and currently seen as being insignificant growth and an emerging stage of development (Busenitz et al., 2003).

Entrepreneurial orientation, on the other hand, is becoming a popular subject (Wiklund, 1999; Gerschewsk et al., 2016) and is one of the entrepreneurship research fields where the body of knowledge is expanding (Rauch et al., 2009). Covin and Wales (2012) also recognised that the subject of entrepreneurial orientation as a driving force behind the organisational effort to success has become a central focus of the entrepreneurship literature and the subject of more than 30 years of research. The study of entrepreneurial orientation is well established in strategy and entrepreneurship research in the US but is still in its infancy in non-US business environments (Runyan et al., 2012).

Miller (1983) defined an entrepreneurial firm as one that is involved in product-market innovation, willing to take some risks and is the first to come up with proactive innovations. A non-entrepreneurial firm is characterised by a minimum level of innovations, is not a risk taker, and is a follower rather than a pioneer compared to the competitors (Miller, 1983).

Lumpkin and Dess (1996) defined entrepreneurial orientation as 'the process, practices and decision-making activities that lead to new entry' (p. 771). More recently, Wiklund and Shepherd (2005) defined entrepreneurial orientation as the strategic orientation of a firm that captures specific aspects of entrepreneurial decision-making styles, methods, and practices. But the definition of entrepreneurial orientation by Morris and Paul (1987) seems to suit the context of this study. They defined entrepreneurial orientation as the inclination of a company's top management to take calculated risks, to be innovative, and to display proactiveness in their approach to strategic decision making.

This definition is not the one currently adopted by most scholars in the field of entrepreneurship studies; it is one of the earliest ones used to define entrepreneurial orientation. In this definition, entrepreneurial orientation is regarded as decisions to be made by the top management of an organisation. For the self-assessment approach by either the owners or the top managers of SME establishments to measure entrepreneurial orientation, this definition seems to represent and support the scope of this study.

2.3.1 Key Factors of Entrepreneurial Orientation

The three main factors of entrepreneurial orientation introduced by Miller (1983) are: innovativeness, proactiveness, and risk-taking. These key factors of entrepreneurial orientation have been extensively used by researchers in previous studies (Covin & Slevin, 1989; Lumpkin & Dess, 1996; Moreno & Casillas, 2008. Lumpkin and Dess

(1996) added another two factors of entrepreneurial orientation, which were competitive aggressiveness and autonomy. Although they suggested including these two as additional factors of a firm's entrepreneurial orientation, they agreed that innovativeness, proactiveness, and risk-taking are the key factors of entrepreneurial orientation. In this study, only the three key factors of entrepreneurial orientation are adopted, namely, innovativeness, proactiveness, and risk-taking by strategic leaders.

2.3.1.1 Innovativeness

An innovative firm is not considered entrepreneurial if it does not take risks or is not being proactive towards competitors and the environment (Aloulou & Fayolle, 2005). According to Covin and Slevin (1989), a firm that displays an excellent performance in these three factors can be considered an entrepreneurial firm or a high performing firm. They proposed that an entrepreneurial style measures the degree to which top managers favour innovative activities, are inclined to take considerable business risks and proactively compete with other firms.

There are several reasons why this study excludes the new factors of EO as suggested by Lumpkin and Dess (1996). Competitive aggressiveness, which represents the element of 'beating competitors to the punch', might not be appropriate in the Malaysian culture. According to Hofstede (1980, 2001), in respect to cultural factors, Malaysia can be characterised as having low uncertainty avoidance and a highly collectivist culture. These cultural characteristics result in a low level of aggression and a relatively high level of tolerance.

Autonomy, on the other hand, which describes a firm's tendency to independent and autonomous action, represents the ownership issue which is a defining characteristic of SMEs (Swierczek & Thanh, 2003b). Kuratko et al. (2005) argued that the concept of competitiveness often overlaps with proactiveness, while autonomy can be seen as a contextual variable that allows entrepreneurial behaviour. For these reasons, only the initial factors of entrepreneurial orientation as suggested by Miller (1983) are adopted. The following passages discuss and define each component of entrepreneurial orientation used in this study.

Covin and Miles (1999) proposed that entrepreneurship would not exist without innovation. Hult et al. (2004) agreed that the key element of the success of industrial firms is innovativeness. Lumpkin and Dess (1996) defined innovativeness as the willingness of a firm to engage in and support new ideas, novelty, and experimentation to create new products and services. Innovation is especially important for new organisations and entrepreneurs because, without innovation, they have to rely on old ways of doing business, consecutive products or services and traditional distributions channels (Lee et al., 2001). These authors also claimed that innovativeness displayed by new firms cannot be easily imitated by their competitors since it depends on the quantity and quality of Research and Development (R&D) personnel and complex social relationships among these research scientists. Entrepreneurs need to avoid direct competition with established firms to avoid failure due to resource shortcomings, diseconomies of scale and unestablished reputation (Lee et al., 2001). Morris et al. (2007) defined innovativeness as the identification of creative, unusual or novel solutions to problems and needs. These solutions can take the form of new processes, new products or new services.

2.3.1.2 Proactiveness

Proactiveness is an important element of entrepreneurship (Venkatraman 1989) and has been described as the ability of a firm to foresee and act on future wants and needs in the market by establishing a first-mover advantage ahead of competitors (Lumpkin & Dess, 1996). Proactive firms strive to be pioneers, thereby capitalising on emerging opportunities (Wiklund & Shepherd, 2005). Proactiveness is also important for organisational processes since it demands a forward-looking perspective (Kropp & Zolin, 2005) and is considered a hallmark of entrepreneurship (Lee et al., 2001).

Therefore, it is important for entrepreneurial firms to be proactive, especially as the competition is becoming very strong in the global market, in order to capture a high return from their investment and to establish their reputation in the market. Proactiveness also relates to the implementation of something new, and to do what is needed to anticipate and act on an entrepreneurial opportunity. Such pioneering action usually involves considerable perseverance, adaptability, and tolerance for failure (Morris et al., 2007).

2.3.1.3 Risk Taking

Risk taking can be described as the willingness of a firm to provide resources for projects where the outcomes are uncertain (Miller, 1983; Wiklund & Shepherd, 2005). Since the term entrepreneur was first debated, risk-taking behaviour has been linked with entrepreneurship (Palich & Bagby,1995). Risk-taking requires firms to take bold actions by launching themselves into the unknown, borrowing heavily and/or investing significant resources in uncertain ventures or uncertain environments (Rauch et al., 2009). Risk-taking supplements the entrepreneur's innovativeness and proactivity because without taking risks, it is difficult for entrepreneurial firms to invest in the R&D needed for them to become pioneers in the marketplace. innovativeness is considered as the path of success to any process including new small businesses which has been used as a measure in many empirical studies (Hove & Goliath, 2016; Kraus, Burtscher, Vallaster & angerer, 2018; Belgacem,2015; Duru, Ehidiamhen1 & Chijioke, 2018).

2.3.2 Research and Practices of Entrepreneurial Orientation

There has been growing research interest in the field of entrepreneurial orientation (Kreiser et al., 2002), particularly in small businesses (Fairoz et al., 2010). Even though the concept of entrepreneurial orientation seems to be more relevant to entrepreneurs in the SME business environment, many attempts also have been made by scholars and practitioners to study the impacts of entrepreneurial orientation on large organisations (Hult et al., 2003; Short et al., 2009; Hult et al., 2004) and family firms (Zahra, 2005; Zellweger et al., 2011), on students (Mazzarol, 2007), on new ventures (Chen et al., 2007) and in countries all over the world such as Iran (Madhoushi et al., 2011), Brazil (Martens et al., 2010), Portugal (Ferreira & Azevado, 2005), Thailand (Swierczek & Thanh Ha, 2003a) and even Malaysia (Arham et al., 2012; Zainol & Ayadurai, 2011).

When examining the research on entrepreneurial orientation in large organisations, Zahra published independent studies in 2005, 2003, 1996 and 1991. In her 2005 study, she examined entrepreneurial risk-taking in 209 large family firms and concluded that family ownership has a particular pattern in entrepreneurial risk-taking. Family firms tend to invest in both domestic and international markets to increase revenue. She found that the higher the number of active generations from the same owner family, the higher the focus on innovation. Multiple generations brought new ideas, knowledge and experience which enhanced the degree of innovation in the firm.

Hult et al. (2004) examined the effects of innovativeness and entrepreneurial orientation on business performance in 181 large firms in the US. They concluded that entrepreneurial orientation is one of the strongest components of performance and plays a key role in the development and maintenance of innovation in both high and low market turbulence. They suggested that entrepreneurial orientation is an important orientation for managers to promote. In smaller business settings, entrepreneurial orientation is needed to improve the performance of the firm.

Smart and Conan (2011) studied 599 independent small business retailers in the US and found that entrepreneurial orientation impacted with respect to both distinctive marketing competencies and organisational performance. Retailers with a high level of entrepreneurial orientation acknowledge that their businesses possess a wide range of marketing competencies and perform better. Successful entrepreneurs not only possess a wide variety of managerial skills and abilities and have a significant tendency for taking high risks, but they are also analytic in their approach to decision making and resource allocation.

Ferreira and Azevedo (2008) studied 168 small manufacturing firms in Portugal and pointed out that entrepreneurial firms are capable of introducing many new products featuring many differentiated characteristics and these firms are efficient in exploiting their innovativeness, proactivity, and risk-taking. They suggested that the application of entrepreneurial orientation is an indispensable variable to growth-oriented firms.

The results from all of these studies suggest that entrepreneurial orientation is an important strategic orientation for firms of all sizes. Regardless of firm size, firms that are able to exploit, seize and utilise every opportunity to improve their entrepreneurial orientation have a high chance of improving their profitability and growth. Evidence suggests that firms that are innovative, proactive and willing to take considerable risks have a much better chance of success than firms which are unwilling to take risks, avoid creative and innovative ideas and are not responsive to market competition.

A significant number of researchers have claimed that the application of entrepreneurial orientation at the individual level could be important for both managers and their organisations (Carland et al., 1988; Gartner, 1985). The analysis of entrepreneurial orientation as an individual-level variable has started to receive some consideration from researchers (Davis et al., 2010). Aloulou and Fayolle (2005) identified that individual leaders of entrepreneurial firms show a high level of innovativeness, proactiveness, and risk-taking behaviour.

Wiklund and Shepherd (2005), on the hand, contended that entrepreneurial orientation is an organisational-level variable. They defined entrepreneurial orientation as referring to a firm's strategic orientation that displays specific elements of entrepreneurial decision-making styles, methods, and practices. Treating entrepreneurial orientation as an organisational-level measure would also help to reduce common method variance (Lumpkin & Dess, 2001; Podsakoff & Organ, 1986). This view claims that owners' or top managers' responses in regard to entrepreneurial orientation represent the firm's responses (Awang et al., 2009; Yang, 2008).

One of the issues in regard to entrepreneurial orientation is whether it is a global and cross-cultural construct. Some researchers have proved that it is (Kreiser et al., 2002; Arbaugh et al., 2009). For example, Kreiser et al. (2002) examined 1,067 firms from six different countries, namely Australia, Finland, Mexico, Netherlands, Norway, and Sweden. Their study confirmed the cross-cultural validity of the entrepreneurial orientation scale. A much larger study conducted by Arbough et al. (2009), which consisted of 1,045 respondents from 17 different countries, suggested that the entrepreneurial orientation construct is not only globally generalisable to developed countries, but the construct also has a huge potential for explaining firm behaviour in developing countries and therefore the firm-level characteristics of entrepreneurship are generalisable across borders.

More recently, Runyan et al. (2012) used samples of SMEs from both the US (n=250) and China (n=187) and their findings contended that scholars should feel confident to utilise entrepreneurial orientation in an international setting since entrepreneurial orientation exhibited the same pattern of factor loadings across SMEs in both countries, allowing scholars to assume that the basic underlying purpose of entrepreneurial orientation and its factors are the same in both countries.

There is also a debate on whether entrepreneurial orientation should be treated as a unidimensional construct consisting of innovativeness, proactiveness, and risk-taking or as a multidimensional construct where each component varies independently of one another. In some studies, the factors of entrepreneurial orientation showed high correlations with each other so the researchers combined these factors into a single factor (Covin & Slevin, 1989; Lee et al., 2001; Rauch et al., 2009).

However, more recent studies have suggested that entrepreneurial orientation is a multi-dimensional construct and each independent aspect of entrepreneurial orientation may affect the performance of an organisation differently (Lumpkin & Dess, 2001; Yang, 2008; Runyan et al., 2012). Kreiser et al. (2002) found that the entrepreneurial orientation best model fit was produced in the total sample in six independent countries with three sub-factors consisting of innovativeness, proactiveness, and risk-taking. At the same time, the three sub-factors were also found to vary independently of one another.

Regardless of whether or not entrepreneurial orientation is a uni-dimensional or multi-dimensional construct, each component is essential, and even if the components can operate independently, each is not sufficient without the presence of the other two components. In other words, to be entrepreneurial is to demonstrate the ability to innovate, to be proactive and to take a considerable amount of risk (Morris et al. 2007). The aggregated measures of entrepreneurial orientation are useful when a differential relationship is not expected between the three sub-factors of entrepreneurial orientation and the other key variables being examined in a particular research model. On the other hand, when such a relationship is expected to exist, researchers should measure innovation, proactiveness, and risk-taking as single variables (Kreiser et al., 2002).

In conclusion, it is important to assess the level of entrepreneurial orientation as a measure of entrepreneurial success. Whether it relates to large organisations or small and medium-sized enterprises, entrepreneurial orientation can contribute to the overall performance of a firm. Some studies have identified a direct and statistically significant relationship between entrepreneurial orientation and organisational performance (Radipere, 2014; Mahmood & Hanafi, 2013; Rauch et al., 2009; Hult et al., 2004; Ferreira & Azevedo, 2008; Smart & Conant, 2011; Emelah & Chima, 2018). Miller(1983) stated that innovativeness, risk-taking and proactiveness are all important elements of entrepreneurial activity.

By investing efforts into innovativeness, firms can create new products or services, developing novel ideas and gaining the first advantage in the market (Wiklund, 1999; Lumpkin & Dess, 1996). By taking considerable risks with the careful exploitation of those risks, entrepreneurs increase the opportunities to increase their profits. Lumpkin and Dess (1996) suggested that risk-taking and organisational success were related since risk takers have a high possibility of making a profit. Finally, having the ability to anticipate changes and react to the changing environment and seizing the first-mover advantage helps firms to stay ahead of their competitors.

2.4 Organizational Performance

Organizational performance is the most important dependent variable for researchers concerned with almost all areas of management (Richard et al., 2008; Engström, P. & McKelvie, 2016) because it explains how well an organisation is doing (Obiwuru et al., 2011; Fadda, 2018). It refers to the ability of an enterprise to achieve objectives such as high profits, good quality products, a large market share, good financial outcomes and long-term survival, using relevant strategies for action (Koonts & Donnell, 1993). It is an indicator of how well a firm realises its objectives (Ho, 2008; Fakhrul et al., 2018).

According to Lusthaus et al. (2002) the analysis of organisational performance is an important step in ensuring organisational success but yet there is little agreement as to what constitutes a valid set of criteria for measuring organisational performance due to the complexity of the construct. Even though the literature in organisational research shows that organisational performance has been used extensively as a dependent variable and that many studies concentrated on identifying the factors that affected the variability in performance outcomes, it is still an indistinct and 'loosely defined' variable (Rogers & Wright, 1998; March & Sutton, 1997; Richard et al., 2008).

From their analyses, Lusthaus et al. (2002) concluded that organisational performance can be defined in terms of the following elements; (1) effectiveness (ability of the organisation to achieve its goals), (2) efficiency (accuracy, how economically the organisation can turn resources/inputs into results), (3) relevance (being adaptive to the stakeholders and its environment) and, (4) financial viability (ability to raise required funds).

Richard et al. (2008) defined organisational performance as encompassing three specific areas of firm outcomes: (1) financial performance (profits, return on assets etc.); (2) product market performance (sales, market share etc.); and (3) shareholder return (total shareholder return, economic value added etc.). Metrics chosen to quantify the efficiency and/or effectiveness of an action by the organisation are referred to as organisational performance measures (Tangen, 2003).

Carton and Hofer (2006) described five categories of performance measures: (1) accounting measures (relying on financial information); (2) operational measures (include non-financial variables such as market share and customer satisfaction); (3) market-based measures (ratios of the market value of the organisation such as return to shareholders and market value-added); (4) survival measures (long-term organisational performance); and, (5) economic value measures (adjusted accounting measures). Accounting measures could be further sub-categorised into profitability measures, growth measures, leverage, liquidity and cash flow measures, and efficiency measures.

The authors concluded that each category of measures has its strengths and weaknesses in assessing overall organisational performance. What is certain is that no individual performance measure category is commonly accepted as the best proxy for overall performance measurement and further analysis needs to be done to provide a better understanding of this construct (Carton & Hofer, 2006). Organisational performance can also be measured through financial and nonfinancial performance

(Chong, 2008). Financial measures can include profit before tax and turnover and non-financial measures can include issues relating to customers' satisfaction and referral rates, delivery time and employee turnover. Non-financial performance measures are important indicators of financial performance (Kaplan & Norton, 2001; Kajalo & Lindblom, 2015). They can provide managers with incentives to improve their long-term financial performance.

On the other hand, financial performance measures are 'backward-looking' and focus on improving the organisation's short-term financial performance (Moers, 2000). Zulkiffli and Parera (2011) wrote a paper analysing the basic research methodologie sand approaches for measuring business performance, especially in the context of SMEs. According to the authors, to assess business performance in the present business environment is a critical matter for academic scholars and practising managers and it is important to measure a firm's accomplishment. When it comes to measuring the business performance of SMEs, many scholars have used subjective measures since many SMEs refuse to publicly reveal their actual financial performance. According to Dess and Robinson (1984), objective data do not fully represent an organisation's actual performance, even if they are available, since the managers may manipulate the data in order to avoid personal or corporate taxes.

Therefore, the literature advocates subjective evaluation as an appropriate alternative to objective evaluation. Wall et al. (2004) asserted that managers are encouraged to assess business performance through general subjective measures that can reflect more specific objective measures. In particular, the use of subjective measures is preferable for evaluating small organisations where there is a possibility of inaccurate financial records (Wall et al., 2004). Subjective measures can also be a good alternative when they focus on a firm's current condition (Kim, 2006) and they allow comparisons to be made across firms contexts such as industry type or economic conditions (Song et al., 2005).

Performance is a multi-dimensional concept (Lumpkin & Dess, 1996; Carton & Hofer, 2006; Kurtulmuşa & Warner, 2015), therefore multiple measures of performance should be used. Becoming a high performing firm is the main objective of SMEs (Ahmad & Ghani, 2010; Madrid Guijarro et al., 2007). According to Madrid-Guijarro et al. (2007) high performing firms are able to generate a variety of benefits for both the company and society in general such as attracting resources, creating wealth and generating jobs. These authors also claimed that an accurate measure of performance can provide reliable insight into what affects performance and how firms can develop good strategies, arrange resources, meet consumer expectations and compete successfully.

Inappropriate measures of performance will produce misleading results and tend to show a poor competitive position (Madrid-Guijarro et al., 2007). Murphy et al. (1996) confirmed that growth, profitability, and efficiency are the most common performance factors in the entrepreneurship literature. In this study, the organisational performance of SMEs is measured through growth and profitability, following the measures used in the studies conducted by Matzler et al. (2008) and Tan (2007). This decision also aligns with Covin and Slevin's (1991) conviction that growth and profitability represent the factors of a firm's economic performance. Steffens et al. (2006) also claimed that both are important factors for SMEs performance.

Davidson et al. (2002) postulated that organisational growth has become mainstream in the literature with many studies incorporating growth and entrepreneurship. Growth has been argued as an essential element of sustainable competitive advantage and profitability (Markman, 2002), and it is hard to dissociate sustained growth from profitability (Fitzsimmons et al., 2005).

In conclusion, growth is considered the most important performance measure since it is a more precise and more easily accessible performance measure than accounting indicators, and hence provides a superior indicator of financial performance especially for small firms (Wiklund, 1999). In the entrepreneurship literature, growth is often interpreted as evidence of success (Steffens et al., 2006) and is used as the best available proxy for organisational success due to the fact that reliable data on the financial performance of small firms can be difficult to obtain. Wiklund (1998) found that his multiple measures of growth and financial performance were positively related to one another. Based on these relationships, he concluded that growth may be an appropriate strategy for small firms that wish to enhance their financial returns. Ferreira and Azevedo (2008) suggested that organisational growth reflects an important outcome of the entrepreneurial behaviour of small firms.

Profitability is one of the most common measures of business performance that must be considered as it is unlikely that firm growth can be sustained without profits (Fitzsimmons et al., 2005). Looking at entrepreneurship as the creation of rents through innovation (Stewart,1991) in which ‘rents’ are defined as above average earnings relative to competitors (Norton & Moore, 2002), then profitability measures also seem relevant to SMEs. Thus reviewing the proposed research questions and the scope of this study, growth, and profitability might be the most relevant measures in the context of SMEs in Malaysia. These two dependent measures represent the two main objectives for any SME establishment, which are to continue operating and to earn a profit.

2.5 Leadership, Entrepreneurial Orientation and Organizational Performance

Good leadership and an entrepreneurial attitude have been identified as the key elements that drive the success of SMEs (Abdul Razak, 2010). Evidence suggests that inadequate leadership and poor management skills are primary factors contributing to the failure of SMEs (CEML, 2002; Davies et al., 2002). It is acknowledged that an enterprise requires entrepreneurship, but what is further needed to maintain the operation and guide the enterprise to success is good leadership (Arham, 2015). Therefore, entrepreneurs need to develop sound leadership behaviour to steer their firms through good and bad times. Appropriate leadership behaviour in the enterprise keeps employees focused and motivated, especially at times of crisis.

The right leadership behaviour is an important ingredient for good organisational performance and to prevent organisational failures. As Fiedler (1996) recognised, effective leaders are important because they contribute to the success or failure of a group, an organisation, and even a whole country. Achanga et al. (2006) conducted a study on the critical success factors for implementing lean production in SMEs. One of the main findings of this research is that to successfully implement lean manufacturing in SMEs, strong leadership is essential. Sound leadership behaviour facilitates the integration of all structures in the organisation and instils a vision for the organisation, which could lead to improved performance.

Valdiserri and Wilson (2010) examined the impact of leadership behaviour on the profitability and organisational success of 48 small businesses in West Virginia and Pennsylvania, postulated that transformational and transactional leadership behaviour contributes to the profitability and success of small businesses. There was a strong correlation between transformational and transactional leadership and profitability and a moderate correlation between transformational and transactional leadership and organisational performance. They concluded that transformational and transactional leaders are able to produce a positive atmosphere and inspire and encourage employees to perform at a high level.

Leaders with transformational and transactional leadership attribute contribute to a good performance of the firm by demonstrating respect, integrity, and direction to all individuals in the firm. An earlier study by Hernez-Broome and Hughes (2004) suggested that leaders of small businesses need to develop a good understanding of forms of leadership behaviours in order to improve organisational performance. A study by Chen (2004) of 749 respondents from 57 small and medium-sized enterprises in Taiwan, looking at the effects of culture and leadership behaviour on firm performance. Chen concluded that good leadership and personal commitment by top management are critical to organisational success.

Specifically, leaders with transformational leadership can promote an innovative culture in a firm and enhance the performance of the organisation. Different forms of leadership behaviour might affect performance differently (Yang, 2008). In a study by Pedraja-rejas et al. (2006), they utilised the categories of transformational, transactional and laissez-faire behaviours with a sample of 96 managers of small companies in Chile. They aimed at finding whether leadership behaviour influences the performance (effectiveness) of small firms.

The results showed that the dominant form of leadership among managers of SMEs in Chile is transactional leadership. However, a positive significant relationship was found between transformational leadership and the effectiveness of the small firms. The effects of transactional and laissez-faire leadership on firm performance were negative but significant. Using data from 121 small to medium-sized firms, Ling et al. (2008) examined the impact of CEO transformational leadership on firm performance measured by objective and subjective measures. These authors argued that SMEs provide a particularly advantageous setting for transformational CEOs to play a central role in improving firm performance. This is because the CEO of an SME is more fully empowered than those in larger organisations and is, therefore, they able to fully empower the subordinates. In the setting of an SME, a CEO has a greater potential for instilling individual commitment and establishing high expectations. Therefore, the potential firm-level impact of transformational leadership will be most evident in the SME environment. These arguments were supported by the finding of their study that there is a significant association between the transformational leadership of CEOs and firm performance.

This finding contrasts with that of many researchers who have found the transformational leadership of CEOs to have an insignificant influence on firm performance in large firms (Agle et al., 2006; Ensley et al., 2006; Waldman et al., 2001). Ling et al. (2008) concluded that both objective and subjective measures of performance are influenced by transformational CEOs, who are able to directly encourage and support novel thinking among their subordinates due to the fact that they are closely engaged in the implementation of the firm's strategy and usually havehands-on experience. Arnold et al. (2001) also suggested that the transformational leadership of senior managers is a good predictor of improved performance.

Behery (2008) examined the effects of transformational and transactional leadership behaviour and knowledge sharing on organisational performance in the non-Western context of the UAE business environment. Five hundred and four respondents from ten large-scale companies participated in this study. Adopting the MLQ to measure leadership behaviour, his findings validated the hypotheses of the study that both types of leadership behaviour significantly influence organisational performance.

The study also demonstrated that there is universality in the MLQ as it was appropriate in a non-Western context. In an earlier study by Geyer and Steyrer (1998), an examination of the effects of transformational leadership and objective performance on banks produced the same results. Using 1,456 samples from 116 branches of 20 different banks in Austria, the results confirmed that transformational and transactional leadership scales correlated much more strongly with extra effort than objective performance measures did.

Interestingly, individualised consideration was found to be unrelated to the long-term performance of banks in Austria. Even though the original factor structure of the MLQ could not be maintained, the modified MLQ still allowed for the two dimensions of transformational and transactional leadership. Further analysis confirmed that transformational leadership has affected the performance much stronger than transactional leadership does.

The strengthening of entrepreneurship is important for any type of enterprise for developing its responsiveness to a globalised and changing environment (Aloulou & Fayolle, 2005) and entrepreneurial orientation is considered a key element for a firm's success (Wang, 2008). Davis et al. (2010) explored the relationship between the three entrepreneurial characteristics of top managers and the impacts of these characteristics on the performance of their organisations.

The findings are consistent with past research (Rauch et al., 2009) in supporting the contention that entrepreneurial orientation is positively related to organisational performance. Specifically, these investigators confirmed that top managers with a high tolerance of risk, those who favour innovation and those who possess a high level of proactiveness positively influence organisational performance.

A study by Lee et al. (2001) on 137 Korean technology start-up companies revealed that entrepreneurial orientation provides weak support for start-up companies' performance. They have suggested that it may require longer than two years for an entrepreneurial orientation to enhance the performance of an organisation significantly. This finding is somewhat correlated with the study conducted by Wiklund (1999), which found that entrepreneurial orientation has a long-term effect on performance. The author suggested that it may be valuable for small firms to invest in entrepreneurial orientation since it pays off, especially in the long term.

Fairoz et al. (2010) used the innovativeness, proactiveness and risk-taking factors in their study to examine the degree of entrepreneurial orientation and its effect on the business performance of small and medium-scale enterprises in Hambantota District Sri Lanka (HDSL). This study concluded that there is a moderate degree of entrepreneurial orientation in the majority of SMEs in HDSL. There is a positive significant relationship between proactiveness, innovativeness, risk-taking and the overall entrepreneurial orientation on the one hand and market share growth and overall business performance on the other hand. They also reported that sales growth, profit, and market share were higher for firms that with high entrepreneurial orientation than for those with low entrepreneurial orientation.

Therefore, the form of leadership behaviour being practise by leaders has implications for the level of entrepreneurship in a firm (Morris et al., 2007). In SMEs, the leadership behaviour of top management can have a strong positive impact on the innovativeness and the performance of the firm (Matzler et al., 2008). As business becomes globally competitive, SMEs require a new vision and set of directions to help them to become more competitive and to be able to sustain their business. The leadership behaviour of the CEO or owner plays a major role in ensuring appropriate directions and a clear vision to be shared with employees.

According to Stewart (1989), one of the most important elements of the entrepreneurial process is individual leadership. It is the owner's or manager's leadership style that helps foster entrepreneurial development in SMEs. Soriano and Martinez (2007) investigated the importance of leadership in transmitting an entrepreneurial spirit to the work team in an SME. They concluded that there is a positive impact of a relationship-oriented style of leadership when the leader is entrepreneurial.

The leader supports the employees' entrepreneurial potential and encourages it to flow freely among the members of the team by giving them support, rewards, and personal consideration. This finding was supported by Wang and Poutziouris (2010). According to their study, leaders of SMEs should be encouraged to exercise a people-oriented style of leadership rather than a task-oriented approach in order to bring success to their firms.

There is limited research that specifically addresses the relationships between leadership, entrepreneurial orientation and organisational performance simultaneously. But the results of studies that have separately examined the relationship between leadership and organisational performance, and that between entrepreneurial orientation and organisational performance are important indicators that both of these factors are essential to organisational success. Leadership is important to provide clear guidance, direction, and motivation to employees and to drive the focus of the organisation, and an appropriate level of entrepreneurial orientation provides the strategic orientation that can give a competitive edge.

To summarise, leadership relates to the level of entrepreneurial orientation in an organisation (Matzler et al., 2008; Morris et al., 2007). Aloulou and Fayolle (2005) claimed that the individual leaders of entrepreneurial firms display proactive, innovative and risk-taking characteristics. Yang (2008) postulated that the success of a new business venture is critically determined by the role of the entrepreneurial leader.

In his study, the researcher found that good predictors for differentiating between high and low organisational performances were transformational leadership, innovation, proactiveness, and risk-taking. This means that transformational leadership with a high entrepreneurial orientation contributes to high organisational performance. Thus, examining the mediating role of entrepreneurial orientation might provide a different avenue for understanding the direct relationship between leadership and performance.

2.6 Hypotheses Development

This section discusses the literature in relation to the development of the hypotheses proposed in this study. The seventh hypotheses are based on the three main relationships between the variables: the relationships between leadership behaviour and organisational performance; the relationships between factors of entrepreneurial orientation and organisational performance; and the role of entrepreneurial orientation as a mediating mechanism in the relationship between leadership and organisational performance. Three final path models are then developed to observe these relationships.

This section also includes a discussion of the literature that acts as a foundation for the development of each hypothesis.

2.6.1 Transformational Leadership and Organisational Performance

There are many ways that transformational leadership helps to increase the motivation, morale, and performance of followers. These include connecting the subordinate's sense of identity with the project and the collective identity of the organisation; being a role model for followers that inspires them and makes them interested; challenging followers to take greater ownership of their work, and understanding the strengths and weaknesses of followers. By doing so, leaders can match followers with tasks that enhance their performance (Odumeru & Ogbonna, 2013; Huxtable-Thomas & Hannon, 2016; Kashif et al, 2016; Kihara, 2016; Mkheimier, 2018; Mohammed Alzoraiki et al.,2018).

Scholars and researchers have taken many initiatives to identify and assess the relationship between transformational leadership and various organisational performance measures. Much evidence suggests that these two are correlated positively (Avolio et al., 1988; Yammarino & Bass, 1990; Avolio, 1999; Bass, 1998). Other studies have identified that transformational leadership is correlated with innovation (Keller, 1992; Matzler et al., 2008; Vaccaro et al., 2010, Usai et al.,2018; Ramita Abdul Rahim et al., 2016), supervisory assessments of managerial performance (Hater & Bass 1988; Waldman et al., 1987; Rodríguez-Gutiérrez, 2015), promotion (Waldman et al., 1990; Rohana Ahmad et al., 2018), effectiveness (Behery, 2008), organisational climate

(Koene et al., 2002; Rifelly Dewi Astuti et al.,2018), financial performance (Koene et al., 2002) and achievement (Howel & Avolio, 1993; Ranasinghe et al., 2018).

These positive relationships have also been reported in studies concentrating on SMEs (Hood, 2003; Yang, 2008; Matzler et al., 2008; Visser et al., 2005; Pedraja-Rejas et al., 2006; Damirch et al., 2011), and their findings have indicated that transformational leadership is more relevant to SMEs than to large organisations (Hayat & Riaz, 2011; Matzler et al., 2008; Ling et al., 2008). Hayat and Riaz (2011) claimed that transformational behaviour is linked to SMEs as its attributes are closely related to the business approach and environment in which entrepreneurs operate.

Behery (2008) investigated the relationship between transformational leadership and firm performance among 504 respondents from 10 large-scale companies in the UAE and reported that transformational leadership behaviour significantly influences firm performance. Similar results of a positive relationship between transformational leadership and organisational performance have been identified in studies on SMEs in Malaysia. For example, Lo et al. (2009) conducted a study to investigate the impact of transformational leadership in the manufacturing industry. The results showed a significant positive effect of the two variables. Md Saad & Mazzarol (2010) also indicated that transformational leadership is positively related to product and process innovation.

Finally, Abdul Aziz et al. (2013) also reported in a survey of 375 SMEs in the service industry that transformational leadership has a significant relationship with performance. Therefore, based on these arguments, it is hypothesised that:

H1: Transformational leadership has significance effect on organisational performance.

2.6.2 Transformational Leadership and Entrepreneurial Orientation

Past studies reveal that innovativeness, risk-taking, and proactiveness are the main traits of people who are entrepreneurial or intrapreneurial (Miller, 1983; Shirokova et al., 2016). Research shows that if managers possess a high level of transformational leadership traits, then the employees' level of intrapreneurial activities tends to increase as well (Moriano et al., 2014;). Arif and Akram (2018) suggest that transformational leadership is linked to innovative capabilities and is defined as a leadership style that transforms followers to rise above their self-interest by altering their morale, ideals, interests and values. Innovativeness is considered as the path of success to any process including new small businesses which has been used as a measure in many empirical studies (Hove & Goliath, 2016; Kraus, Burtscher, Vallaster & angerer, 2018; Belgacem,2015; Duru, Ehidiamhen1 & Chijioke, 2018). Muchiri (2013) also determined that transformational leadership influenced the entrepreneurial orientation and firm performance at the individual, team/work unit and organisational levels such that the influence of entrepreneurial orientation performance is strongest when firm leaders exhibit transformational leadership.

Therefore, based on these arguments, it is hypothesised that:

H2: Transformational leadership has significant effect on entrepreneurial orientation

2.6.3 Transactional Leadership and Organisational Performance

Transactional leadership, also referred to as managerial leadership, focuses on the role of supervision, organisation and group effectiveness. It is a style of leadership that encourages the compliance of subordinates through rewards and punishments. In contrast to transformational leaders, transactional leaders like to maintain operational stability and do not anticipate changing the status quo (Odumuru & Ifeanyi, 2013).

Kuhnert and Lewis (1987) asserted that transactional leadership is an exchange process between the desired outcomes of leaders and followers by fulfilling the interests of the leaders and the expectations of the followers. This process involves delivering promises or commitments embedded by respect and trust. Bass (2000) also indicated that transactional leaders effectively address the interests of their employees through contingent incentives, honour, and promises for those who succeed in meeting the commitments of the leaders or the goals of the organisation. Research has confirmed that leadership based on a contingent process can positively affect employees' satisfaction and performance (Podsakoff & Schriesheim, 1985; Paracha et al., 2012 ; Md Asadul, 2018). But some researchers have declared there is a negative effect between these variables (Yammarino & Bass, 1990; Pedraja-rejas et al., 2006; Ebrahimi et al., 2016).

In the context of GLCs in Malaysia, Amirul and Daud (2012) investigated the relationship between transactional leadership and leadership outcomes in 325 companies. The results indicated that transactional leadership is positively related to performance outcomes. Finally, several studies on SMEs in Malaysia also reported along the same lines. For example, Lo et al. (2009) found that factors of transactional leadership have a positive relationship with organisational commitment in manufacturing SMEs. Abdul Aziz et al. (2013) and Ahmad Fadhly (2016) found a positive significant relationship between transactional leadership and performance in their study on SMEs in the services sector.

In this study, the practice of transactional leadership behaviour is regarded as highly important for the success of SMEs. Giving due recognition, creating an effective exchange mechanism and identifying any problem or deviation before it becomes serious are the actions of transactional leaders that might exert positive effects on the growth and profitability of SMEs in Malaysia. Therefore, it is hypothesised that:

H3: Transactional leadership has a significant effect on organisational performance.

2.6.4 Transactional leadership and Entrepreneurial Orientation

According to Tarsik et al. (2014), transactional leadership style is exhibited in situations where gains are realised after certain set standards are met. For example, management can set individual goals, which each person should accomplish to get a bonus or a salary increase. However, this is made transactional in that employees will also demand certain resources and support from management to meet the set targets at specified deadlines. Kwasi (2015) remarks that transactional leaders are more task-or goal-oriented than people-oriented. On that note, transactional leaders define objectives and set expectations from each employee prior to the execution of the task (Martin, 2015).

Businesses in this 21st century are exposed to a plethora of challenges such as stiff competition, short product life cycles among others all emanating from globalisation. According to Panagopoulos and Avlonitis (2010), leadership style is a crucial requirement if a firm desire to adopt an EO strategy successfully. Studies such as (Nahavandi, 2006) indicate that a transactional leader creates an entrepreneurialorientation atmosphere in the organisation through the concept of exchange. Harison et al (2018) in his study identifies four distinct entrepreneurial leadership skill categories. These include technical/business skills, interpersonal skills, conceptual skills, and entrepreneurial skills. The findingsof this study also show the factors and conditions necessary for entrepreneurial leadership in a developing economy. Therefore, in this study, it is hypothesised that:

H4: Transactional leadership has a significant effect on entrepreneurial orientation

2.6.5 Entrepreneurial Orientation and Organisational Performance

Some scholars (Lumpkin and Dess, 1996, 2001) have suggested that entrepreneurial competencies should be regarded and examined as a less aggregated concept by analyzing various sub-dimensions of entrepreneurial competencies separately. However, in the seminal publications on entrepreneurial competencies it was argued that entrepreneurial competencies should be examined as an aggregated construct because in order for a firm to be entrepreneurial, the firm has to proactive, innovative, and risk-taking (Covin and Slevin, 1989; Miller, 1983).

Because the present study focuses on the relationship between the overall level of entrepreneurship and due to the fact that the three dimensions have been found to be highly interrelated (e.g. Covin et al., 2006; Keh et al., 2007), entrepreneurial competencies is conceptualized as an aggregated concept that refers to a firm's propensity to be innovative, proactive, and risk-taking (as defined by, e.g. Miller, 1983). The conceptual arguments for a positive relationship between entrepreneurial competencies and profitability are that firms have to continually seek new opportunities in order to identify new profit streams (Lumpkin and Dess, 1996).

These firms "innovate frequently while taking risks in their product market strategies" and the "efforts to anticipate demand and aggressively position new product/service offerings often result in strong performance" (Rauch et al., 2009, p. 764). As demonstrated in the two comprehensive meta-analyses on the entrepreneurial competencies performance relationship (Rauch et al., 2009; Saeed et al., 2014), there is strong empirical evidence that supports the notion that EO has a universally positive effect on performance.

Moreover, both reviews conducted separate analyses of the relationship between entrepreneurial orientation and growth, and entrepreneurial orientation and profitability, and in both studies, it could be concluded that entrepreneurial competencies has a positive effect on profitability. Some scholars have argued that the relationship between entrepreneurial orientation and performance is more complex and that entrepreneurial orientation mainly has a positive influence on performance under certain circumstances (Dimitratos et al., 2004; George et al., 2001; Messersmith & Wales, 2011).

Entrepreneurship would not exist without innovation (Covin & Miles, 1999) and firms that fail to innovate will die. This summarises the importance of innovation (Kuratko & Hodgetts, 2007). Innovativeness was introduced into the concept of the entrepreneurial process by Schumpter (1942). He also coined the term 'creative destruction' to refer to the creation of wealth by the introduction of new goods or services which disrupts existing businesses. Morris et al. (2007) defined 'innovativeness' as identifying creative, unusual or novel solutions to problems and needs.

These solutions can take the form of new processes, new products or new services. Innovation is especially important for new organisations and entrepreneurs because, without innovation, they have to rely on old ways of doing business with consecutive products/services and traditional distributions channels (Lee et al., 2001).

These authors also claimed that innovativeness displayed by new firms cannot be easily imitated by their competitors since it depends on the quantity and quality of R&D personnel and complex social relationships among these research scientists.

Innovativeness has been acknowledged as a factor that significantly contributes to organisational performance (Hult et. al., 2004; Kreiser et al., 2002; Avlonitis & Salavou, 2007). Avlonitis and Salavou (2007) found that the performance of Greek SMEs is linked positively with product innovativeness. Hughes and Morgan (2007) investigated the relationship between innovations at early-stage start-ups and established a positive correlation between innovation and product performance. This study was generated from 82 high-tech firm incubators in the UK. They also considered innovation to be the main means to provide differentiation and develop strategies superior to those of competitors. In Sri Lanka, Fairoz et al. (2010) reported a positive significant relationship between innovativeness and market share growth and overall business performance. They also concluded that there is a moderate degree of entrepreneurial orientation in the majority of SMEs in Sri Lanka.

In the context of SMEs in Malaysia, Hilmi et al. (2010) attempted to explain the connection of product and process innovativeness to the performance of 92 SMEs. They revealed that Malaysian SMEs show a high level of both product and process innovativeness but only process innovativeness is positively related to performance. Contrary with study done by Umar et al. (2018), claimed that both, product and process innovation have positive and significant impact on SMEs' performance. In a different study, innovativeness was found to relate positively to product performance among 101 SMEs in the service industry (Baba & Elumalai, 2011).

Awang et al. (2009) investigated 210 SMEs and found that innovativeness is related significantly and positively to performance. A sample from 143 manufacturing SMEs also revealed a significant positive relationship between innovativeness and organisational performance (Ahmad & Ghani, 2010). Based on these findings, it can be argued that it is important for SMEs in Malaysia to embrace innovativeness in their strategic orientation.

Research has indicated that proactiveness positively affects the success of an organisation. In South Africa, Krauss et al. (2005) investigated the proactiveness of small business owners and identified a positive significant relationship between proactiveness and business success. Hughes and Morgan (2007) established that proactiveness has a positive significant effect on both customers and product performance for firms at an early stage of growth, and this relationship continues as the venture ages. Lumpkin and Dess (2006) reported that, as a firm grows, the impact of proactiveness on organisational performance increases.

Proactiveness is also reported to relate positively to sales level, sales growth and gross profit (Kreiser et al., 2002). Earlier, Ward et al. (1994) studied the effect on the performance of proactiveness among manufacturing firms in Ohio and found that proactiveness is positively related to organisational performance. Proactiveness was also found to positively impact on market share growth and the overall business performance of SMEs in Sri Lanka (Fairoz et al., 2010).

Several studies have also reported that the strongest relationship is between several studies have also reported that the strongest relationship is between proactiveness and organisational performance compared with the influence of the other factors of entrepreneurial orientation (Kreiser et al., 2002; Hughes & Morgan, 2007). Comparing proactiveness and competitive aggressiveness, Lumpkin and Dess (2001) concluded that the constructs of entrepreneurial orientation are independent from one another, and the relationship between entrepreneurial orientation constructs and performance differs between firms.

The results from a study by Kraus et al. (2012) of 124 executives from 94 organisations showed that proactiveness has a strong significant relationship to organisational performance measures, whereas competitiveness is negatively, but not significantly, related to sales growth. Kraus et al. (2012) also found that only the factor of proactiveness is significantly and positively associated with the performance of the organisation. The other two factors (innovativeness and risk-taking) do not significantly correlate with business performance.

In the context of SMEs in Malaysia, Awang et al. (2009) revealed that proactiveness has a significant relationship with the overall performance of the 210 SMEs involved in their study. They also concluded that environmental munificence promotes proactiveness as the best predictor of effective performance. Ahmad and Ghani (2010) concluded that proactiveness has the highest significant relationship to business performance, followed by innovativeness and risk-taking, in the business performance of 143 manufacturing SMEs.

Risk taking is described as the willingness of a firm to fund resources for projects when the outcomes are uncertain (Miller, 1983; Wiklund & Shepherd, 2005). It also implies a willingness to pursue opportunities that may incur losses or have considerable performance inconsistencies (Morris, 1998). Since the term 'entrepreneur' was first debated, risk-taking behaviour has been linked to entrepreneurship (Palich & Bagby, 1995). It requires firms to take bold actions by launching into the unknown, borrowing heavily and/or investing significant resources in ventures in an uncertain environment (Rauch et al., 2009).

Mixed results are reported in regard to the impact of risk-taking on organisational performance. Some scholars have reported that there is a significant positive relationship between risk-taking and performance (Wang & Poutziouris, 2010; Fairoz et al., 2008; Yang, 2008). Their findings indicated that taking a risk is likely to improve organisational performance.

A UK-based study of 236 family firms by Wang and Poutziouris (2010) examined the impact of risk taking on business performance and reported that a risk- taking propensity correlates with entrepreneurial business performance. Fairoz et al. (2010) and Yang (2008) also reported a significant relationship between risk taking and business performance measured through market share growth and financial and overall performance in their respective studies in Sri Lanka and Taiwan. A meta-analysis consisting of 51 studies with a total of 14,259 samples also indicated a positive correlation between risk taking and performance (Rauch et al., 2004).

In the context of SMEs in Malaysia, Awang et al. (2009) reported a significant negative relationship between risk-taking and objective measures of performance. This negative relationship implies that there is a curvilinear relationship between these two elements. A contrasting finding was reported by Ahmad and Ghani (2010), who found a significant relationship between risk-taking propensity and the organisational performance of manufacturing SMEs. They also found that the three factors of EO (innovativeness, proactiveness and risk-taking) account for 66.7% of the variance in the business performance of manufacturing SMEs.

Based on these arguments, this study argues that being a risk taker supplements on an entrepreneur's innovativeness and proactiveness. Without the factor of risk-taking, it is very difficult for entrepreneurial firms to make things happen. Taking on risk is expected to provide growth and profitability. Therefore, in this study, it is hypothesised that:

H5: Entrepreneurial orientation has a significant effect on organisational performance.

2.6.6 Transformational Leadership, Entrepreneurial Orientation and Organisational Performance.

Different types of leadership behaviour can have different effects on the capacity to transmit entrepreneurial spirit and to encourage small business innovation (Soriano & Martinez, 2007). According to Eyal & Kark (2004), transformational leadership is one of the main processes in influencing followers and improving their devotion, loyalty, and enthusiasm, and it is acknowledged to set the basic conditions for a radical entrepreneurial approach. Previous studies have shown that transformational leadership contributes significantly to the factors of entrepreneurial orientation (Eyal & Kark, 2004; Yang, 2008; Arif & Akram, 2018).

Among the various factors affecting the innovativeness of an organisation, the top manager's leadership behaviour is recognised as being one of the most, if not the most, important (Jung et al., 2003 ; Dess & Picken, 2000). According to Walumbawa and Lawler (2003), transformational leaders encourage followers to think critically and develop new ideas and approaches to existing practices. In other words, firms that motivate experimentation and change encourage a culture that stimulates an entrepreneurial attitude.

Morris et al. (2007) claimed that entrepreneurship is more consistent with transformational than with transactional leadership. The results from their correlation matrix showed that entrepreneurial orientation is significantly correlated with both leadership styles, with transformational leadership having a greater value than transactional leadership. They concluded that the more transformational leadership qualities are demonstrated, the more entrepreneurial the organisation tends to be. This is because transformational leadership gives employees more discretion in how to do their jobs. Entrepreneurial firms also tend to have boards of directors that are actively involved in the firm.

From a sample of 390 respondents from service and manufacturing SMEs in Malaysia, Arham (2014) also found that transformational leadership is related to entrepreneurial orientation, and that entrepreneurial orientation is significantly related to growth and profitability. Hassim et al. (2011) proposed that appropriate behaviour of the leaders of SMEs is an important factor of a firm's strategy for enhancing its entrepreneurial stance. Based on these outcomes, the following two hypotheses are proposed:

H6: Entrepreneurial orientation has mediates the relationship between transformational leadership and organizational performance.

2.6.7 Transactional Leadership, Entrepreneurial Orientation and Organisational Performance.

Leadership has implications on entrepreneurship in a firm (Morris et al., 2007; Shafique & Kalyar., 2018). Tarabishy et al. (2005) suggested that the leader and their type of leadership style influence both their subordinates and the organisation's strategic entrepreneurial orientation.

Their study showed that there is a significant relationship between the CEO's leadership style, for both transformational and transactional leadership, and an organisation's strategic entrepreneurial orientation represented by proactiveness, innovation and risk-taking.

Transactional leadership implies that a leader has monitoring behaviour which seeks to control others to ensure stability in the workplace and to ensure that procedures are followed (Bass 1985). There are contradictory findings on leadership behaviour and entrepreneurial orientation in previous studies. Yang (2008) and Martin (2015) found that transactional leadership has a small positive relationship to entrepreneurial orientation but in a study conducted by Eyal and Kark (2004), no significant relationship was found between transactional leadership and entrepreneurial orientation. They claimed that managers who employ transactional leadership behaviour, which is related to managerial stance, are less inclined to be proactive or to encourage innovativeness.

Jung et al. (2008) contended that the leaders of an organisation have a direct influence on organisational performance through their characteristics and behaviour and an indirect influence through the strategic choices they make. Entrepreneurial orientation can be seen as a firm's strategic choice that captures the specific entrepreneurial aspects of decision making styles, methods, and practices (Wiklund & Shepherd, 2005) and it is a key to enhance organisational performance (Covin & Slevin, 1989; Lumpkin & Dess, 1996).

In the context of SMEs in Malaysia, Arham et al. (2015) established that transactional leadership is related to entrepreneurial orientation, and entrepreneurial orientation is significantly related to growth and profitabi profitability. This perspective supports the development of hypotheses in this study:

H7: Entrepreneurial orientation has mediates the relationship between transactional leadership and organizational performance.

2.7 Summary

This chapter has presented and discussed the development of a theoretical framework. Prior to the development of the research framework, two relevant theories of transformational leadership and the RBT were discussed. These theories serve as the foundation of this study. Then the research framework was presented, followed by the definitions of the variables in the framework.

Based on this framework, seven hypotheses have proposed that focus on the relationships between leadership behaviour and organisational performance, entrepreneurial orientation and organisational performance and the role of entrepreneurial orientation as a mediator in the relationship between leadership behaviour and organisational performance. The relevant literature and empirical findings to support each hypothesis were reviewed and discussed. The next chapter discusses the justification of the research methodology employed in this study.

CHAPTER 3

METHODOLOGY

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3.1 Introduction

The previous chapter presented the research framework for examining the relationships between leadership behaviour, entrepreneurial orientation, and organisational performance. It also summarised the relevant literature that supported the development of the seven hypotheses. The purpose of this study is to develop a theoretically derived and empirically tested final path model in order to test these relationships. To achieve that, this chapter describes and discusses the research design and methodology adopted in this study.

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After the introduction, Section 3.2 discusses the research paradigm that supports the selection of the research design and methodology of this study. Section 3.3 provides an explanation of the research design adopted. Section 3.4 provides the justification of the research design. Section 3.5 discusses the actions related to quantitative research design and data analysis. Finally, section 3.6 concludes this chapter.

3.2 Research Paradigm

A paradigm can be a conceptual model or a person's view of the world (Mertens, 2003; Guba & Lincoln, 1994). Several paradigms could influence the selection of the methodology used in a study. These paradigms are depicted in Table 3.1. which displays the major elements in different schools of thought on research paradigms, as discussed by Creswell (2003).

Table 3.1

Alternative Research Paradigms

Postpositivism	**Constructivism**
Determination	Understanding
Reductionism	Multiple Participants
Empirical Observation	Social and Historical Construction
Theory Verification	Theory Generation
Advocacy/Participatory	**Pragmatism**
Political	Consequences of Actions
Empowerment Issues	Problem-oriented
Collaborative	Pluralistic
Change-oriented	Real World Practice Oriented

Source: Creswell (2003)

This research employs post positivism paradigms where is sometimes also called the scientific method, positivist research or quantitative research. The term 'post positivism' refers to developments after positivism which challenged the traditional view of the absolute truth of knowledge (Phillips & Burbules, 2000). Other researchers question whether a researcher can ever be totally objective (Coffey, 1999; Creswell, 2003). Coffey, for example, argued that objectivity may perhaps be an illusion for positivist researchers, since in 'real life' one does not find out about other individuals by remaining remote from them. In this paradigm, researchers study causes that influence outcome. Thus, in this method, they begin with a theory, collect data related to the theory that either support or reject their hypotheses, then make necessary revisions before conducting additional tests (Cresswell, 2003).

3.3 Research Design

Research design provides the fundamental direction to the research project for conducting the study. According to Zikmund (2000), the major underlying principle of research design includes exploratory, descriptive and causal researches, which are commonly known as explanatory research. Exploratory research conducts into a research predicament or issues which few or no previous studies we can refer for information. The main objective of this study is to investigate the relationship between leadership behaviour and organizational performance mediated by entrepreneurial orientation. Thus, this study will employ quantitative approaches to data collections and analysis.

3.4 Justification of Research Design

There are several elements of research design discussed by Sekaran and Bougie (2010) that need to be considered by a researcher. These essential elements are the following:

i Purpose of study

ii Type of investigation

iii The extent of researcher interference

iv Study setting

v Unit of analysis

Table 3.2

Elements of Research Design

Elements of Research Design	**Applicaton in this study**
Purpose of Study	Hyphothesis Testing
Type of Investigations	Correlational
The extent of Researcher Interference	Minimal
Study Setting	Non-Contrived
Unit of Analysis	Organisational Level
Time Horizon	Cross- Sectional

Source: Sekaran & Bougie (2010).

The main purpose of this study is to empirically test the seven hypotheses as proposed in Chapter 2. The quantitative approach was included to explain the nature of certain relationships between two or more variables or to predict organisational outcomes. When the researcher is interested in describing or explaining the important variables associated with an issue, this is referred to as a correlational study (Sekaran & Bougie, 2010). This study examines the correlation effects of leadership behaviour on the organisational performance of SMEs.

The extent of interference by the researcher can be categorised into minimal, moderate and excessive interference. A correlational study involves minimal interference by the researcher with the normal flow of work and is conducted in a natural setting (Sekaran & Bougie, 2010). Since this study was done in a natural environment where work proceeds normally, it is referred to as a non-contrived setting. the correlational studies conducted in organisations are classified as field study (Sekaran & Bougie, 2010).

The unit of analysis is at the organisational level since the concern of this study is to examine whether the performance of an organisation is influenced by leadership behaviour and entrepreneurial orientation. The owners or top managers of SMEs in the manufacturing sector and service sector are the target population of this study. Wiklund (1999) claimed that the strategic orientation of the chief executive officer is likely to represent the strategic orientation of the firm. Finally, this study is a cross-sectional study, in which data are gathered just once (Sekaran & Bougie, 2010).

Cross-sectional surveys provide the opportunity to assess the relationships between variables (Reis & Judd 2000) and have been identified as the most popular form of survey method (Zikmund,2003). A cross-sectional survey is also less expensive and time-consuming than a longitudinal study and for that reason too it has been employed in this study.

3.5 Quantitative Data Collection

There are two basic approaches that can be used to investigate the data, which are quantitative and qualitative approach. Qualitative research is defined as broader term for analytical methodologies described as naturalistic, anthropological or observation based research. It is differed from quantitative research which attempts to gather data by objective methods for the information about relations, comparisons, and predictions and attempts to eliminate the researcher from the research (Smith, 1983).

According to Denscombe (1998), the difference between qualitative and quantitative approach is that the data focuses on either words or numbers. Qualitative mainly focus on observation of data while quantitative focus on measurement of numbers and data. This study used quantitative data collection methods to investigate and collect information. As per Lodico, Spaulding and Voegtle (2010), quantitative research enables the researcher to analyse the most influential factor that affects dependent variable.

3.5.1 Population

According to Sekaran and Bougie (2010), population is the total number of people, events or things that researchers wish to investigate on. There are two main sectors of SMEs in Malaysia; manufacturing and services and other sectors as endorsed by the NSDC. Table 3.3 presents the number of establishments of SMEs in Malaysia. As a result, managers or owners of SMEs in Selangor and Kuala Lumpur will make up the population for this study. As shown in Table 3.3 there are currently 179,271 SMEs in Selangor and 133,703 in Kuala Lumpur.

Table 3.3

Number of SME Establishments by State

State	Total SME	Percentage (%)
Selangor	179,271	19.8
WP Kuala Lumpur	133,703	14.7
Johor	98,190	10.8
Perak	75,140	8.3
Pulau Pinang	66,921	7.4
Sarawak	61,036	6.7
Sabah	55,702	6.2
Kedah	48,894	5.4
Kelantan	46,618	5.1
Pahang	35,573	4.1
Negeri Sembilan	32,721	3.6
Melaka	31,361	3.5
Terengganu	29,324	3.2
Perlis	6,808	0.5
WP Labuan	2,567	0.3
WP Putrajaya	1,236	0.1
Total SMEs	907,065	100.0

Source: *Economic Cencus 2016.Profile of SMEs (Reference Year 2015)*

3.5.2 Sampling

Sampling involves the process of selecting a sufficient number of the target population so that a generalisation can be made for the whole population (Sekaran and Bougie, 2010). The manner in which samples are taken influences the accuracy of the survey results and their generality.

The owners or the top managers of SMEs were selected as the target sample of the population. This decision was made due to owners' or top managers' knowledge and expertise regarding the establishment, operation, and direction of their firms. Owners and top managers are also the most informed individuals about their firm's overall operational activities (Yang, 2008).

3.5.3 Sampling Frame

A sampling frame is a representation of the elements of the population. Sekaran and Bougie (2010) defined a sampling frame as 'a physical representation of all elements in the population from which the sample is drawn' (p. 267). This physical representative could be a company database, random-digit dialing or a membership roster (Hair et al., 2000). It consists of a list or set of directions for identifying the target population. For this study, lists of SME establishments have been obtained from the SME Corp. Malaysia at http://www.smecorp.gov.my and http://www.smeinfo.com.my.

The researcher will be able to access information that included the name of the company, e-mail address, industry type or specialisation, postal address, website, and telephone numbers.

3.5.4 Sampling Technique

There are two basic types of sampling design: probability and nonprobability sampling. In probability sampling, every unit of the population has some known, non-zero chance or probability of being chosen as a sample subject. It is used when the representativeness of the sample is important for generalisations. In nonprobability sampling, the elements of the population do not have a known or predetermined chance of being selected as subjects. It is used when time or other factors are more important than generalisability (Sekaran & Bougie, 2010).

In this study, probability sampling, in which each member of the population has an equal chance of being selected for the sample, will be employed (Jackson, 2008). Specifically, the type of probability sampling used in this study was stratified sampling where the population is divided into different sub-groups or strata, and then the subjects are randomly selected from each of the strata. Stratified sampling is suitable for Structural Equation Modelling (SEM) (Awang, 2012). This method could produce more precise unbiased estimation and ensure on adequate sample size among the sub groups in the population of interest (Bryan, 2015).

3.5.5 Sample Size

The most appropriate size is an important decision to be made when calculating the sample size. If too large, the sample might lead to inefficiencies and wastage of resources. Yet too small a sample will yield information that might not be valid for making inferences about the population. Roscoe (1975) suggested that a rule of thumb for determining sample size is that a sample size of between 30 and 500 is suitable for most research. To ensure a good decision, Krejcie and Morgan (1970) simplified the model for the sample size needed given the number of population for research. Referring to the sample size for given population by Sekaran & Bougie (2010), the sample size of 384 is enough for population of up to 1 million.

The use of SEM as the main analytical procedure in this study also required a careful decision in regard to the sample size. Hair et al. (1998) recommended that the sample should be at least 100 observations to obtain reliable results. Recent recommendations suggest a critical sample size of 200 to provide sufficient statistical power for data analysis and to obtain reliable results (Yuksel et al., 2010; Hoe, 2008). Researchers have also strongly suggested avoiding a small sample size when using SEM since this might create problems and provide unstable results (Gerbing & Anderson, 1988; Fornell & Larcker, 1981). Since this study used a maximum likelihood estimation in SEM, the target of 384 samples also seemed to fit well with the requirement of sample size for SEM.

3.6 Data Collection and Administration

Data were collected via questionnaires in the form of the booklet to the SMEs owners/ managers. The questionnaires was chosen as the main data collection technique because it is appropriate when the researcher knows exactly what information is required and how to measure the variable of interest (Cavana et al., 2001). Furthermore, the questionnaire is inexpensive to administer, easy to analysed and has minimal interference from the researchers.

Hogue, A.S.M.M.(2018) stated that the mail questionnaire was used for several reasons whereby the mail surveys generate research data more rapidly and inexpensive, wide geographically area covered, and mail surveys allow information to fill the form at their own convenient time. Furthermore, this method is effective in getting financial information and personal behaviour. Therefore, a mail questionnaire was expected to generate more reliable and valid data (Greer & Lothia, 1994; Maaitah 2018).

However, using mail questionnaires has certain disadvantages such as low response rate and response bias (Greer & Lothia, 1994). The response rate from a mail questionnaire is predicted to be around 30 percent (Cavana, Delahaye & Sekaran, 2001). However, to overcome these problems, every respondent was given a package consisting of a booklet of the questionnaire and a printed address envelope which stamp attaches to it. The researcher also made telephone calls to remind respondents to fill in the questionnaires and mail it back to the researcher two weeks after the questionnaire was mailed to the respondents.

3.6.1 Translation of Questionnaire

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All measures included in these questionnaires were adopted from published literature. All measures that were originally designed in the English language were translated into the Malay language since this research was conducted in Malaysia, The use of dual language is to make it easier to respondents who might not understand the English language. Sayuti (2013) indicated that providing a translated version of a questionnaire in the Malay language guarantees clear communication with the respondent in Malaysia.

Translation questionnaires were done by following the content translation procedure. The original questionnaires were first translated into Malay language and the translated version was then presented to two lecturers at Malaysian public and private university. These lecturers were Dr. Siti Salwa Hashim from Swinburn University (Malaysia branch), and Dr. Leenora Putit from University of Technology MARA (UiTM) who are proficient in English and Malay language.

3.6.2 Pilot Test

A pilot test study is a small scalled version or trial run which is a key step to ensuring a full fledged study will be carried out successfully (Polit, Beck & Hungle& , 2001; Teijlingen & Hundley, 2002). It is also refered to as a dress rehersal (Moser & Kalthon, 1992). Cooper and Schindler (2011) suggested a sample between 25 and 100 individuals. It is also said that a range from 10 to 30 individuals are enough for a pilot test (Hill, 1998; Isaac & Michael, 1995). Moreover, several scholars suggested that that the sample size should be 10 percent of the sample projected for the main study (Connelly, 2008). Furthermore, the sample size should be decided based on type of analysis at the preliminary stage (Cooper & Schindler,2011). Traditionally, coefficient alpha is calculated to check the internal consistency reliability of the measures. Hence a sample of 30 individuals is usually advocated.

In this study, 30 respondents were being chosen from the owners / managers of SMEs companies located in Kuala Lumpur and Selangor. There were given the survey questionnaires directly and they filled it on the spot. Data collected from the respondents is essential for identifying possible problem and error occur in the questions, hence rectification can be made for the assurance of more significant and accurate data. The pilot test had been completed in 1 week before the researcher proceed to the distribution of questionnaire to the real sample size. A pilot test also can reveal any deficiency in the design of survey instruments so that this issue can be addressed before the actual research is carried out.

3.7 Research Instrument

A self-reporting instrument was developed for this research in the form of a questionnaire containing a total of 61 items in five sections: leadership behaviour (32 items), entrepreneurial orientation (11 items), organisational performance (8 items), the background of business/participant (10 items).

In the organisational sciences, the Multifactor Leadership Questionnaire (MLQ) is the most commonly used instrument for measuring transformational and transactional leadership behaviour (Tejeda et al. 2001; Muenjohn & Armstrong 2007). The researcher has obtained the questionnaire from Yogeswaran (2015) which permission granted from Mind Garden to use the MLQ Leader 5X short form that consists of 45 items. Only 32 items representing transformational and transactional leadership were included in the questionnaire.

Twenty questionnaire items in total measure four types of behaviour of transformational leadership. Eight items measure idealised influence. There are four items to measure each of the following: inspirational motivation, intellectual stimulation and individualised consideration. Twelve items in total measure three types of behaviour of transactional leadership. There are four items to measure each of the following: contingent reward, management-by-exception (active) and management-by-exception (passive). (see Appendix C). They were measured on a 10-point Likert scale that ranged from 1 (Strongly Disagree) to 10 (Strongly Agree).

Section 2, measures the entrepreneurial orientation construct, which in this study comprises the initial factors developed by Miller (1983): innovativeness, proactiveness and risk-taking. The measurement of these factors was adopted from Covin and Slevin (1989) and Wang (2008). The scale that consists of these three factors is the most widely used measure of entrepreneurial orientation in entrepreneurship literature (Arham, 2014; Runyan et al., 2012). Four items measure innovativeness, four items measure proactiveness, and three items measure risk-taking. They were measured on a 10-point

Likert scale that ranged from 1 (Strongly Disagree) to 10 (Strongly Agree). (See Appendix C).

Section 3, measures the organisational performance construct through growth and profitability. The measurement of these factors was adopted from Matzler et al. (2008) and Tan (2007). To standardise the scaling format of the research instrument, all items for entrepreneurial orientation and organisational performance were also measured on ten point Likert scales ranged from 1 (Strongly Disagree) to 10 (Strongly Agree). (See Appendix C)

Section 4, asks for demographic information and business background of the respondents. Ten questions are in four different categories. These questions were asked to obtain information about the background of the respondents and their businesses are the end of the survey questionnaire.(See Appendix C).

3.7.1 Multifactor Leadership Questionnaire (MLQ)

The Multifactor Leadership Questionnaire (MLQ) is the measure of a wide range of leadership behaviour, including non-leadership behaviour, leaders who use contingent rewards to followers, and leaders who transform their followers by being attentive to their higher order needs. The MLQ has been used in many previous studies on transformational leadership to measure various aspects of transformational/transactional leadership behaviour (Muenjohn & Armstrong, 2008; Tejeda et al., 2001). Many research programs, empirical research investigations, doctoral dissertations and master's theses all around the world have used the MLQ. The MLQ has proved to be a highly credible and trustworthy tool for measuring leadership behaviour and leadership effectiveness. Even though Ozaralli (2003) contended that the MLQ is perhaps the best validated tool for measuring transformational and transactional leadership, the psychometric properties of the MLQ have been criticised (Yukl, 1994; Tepper & Percy, 1994; Tracey & Hinkin, 1998). One of the criticisms has been that it has a heavy reliance on questionnaires to evaluate the behaviour of leaders and followers (Davis & Luthans, 1979; House & Podsakoff, 1994). This criticism has led to construct validity issues regarding whether researchers are accurately measuring leaders' behaviour and the reasons followers give for performance outcomes (Mosley, 1998).

Tepper and Percy (1994) examined the factor structure of a reduced 24 items version of Bass and Avolio's (1990) 72 items MLQ. Confirmatory factor analysis (CFA) was performed to examine the factor structure by using a sample of 290 undergraduates and 95 managers. They found that none of the hypothesised models was supported, and the idealised influence and inspirational motivation scales converged to a single latent construct. They also reported that the management-by-exception scales may need improvement or reinterpretation because none of the hypothesised models produced an acceptable fit when these scales were included in the analysis.

Geyer and Steyrer (1998) reported that there were high correlations among the transformational leadership scales. There was also a high positive correlation between the transformational leadership scale and contingent reward. Only after the original MLQ was modified to consist of only 35 items were the correlations reduced. The modified scales still produced two basic factors of both transformational and transactional leadership. A recent study by Kelloway et al. (2012) based on a sample of 269 in the US also found high correlations among the transformational leadership scales.

Yukl (1999) highlighted other weaknesses of the transformational leadership theory: oversimplifying a complex phenomenon, omission of relevant behaviour, too much emphasis on dyadic processes and other problems. He added that several aspects of leadership behaviour that are relevant for understanding leadership effectiveness are not included in the measurement scales. Some task behaviour such as planning and clarifying, some relationship behaviour such as team building and networking and some change-oriented behaviour such as scanning and analysing the external environment are not included in the measurement of leadership effectiveness.

A study by Muenjohn and Armstrong (2008) demonstrated that the nine-correlated factor model (Full Leadership Model) could be the most appropriate for capturing the constructs of transformational and transactional leadership. Based on 138 samples, this study contended that even though some of the leadership scales were strongly correlated to each other, these scales still clearly measured their own leadership constructs. Despite arguments relating to the MLQ, Kirkbride (2006) and Zagoršek et al. (2009) stated that the MLQ remains the most widely used and tested measure for transformational leadership theory.

One of the advantages of using the MLQ is that it is a multi-rater assessment measure. There is a variety of MLQ tools to choose from in order to assess leadership behaviour from the perception of the leaders themselves, followers' assessments of their leaders' effectiveness and team perception of the leader's behaviour. There is also a resource tool for use in leadership training. Due to its wide acceptance as a measure of leadership, the original MLQ has been translated into many languages and available in French, Arabic, Spanish, Italian, Chinese, Korean, Thai and Greek. The following are some of the researchers who have used the MLQ and also brief descriptions of their studies.

Khan et al. (2009) studied 296 top and middle-level managers from the main telecommunications firms in Pakistan by using the transformational leadership subscale of the MLQ. Their results substantiated that transformational leadership has a significant and positive impact on organisational innovation. Chen (2002) used the MLQ with 308 employees from three steel companies in Taiwan to study the relationship between leadership behaviour and organisational commitment. He concluded that, at the factor level, idealised influence, inspirational motivation, and individualised consideration are more strongly correlated with organisational commitment than the other factors of transformational and transactional leadership are. At the construct level, transformational leadership was found to have a stronger correlation than transactional leadership with organisational commitment.

Finally, based on the ratings of 2,200 employees of the leadership styles of top- and middle-level managers in a large telecommunications organisation, Berson and Avolio (2004) demonstrated that leaders rated as transformational displayed a 'prospector' strategy in their perception and development of strategic goals. Their qualitative and quantitative results also showed that in disseminating organisational goals, leaders with transformational leadership attributes are seen as more effective communicators by their direct employees.

Even though other measures have been established to assess transformational and transactional leadership (Rafferty & Griffin, 2004; Podsakof et al., 1990), the MLQ is considered the best validated tool (Ozaralli, 2003) and remains the most widely used and tested measure to describe transformational leadership (Kirkbride, 2006; Zagoršek et al., 2009). Therefore, it is adopted in this study as a measure of leadership behaviour.

3.7.2. Scaling of Measures

The use of a Likert scale is quite common in leadership, entrepreneurship and social science studies in general. Hinkin (1995) noted that over the past several decades, many scales have been developed to measure various attitudes, perceptions and opinions of people in all walks of life. It is also common practice for surveys to be adopted by leaders of organisations as a source of information for decision making. The likert scale ranged from 1 to 10 are used in this study because having more scale points seem to reduce skewness and has the smallest kurtosis and is close to normal (Leung, 2011).

3.8 Data Analysis

There were three stages involved in data analysis: data screening, confirmatory factor analysis (CFA) and path analysis. Data were analysed using SPSS 22.0 and Amos 22.0. Statistical Package for Social Science or SPSS was used to conduct data cleaning and analysis of data. SPSS 22.0 is a powerful, user-friendly software package for the manipulation and statistical analysis of data used in social science research (Landau & Everitt 2004; Miller & Acton 2009). Amos 22.0 (Analysis of Moment Structures) was used to perform structural equation modelling (SEM) through CFA and the development of path analyses for testing the hypotheses. SEM has become a popular technique for researchers across a variety of disciplines and progressively is a 'must' for research in the social sciences (Hooper et al. 2008 ; Awang , Z. 2015).

SEM is commonly applied for comfirmatory or explanatory research. It is a preferred method when the goal is theory testing, theory confirmation or the comparison of alternative theories (Hair et al, 2017b). Besides PLS-SEM, SEM can handle non recursive models. Therefore, SEM should be used for models with circular relationships or loops of relationships between latent variables (Hair et al., 2017b; Hair et al, 2011). For datasets with ideal data distribution, SEM is the preferred method. Byrne (2016) recommended that prior to any data analysis in AMOS, it is important to check the data that the data achieves multivariate normality.

The following steps of data analysis were performed sequentially:

i. CFA with multi-factor measurement models

ii. Construct reliability and validity of each factor

iii. Path analysis for hypothesis testing

3.8.1 Confirmatory Factor Analysis

Factor analysis plays an important role in determining the appropriates of measures used in the study, It provides confidence on the validity of item measuring a specific construct (Ali Memon et al., 2017). However, the choice of factor analysis remains elusive among Malaysian academics and post graduate students when it comes to understanding and using exploratory factor analysis (EFA), confirmatory factor analysis (CFA), or both sequentially.

CFA was employed in this study because its more appropriate with a well established scale and a priori knowledge of the factor structure (Green et al., 2016). Unlike EFA, CFA is driven by theretical expectations regarding the structure of the data (Henson & Roberts, 2006). The CFA is used as a statistical technique to confirm the factor structure of a set of observed variables. CFA allows the researcher to test the hypothesis that a relationship exists between the observed variables and their principal latent construct (Suhr 2006).

It involves the development of measurement models based on theoretical principals that represent the relationships between the observed items and the latent constructs that they are supposed to represent. The results developed from the measurement models through CFA are also used to examine internal consistency (construct reliability) and distinct validity (variance extracted), to calculate composite weighted scores and to test for convergent and discriminant validity.

To build the measurement models for each of the constructs, Amos 22.0 was used and path analysis was performed to test all the hypotheses proposed in this study. In each measurement model, the ellipses represent latent variables and the rectangles represent scale items. The observed variables are connected to the latent variables by a double-headed arrow, which reflects the theoretical relation to the construct. The values placed on top of each connecting arrow represent loading coefficients. The value for loading coefficients should be between 0 and 1 and it denotes the correlation with the construct. The response error (e.g., e3), represented in a circle for each of the measurement item, represents the portion of the variable that does not measure the hypothesised variable. Values placed on each of the observed variables indicate the variance of each item and show the reliability of the measurement items (Schumacker & Lomax 1996).

As suggested by Arbuckle (1998), the used of modification indices (MI) in Amos could improve the fit of tested models by correlating selected parameters in the models. A modification index represents the reduction in the value of chi square when the parameter is estimated or freed in a subsequent revised model (Hair et al. 2010). This modification strategy helps to improve the overall structural validity without having to change the original factor models (Arbuckle 1998). Therefore, this strategy was used.

A two-stage approach of SEM as suggested by Anderson & Gerbing (1988) was adopted. In this approach, CFA was first conducted for each construct to determine the uni-dimensionality and model fit, including measuring internal consistency, convergent validity and discriminant validity. Second, SEM was conducted through path analysis to test the proposed hypotheses. The results of both analyses are presented in Chapter 4.

3.8.2 Evaluation for Goodness-of-fit

To assess the goodness-of-fit for the hypothesised models, multiple criteria were examined. These fit criteria are important to determine the congruence between the theoretical model and the sample data. The determination of a model fit is not as easy and straightforward as in other multivariate statistical tests. To identify a correct model given the sample data, there is no single statistical test of significance for SEM fit indices, especially given the existence of equivalence or alternative models that yield exactly the same data-to-model fit (Schumacker & Lomax 2004; Byrne 2010).

Once the researcher has achieved a specified theoretical model, he or she needs to test for its plausibility based on the sample data for the purpose of evaluating the adequacy of the congruence between the hypothesised model and the sample data

(Byrne 2001). The most important task of the estimation process in SEM is to minimise the discrepancy between the predicted covariance matrices.

Many criteria are used to measure goodness-of-fit. Each model-fit measure is unique and they can be categorised into three categories: absolute, incremental and parsimony-fit (Byrne 2010; Hair et al. 2010). Hair et al. (2010) also indicated that it is acceptable to combine various model-fit criteria to evaluate global-fit measures. It is important to decide on the use of one or more appropriate fit indices, as some critical factor may influence the performance of fit indices on evaluating model fit (Hu & Bentler 1995, 1999).

In every selection of categories, there are different fit indices and some rules of thumb about the required minimum level of score/value for acceptable suitability (Byrne 2001). Kline (2005) concluded that many different fit indices have some problems in the evaluation process since there is no single standard or criterion that has been used in journals and applied by reviewers. Each reports their own preferred indices (Maruyama 1998). For example, Kenny and McCoach (2003) maintained that there is no consistent standard for evaluating an acceptable model, and they used only CFI, TLI, and RMSEA as common fit indices. In evaluating the structural validity of MLQ, Muenjohn and Armstrong (2008) used only the Chisq/df ($\chi 2$/df), GFI, AGFI and RMSEA. In this study, the following are considered to evaluate fit indices: RMSEA, GFI, AGFI, CFI and Chisq/df ($\chi 2$/df). Table 3.4 summarises the criteria used to measure overall fit of the model.

Table 3.4

The Literature Support For The Respective Fitness Index

Name of Category	Name of index	Index full name	Literature
Absolute Fit Index	**RMSEA**	Root Mean Square of Error Approximation	Brown & Cudex (1993)
	GFI	Goodness Fit Index	Joreskog & Sorbom(1984)
Incremental Fit Index	AGFI	Adjusted Goodness of Fitness	Tanabo & Huba (1985)
	CFI	Comparative of Fitness Index	Bentler (1990)
	TLI	Tucker-Lewis Index	Bentler & Bonett (1980)
	NFI	Normal Fit Index	Bollen 1989b)
Parsimony Fit	Chisq/df	Chi Square/Degree of Freedom	March & Hocever(1985

Source: Hair, Babin & Krey (2017)

3.8.2.1 Absolute fit

Absolute fit indices are used to determine how well an *a priori* model fits the sample data (McDonald & Ho 2002) and to demonstrate which proposed model has the best fit. In this category, the model fit of Root Mean Square Error Approximation (RMSEA) and Goodness-of-fit Index (GFI) guidelines are used. The RMSEA measure assists in correcting the tendency of chi-square to reject specified models. It takes into account error approximation in the population. The GFI measure indicates the relative amount of variance and covariance together explained by the model (Byrne 1989). The GFI value is calculated by comparing the discrepancy value for the model under test to the discrepancy value for a saturated version of the model, which is counted as representing a 100% fit or 1.0. However, this measure is not adjusted for degrees of freedom (Hair et al. 1995), ranging from 0 (indicating a poor fit) to 1 (indicating a perfect fit), where a recommended level of acceptance is 0.90 (Kline 2005; Schumacker & Lomax 2008; Byrne 2010). Still, Thadani and Cheung (2011) suggested that a value close to 0.90 reflects a good fit model.

3.8.2.2 Incremental fit

Incremental fit indices are also known as comparative (Miles & Shevlin 2007) or relative fit indices (McDonald & Ho 2002), referring to indices that do not use the chi-square in its raw form but compare the chi-square value to a baseline model. For these models, the null hypothesis is that all variables are uncorrelated (McDonald & Ho 2002; Hair et al. 2005).

Related to the GFI is the Adjusted Goodness-of-Fit Index (AGFI) which adjusts the GFI based on degrees of freedom, with more saturated models reducing fit (Tabachnick & Fidell 2007). Values for the AGFI also range between 0 and 1 and it is generally accepted that values of 0.80 or greater indicate well-fitting models (Chau & Hu 2001).

The Comparative Fit Index (CFI: Bentler 1990) is a revised form of the Normed Fit Index (NFI) which takes into account sample size (Byrne 1998) and performs well even with a small sample size (Tabachnick & Fidell 2007). This statistic assumes that all latent variables are uncorrelated (null-independence model) and compares the sample covariance matrix with this null model. As with the NFI, values for this statistic range between 0.0 and 1.0 with values close to 1.0 indicate good fit. A cut-off criterion of CFI ≥ 0.90 was initially advanced. However, recent studies have shown that a value greater than 0.90 is needed in order to ensure that miss specified models are not accepted (Hu & Bentler 1999). They range from 0 (poor fit) to 1 (perfect fit), and a level of 0.90 or greater is highly recommended (Hair et al. 2010).

Non-Normed Fit Index (NNFI), also known as the Tucker-Lewis index, is an index that prefers simple models. However, in situations where small samples are used, the value of the NNFI can indicate poor fit despite other statistics pointing towards good fit (Bentler 1990; Kline 2005; Tabachnick & Fidell 2007). A final problem with the NNFI is that, due to its non-normed nature, values can go above 1.0 and can thus be difficult to interpret (Byrne 1998). Recommendations are that a cut-off as low as 0.80 is permissible (Hooper et al. 2008; Hair et al. 2010) but a value above 0.90 is recommended (Hair et al. 2010).

3.8.2.3 Parsimony

According to Hair et al. (2010), the third category of parsimonious fit tests the parsimony of the proposed model by evaluating the fitness of the model to the number of estimated coefficients required to achieve the level of fit. In this category, the normed chi-square ($\chi2$/df), also known as CMIN, is the most popular fitness index used to evaluate this model. In this measure, a range of acceptable values for the $\chi2$/df ratio has been suggested, ranging from less than 5.0 to indicate a reasonable fit model (Ullman 1996; Bollen 1989). In this study, this measure is used as an indicator of overall fit, in conjunction with other measures, but not as a basis for rejecting or accepting the model.

3.8.3 Reliability

Reliability is the extent of how reliable is the said measurement model is measuring the intended latent construct. Composite Reliability indicates the reliability and internal consistency of a latent construct. A value of CR $\geq$ 0.6 or higher is required in order to achieve composite reliability for a construct ((Bagozzi & Yi 1988). Hair et al. (2010) asserted that reliability between 0.6 and 0.7 is an acceptable indicator of good reliability.

Average Variance Extracted indicates the average percentage of variation explained by measuring items for a latent construct. An AVE values $\geq$ 0.5 is required for every construct. The findings on the measures of CR and AVE are explained in detail after the description of the development of measurement models in this chapter 4.

3.8.4. Validity

According to Field (2009), it is relevant to determine the accuracy of the measurement scales in order to assess the extent to which proposed constructs have been captured, that is, to examine the validity of the instrument. Three types of validity are examined in this study: convergent validity, construct validity and discriminant validity. Convergent validity is achieved when all items in a measurement model are statistically significant. The Convergent validity could also verified by computing the Average Variance Extracted (AVE) for every construct. The value of AVE should be 0.5 or higher for this validity to achieve. Thus retaining the low factor loading items in a model cause the construct to fail Convergent validity.

Construct validity is achieved when the Fitness Indices for a construct achieved the required level. The fitness indexes indicate how fit is the items in measuring their respectitive latent constructs. The fitness indexes, their respective category, and the level of acceptance are presented in Table 3.5.

Discriminant validity indicates the measurement model of a construct is free from redundant items. AMOS could identify the items redundancy in the model through a discrepancy measure called Modification Indices (MI). High value of MI indicates the respective items are redundant. The researcher could also constraint the redundant pair as “free parameter estimate”.

Another requirement for di discriminant validity is the correlation between exogeneous constructs should not exceed 0.85. The correlation value exceeding 0.85 indicates the two exogeneous constructs are redundant or having serious multicollinearity problem.

Table 3.5

The Three Categories of Model Fit and Their Level of Acceptance

Name of Category	Name of Index	Level of Acceptance
Absolute Fit Index	RMSEA	RMSEA < 0.08
	GFI	GFI > 0.90
Incremental Fit Index	AGFI	AGFI > 0.90
	CFI	CFI > 0.90
	TLI	TLI > 0.90
	NFI	NFI > 0.90
Parsimonius Fit Index	Chisq/df	Chisq/df < 3.0

Source: Hair, Babin, & Krey, (2017)

3.9 Summary

As discussed throughout this chapter, the main objective of this study is to empirically test research hypotheses. Quantitative research was chosen as the primary source of data collection. This chapter summarised the research design and explained the process of survey development. Most importantly, this chapter provided details on how the data gathered would be analysed. The following chapter focuses on the findings derived from the analysis of the quantitative data.

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CHAPTER 4

FINDINGS

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4.1 Introduction

The objective of this chapter is to report on the analyses and findings of the results gathered from the quantitative data collected. The quantitative data in this study were analysed by using Statistical Package for Social Science (SPSS) and Structural Equation Modelling (SEM). SPSS were used to analyse the demographic profiles of the respondents. In this study, the Amos 22.0 software package was used to perform the structural equation modeling (SEM) to investigate the inter-relationships between constructs of the hypothesized model.

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4.2 Response Rate

In the survey, a total of 1,700 questionnaires were distributed to the respondents via postal mail in Selangor and Kuala Lumpur and they were given two months to complete and return the questionnaires to the researcher. From 1,700 questionnaires distributed only 435 (25.58%) were received and 401 (23.58%) sets of the questionnaire can be used for further analysis. Of these, 34 were incomplete.

4.3 Data Screening

A total of 401 usable questionnaires were first examined for accuracy of data entry and missing values, and then checked for violations of the multivariate statistical assumptions of normality, homogeneity of variance, multicollinearity and outliers. To address the issue of missing data, the researcher used the 'expectation-maximisation' (EM) iterative method available in SPSS. EM is an effective method that is often used in data analysis to manage missing data (Schafer & Olsen 1998). It is a procedure that occurs in two discrete steps to replaces the missing value. EM overcomes the problems generated through other techniques such as mean substitution or regression substitution, which produce biased estimates and underestimate the standard errors.

Outliers refer to values that are significantly lower or higher than other values in the data set (Pallant 2001). Outliers can be detected by examining the box plot of the distribution of scores for all the variables in this study and also from Mahalanobis distance (D) statistics. Thirty four outliers were detected from the box plots, extended more than 1.5 box lengths from the edge of the box. ID numbers 11, 25, 43,51, 65, 77, 81, 84, 100, 107, 115, 181, 187, 201, 226, 238, 244, 256, 268, 271,273, 281, 288, 301, 311,323, 329, 333, 356, 368, 378, 385, 389, 400 were removed from the data set, bringing the set to a total of 401 cases without the missing data that remained for further analysis.

4.4 Response Bias Test

A non-response bias test as suggested by Amstrong and Overton (1977) was conducted comparing early and late responses. The result indicated that the mean and standard deviations for the study variables for the respondents in the first stage of data collection did not differ much from those in the second stage of data collection. No difference was found between these groups.

4.5 Descriptive Analysis of Demographic Characteristics of Respondents

Descriptive analysis is used in order to elucidate and describe the characteristics of the variables of interest in a situation (Sekaran and Bougie, 2010). The total number of respondents retained for the remaining analysis was 401 (N=401). The descriptive analysis is shown as below.

4.5.1 Type of Sector

In regard to the type of sector, 146 respondents were from the manufacturing, representing 36.42% of the sample. The remaining 224 respondents came from the service sector, representing 55.9 8% of the sample and 31 respondents came from other other sector representing 7.78% of the sample as shown in Table 4.1

Table 4.1

Type of Sector

		Frequency	Percent
Valid	Manufacturing and /or related services	146	36.4
	Services and/or Information Communication Technology	224	55.9
	Other	31	7.7
	Total	401	100

4.5.2 Position in Company

In regard to the position, 65.8% of the respondents (n = 264) were the owners of the firms and the remaining 34.2% were the top managers (n = 137) as shown in Table 4.2.

Table 4.2

Position in Company

		Frequency	Percent
Valid	Owner	264	65.8
	Manager	137	34.2
	Total	401	100

4.5.3 Age of Respondents

The majority of the respondents were relatively young, aged between 31 and 40, representing 38.78% (n = 155) and 33.4% (n = 134) were aged between 41 and 50. The third largest age group was above 51 representing 15.25% (n = 61) of the sample.

Respondents aged between 25 and 30 representing 9% (n = 36) of the sample and respondents aged under 25 represented 3.7% (n = 15) of the sample population as shown in Table 4.3.

Table 4.3

Age of Respondents

		Frequency	Percent
Valid	Below 25 years	15	3.7
	25 -30 years	36	9.0
	31-40 years	155	38.7
	41 -50 years	134	33.4
	Above 51 years	61	15.2
	Total	401	100.0

4.5.4 Gender of Respondents

In regards of genders distribution, there were 218 males respondents, amounting 54.4% off the samples population whiles the 183 female respondents amounted 45.4% as shown in Table 4.4

Table 4.4

Gender of Respondents

		Frequency	Percent
Valid	Male	218	54.4
	Female	183	45.4
	Total	401	100.0

4.5.5 Race of Respondents

The majority of the respondents were Malay, representing 44.4% (n = 178) of the sample population. There were 131 Chinese respondents (32.7%), 87 Indian respondents (21.7%) and five respondents from other races (1.2%) as shown in Table 4.5.

Table 4.5

Race of Respondents

		Frequency	Percent
Valid	Malay	178	44.4
	Chinese	131	32.7
	Indian	87	21.7
	Total	401	100.0

4.5.6 Education Level

In regard to the highest education level, the majority of the respondents had at least a Degree (Bachelor), representing 57.9% (n = 232). This was followed by those with a Master's Degree represented by 15% (n = 60) of the sample. 39 respondents had a Ph.D. or other doctorate (9.7%) of the sample. 37 respondents (9.2%) had Certificate/ Diploma while 30 respondents (7.5%) had a Secondary education and 3 respondents with other qualifications, representing 0.7% of the sample population as shown in Table 4.6.

Table 4.6

Education Level

		Frequency	Percent
Valid	Secondary Education	30	7.5
	Certificate/ Diploma	37	9.2
	Degree	232	57.9
	Master	60	15.0
	PhD/Doctorate	39	9.7
	Total	401	100.0

4.5.7 Total of Employees

The majority of the respondents (52.4%; n = 210) employed between 20 to 50 employees; 82 respondents (20.4%) employed between 5 to 19 employees; 60 respondents (15%) employed between 51 to 150 employees; 44 respondents (11%) employed more than 150 employees; and only five respondents (1.2%) employed less than five employees as shown in Table 4.7.

Table 4.7

Total of Employees

		Frequency	Percent
Valid	Less than 5	5	1.2
	5 to 19	82	20.4
	20 to 50	210	52.0
	51 to 150	60	15.0
	More than 150	44	11.0
	Total	401	100.0

4.5.8 Sales Turnover

In terms of sales turnover, 58.6% (n = 235) of the respondents had a sales turnover between RM1,000,000 and RM5,000,000; 21.7% (n = 87) had a sales turnover between RM5,000,000 and RM10,000,000; 13.2% (n = 53) had a sales turnover between RM50,000 and RM200,000; 5% (n = 20) had a sales turnover between RM10,000,000 and RM25,000,000; and 1.5% (n = 6) had a sales turnover of less than RM 50,000 as shown in Table 4.8.

Table 4.8

Sales Turnover

		Frequency	Percent
Valid	Less than RM 50,000.00	6	1.5
	RM 50,000.00 < RM 200,000	53	13.2
	RM 1 Million < RM 5 Million	235	58.6
	RM 5 Million < RM 10 Million	87	21.7
	RM 10 Million < RM 25 Million	20	5.0
	Total	401	100.0

4.5.9 Firm Location

With regard to the location of operation, 51.6% of SMEs were located at Selangor and 47.6% at Kuala Lumpur as shown in Table 4.9.

Table 4.9

Firm Location

		Frequency	Percent
Valid	Selangor	207	51.6
	Kuala Lumpur	194	47.6
	Total	401	100.0

4.5.10 Tenure of Business

With respect to an organisation set up, 46.1% of SMEs had been in business between seven and ten years, 19.7% between 11 and 14 years, 15% operating more than 15 years, 14.7% between three and six years and 3.7% operating their business less than three years as shown in Table 4.10.

Table 4.10

Tenure of Business

		Frequency	Percent
Valid	Less than 3 years	15	3.7
	3 to 6 years	59	14.7
	7 to 10 years	185	46.1
	11 to 14 years	79	19.7
	More than 15 years	63	15.7
	Total	401	100.0

4.6 Pooled Confirmatory Factor Analysis (CFA)

Confirmatory Factor Analysis (CFA) is an advance of traditional of exploratory factor analysis. It is employed to test whether the measures of a construct are consistent with the researcher's understanding of the nature of that construct. In other words, its usefulness was to assess the construct validity and reliability. The CFA technique actually has two approaches such as individual CFA and pooled CFA. Those approaches are being applied in a wide range of disciplines but the most prominent approach between them was pooled CFA.

The pooled CFA is regarded as the method of choice when assessing the measurement model because it can avoid the identification problem if construct contains less than four items per construct. Apart from that, the demonstration results from pooled CFA is seemed more comprehensive than the other ones since it considered all constructs in one model (Kashif et al., 2015; Awang et al., 2015).

In the stage of pooled CFA, all constructs were assessed by inspecting their global fitness index, factor loading, and construct correlations. The global fitness index is essential to determine the level of construct quality; factor loading would provide the latter feedback on item level, and construct correlations would reflect the strong relationships between constructs involved. As such, the global fitness index can be determined by the absolute, incremental, and parsimonious fit; factor loading can be assessed by the value of standardized estimates, and construct correlations were identified by the value of standardized correlations.

The recommended value for the factor loadings is 0.60 (Hair et al., 2010; Awang, 2015; Ali et al., 2018). Meanwhile, the recommended value for the construct reliability is 0.70 (Hair et al., 2010; Nunally & Bernstein, 1994). Lastly, the recommended value for each fitness index (Hair, Babin, & Krey, 2017) is presented in Table 4.11.

Table 4.11

The Three Categories of Model Fit and Their Level of Acceptance

Name of Category	**Name of Index**	**Level of Acceptance**
Absolute Fit Index	RMSEA	RMSEA < 0.08
	GFI	GFI > 0.90
Incremental Fit Index	AGFI	AGFI > 0.90
	CFI	CFI > 0.90
	TLI	TLI > 0,90
	NFI	NFI > 0.90
Parsimonious Fit Index	Chisq/df	Chi-Square/df <3.0

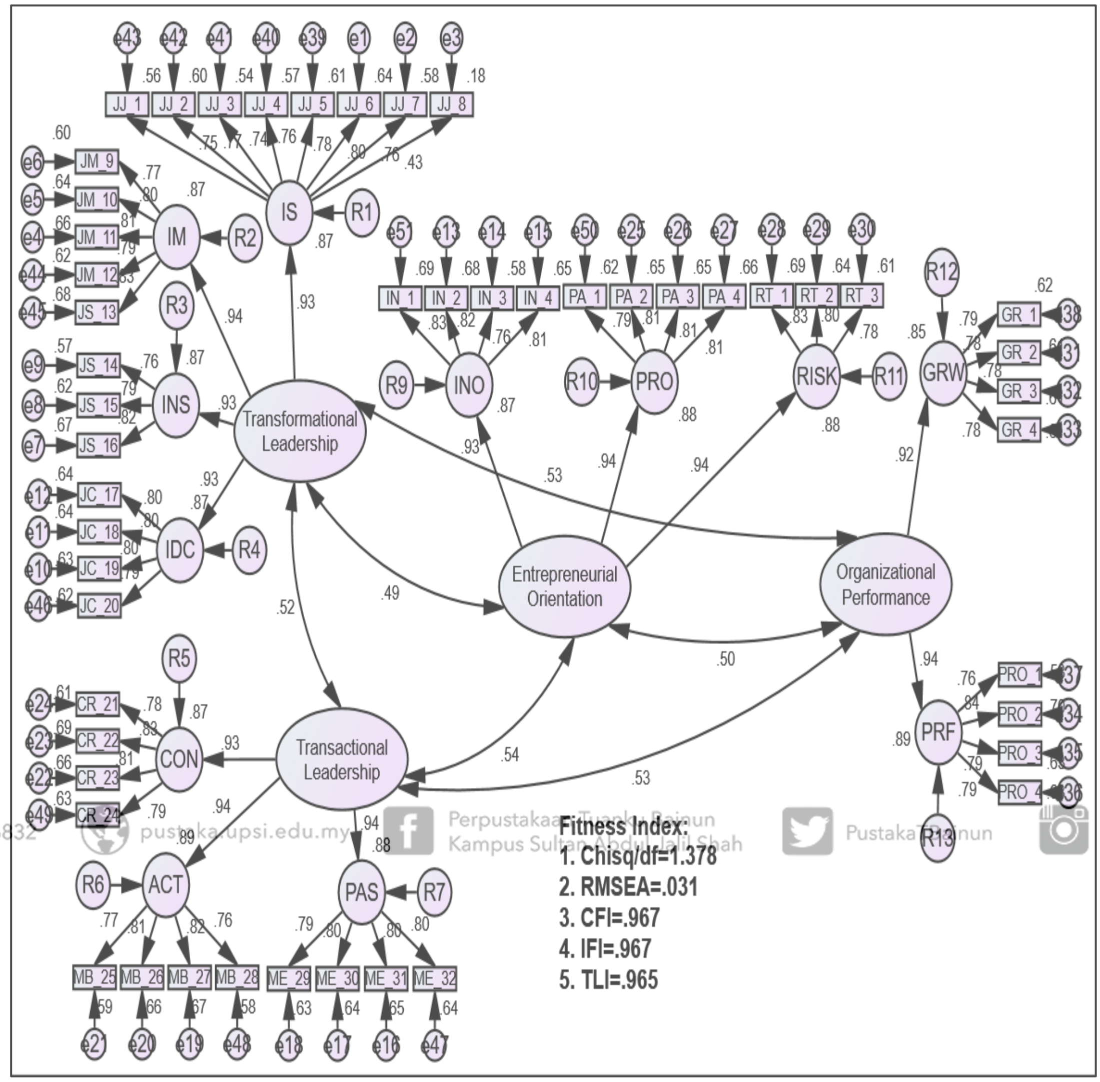
Source: Hair, Babin & Krey (2017)

4.7 Pooled CFA

The results of factor loadings, construct correlations and fitness indexes shown in Figure 4.1. By inspecting the results of fitness indexes, all fitness indexes are satisfied since the parsimonious fit (Chisq/df = 1.378 < 3.0); absolute fit (RMSEA = 0.031 < 0.08); and incremental fit (CFI = 0.967, IFI = 0.967, and TLI = 0.965 > 0.90). The factor loading also was satisfied since its value is greater than the recommended value of 0.6. However, only one item (JJ8) from Transformational Leadership was detected carry poor factor loading (0.43).

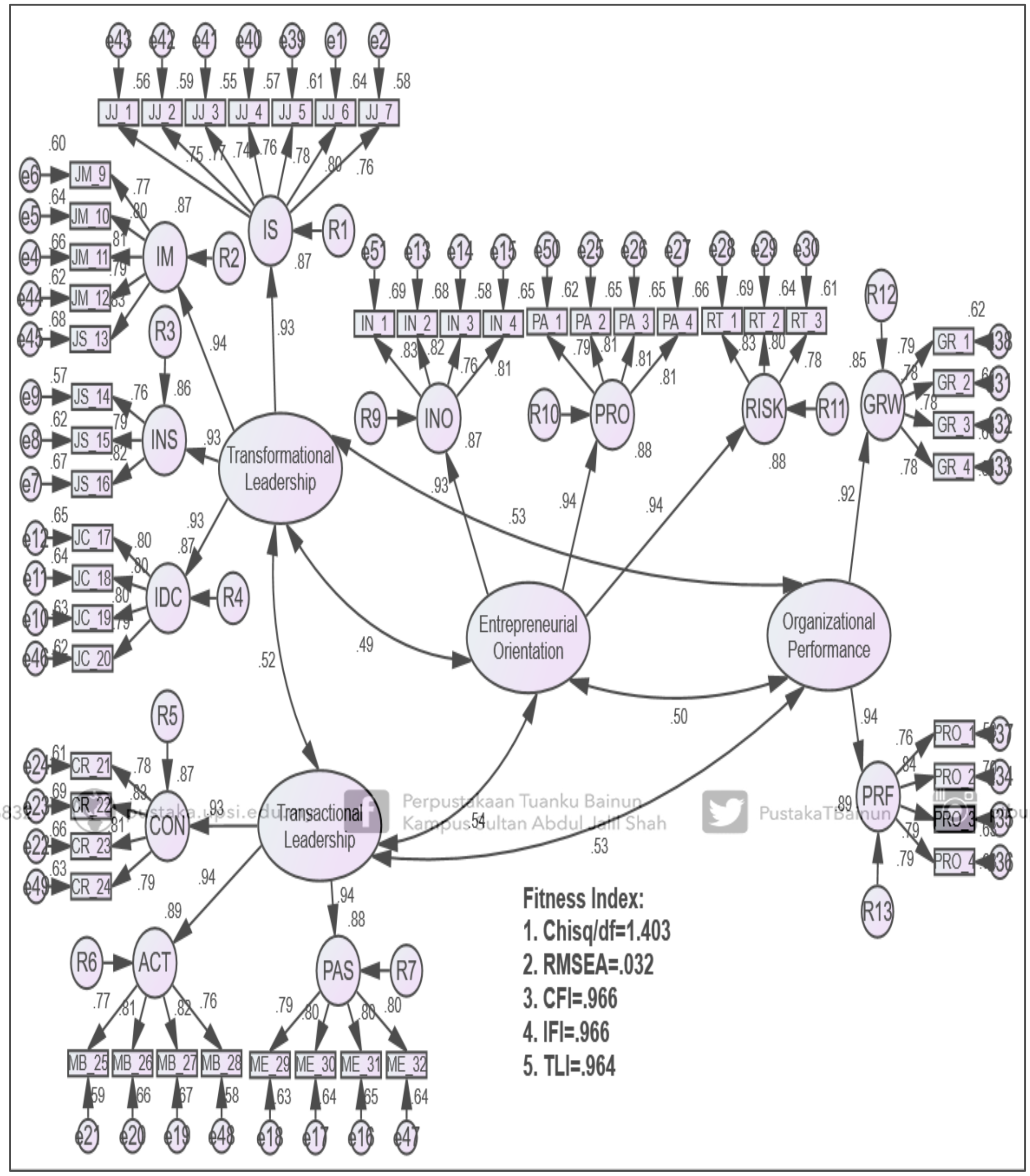
In common practice, the poor loading should be purge from the construct to increase the construct reliability and validity. As such, this study uses this approach by deleting the JJ8 item and execute the analysis again. The new results for pooled CFA are shown in Figure 4.2.

Figure 4.2 also shows that the fitness indexes of the model achieved the required level. In addition, the factor loading of all items towards their respective constructs is greater than 0.6, therefore it can be concluded that the model’s multidimensionality is achieved.



Note: IS=Idealised Stimulation, IM = Idealised Motivation, INS = Idealised Influence, IDC = Individual Consideration,CON = Contingent Reward, ACT=Management-by-exception (active), PAS =Management-by-exception (passive), INO = Innovativeness, PR0 = Proactiveness, RISK = RiskTaking, GRW = Growth, PRF = Profitability

Figure 4.1 First Model



Note: IS=Idealised Stimulation, IM = Idealised Motivation, INS = Idealised Influence, IDC = Individual Consideration, CON = Contingent Reward, ACT=Management-by-exception (active), PAS =Management-by-exception (passive), INO = Innovativeness, PR0 = Proactiveness, RISK = Risk Taking, GRW = Growth, PRF = Profitability

Figure 4.2 Pooled CFA after deleted item of JJ8

4.8 Reability and Validity

The Composite Reliability (CR) and Average Variance Extracted (AVE) as shown in Table 4.12. The Composite Reliability (CR) and Average Variance Extracted (AVE) are satisfied in that above 0.70 and 0.50 respectively (Nunnally & Bernstein, 1994; Lowry & Gaskin, 2014).

Table 4.12

Composite Reliability and Average Variance Extracted Results

Construct	Transformational Leadership	Transactional Leadership	Entrepreneurial Orientation	Organizational Performance
Transformational Leadership	**0.933**			
Transactional Leadership	0.52	**0.936**		
Entrepreneurial Orientation	0.49	0.54	**0.936**	
Organizational Performance	0.53	0.53	0.50	**0.930**

Table 4.13

Discriminant Validity Results

	CR	AVE
Transformational Leadership	0.964	0.870
IS	0.899	0.614
IM	0.888	0.614
INS	0.805	0.580
IDC	0.856	0.597
Transactional Leadership	0.955	0.877
CON	0.865	0.616
ACT	0.854	0.594
PAS	0.862	0.610
Entrepreneurial Orientation	0.955	0.877
INO	0.866	0.619
PRO	0.869	0.624
RISK	0.819	0.601
Organizational Performance	0.928	0.865
GRW	0.847	0.581
PRF	0.864	0.613

Based on Table 4.13, it is observed that the correlation between all constructs is less than 0.85 (Hair et al. 2010; Kline, 2015). Moreover, the value of AVE squared (Bold value) is higher than the correlation construct in its row and column (Fornell & Larcker, 1981). Therefore, it is concluded that the discriminant validity of the model is satisfied. Therefore, all constructs remain in the model suitable for the estimation.

Table 4.14

The summary of Fitness Indexes

Name of category	**Name of index**	**Index value**	**Comments**
Absolute fit	RMSEA	0.032	The required level is achieved
Incremental fit	CFI	0.966	The required level is achieved
	TLI	0.964	The required level is achieved
	IFI	0.966	The required level is achieved
Parsimonious fit	Chisq/df	1.403	The required level is achieved

Hair, Babin & Barry (2017) suggest the study should report at least one index from the category of Absolute Fit, Incremental Fit, and Parsimonious Fit in order to validate construct validity. From Table 4.14, we can see all fitness indexes have achieved the required level. Thus the measurement model has achieved the construct validity (Awang, 2015).

4.9 Assessment of Normality

Table 4.16 shows the assessment of normality distribution. The measure of skewness reflects the normality assessment for every item. The absolute value of skewness 1.0 or lower indicates the score is normally distributed (Awang, 2015). However, the absolute value of skewness below than 1.5 is still acceptable (Hair et al., 2010). Therefore, it can be concluded that the normality test is achieved. Moreover, the critical ratio of skewness is suggested valid when the value is below than 8.0. As is shown in this table, the value of the critical ratio of skewness is acceptable.

Other than that, the multivariate of kurtosis also can be determined to assess the normality distribution. According to Awang (2015), the acceptable results for multivariate is under 50. In this case, multivariate of kurtosis is satisfied and suitable for the parametric method as Covariance-based Structural Equation Modelling.

Table 4.15

Normality Results

Variable	**Min**	**Max**	**Skew**	**c.r.**	**Kurtosis**	**c.r.**
IN_1	2.000	8.000	-.161	-1.313	.091	.372
PA_1	2.000	8.000	-.180	-1.469	-.042	-.173
CR_1	2.000	8.000	.461	.461	-0.44	-.1.81
MB_28	2.000	7.000	.057	.470	-.127	-.519
ME_32	2.000	8.000	.071	.579	.050	.203
JC_20	1.000	6.000	-.121	-.989	-.243	-.955
JS_13	2.000	8.000	-.217	-1.770	.080	.327
JM_12	1.000	8.000	.106	.863	.321	1.311
JJ_1	2.000	8.000	-.138	-1.126	.334	1.366
JJ_2	1.000	8.000	.045	.367	.237	.970
JJ_3	3.000	9.000	-.073	-.593	-.188	-.767
JJ_4	3.000	9.000	-.005	-.041	-.055	-.225
JJ_5	2.000	8.000	-.094	-.772	.008	.031
GR_1	3.000	9.000	.051	.413	.014	.057
PRO_1	2.000	7.000	-.006	-.052	-.107	-.437
PRO_4	1.000	6.000	.099	.806	-.209	-.853

(continue)

Table 4.15 *(continued)*

Variable	Min	Max	Skew	c.r	Kurtosis	c.r
PRO_3	1.000	7.000	.294	2.405	.239	.978
PRO_2	3.000	10.000	.141	1.152	.202	.825
GR_4	1.000	8.000	.069	.565	.083	.341
GR_3	1.000	8.000	.093	.761	.130	.533
GR_2	1.000	8.000	.016	.128	.976	3.988
RT_3	2.000	8.000	.167	1.368	.076	.313
RT_2	2.000	8.000	-.120	-.977	-.080	-.328
RT_1	3.000	6.000	-.201	-1.646	.114	.465
PA_4	2.000	7.000	-.062	-.510	-.190	-.775
PA_3	1.000	5.000	-.146	-1.197	-.214	-.873
PA_2	1.000	5.000	-.137	-1.119	.250	1.022
CR_21	3.000	8.000	.029	.234	-.262	-1.071
CR_22	2.000	8.000	.058	.477	.017	.069
CR_23	2.000	8.000	.156	1.276	.125	.510
MB_25	2.000	7.000	.161	1.319	-.250	-1.023
MB_26	3.000	6.000	.072	.588	.037	.150

(continue)

Table 4.15 *(continued)*

Variable	Min	Max	Skew	c.r.	Kurtosis	c.r.
ME_29	3.000	9.000	-.020	-.163	-.193	-.789
ME_30	4.000	9.000	.254	2.078	-.344	-1.407
ME_31	1.000	8.000	-.155	-1.268	.271	1.109
IN_4	1.000	5.000	-.109	-.889	-.038	-.157
IN_3	3.000	9.000	.000	.001	.008	.034
IN_2	2.000	7.000	-.168	-1.373	-.234	-.958
JC_17	3.000	7.000	.031	.252	.304	1.244
JC_18	2.000	8.000	-.056	.459	.089	.362
JC_19	1.000	6.000	-.085	-.692	-.231	-.943
JS_14	1.000	7.000	-.108	-.884	.049	.199
JS_15	1.000	6.000	-.218	-1.781	.049	.198
JS_16	1.000	7.000	-.240	-1.959	.540	2.209
JM_9	1.000	7.000	-.113	-.926	-.064	-.263
JM_10	3.000	9.000	.134	1.099	-2.00	-.819
JM_11	1.000	8.000	-.245	-2.003	.263	1.077
JJ_7	2.000	8.000	-.133	-1.088	.140	.573
JJ_6	2.000	8.000	-.121	-.987	.073	.299
Multivariate					7.259	1.008

4.10 Structural Model

Figure 4.3 below shows the results of a structural model that will be used for the hypotheses purpose. Based on this model, two exogenous constructs were transformational and transactional leadership, one mediator knew entrepreneurial orientation and one endogenous construct was organizational performance. Every construct were treated as second-order construct which means their scales was examined by the presence of their dimension or first-order constructs.

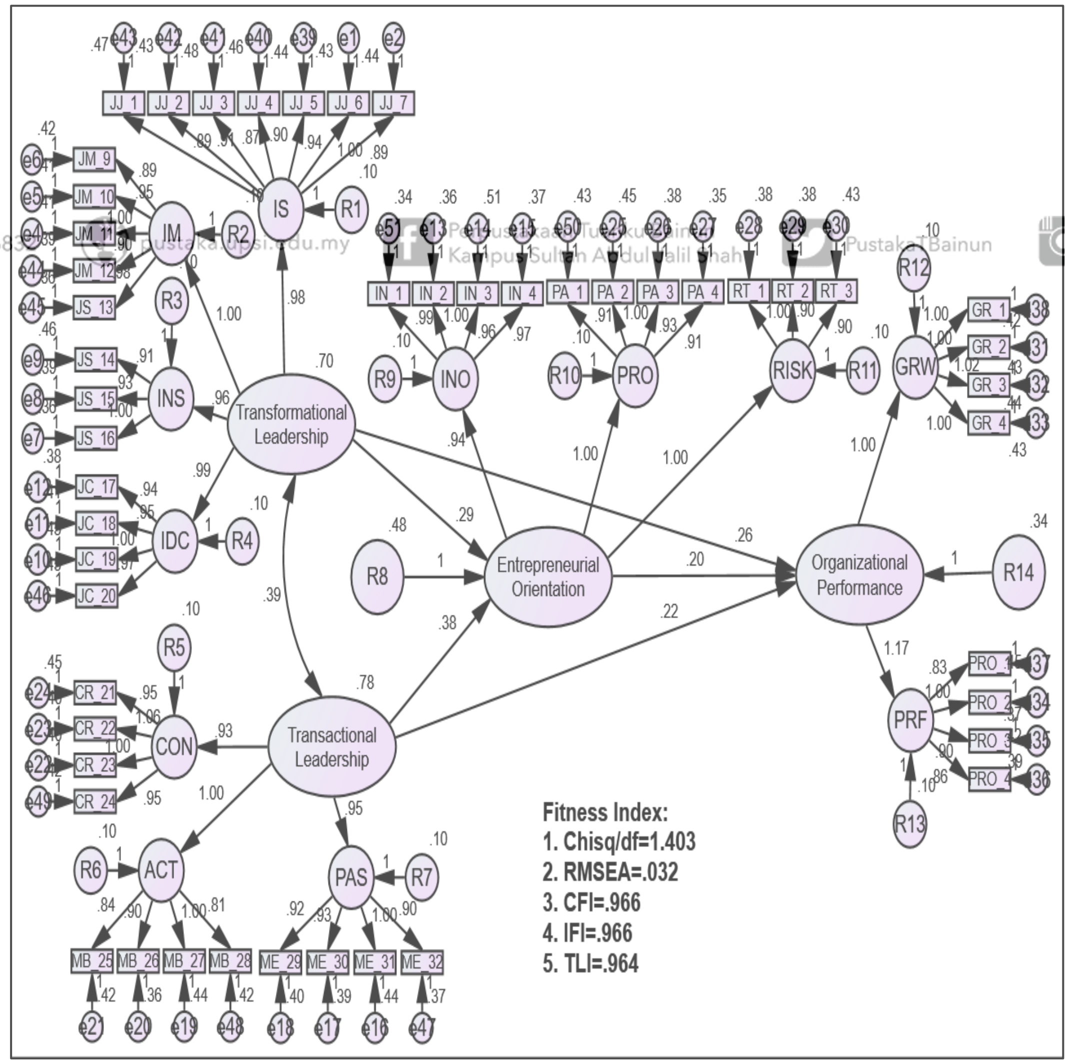


Figure 4.3 Structural Model

4.11 Regression Weight

Table 4.16 below shows the regression weight for each path analysis that has been proposed in the research hypotheses (see Chapter 1). From the table, it is clearly shown that all constructs have a significant contribution towards its respective endogenous constructs. By looking at the estimated value, transformational leadership has the highest positive contribution towards the organizational performance followed by transactional leadership and entrepreneurial orientation. Specifically, the interpretation for each effect as follows:

Table 4.16

Regression Weight

			Estimate	S.E.	C.R.	P	Result
Entrepreneurial Orientation	<---	Transformational Leadership	.288	.059	4.864	***	Significant
Entrepreneurial Orientation	<---	Transactional Leadership	.376	.059	6.430	***	Significant
Organizational Performance	<---	Entrepreneurial Orientation	.199	.054	3.678	***	Significant
Organizational Performance	<---	Transformational Leadership	.257	.055	4.686	***	Significant
Organizational Performance	<---	Transactional Leadership	.220	.054	4.057	***	Significant

4.12 Relationship between Transformational Leadership and Organisational Performance

The results of hypothesis testing for the causal effect of transformational leadership on organizational performance as expressed in H1. Table 4.17 below shows the path coefficient of transformational leadership on organizational performance is 0.257. This value indicates that for every one unit increase in transformational leadership, its effect would contribute 0.257 unit increase in organizational performance. The regression weight estimate of 0.257 has a standard error of 0.055. The critical ratio is shown as 4.686 standard errors above zero. The probability of getting a critical ratio of 4.686 in an absolute value is 0.001. What it means is that the regression weight for transformational leadership in the prediction of organizational performance is significant at 0.001 level, hence, the hypothesis that transformational leadership has a positive and significant effect on organizational performance is duly supported.

Table 4.17

The Result of Hypothesis Testing for the Causal Effect of Transformational Leadership on Organisational Performance

			Estimate	S.E.	C.R.	P	Result
Organizational Performance	<--	Transformational Leadership	.257	.055	4.686	***	Significant

4.13 Relationship between Transformational Leadership and Entrepreneurial Orientation

The results of hypothesis testing for the causal effect of transformational leadership on entrepreneurial orientation as expressed in H2. Table 4.18 below shows the path coefficient of transformational leadership to entrepreneurial orientation is 0.228. This value indicates that for every one unit increase in transformational leadership, its effect would contribute 0.228 unit increase in entrepreneurial orientation. The regression weight estimate of 0.288 has a standard error of 0.059. The critical ratio is shown as 4.864 standard errors above zero. The probability of getting a critical ratio of 4.864 in an absolute value is 0.001. What it means is that the regression weight for transformational leadership in the prediction of entrepreneurial orientation is significant at 0.001 level, hence, the hypothesis that transformational leadership has a positive and significant effect on entrepreneurial orientation is duly supported.

Table 4.18

The Results of Hypothesis Testing for the Causal Effect of Transformational Leadership on Entrepreneurial Orientation

			Estimate	**S.E.**	**C R.**	**P**	**Result**
Entrepreneurial Orientation	<---	Transformational Leadership	.288	.059	4.864	***	Significant

4.14 Relationship between Transactional Leadership and Organizational Performance

The results of hypothesis testing for the causal effect of transactional leadership on organizational performance as expressed in H3. Table 4.19 below shows the path coefficient of transactional leadership on organizational performance is 0.220. This value indicates that for every one unit increase in Transactional Leadership, its effect would contribute 0.220 unit increase in organizational performance. The regression weight estimate of 0.220 has a standard error of 0.054. The critical ratio is shown as 4.057 standard errors above zero. The probability of getting a critical ratio of 4.057 in an absolute value is 0.001. What it means is that the regression weight for transactional leadership in the prediction of organizational performance is significant at 0.001 level, hence, the hypothesis that transactional leadership has a positive and significant effect on organizational performance is duly supported.

Table 4.19

The Results of Hypothesis Testing for the Causal Effect of Transactional Leadership on Organizational Performance

			Estimate	S.E.	C.R.	P	Result
Organizational Performance	<---	Transactional Leadership	.220	.054	4.057	***	Significant

4.15 Relationship between Transactional Leadership and Entrepreneurial Orientation

The results of hypothesis testing for the causal effect of transactional leadership on entrepreneurial orientation as expressed in H4. Table 4.20 below shows the path coefficient of transactional leadership on entrepreneurial orientation is 0.376. This value indicates that for every one unit increase in transactional leadership, its effect would contribute 0.376 unit increase in entrepreneurial orientation. The regression weight estimate of 0.376 has a standard error of 0.059. The critical ratio is shown as 6.430 standard errors above zero. The probability of getting a critical ratio of 6.430 in an absolute value is 0.001. What it means is that the regression weight for transactional leadership in the prediction of entrepreneurial orientation is significant at 0.001 level, hence, the hypothesis that transactional leadership has a positive and significant effect on entrepreneurial orientation is duly supported.

Table 4.20

The Results of Hypothesis Testing for the Causal Effect of Transactional Leadership on Entrepreneurial Orientation

			Estimate	**S.E.**	**C.R.**	**P**	**Result**
Entrepreneurial Orientation	<---	Transactional Leadership	.376	.059	6.430	***	Significant

4.16 Relationship between Entrepreneurial Orientation and Organizational Performance

The results of hypothesis testing for the causal effect of entrepreneurial orientation on organizational performance as expressed in H5. Table 4.21 below shows the path coefficient of entrepreneurial orientation on organizational performance is 0.199. This value indicates that for every one unit increase in entrepreneurial orientation, its effect would contribute 0.199 unit increase in organizational performance. The regression weight estimate of 0.199 has a standard error of 0.054. The critical ratio is shown as 3.678 standard errors above zero. The probability of getting a critical ratio of 3.678 in an absolute value is 0.001. What it means is that the regression weight for entrepreneurial orientation in the prediction of organizational performance is significant at 0.001 level, hence, the hypothesis that entrepreneurial orientation has a positive and significant effect on organizational performance is duly supported.

Table 4.21

The Results of Hypothesis Testing for the Causal Effect of Entrepreneurial Orientation on Organizational Performance

			Estimate	**S.E.**	**C.R.**	**P**	**Result**
Organizational Performance	<---	Entrepreneurial Orientation	.199	.054	3.678	***	Significant

4.17 Testing Mediation

The current study contained two research hypotheses that need for the assessment of indirect effect using available approaches. The mediator constructs for this study is Entrepreneurial Orientation. This study wants to apply two approaches namely Step-Wise (Baron & Kenny, 1986) and Bootstrapping (Preacher & Hayes, 2008) approach.

Both approaches are recognized as a prominent approach for assessing the mediation effect. The use of Bootstrapping approach is to proven the results obtained from a Step-Wise approach which could be more convinced. The assessment for the mediating model begins with the Step-Wise approach followed by the Bootstrap approach. In order to get the beta estimate for indirect effect, the standardized estimates should be obtained from AMOS output. The indirect effect is yielded from standardized estimate between exogenous and mediator and endogenous construct. The product of standardized estimates is suitable for any modeling (Preacher & Hayes, 2013).

Figure 4.4 shows the standardized results. The standardized often used in assessing the mediation effect and measurement model during performing the pooled CFA. This is because the standardized estimates will help the researchers to make interpretation easily. The value from standardized estimates would fall in the range value between 0 to 1, which making it easy for comparison purpose.

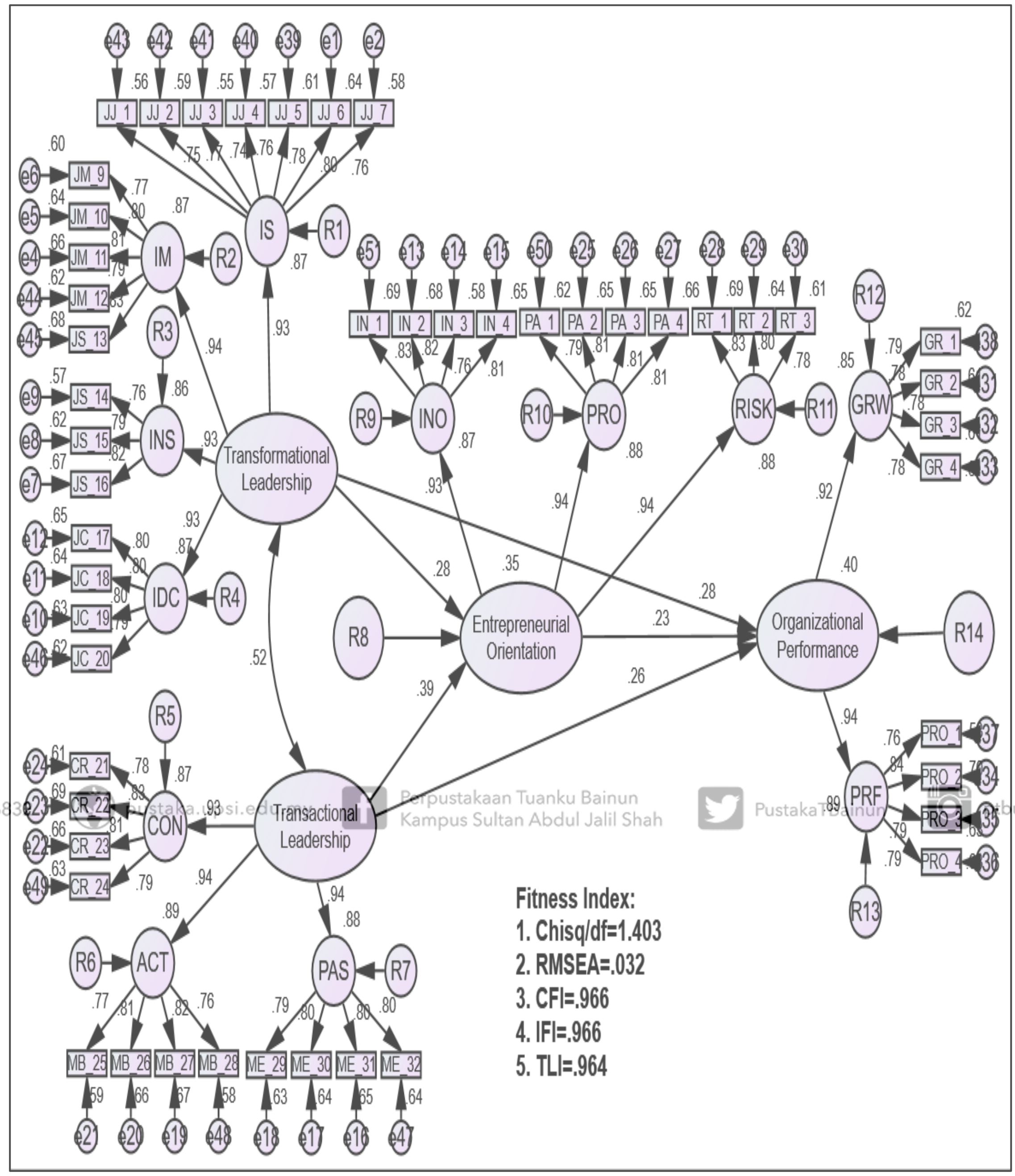


Figure 4.4 Standardized Estimates

4.18 Baron & Kenny Approach (Transformational Leadership)

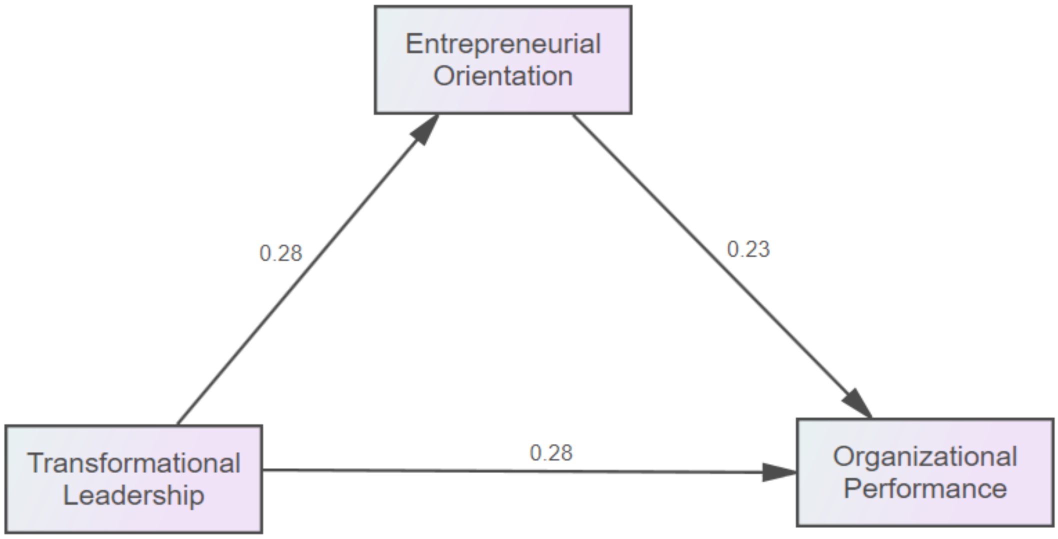


Figure 4.5 Baron & Kenny Approach for Transformational Leadership

INDIRECT EFFECT	DIRECT EFFECT
a = Transformational Leadership on Entrepreneurial Orientation = 0.28*** b = Entrepreneurial Orientation on Organizational Performance = 0.23*** a x b = 0.28 x 0.23 = 0.064	c' = Transformational Leadership on Organizational Performance = 0.28***

The result showed that the mediation is occurred in the model due to significant indirect effect. In order to compute the z-test, the value of indirect effect (a x b) should be significantly different from zero or must higher than the direct effect (c'). The indirect effect for this model is a x b = 0.064 < 0.28. It shows that the value of indirect effect is smaller than the value of direct effect although the significant indirect are shown in the result.

Therefore, this model needs to re-analyze by determining the value of direct effect when the mediator excluded from the model (Iacobucci, Saldanha, & Deng, 2007; Awang, 2015; Baron & Kenny, 1986). Accordingly, the partial mediation is said to exist when the direct effect increased after the model is estimated without the presence of mediation construct (Figure 4.6).

4.19 Baron & Kenny Approach (Transactional Leadership)

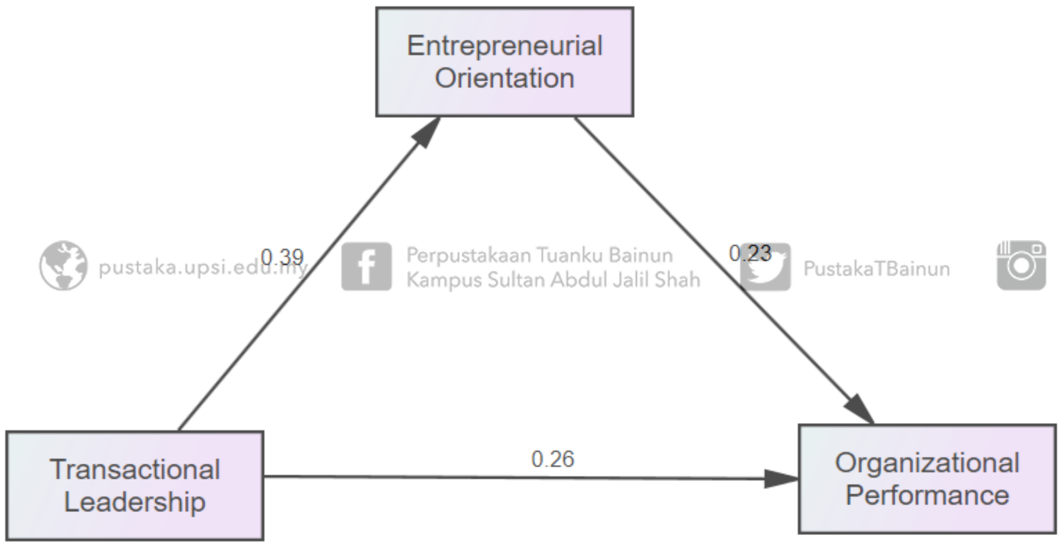


Figure 4.6 Baron & Kenny Approach Transactional Leadership

INDIRECT EFFECT
a = Transactional Leadership on Entrepreneurial Orientation = 0.39***
b = Entrepreneurial Orientation on Organizational Performance = 0.23***
a x b = 0.39 x 0.23 = 0.0897

DIRECT EFFECT
c’ = Transactional Leadership on Organizational Performance = 0.26***

The result showed that the mediation is occurred in the model due to significant indirect effect. In order to compute the z-test, the value of indirect effect (a x b) should be significantly different from zero or must higher than the direct effect (c'). For this indirect effect, a x b = 0.0897 < 0.26. It shows that the value of indirect effect is smaller than the value of direct effect although the significant indirect are shown in the result. Therefore, this model needs to re-analyze by determining the value of direct effect when the mediator excluded from the model (Iacobucci, Saldanha, & Deng, 2007; Awang, 2015; Baron & Kenny, 1986). Accordingly, the partial mediation is said to exist when the direct effect increased after the model is estimated without the presence of mediation construct (Entrepreneurial Orientation; see Figure 4.6).

4.20 Structural Model without Entrepreneurial Orientation as Mediator Construct

Figure 4.7 shows that the models without the presence of Entrepreneurial Orientation as mediator construct for estimation purpose. It shows that the direct effect, c'; transformational and transactional leadership is increased to 0.35 and 0.34. Previously, the direct effect of the presence of entrepreneurial orientation is 0.28 and 0.26. What it means is that the partial mediation occurs in this model when the direct effect is dropped after inclusion of the mediator construct. In order to confirm the results of mediation, the bootstrap approach is applied to the subsequent analysis. According to Preacher & Hayes (200) and Nitzl et al. (2016), the mediation analysis with bootstrapping approach is much recommended than the Step-Wise approach due to high statistical power, take into account of measurement errors and meets the SEM properties.

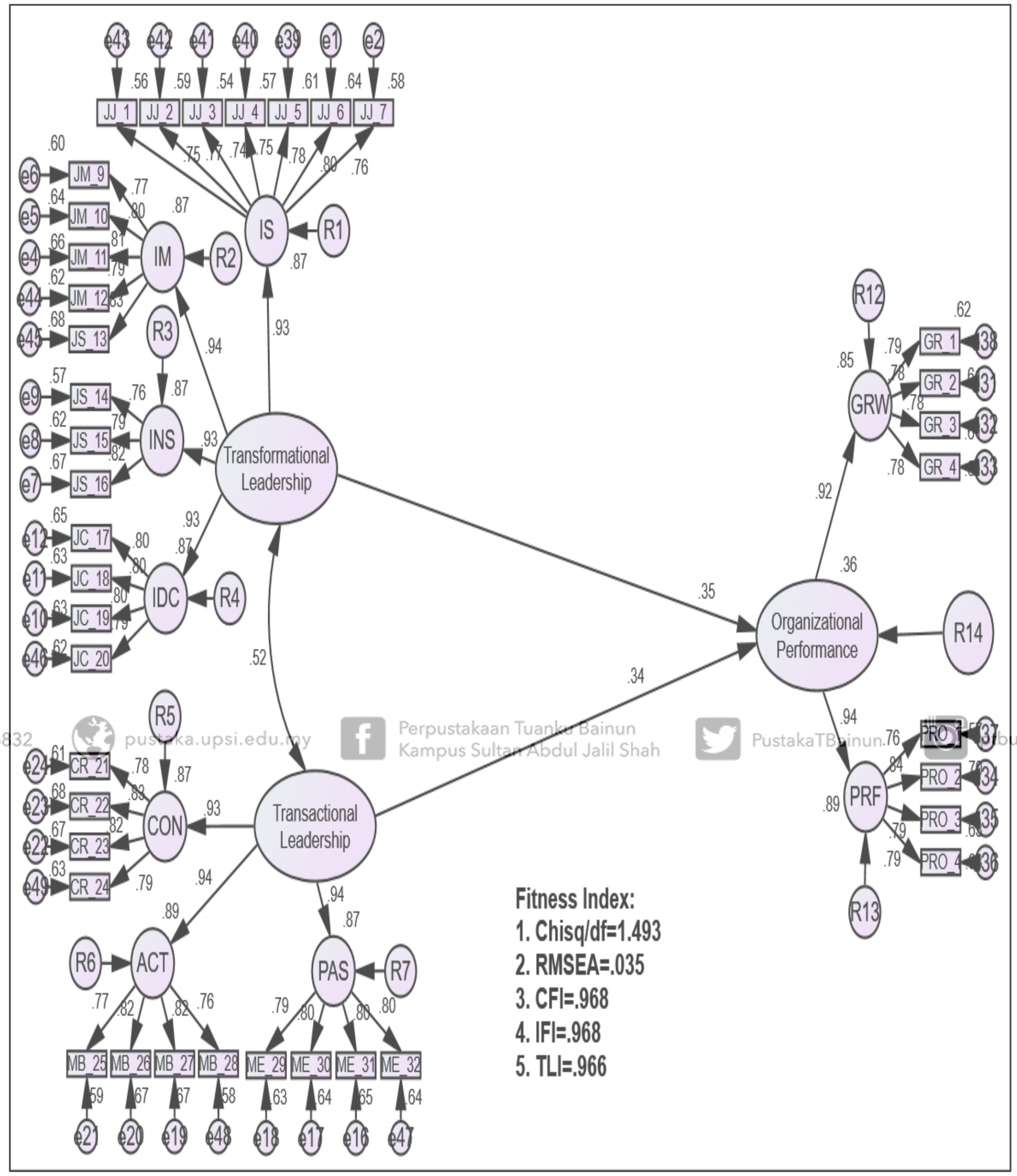


Figure 4.7 Structural Model without Mediator

4.21 Bootstrapping Approach

The use of a mediation model with bootstrap is available in AMOS software. This study used bootstrap Maximum Likelihood Estimator with 1000 replications to produce consistent and unbiased results (Bollen & Bainter, 2014). The results for the Standardized and Two-Tail between Direct and Indirect Effect are shown in Table 4.22, Table 4.23, Table 4.24, and Table 4.25.

Table 4.22

Standardized Direct Effects

	Transactional Leadership	Transformational Leadership	Entrepreneurial Orientation
Entrepreneurial Orientation	.389	.281	.000
Organizational Performance	.257	.284	.225

Table 4.23

Standardized Direct Effects - Two Tailed Significance (BC)

	Transactional Leadership	Transformational Leadership	Entrepreneurial Orientation
Entrepreneurial Orientation	.003	.001	...
Organizational Performance	.002	.002	.002

Table 4.24

Standardized Indirect Effects

	Transactional Leadership	Transformation Leadership	Entrepreneurial Orientation
Entrepreneurial Orientation	.000	.000	.000
Organizational Performance	.088	.063	.000

Table 4.25

Standardized Indirect Effects - Two Tailed Significance (BC)

	Transactional Leadership	Transformational Leadership	Entrepreneurial Orientation
Entrepreneurial Orientation	...	...	...
Organizational Performance	.001	.001	...

4.22 The Relationship Between Transformational Leadership, Entrepreneurial Orientation and Organizational Performance

Table 4.26 shows the result for mediator construct. In this study, entrepreneurial orientation construct was treated as mediator construct. Meanwhile, transformational leadership and organizational performance are examined as an exogenous and endogenous construct. The result for bootstrapping estimates and p-value was obtained by the application of Amos output. The regression weight estimate for indirect effect is 0.063. The probability of getting a bootstrap p-value for indirect effect is 0.001. What it means is that the regression weight for Entrepreneurial Orientation as mediator construct is significant at 0.001 level, hence, the hypothesis (H6) that entrepreneurial orientation has mediates the relationships between transformational leadership and organizational performance is duly supported.

Table 4.26

The Result of Direct and Indirect Effect (Transformational Leadership, Entrepreneurial Orientation, and Organizational Performance)

	Indirect Effect	**Direct Effect**
Bootstrapping Estimate	0.063	0.284
Bootstrapping P-Value	0.001	0.002
Result	Significant	Significant
Type of Mediation	**Partial Mediation**	

Furthers, to explain more about the type of mediation, the result for direct effect is examined. The regression weight for direct effect is 0.284. The probability of getting bootstrap p-value for direct effect is 0.002 (p-value < 0.05). Therefore, it can be concluded that the type of mediation for this model is Partial Mediation because the significant effect existed in the direct effect.

4.23 The Relationship between Transactional Leadership, Entrepreneurial Orientation and Organizational Performance

Table 4.27 shows the result for mediator construct. In this study, entrepreneurial orientation construct was treated as mediator construct. Meanwhile, transactional leadership and organizational performance are examined as an exogenous and endogenous construct. The result for bootstrapping estimates and p-value was obtained by the application of Amos output. The regression weight estimate for indirect effect is 0.088.

Table 4.27

The Result of Direct and Indirect Effect (Transactional Leadership, Entrepreneurial Orientation and Organizational Performance)

	Indirect Effect	**Direct Effect**
Bootstrapping Estimate	0.088	0.257
Bootstrapping P-Value	0.001	0.002
Result	Significant	Significant
Type of Mediation	**Partial Mediation**	

The probability of getting a bootstrap p-value for indirect effect is 0.001. What it means is that the regression weight for Entrepreneurial Orientation as mediator construct is significant at 0.001 level, hence, the hypothesis (H7) that Entrepreneurial Orientation has mediates the relationships between Transactional Leadership and Organizational Performance is duly supported.

Furthers, to explain more about the type of mediation, the result for direct effect is examined. The regression weight for direct effect is 0.257. The probability of getting bootstrap p-value for direct effect is 0.002 (p-value < 0.05). Therefore, it can be concluded that the type of mediation for this model is Partial Mediation because the significant effect existed in the direct effect.

4.24 RESEARCH HYPOTHESIS SUMMARY

Table 4.28 presents the summary of the findings from hypothesis testing.

Table 4.28

Summary of Hyphotheses Testing

RESEARCH HYPHOTHESES	RESULTS
HI : Transformational leadership has significant effect on organisational performance	Supported
H2 : Transformational leadership has significant effect on entrepreneurial orientation	Supported
H3 : Transactional leadership has significant effect on organisational performance	Supported
H4 : Transactional leadership has significant effect on entrepreneurial orientation	Supported

(continue)

Table 4.28 *(continued)*

RESEARCH HYPHOTHESES	RESULTS
H5 : Entrepreneurial orientation has a significant effect on organisational performance	Supported
H6 : Entrepreneurial orientation has mediates the relationship between transformational leadership and organisational performance	Supported
H7 : Entrepreneurial orientation has mediates the relationship between transactional leadership and organisational performance	Supported

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CHAPTER 5

DISCUSSIONS AND RECOMMENDATIONS

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5.1 Introduction

The main objective of this chapter is to discuss the findings presented in Chapter 4 in relation to the research questions and hypotheses developed for this study. The first section of this chapter provides a key descriptive summary of this study. This includes a discussion of several demographic results that are probably suitable for further elaboration as in Section 5.2. Section 5.3 discusses the findings from the quantitative data according to the main themes of this study by relating them to the relevant literature on the relationships between leadership behaviour, entrepreneurial orientation, and organisational performance. Section 5.4, Section 5.5, and Section 5.6 presents the

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conclusions drawn from the research framework, research questions and methodological approach. This section also deliberates on other significant findings of the study. Section 5.7 presents the contributions and implications of this research and Section 5.8 highlights the limitations of the study. Section 5.9 proposes directions for future research and Section 5.10 provides an overall summary to conclude this thesis.

5.2 Discussion of Key Demographic Results

Several demographic characteristics are worth further elaboration in this study. They are discussed in the following sections.

5.2.1 Race of Respondents

The demographic results show that the majority of the respondents in this study were Malays, followed by Chinese and Indians. However, the proportion of Malay compared to Chinese respondents does not match the percentage of business equity in the country, the majority of which is owned by the Chinese at 42.4% compared to Bumiputera only 19.4% ownership (Economic Planning Unit, 2008).

There are several possible explanations for there being mostly Malay respondents in this study. The involvement of them in training and development conducted by the government such as SME Corporation are increased.

Cultural biases perhaps also influence the lack of participation from non-Malay entrepreneurs in this survey. Cialdini (1988) and Groves et al. (1992) proposed that several factors might influence a respondent's decision to participate. One of them is 'liking'. Factors that enhance liking might include a similarity of attitude (Byrne, 1971) and a similarity of background (Stotland & Patchen, 1961). They concluded that a researcher who possesses one or both of these features in a survey request situation would be able to influence potential respondents and obtain more willing compliance from them.

In addition, several socio-demographic characteristics of the researcher, such as race, age, and gender, are believed to affect a respondent's perception of the intent of the researcher (Cialdini & Couper, 1992). This suggests that the researcher being a Malay would attract participation from Malay respondents. Consequently, having a Malay background may hinder participation by non-Malays.

Even though Malays were over-represented in this study, a recent study by Yahya et al. (2011) based on 186 small and medium enterprises in the services sector concluded that both Bumiputera and non-Bumiputera are indifferent to the management skills that affect their entrepreneurial success. Interestingly, there were more Chinese respondents (n = 103) than Malay respondents (n = 56) in their study. Their study indicated that the factors associated with the organisational success of SMEs in Malaysia are viewed similarly by entrepreneurs regardless of their race. Due to Chinese and Malays having similar perceptions of many organisational factors such as leadership and entrepreneurial skills, the over-representation of Malays might not influence the generalisation of the outcomes of this study.

5.2.2 Gender

The results of this study revealed that more male (54.36 %) than female (45.64%) respondents participated in this study. In 2015,women -owned SMEs accounted for 186,930 or 20.6 % of total SMEs in Malaysia with an annual growth rate of 8.0 percent (SME Annual Report 2016). From this study, it indicate that the increased of women entrepreneurs in Malaysia.

There might be more female managers than female owners and thus this would have contributed to the higher percentage of women leaders in this study and perhaps more women than men hold these senior managerial positions.

5.2.3 Education Level

Majority of the respondents in this study have at least a Degree (Bachelor), representing 57.9% (n = 232). This was followed by those with a Master's Degree represented by 15% (n = 60) and 39 respondents had a Ph.D. or other doctorate (9.7%). These results indicated that owners or top managers of medium-sized enterprises with higher education has display leadership behaviour tend to achieve better performance of SMEs. Karadag (2017) highlighted the importance of the education level of owner/ managers on SME financial performances. Matama (2016) also stated the levels of education had interesting results, the more small business owners advanced in education the more the financial worth was observed in small business firms. For instance, small business owners who had university degrees had more financing compared to those with secondary and lower education levels. This could be attributed to the fact that such owners that have been exposed to education may be able to read and interpret the financing documentation especially the loan contracts and the associated risks unlike the owners with secondary education and below.

5.2.4 Position in Company

The results indicated that, on average, the owners of SMEs in Malaysia use transformational leadership and transactional leadership to a greater extent than the managers of SMEs. Judge et al. (2006) concurred that the relationship between leadership and firm performance is stronger when the CEO is the firm owner rather than the manager. This means that owners display much more significant leadership behaviour in relation to the performance of their organisation than people appointed to manage a company does. As owners always want to maximise their returns (Czarnitzki & Kraft, 2004), this significant difference may be due to the reason that, as owners, they value their ownership and know that they have a lot at stake in the survivability and sustainability of their enterprises.

5.3 Discussion on Main Findings

5.3.1 Relationships between Leadership Behaviour and Organisational Performance

The first path model was developed to examine the relationship between the leadership behaviour and the organisational performance of SMEs. To examine these relationships, two research questions were addressed:

Research Question 1: To what extent does transformational have an impact on organisational performance?

Research Question 3: To what extent does transactional have an impact on organisational performance?

To answer Question 1, the study undertook an empirical examination of the impacts of both forms of leadership behaviour on organisational performance measures. Two hypotheses (H1 and H3) were proposed to answer this question. The results generated from the findings indicate that transformational leadership and transactional leadership has a significant effect on organisational performance.

Findings of this study are consistent with the study Behery (2008) investigated the relationship between transformational leadership and firm performance among 504 respondents from 10 large-scale companies in the UAE and reported that a transformational leadership behaviour significantly influences firm performance.

Similar results of a positive relationship between transformational leadership and organisational performance have been identified in studies on SMEs in Malaysia. For example, Lo et al. (2009) conducted a study to investigate the impact of transformational leadership in the manufacturing industry. Md Asadul Islam et al. (2018) also found that the transformational leadership in 112 retail company in Selangor has a significant relationship with organisational performance.

The significant positive relationship reported between the transformational leadership and organisational performance measures of this study are consistent with the results of studies conducted by Arif & Akram (2018), Dzomonda et al.(2016), Matzler et al. (2008), Pedraja-Rejas et al. (2006), Yang (2008) and Abdul Aziz et al. (2013). For example, drawing from a sample of 97 CEOs of innovative SMEs in Austria, Matzler et al. (2008) found that the transformational leadership displayed by the leaders of SMEs has a significant direct impact on innovation, growth, and profitability. They argued that the effect of transformational leadership displayed by the leader applies not only to staff in product development but is spread and applied throughout the organisation.

Transformational leadership enables employees to identify and take advantage of business opportunities for the firm. For instance, employees may be prepared to develop more efficient work routines, which reduce costs, in turn increasing profitability (Azlin et al. 2016). At the same time, there might be business opportunities that are not related to product innovations. Employees may benefit from these opportunities and gain new customers in established markets, which in turn will increase sales.

Investigating the relationship between transactional leadership and both measures of organisational performance used in this study, Ensley et al. (2006) and Yang (2008) found a significant relationship between transactional leadership and growth. Based on 168 respondents from the 66 fastest growing private firms in the US, Ensley, and colleagues found that transactional leadership is significantly related to sales growth and sales volume. They argued that transactional leadership assists coordination by setting performance expectations and clarifying reward contingencies. Over time, transactional behaviour can be used to leverage performance monitoring and send signals that allow continuing coordination and adjustment of individual behaviour to achieve better growth for the organisation. Asiimwe et al. (2016) concluded that the effectiveness of transactional leadership style is dependent on the nature of the enterprise and recommended that where employees are hired on short term contracts to deliver on specific assignments, small and Medium enterprise leaders should adopt a transactional leadership style, in order to facilitate growth of their enterprises.

One of the important findings of this study is that transformational leadership has a stronger effect on organisational performance than transactional leadership does. This outcome supports the findings of Lowe et al. (1996), Gardner and Stough (2002), Abdul Aziz et al. (2013) and Ahmad Fahly (2014) and it is consistent with other studies in Western countries (Elenkov, 2002; Howell & Avolio, 1993; Bass, 1997). Most importantly, this outcome is consistent with Bass's Full Range Leadership model (Bass & Avolio, 1997; Bass & Avolio, 2004; Bass, 1996; Bass, 1999). All these studies concluded that transformational leadership has a stronger correlation with the productivity and performance of a firm than transactional leadership does and hence it is a more effective form of leadership behaviour.

In the context of SMEs in Malaysia, similar results were reported recently by Ahmad Fadhly (2014) when they studied 395 SMEs in the services industry and manufacturing industry. The researcher found that both transformational and transactional leadership have significant effects on business performance. The researcher suggested that the stronger the behaviour of both forms of leadership, the better the performance outcomes of the firm. Their results also strongly suggested that transformational leadership is more effective than transactional leadership and passive avoidant leadership. However, studies by Obiwuru et al. (2011) and Rao (2012) have suggested the opposite results of the effect of leadership behaviour on the performance of small organisations in Nigeria. The models of OLS multiple regression were employed, and evaluated. Their results indicated that performance is highly positively affected by transactional leadership behaviour and insignificantly affected by transformational leadership behaviour.

Therefore, they concluded that transactional leadership behaviour is recommended for small enterprises. Perhaps it is due to the different culture and economic development in Nigeria that transactional leadership is considered to be more effective than transformational leadership. On the other hand, Roa (2012) tested the relationship between transformational and transactional leadership, and business performance among managers and entrepreneurs of SMEs in India. The study concluded that transactional leadership is more correlated to business performance than transformational leadership.

Contrary to what those researchers found, the results from this study indicate that when leaders exert transformational leadership behaviour, they induce higher performance in their firms than transactional leadership does. Leaders of SMEs in Malaysia recognise that their ability to exercise the attributes of transformational leadership can motivate employees and encourage higher performance outcomes. Each attribute of transformational leadership is believed to engage employees and encourage positive outcomes from them, and positively affect the growth and profitability of the firm.

Gillespie and Mann (2004) suggested that for a firm to gain support from employees, which contributes to the success of the firm, leaders need to encourage employees to grow and develop, to challenge them by setting high targets for them, to show emotional support and provide direction, to recognise individual needs and team requirements, and to develop employees' skills and capabilities.

Even though Malaysia is categorised as a developing country and possesses a different set of cultures from Western countries, entrepreneurs of SMEs in Malaysia tend to display similar leadership behaviour when it comes to transformational and transactional leadership. As discussed by Kennedy (2002) and Mansor and Kennedy (2000) in regard to the GLOBE study by House et al. (1999), Malaysian ratings for charismatic or transformational leadership are close to average when compared to 60 other countries. The findings of this study also confirm that transformational leadership is a universally endorsed leadership behaviour, as suggested by Bass (1997) and Den Hartog et al. (1999).

The study finding of a positive relationship between transformational leadership and both measures of organisational performance indicates the vast transformation that the country has undergone since the mid-1980s. Factors such as the growth of the knowledge economy, the transformation of the workforce, the adoption of emerging democratic management ideas, a better education system, a vastly increased exposure to information, joint ventures, the adoption of technology and the country's focus on a high level of industrialisation and economic development have all been linked with the adoption of many Western management theories and have led to the practice of particular leadership behaviours among business leaders in the country (Mansor & Kennedy, 2000; Abdul Rani, 2006; Abdul Rani et al., 2008; Jayasingam & Cheng, 2009; Arif & Brian, 2013; Azlin et al.2013; Rohana,2017).

Therefore, in the context of SMEs in Malaysia, this study suggests that first, the leaders of SMEs in Malaysia need to practise both forms of leadership behaviour. A similar recommendation was made by Abdul Aziz et al. (2013) . Ismail et al. (2010) Ahmad Fadhly et al.(2016) and Lim (2016) also promoted that the ability of leaders to display both transformational and transactional leadership behaviour effectively can lead to an increase in positive individual outcomes and trust in leaders which in turn produces better outcomes for the organisation.

5.3.2 Relationships between Leadership Behaviour and Entrepreneurial Orientation.

Research Question 2: To what extent does transformational leadership have an impact on stronger effect on Entrepreneurial Orientation.

The results of hypothesis testing for the causal effect of transformational leadership on entrepreneurial orientation as expressed in H2. The path coefficient of transformational leadership to entrepreneurial orientation is 0.228. This value indicates that for every one unit increase in transformational leadership, its effect would contribute 0.228 unit increase in entrepreneurial orientation. In line with the result, Arham et al. (2017) found that studied on 325 respondents representing either the owner or top manager of SME establishments operating in manufacturing or services industry, transformational leadership and all of its factors are having a significant positive correlation with entrepreneurial orientation. Also, it was found that inspirational motivation and intellectual stimulation of transformational leadership contribute significantly towards entrepreneurial orientation.

Research Question 4: To what extent does transactional leadership have an impact on entrepreneurial orientation.

The results of hypothesis testing for the causal effect of transactional leadership on entrepreneurial orientation as expressed in H4. The path coefficient of transactional leadership on entrepreneurial orientation is 0.376. This value indicates that for every one unit increase in transactional leadership, its effect would contribute 0.376 unit increase in entrepreneurial orientation.

Contrary with Yang (2008), transactional leadership was not good predictors of the total entrepreneurial orientation but in a study conducted by Eyal and Kark (2004), no significant relationship was found between transactional leadership and entrepreneurial orientation. They claimed that managers who employ transactional leadership behaviour, which is related to managerial stance, are less inclined to be proactive or to encourage innovativeness. Md Asadul et al.(2018) also claimed that the transactional leadership style has a negative impact on employee empowerment in the retail industry of Malaysia.

5.3.3 Relationship between Entrepreneurial Orientation and Organisational Performance

The second final path model focused on the relationship between entrepreneurial orientation and organisational performance. In order to address this relationship, the following research questioned was proposed:

Research Question 5: To what extent does entrepreneurial orientation influence organisational performance?

The results of hypothesis testing for the causal effect of entrepreneurial orientation on organizational performance as expressed in H5. The path coefficient of entrepreneurial orientation on organizational performance is 0.199. This value indicates that for every one unit increase in entrepreneurial orientation, its effect would contribute 0.199 unit increase in organizational performance. The regression weight estimate of 0.199 has a standard error of 0.054. The critical ratio is shown as 3.678 standard errors above zero. The probability of getting a critical ratio of 3.678 in an absolute value is 0.001. What it means is that the regression weight for entrepreneurial orientation in the prediction of organizational performance is significant at 0.001 level, hence, the hypothesis that entrepreneurial orientation has a positive and significant effect on organizational performance is duly supported.

This is in line with Arshad et al. (2014) and Chen et al. (2011), entrepreneurial orientation is important to the growth of a company and also to the growth of the economy of a country. In fact, few scholars agreed that entrepreneurial orientation is a significant contributor to a firm's success and contribute to a healthier business performance (Ibrahim & Mahmood, 2016; Mahmood & Hanafi, 2013; Zainol & Ayadurai, 2011). Walter, Auer, and Ritter (2006) pointed out entrepreneurial orientation is much needed especially in hostile and technologically sophisticated environments. Many studies have acknowledged the importance of entrepreneurial orientation to the firm's performance (Schindehutte, Morris, & Kocak, 2008; Wang, 2008 ; Takenouchi & Yukiko, 2010; Hoq & Chauhan, 2011; Mahmood & Hanafi, 2013; Lechner & Gudmundsson, 2014; Aliyu & Utar, 2015; Ibrahim & Mahmood, 2016; Abidemi et al.2018). As has been agreed by Rodrigues and Raposo (2011), and Rodrigues (2005), firms that have a high entrepreneurial orientation have a superior performance where the market share showed improvements and the number of new products, services and processes have shown some growth. Firms need to be entrepreneurial in order to survive and successfully compete, especially within fast-changing industries (Teece, 2007).

5.3.4 Mediation Effect of Entrepreneurial Orientation on the Relationship between Leadership Behaviour and Organisational Performance

The final path model developed in this study examined the role of an entrepreneurial orientation as a mediator in the relationship between leadership behaviour and organisational performance. To examine this relationship, the following research question was proposed:

Research Question 6: To what extent does entrepreneurial orientation mediate the relationship between transformational leadership behaviour and organisational performance?

Table 4.27 shows the result for mediator construct. The regression weight estimate for indirect effect is 0.063. The probability of getting a bootstrap p-value for indirect effect is 0.001. It's indicated that the regression weight for entrepreneurial orientation as mediator construct is significant at 0.001 level, hence, the hypothesis (H6) that entrepreneurial orientation has mediates the relationships between transformational leadership and organizational performance is duly supported.

Furthers, to explain more about the type of mediation, the result for direct effect is examined. The regression weight for direct effect is 0.284. The probability of getting bootstrap p-value for direct effect is 0.002 (p-value < 0.05). Therefore, it can be concluded that the type of mediation for this model is **Partial Mediation** because the significant effect existed in the direct effect.

Research Question 7: To what extent does entrepreneurial orientation mediate the relationship between transactional leadership behaviour and organisational performance?

Table 4.27 shows the regression weight for entrepreneurial orientation as mediator construct is significant at 0.001 level, hence, the hypothesis (H7) that entrepreneurial orientation has mediates the relationships between transactional leadership and organizational performance is duly supported. Furthers, to explain more about the type of mediation, the result for direct effect is examined. The regression weight for direct effect is 0.257. The probability of getting bootstrap p-value for direct effect is 0.002 (p-value < 0.05). Therefore, it can be concluded that the type of mediation for this model is **Partial Mediation** because the significant effect existed in the direct effect.

It was concluded that entrepreneurial orientation partially mediates the relationships between transformational leadership and both measures of organisational performance. Transformational leadership was found to significantly affect the level of entrepreneurial orientation practised in an organisation. In turn, entrepreneurial orientation significantly affects the growth and profitability of the. Entrepreneurial orientation also partially mediates the relationship between transactional leadership and growth and profitability. Contrary with (Ahmad fadhly,2015), entrepreneurial orientation fully mediates the relationships between transformational leadership for measures of organisational performance. These results show that the degree of being practised, developed and nurtured in an organisation is affected by leadership behaviour, particularly transformational leadership. In turn, growth and profitability are affected by entrepreneurial orientation. The results indicate that both forms of leadership behaviour have a positive effect on the entrepreneurial strategy of a firm. At the same time, this entrepreneurial strategy has a positive effect on performance.

Thus, this study concludes that entrepreneurial orientation is a good mediator in leadership and organisational performance and suggests that leaders need to focus on transformational leadership and transactional leadership to develop an appropriate level of entrepreneurial strategy to have a positive effect on organisational outcomes. The factors of transformational leadership such as creating a clear vision and mission, inspiring and guiding employees towards realising organisational goals and stimulating creative thinking to seem to be relevant to the entrepreneurial strategies of being innovative, proactive and willing to take high risks.

5.4 Discussions Based on Research Framework

Prior to the development of the research framework for this study, a comprehensive review of potential theories and theoretical literature was carried out in Chapters 2. The research framework developed in this study was influenced by the transformational leadership theory and the Research-Based Theory. Based on these theories, the framework suggests that leadership behaviour, namely, transformational and transactional leadership, and entrepreneurial orientation are both important predictors for the performance of SMEs. In addition, this framework explored the role of entrepreneurial orientation as a mediator in the relationship between leadership behaviour and organisational performance. Figure 5.1 displays the final research framework of this study.

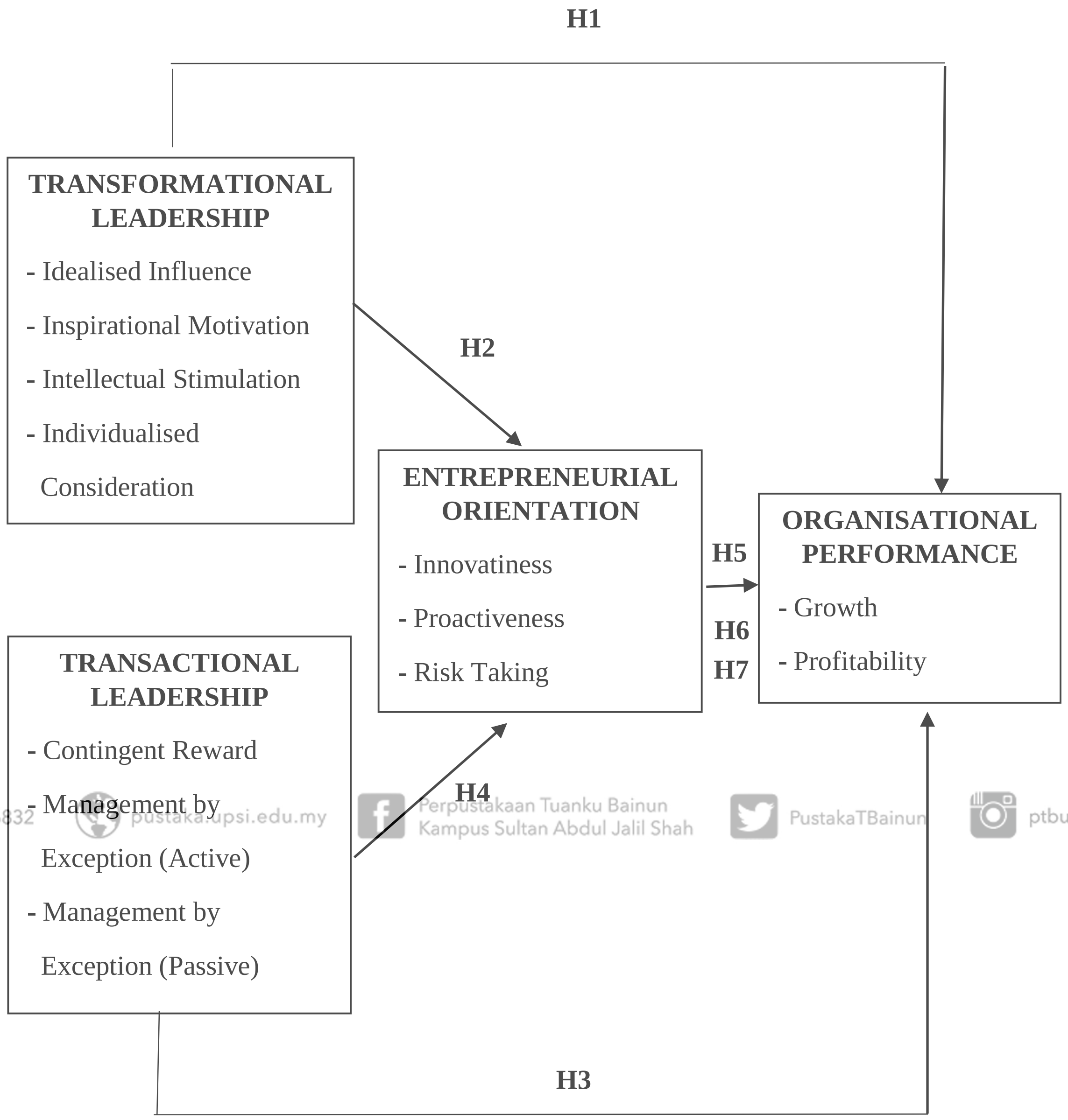

Figure 5.1 Final Research Framework

Two stages of analysis were performed, based on the research framework. The first stage was an empirical investigation of the effects of transformational and transactional leadership on the organisational performance of SMEs. The second stage examined the extent of the effect of entrepreneurial orientation as a mediator in the relationship between leadership behaviour and organisational performance. The results from these analyses are summarised in the following section.

Thus, the final framework consists of the three second-order exogenous constructs of transformational leadership, transactional leadership and entrepreneurial orientatation and the endogenous construct of organisational performance. All these constructs were validated as multi-dimensional and produced acceptable goodness-of-fit statistics. The detailed results of these analyses were discussed in Chapter 4.

5.5 Methodological Contribution

The quantitative data, the main type of data in this study, quantified and measured the extent of relationships between variables and tested proposed hypotheses. Data were gathered from the manufacturing and service industries to provide some generalisability to the population of SMEs in Malaysia. Previous studies in Malaysia on leadership behaviour and entrepreneurial orientation have mainly been quantitative, focusing on transformational leadership and/or with only a single-industry perspective (Abdullah et al., 2012; Abdul Aziz et al., 2012; Lo et al., 2009).

5.6 Other Important Outcomes

There are several other elements of this study need to be highlighted. The first one is the high representation of female respondents compared to the actual percentage of women entrepreneurs in Malaysia. Perhaps there are more female managers than female owners and this has influenced this outcome. The high representation of female respondents also indicates that female entrepreneurs want their opinions to be heard. It is a strong indication that they acknowledge and understand their important roles and that they contribute to the development of entrepreneurship in the country

Further analysis to examine whether there is any significant different between female and male leaders in their leadership behaviour, entrepreneurial orientation, and organisational performance showed no significant difference between them. The governing body of entrepreneurial development in the country should acknowledge this outcome and monitor the development of women entrepreneurs in the country. They are a force that will contribute a great deal to the performance of SMEs in the future. Their active participation in the economy is increasing and therefore they should be given the same amount of access and assistance financially and physically as men receive.

Second, leaders who are the owners of SMEs rate themselves higher in both forms of leadership behaviour and entrepreneurial orientation than top managers do. The difference in the mean scores between these two was found to be significant. This indicates that owners perceive that they have more responsibility than managers for ensuring the long-term success of their organisation. An important reason for this disparity is that their business means everything to the owners of SMEs. They have put everything they have into the business such as their savings, experience, and passion. They cannot afford to lose their business and therefore they perceive that they need to be both transformational and transactional in their leadership behaviour and also to be concerned about the levels of innovation, proactivity, and risk-taking in their business. Managers who are paid a salary are perhaps more concerned with the short-term performance of the organisation.

In common practice, the poor loading should be purge from the construct to increase the construct reliability and validity. In this study, the item JJ8 from the first order construct Idealised Influenced had to delete. It indicated that leaders of SMEs in Malaysia acknowledged that for them to be effective transformational leaders, they need to display more inspirational motivation , idealised influence, intellectual stimulation and individualised consideration factor. Meanwhile, Sidani (2007) and Arslan and Staub (2013) described leaders with this quality as motivating followers to commit to the vision of the organisation and encouraging team spirit to reach the organisational goals of increased profitability and market growth. This factor being perceived as the most important is perhaps also influenced by the collectivist culture of Malaysia, where strong emphasis is placed on group goals as well as the wellbeing of group members (Hofstede, 2001; Hofstede, 1986; Hogue,2018).

According to Triandis (2001), and Engin and McKeown (2012) in a collectivist culture, people are likely to describe themselves as aspects of a group and to focus more on group achievements for the benefit of the common good. This means that employees see themselves as a function of a group rather than as just individuals. In contrast, people in an individualist culture are motivated by personal goals.

5.7 Contributions and Implications of Research Findings

The outcomes of this study generate theoretical contributions and managerial implications. These contributions and implications are drawn from the conclusions as discussed in the previous sections.

5.7.1 Theoretical Contributions

The first theoretical contribution of this study comes from the framework based on the transformational leadership theory and the Research-Based Theory. This framework augments the body of knowledge in existing literature in the area of leadership and entrepreneurship in confirming the applicability of these Western developed concepts to a developing country such as Malaysia. In addition, the assessment of leadership behaviour and entrepreneurial orientation as resources and capabilities from the Research-Based Theory perspective enables a conclusive examination of whether transformational leadership, transactional leadership and entrepreneurial orientation effect on the organisational performance of SMEs in Malaysia. It can be concluded that both leadership behaviour and entrepreneurial orientation are important resources and capabilities that enhance and sustain organisational performance.

A major theoretical contribution of this study relates to the modified version of the Questionnaire (MLQ) for the transformational leadership construct. The results as presented in Chapter 4 indicated that the factor structure for the transformational leadership construct of the MLQ cannot be maintained. Due to low factor loadings, and cross-loading resulting in the removal of the individualised influenced factor (We specify the importance of having a strong sense of purpose). Ahmad Fadhly (2014) and Ozaralli (2003) had to removed factor idealized consideration from the final analysis.

It was empirically proved that transformational leadership and transactional leadership have significant positive relationships with measures of organisational performance. The theoretical and hypotheses testing provided evidence that leaders of SMEs in Malaysia perceive themselves as practising transformational and transactional leadership behaviour, and both were found to have significant positive effects on performance.

This study also makes a significant contribution to the field of entrepreneurship in the context of a developing country. The results of this study provide evidence that entrepreneurial orientation is an important strategic orientation for SMEs and the effect of each factor of entrepreneurial orientation vary independently. Quantitative data provided significant evidence that leaders of SMEs in Malaysia believe that they are practising and developing this strategic orientation in their organisation.

The central finding of this study arose from the intention to study entrepreneurial orientation as a mediating mechanism to enrich existing theoretical models of the direct relationship between leadership behaviour and organisational performance. Despite the independent links established between leadership and performance (As-Sadeq & Khoury, 2006; Ling et al., 2008; Lo et al., 2010) and between entrepreneurial orientation and performance (Moreno & Casillas, 2008; Rauch et al., 2009; Wiklund, 1999), very few studies have examined the relationships between these three variables simultaneously (Todorovic & Schlosser, 2007; Yang, 2008; Ahmad Fadhly, 2014). Therefore, a further understanding of the relationships between these variables transformational and transactional leadership, entrepreneurial orientation and organisational performance adds new knowledge to leadership and entrepreneurship literature in the context of SMEs in Malaysia.

It was found that entrepreneurial orientation is a mediator between leadership behaviour and organisational outcomes. The final theoretical models, besides confirming the direct relationships between transformational leadership and organizational performance and between transactional leadership and organizational performance also indicate that the presence of entrepreneurial orientation partially mediates these direct relationships. This signifies that an organisation’s strategies to expand the business and to earn more profits not only realised from leadership behaviour but also through the development of entrepreneurial orientation.

A strong emphasis on entrepreneurial orientation may effectively enhance the ability of leadership behaviour to affect performance. This also indicates that the factors of entrepreneurial orientation are effectively compatible with both transformational and transactional leadership while being more effective for transformational leadership.

It was demonstrated that transformational leadership has a stronger and more significant relationship to entrepreneurial orientation than transactional leadership has, and entrepreneurial orientation is significantly related to both measures of organisational performance. This means that transformational leadership is able to foster effective utilisation of the strategic orientation of a firm and this orientation exerts positive outcomes. Theoretically, leaders with transformational leadership behaviour who embrace the development of entrepreneurial orientation would have a significantly strong effect on organisational performance.

Another significant finding in this study is that transformational leadership is perceived to have a stronger effect on growth and profitability than transactional leadership does. Even though most studies in the scope of small businesses in developing countries have indicated the opposite (Obiwuru et al., 2011; Rao, 2012; Paracha et al., 2012), the outcomes of this study are similar to those in the majority of Western researches (Boerner et al., 2007; Elenkov, 2002; Howell & Avolio, 1993; Bass, 1997; Bass et al., 2003). The leaders of SMEs in Malaysia perceived that the performance of their firms will significantly improve when they practise the behaviour of transformational leaders. Thus, this result contributes significantly to the field of leadership research, especially in the context of SMEs in Malaysia.

5.7.2 Managerial Implications

The core objective of conducting this study is to present outcomes which might be beneficial to and practical for SMEs in the manufacturing and service industries. The findings of this study conclude that the leadership behaviour of owners and top managers and entrepreneurial orientation are important variables that affect a firm's growth and profitability.

The practice of transformational leadership, transactional leadership and entrepreneurial orientation are perceived to positively affect the outcomes of the firm. More importantly, leaders of SME establishments in these industries are encouraged to understand the complex interaction between their leadership behaviour and the level of entrepreneurial orientation practised in their organisation since these factors are acknowledged as important elements for organisational success.

It is hoped that the outcomes of this study will help to fill the gap in the understanding of the leadership behaviour of Malaysian business leaders, particularly in the context of SMEs. The study concludes that leaders of SMEs in Malaysia are practising and displaying transformational and transactional leadership. These two types of leadership behaviour were empirically tested and showed significant positive effects on growth and profitability. Thus, leaders are encouraged to further develop their understanding of transformational and transactional leadership. Personal initiatives to learn and develop skills and knowledge in regard to these forms of leadership behaviour may benefit them and their organisations.

The results obtained from data established the form of leadership behaviour that would contribute most to the success of SMEs. This study suggests that, of the two types of leadership behaviour, transformational leadership is a more efficient form of leadership behaviour than transactional leadership. SMEs in Malaysia need to display, practise and nurture the qualities of transformational leadership to improve the performance of their organisation. The qualities associated with transformational leadership elevate the level of motivation of employees and encourage them to reach their full potential. In return, entrepreneurs who practise transformational leadership seem to generate and achieve better organisational growth associated with a high market share, business expansion, and high profitability.

The quantitative findings also have significant implications for the development of strategic orientation in a firm. The empirical findings indicate that the ability of SMEs to innovate, be proactive in their strategic action and willing to take a considerable amount of risk can significantly affect the success of the firm. Thus, the implementation and development of factors of entrepreneurial orientation require organisations to persevere and to be consistent and creative in their efforts and the allocation of the resources to be invested into their products and services. These entrepreneurial attitudes must be the practice and policy not only for leaders. They must be transferred to every member of the organisation to maximise results for the organisation.

Practically, the outcomes from this study have significant implications for the development of entrepreneurs in Malaysia. SME Corp. Malaysia, which is the governing body that oversees entrepreneurial development in Malaysia, should provide more leadership training and development programs for entrepreneurs. The training should focus on developing and nurturing the transformational and transactional leadership qualities of entrepreneurs. A specific leadership training course based on transformational and transactional leadership should be mandated for all new entrepreneurs who received assistance from any entrepreneurial development agencies in the country.

To further improve the performance of SMEs, they need to develop their entrepreneurial orientation. Continuing support and assistance from the government and financial institutions would definitely help these enterprises to fully engage in innovation and other proactive activities and thus allow them to venture into risky territory with a high potential for profits. Another practical implication for Malaysian entrepreneurs is that the results of this study provide a clear indication that their perceptions are not much different from those of their counterparts in Western countries. These results should be taken as an eye-opener for Malaysian entrepreneurs to believe that they can compete locally and globally, on par with competitors from the other side of the world.

The final practical implication of this study pertains to the relevance of this study to other Asian countries. Due to having a similar culture and values to Malaysia, neighbouring countries such as Thailand, Indonesia, Brunei, and Vietnam could definitely benefit from the outcomes of this study.

To summarise, this study makes concrete contributions by providing an empirical framework and findings for understanding leadership and entrepreneurial orientation practices in the context of SMEs in Malaysia. The integration of leadership behaviour and entrepreneurial orientation as resources and capabilities is found to provide positive increases in organisational outcomes. These clearly proved results may help these organisations to focus on what really matters to improve their performance.

5.8 Limitations of Study

All research has its limitations. The ability of a study to acknowledge its limitations is part of the strength of the research undertaking (Dolen et al., 2004; Abdullah et al., 2018). There are several limitations in regard to what has been compiled, analysed, presented and discussed in this study. These limitations are identified in this section.

First, this study relied on self-reported data from single informants. All measures on leadership behaviour, entrepreneurial orientation, and organisational performance were evaluated by either the owners or the top managers of SMEs in Malaysia. The informants in this study may have exaggerated their evaluation of their leadership behaviour, their firm's entrepreneurial orientation and also their organisational performance.

Secondly, this study adopted subjective measures. Moers (2005) argued that the use of subjective performance measures might encourage performance evaluation bias but the results of this study were tested for that bias and there did not seem to be a problem. Zulkiffli and Parera (2011) suggested that in the context of measuring the business performance of SMEs, subjective measures tend to be used since many SMEs refuse to publicly reveal their actual financial performance. Besides, Dess and Robinson (1984) mentioned that objective data may not fully represent an organisation's actual performance, even if they are available, since the managers may manipulate the data in order to avoid personal or corporate taxes. Song et al. (2005) also suggested that subjective measures could be an effective approach to evaluate business performance as they allow comparisons to be made across firms and contexts, such as industry types and economic conditions.

Third, the cross-sectional design used in this study only provides a snapshot view of the researched phenomena where data on all measures were collected at the same time. Thus, causal inferences could not be drawn from this research. The use of longitudinal data would provide a remedy for this limitation when data on independent variables and dependent variables are measured at two or more points in time.

Finally, this study provides generalisations for both manufacturing and service industries. It does not take into account the categorical difference between the two industries. There are several sub-categories of SMEs in each of these industries. A more detailed study looking at each of the two industries and the differences between the sub-categories within and between industries in respect to their leadership behaviour, entrepreneurial orientation, and organisational performance might provide an avenue for future research.

5.9 Directions for Future Research

The findings of this study provide several opportunities for future research. It is hoped that despite their limitations, the findings of this study will indicate directions for further research. First, the inclusion of some environmental factors that affect the performance of entrepreneurial ventures might provide useful insights. Kreiser et al. (2002) found that environmental munificence encouraged entrepreneurial orientation in predicting better organisational performance. The dimensions of entrepreneurial orientation are related in different ways to the performance of functions in a firm. (Rezaei & Ortt, 2018).

Second, a longitudinal study would enable greater understanding of the leadership and entrepreneurial processes as it could measure leadership effects and the development of entrepreneurial ventures at different points in time. Thus, it would provide valuable information about variations in performance as an organisation moves through different stages.

Third, to improve the model, the element of culture could be incorporated. House et al. (1999) suggested that cultural difference might influence the way people perceive their leaders. Other researchers also concluded that leadership behaviour affects organisational outcomes, culture and practices, and organisational culture and practices have effect on what leaders do (House et al. 2002; Hogue, 2018). Ogbanna and Harris (2000) found that organisational culture and leadership are related, and the relationship between leadership and organisational performance is mediated by the organisational culture. Thus, the inclusion of culture could further explain the relationship between leadership behaviour and organisational performance. Perhaps such an investigation could shed some light on the insignificant relationship between transactional leadership and profitability found in this study.

Fourth, it is also recommended that future research to consider exploring leadership of SMEs leaders from employees' perspective. A comparative study of effective leadership between the results obtained from the leaders themselves and employees' perception might produce a better understanding of how the performance of SMEs could be further improved.

Finally, an examination of leadership behaviour at the factor level could enhance and develop a better understanding of the factorial effects of leadership on organisational performance. In this study, it was found that some of factors such as inspirational motivation, idealised influence, and contingent reward were perceived to be practised more than the other factors by the leaders of SMEs in Malaysia.

Thus, a detailed study at the factor level could provide empirical findings with implications for specific leadership training to be provided for entrepreneurial development in the country.

5.10 Summary

Even though the transactional and transformational leadership theory is the most recent and commonly used theory by researchers in the current literature (Lo et al., 2009; Kimura, 2012 ; Arif & Akram, 2018), there is still a need to develop empirical evidence on its relationships with the entrepreneurial orientation and organisational performance of SMEs in Malaysia. The leadership behaviour of top management affects the organisational performance of SMEs (Matzler et al., 2008; Muchiri, 2013; Ng & Kee , 2018) and the right leadership behaviour is important in developing entrepreneurial orientation since it creates the appropriate climate for entrepreneurship and innovation in an organisation (Bhattacharyya, 2006; Wang, 2008; Ejdys, 2016) also posited that entrepreneurial orientation is important for organisational success. Baskaran et al. (2018) added that entrepreneurial orientation is important for organization's sustainability. Therefore it is essential to subject the model to theoretical testing to provide a better understanding of the intersection between leadership behaviour and entrepreneurial orientation and organisational performance.

The findings of this study suggest that leadership behaviour is one of the most important elements for organisational success. The leaders of organisations must first understand that the leadership behaviour they display and practise has significant direct and indirect (through entrepreneurial orientation) contributions to organisational performance . It is not the intention of this study to suggest that leaders should practise a particular form of leadership behaviour, but empirical findings indicate that when transformational leadership is practised, it exerts stronger effects on entrepreneurial orientation and, increased the organisational performance than transactional leadership does.

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APPENDIX A

TAXANOMY OF LEADERSHIP BEHAVIOUR, ENTREPRENEURIAL ORIENTATION AND ORGANIZATIONAL PERFORMANCE

AUTHORS	VARIABLES/ METHODOLOGY	FINDINGS
Arham (2014).	IV: Transformational Leadership,Transactional Leadership DV: Organizational Performances Mediator : Entrpreneurial Orientation. Methodology: i) Questionnaires. 1700 were distributed among managers/owners SMEs in manufacturing. and service sector in Malaysia. 405 being collected and 395 were usable ii) Qualitative. Interviews with 15 respondents service sector in Malaysia. iii) SEM were used to analysed data.	i)Transformational Leadership has significant relationship with performance ii) Transactional Leadership has significant relationship with organizational Performances. iii) Entrepreneurial Orientation fully mediate relationship between Transformational Leadership,Transactional Leadership and organizational performances.
Arif, S. & Akram. A. (2018) .	IV : Transformational Leadership. DV: Organizational Performance. Mediator : Organizational Innovation. Methodology. i) Questionnaires 110 were distributed among employees of MIA group in Islamabad, Pakistan.	i) Transformational Leadership has significant relationship with Organizational Innovation. ii) Transformational Leadership has positive impact on Organizational Performance. iii) Organizational Innovation has mediates the relationship between Transformational

	110 being collected and usable ii) SPSS were used to analysed data.	Leadership and Organizational Performance.
Cong,C., Dempsey,M. & Xie,H.M. (2017).	IV : Entrepreneurs' political skill, Entrepreneurial orientation. DV: New venture Performance Control Variable : Organizational justice. Methodology. i) Questionnaires 237 entrepreneurs from private entrepreneurial Enterprises,Zheng Jiang China. ii) SEM and hierarchical moderated regression were used to analysed data.	i)Entrepreneurial orientation is significantlypositively related to entrepreneurial political skill. ii) Entrepreneurial orientation is significantly related to organizational justice. iii) Organizational justice moderates the relationship between entrepreneurial political skill and entrepreneurial orientation.
Dzomonda, O., Fatoki, O., & Oni,O. (2017).	IV: Leadership style DV: Entrepreneurial orientation Methodology: i) Questionnaire 103 SMEs in Polokwane Municipality, South Africa ii) SPSS used to analysed data	i) Transformational leadership and transactional leadership are positively related to entrepreneurial orientation. ii) Transformational leadership give greater impact to entrepreneurial orientation

Ebrahimi, P., Moosavi, S. M., & Chirani, E. (2016)	IV:Transformational leadership,Transformational leadership. DV: Organizational Performances. Mediator: Exploitative innovation, Exploratory innovation. Methodology: i) Questionnaires. 401 were distributed among manufacturing companies in Guilan Province. ii) SEM were used to analyzed data.	i) Transformational leadership has significant relationship exploratory innovation. ii) Transformational leadership has negative relationship with exploitative innovation. iii) Transactional leadership has negative relationship with exploratory innovation. iv) Transactional leadership has significant relationship with exploitative innovation.
Hogue, A.S.M.M.(2018).	IV: Entrepreneurial Orientation. DV: Organizational Performance Mediator: Organizational Culture. Methodology: i) Questionnaires. 384 were distributed among SMEs in Dhaka–Bangladesh. ii)SEM were used to analyzed data.	i)Entrepreneurial orientation. has significant relationship with performance ii) Organizational Culture. partially mediate relationship between Entrepreneurial Orientation and SMEs performances.
Hyeung, J.K., Solomon, G.T., & Choi,D.Y. (2015).	IV: Founding CEO's Transformational Leadership, Founding CEO's Transactional Leadership. DV: Innovative behavior of managers. Mediator : Firms innovation climates. Methodology: i) Questionnaires. 105 were distributed among managers.	i)Founding CEO's Transformational Leadership has positively related to managers behavior. ii)Founding CEO's Transactional Leadership has positively related to managers behavior. iii)Firms innovation climates mediate relationship between Founding CEO's Transformational

	ii) SEM were used to analyzed data.	Leadership and Founding CEO's Transactional Leadership.
Ibrahim, N.M.N. & Mahmood, R.(2016).	IV: Entrepreneurial Orientation. DV: Business Performance Mediator: Competitive Advantage. Methodology: i) Questionnaires. 283 were distributed among SMEs in Kano, North Western Nigeria. ii) PLS-SEM were used to analyzed data.	i)Entrepreneurial orientation has significant relationship with business performance. ii) Competitive Advantage. has mediate the relationship between Entrepreneurial Orientation and business performances.
Lim , C.S (2016).	IV: Transformational Leadership,Transactional Leadership,Laize faire DV: Organizational Performance. Methodology: Questionnaire i) Questionnaires. 1500 were distributed among managers/owners wholesale subsector of the distributive trade sector SMEs in Malaysia. 395 were usable. ii) SPPS were used to analyzed data.	i) Transformational Leadership and, Transactional Leadership has significant relationship with performance. ii) Laissez-faire leadership was negatively correlated with business performance.
Maaitah, A.M.(2018).	IV : Transformational Leadership,Transactional Leadership DV: Turnover Intention Methodology: i) Questionnaires. 270 were distributed among	i) Transformational leadership style is negatively related to turnover intention. ii) Transactional leadership style is negatively related to turnover intention.

	directors in Greater Amman Municipality Department's . 190 being collected and 172 were usable. ii) SPPS were used to analyzed data.	
Mahmood,R.& Hanafi,N.(2013).	IV : Entrepreneurial Orientation DV: Performance of women owned SMEs Mediator : Competitive Advantage Methodology: i) Questionnaires. 3000 were distributed among managers/owners SMEs in Taiwan via post service 449 being collected and 423 were usable. ii) SPPS were used to analyzed data.	i) Entrepreneurial Orientation has significant relationship with performance ii)Competitive Advantage partially mediate the Entrepreneurial Orientation and performances
Rohana Ahmad, Ahmad Martadha Mohamed & Halimah Abdul Manaf.(2017).	IV: Transformational Leadership DV: Succession Planning Methodology: i)576 questionnaires were sent to 21 organisations public sector in Malaysia. ii) SPPS were used to analyzed data.	i) A significant finding of the study perceived in succession planning program is affected by leadership characteristic from subordinate perception.
Md Asadul Islam, Amer Hamzah Jantan, Md Adnan Rahman & Abu Bakar A. Hamid. (2018).	IV: Transformational Leadership,Transactional Leadership,The laissez-faire leadership DV:Employee Empowerment	i)The transformational leadership style has a positive relationship with employee empowerment in the retail industry of Malaysia. ii)The laissez-faire leadership style has a

	Methodology: i)112 questionnaires were sent to retail company in Selangor. 100 were collected and usable. ii)SPSS used to analysed data.	positive relationship with employee empowerment in the retail industry of Malaysia. iii) The transactional leadership style has a negative impact on employee empowerment in the retail industry of Malaysia.
Lechner, C. & Gudmundsson , S.V. (2014).	IV: Entrepreneurial Orientation DV: Organizational Performance Methodology: i) Questionnaires 335 were sent to small Icelandic firms ii) PLS used to analysed data.	i) Entrepreneurial Orientation has significant relationship with performance.
Yang,C.W.(2008).	IV : Transformational Leadership,Transactional Leadership,Passive avoidant leadership DV: Organizational Performances Mediator : Entrepreneurial Orientation Methodology: i) Questionnaires. 3000 were distributed among managers/owners SMEs in Taiwan via post service 449 being collected and 423 were usable	i) Transformational Leadership has significant relationship with performance ii) Transactional Leadership has significant relationship with organizational Performances. iii) Entrepreneurial Orientation fully mediate relationship between Transformational Leadership,Transactional Leadership and organizational performances.

Note: Independent Variable =IV, Dependent Variable=DV

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APPENDIX B

UNIVERSITI PENDIDIKAN SULTAN IDRIS
SULTAN IDRIS EDUCATION UNIVERSITY
UNIVERSITI PENDIDIKAN SULTAN IDRIS
35900 Tanjong Malim
Perak Darul Ridzuan, Malaysia
Tel : 605 450 5482, 450 5480, 450 5485, 450 5490, 450 5473, 450 5494
Fax : 605 459 4649
http://ips.upsi.edu.my Email : ips@upsi.edu.my

Institut Pengajian Siswazah

Rujukan Tuan :
Rujukan Kami :
Tarikh :

UPSI/IPS-1/623.5
30 May 2018

TO WHOM IT MAY CONCERN

Sir/Madam,

STUDENT VERIFICATION FOR CONDUCTING RESEARCH

I would like to bring your attention regarding the above matter.

2. I hereby verified student mentioned in this letter (as per name and matrix number below) is a student of Graduate Studies Programme at Sultan Idris Education University (UPSI);

Student Name	: Azizah Binti Hashim
Identity Card Number	: 680605025262
Matrix Number	: P20162002460
Programme	: Doctor of Philosophy
Field of Study	: PT57 - Entrepreneurship
Faculty	: Faculty of Management and Economics
Intake	: Semester 2 Session 2016/2017

3. Prior to above matter, Institute of Graduate Studies (IGS) is seeking your kindness and co-operation to give permission for the above student to conduct his study and research at your premises for the completion of her thesis.

Thank you.

'NO. 1 EDUCATION UNIVERSITY'

Yours Sincerely,

(ASSOCIATE PROFESSOR DR. RAMLEE BIN ISMAIL)
Dean, Institute of Graduate Studies
05-4505487

APPENDIX C

UNIVERSITI PENDIDIKAN SULTAN IDRIS
SULTAN IDRIS EDUCATION UNIVERSITY

A SURVEY OF SMALL MEDIUM ENTERPRISES MALAYSIA

KAJIAN MENGENAI INDUSTRI KECIL DAN SEDERHANA DI MALAYSIA

2018

FACULTY OF MANAGEMENT AND ECONOMICS

SULTAN IDRIS EDUCATION UNIVERSITY

A SURVEY ON SMALL AND MEDIUM ENTERPRISES PERFORMANCE

Dear Sir/ Madam**,**

I am currently a research student in the Faculty of Management and Economics at Sultan Idris Education University (UPSI), Tanjung Malim, Perak. This project is being conducted as a part of my PhD degree. My principal supervisor for this project is Professor Dr Mohd Che Zulkifli Che Omar and my second supervisor is Professor Dr Mohd Sahandri Gani Hamzah.

You are invited to participate in a PhD research project being conducted by Sultan Idris Education University (UPSI). Tanjung Malim, Perak, which will take approximately 20-30 minutes to complete. This study is designed to explore the relationships between leadership behaviours and entrepreneurial orientation towards organisational performance of SMEs in Malaysia. In the questionnaire the participants need to answer the questions related to the leadership behaviours and entrepreneurial orientation and their impacts towards organisational performance of SMEs in Malaysia.

I am assuring you that responses will remain confidential and anonymous. The findings of this research could be used by SME Corp. Malaysia and other government related agencies to develop Malaysian leaders of SMEs to improve their performance in the future.

If you have any queries regarding this project please contact me at 0104065668 or email me at azizahhashim5668@ gmail.com.You may also contact my principle supervisor, Professor Dr Mohd Che Zulkifli Che Omar at 0122659546 or email at zulkifli@fpe.upsi.edu.my.

Thank you very much for your contribution to this research.

Yours Sincerely,

AZIZAH BINTI HASHIM

PHD Candidate
Faculty of Management and Economics
Sultan Idris Education University
Tanjung Malim, Perak.

TINJAUAN TENTANG PRESTASI INDUSTRI KECIL DAN SEDERHANA

Tuan / Puan,

Saya merupakan pelajar Ijazah Kedoktoran Fakulti Pengurusan dan Ekonomi, Universiti Perguruan Sultan Idris, Tanjung Malim di bawah seliaan Penyelia Utama, Professor Dr Mohd Che Zulkifli Che Omar dan Penyelia Bersama ialah Professor Dr Mohd Sahandri Gani Hamzah.

Pihak tuan/puan adalah dijemput untuk menyertai kajian projek ini dimana dua puluh hingga tiga puluh minit (20-30) diperlukan untuk menyempurnakan kaji selidik ini. Kajian ini adalah berkaitan dengan hubungan di antara tingkah laku kepimpinan, orientasi keusahawanan terhadap prestasi Industri Kecil Sederhana (IKS) di Malaysia.

Semua jawapan adalah sulit dan dirahsiakan.Keputusan dari tinjauan ini akan digunakan oleh SME Corp, Malaysia dan agensi kerajaan lain yang berkaitan dalam membentuk pemimpin Industri Kecil Sederhana (IKS) di Malaysia dalam usaha untuk meningkatkan prestasi di masa akan datang.

Sekiranya pihak tuan/puan mempunyai sebarang pertanyaan mengenai projek ini, sila hubungi saya di talian 0104065668 atau melalui email azizahhashim5668@ gmail.com. Anda juga boleh menghubungi Penyelia Utama saya, Professor Dr Mohd Che Zulkifli Che Omar di talian 0122659546 atau melalui email   zulkifli@fpe.upsi.edu.my.

Terima kasih di atas penyertaan dan sumbangan anda dalam kajian ini.

Yang benar,

AZIZAH BINTI HASHIM
Pelajar Ijazah Kedoktoran
Fakulti Pengurusan dan Ekonomi
Universiti Perguruan Sultan Idris
Tanjung Malim, Perak.

English Version of the Questionnaire

There are four (4) sections in this questionnaire. Please answer ALL questions by checking or selecting numbers that BEST describe your situation. It will approximately take less than 30 minutes to complete.

SECTION 1: LEADERSHIP BEHAVIOUR.

This section is to describe your leadership style as you perceive it. Thirty two (32) descriptive statements are listed below. Judge how frequently each statement fits you. The word "others" may mean your peers, direct subordinates, employees, and/or all of these individuals. Please use the following rating scale:

No.	**Leadership Behaviour**	**Strongly Disagree**									**Strongly Agree**
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
1	We provide others with assistance in exchange for their efforts.	1	2	3	4	5	6	7	8	9	10
2	We re-examine critical assumption to question whether they are appropriate.	1	2	3	4	5	6	7	8	9	10
3	We fail to interfere until problems become serious.	1	2	3	4	5	6	7	8	9	10
4	We focus attention on irregularities, mistakes, exceptions and deviations from standards.	1	2	3	4	5	6	7	8	9	10
5	We talk about our most important values and trust.	1	2	3	4	5	6	7	8	9	10
6	We seek differing perspective when solving problems.	1	2	3	4	5	6	7	8	9	10
7	We talk optimistically about the future.	1	2	3	4	5	6	7	8	9	10
8	We instill pride in others for being associated with us.	1	2	3	4	5	6	7	8	9	10
9	We discuss specific terms where is responsible for achieving performance targets.	1	2	3	4	5	6	7	8	9	10
10	We wait for things to go wrong before taking action.	1	2	3	4	5	6	7	8	9	10
11	We talk enthusiastically about what need to be accomplished.	1	2	3	4	5	6	7	8	9	10
12	We specify the importance of having a strong sense of purpose.	1	2	3	4	5	6	7	8	9	10

13	We spend time for teaching and coaching	1	2	3	4	5	6	7	8	9	10
14	We make clear what one can expect to receive when performance goals are achieved.	1	2	3	4	5	6	7	8	9	10
15	We show that we are a firm believer in 'if it ain't broke, don't fit it.	1	2	3	4	5	6	7	8	9	10
16	We go beyond self interest for the goal of the group.	1	2	3	4	5	6	7	8	9	10
17	We travel others as individuals rather than just as a member of a group.	1	2	3	4	5	6	7	8	9	10
18	We demonstrate that problems must became chronic before take action.	1	2	3	4	5	6	7	8	9	10
19	We act in ways that build others respect for us.	1	2	3	4	5	6	7	8	9	10
20	We concentrate our full attention on dealing with mistakes, complaints and failures.	1	2	3	4	5	6	7	8	9	10
21	We consider the moral and ethical consequences of decision.	1	2	3	4	5	6	7	8	9	10
22	We keep track of all mistakes	1	2	3	4	5	6	7	8	9	10
23	We display sense of power and confidence.	1	2	3	4	5	6	7	8	9	10
24	We articulate a compelling vision of the future.	1	2	3	4	5	6	7	8	9	10
25	We directly my attention toward failure to meet standards.	1	2	3	4	5	6	7	8	9	10
26	We consider an individual, as having different needs, abilities and aspirations from others.	1	2	3	4	5	6	7	8	9	10
27	We get others to look at problems from many different angles.	1	2	3	4	5	6	7	8	9	10
28	We help others to develop their strengths.	1	2	3	4	5	6	7	8	9	10
29	We suggest new ways of looking at how to complete assignments.	1	2	3	4	5	6	7	8	9	10
31	We express confidence that's goals will be achieved.	1	2	3	4	5	6	7	8	9	10
32	We express satisfaction when others meet expectation.	1	2	3	4	5	6	7	8	9	10

SECTION 2: ENTREPRENEURIAL ORIENTATION

There are eleven (11) descriptive statements listed in this section to describe your entrepreneurial orientation. Please indicate the extent to which you agree or disagree in regards to your company situations, based on the following rating scale:

No.	Entrepreneurial Orientation	Strongly Disagree									Strongly Agree
		1	2	3	4	5	6	7	8	9	10
1	Our company has marketed many new lines of products or services.	1	2	3	4	5	6	7	8	9	10
2	We believe that changes in the product/services lines in my company has been mostly minor in nature.	1	2	3	4	5	6	7	8	9	10
3	In general, we favor a strong emphasis on Research & Development, technological leadership and innovations.	1	2	3	4	5	6	7	8	9	10
4	We are willing to try new ways of doing things and seek universal, novel solutions.	1	2	3	4	5	6	7	8	9	10
5	In dealing with competitors, our company typically responds to action which competitor initiative.	1	2	3	4	5	6	7	8	9	10
6	In general, we like to anticipate events occurring related my jobs.	1	2	3	4	5	6	7	8	9	10
7	In dealing with competitors, our company typically initiative actions which competitors then respond to.	1	2	3	4	5	6	7	8	9	10
8	In dealing with competitors, our company is very often the first to introduce new products and administrative techniques.	1	2	3	4	5	6	7	8	9	10
9	Our company has a strong proclivity/tendency for high risk projects with chances of very high returns.	1	2	3	4	5	6	7	8	9	10
10	When confronted with decision making involving uncertainly, our company typically adopts a bold strategy in order to maximize the probability of exploiting opportunities.	1	2	3	4	5	6	7	8	9	10

11	When confronted with decision making situations involving uncertainty, our company adopts a caution "wait-and-see" strategy.	1	2	3	4	5	6	7	8	9	10

SECTION 3: ORGANIZATIONAL PERFORMANCES.

There are eight (8) descriptive statements listed in this section to describe your organizational performances. Please indicate the extent to which you agree or disagree in regards to your company situations, based on the following rating scale:

No.	**Organizational Performances**	**Strongly Disagree**									**Strongly Agree**
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
1	We are satisfied with the return our investment.	1	2	3	4	5	6	7	8	9	10
2	We have higher return on investment (than our competitor).	1	2	3	4	5	6	7	8	9	10
3	We are satisfied with our return on sales.	1	2	3	4	5	6	7	8	9	10
4	In general, our company has achieved a very positive financial outcome.	1	2	3	4	5	6	7	8	9	10
5	The growth of our company is above average.	1	2	3	4	5	6	7	8	9	10
6	Our growth is satisfying.	1	2	3	4	5	6	7	8	9	10
7	Our market shares are increasing faster than those of our competitors.	1	2	3	4	5	6	7	8	9	10
8	Our company is growing steadily for the past 3 years.	1	2	3	4	5	6	7	8	9	10

SECTION 4: BACKGROUND OF BUSINESS/ PARTICIPANT.

Please check / select on the most appropriate number that BEST describe your situation.

1. Which industry that is best to describe your organisation? ☐ Manufacturing and/or Manufacturing related services ☐ Services and/or Information & Communication Technology ☐ Others (Please specify)____________	2. Age ☐ Below 25 years ☐ 25 years - 30 years ☐ 31 years – 40 years ☐ 41 years – 50 years ☐ Above 51 years
3. I am …………………….. ☐ The owner of the company ☐ The top management of the company	4. Gender ☐ Male ☐ Female
5. What is your sales turnover last year ? ☐ Less than RM 50,000 ☐ RM 50,000 < RM 200,000 ☐ RM 1 million < RM 5 million ☐ RM 5 million < RM 10 million ☐ RM 10 million < RM 25 million	6. Race ☐ Malay ☐ Chinese ☐ Indian ☐ Others (Please specify) ____________

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7. How many full time employees you have? ☐ Less than 5 ☐ 5 to 19 ☐ 20 to 50 ☐ 51 to 150 ☐ More than 150	8. Highest education level ☐ Secondary education ☐ Certificate/ Diploma ☐ Degree/ Bachelor ☐ Master ☐ PHD/Doctorate ☐ Other (Please specify) _______________
9. Which states that your business operate? ☐ Selangor ☐ WP Kuala Lumpur	10. How long your organisation been set up? ☐ Less than 3 years ☐ 3 - 6 years ☐ 7 - 10 years ☐ 11- 14 years ☐ More than 15 years

Thank you for your cooperation

Malay Version of the Questionnaire

Terdapat empat (4) bahagian di dalam soal selidik ini. Sila jawap SEMUA soalan dengan memilih nombor yang PALING TEPAT menggambarkan keadaan situasi anda. Soal selidik ini mengambil masa kurang daripada 30 minit untuk disiapkan.

SECTION 1: TINGKAH LAKU KEPIMPINAN

Bahagian ini menunjukkan gaya kepimpinan anda berdasarkan pendapat anda. Terdapat tiga puluh dua (32) kenyataan diberikan di bawah. Nilai berapa kerap kenyataan dibawah.menggambarkan situasi anda. Perkataan "orang lain / mereka merujuk kepada rakan sekerja, dan/ atau para pekerja anda. Sila gunakan skala perbandingan berikut:-

No.	Gaya Kepimpinan	Sangat Tidak Bersetuju					Sangat Bersetuju				
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
1	Kami menerapkan rasa kebanggaan dalam diri pekerja kerana bekerja dengan kami.	1	2	3	4	5	6	7	8	9	10
2	Kami menunjukkan kekuasaan dan keyakinan.	1	2	3	4	5	6	7	8	9	10
3	Kami abaikan kepentingan sendiri dari kebaikan perniagaan.	1	2	3	4	5	6	7	8	9	10
4	Kami memberikan ucapan yang merangsangkan masa depan	1	2	3	4	5	6	7	8	9	10
5	Kami bercakap tentang kepentingan nilai dan kepercayaan.	1	2	3	4	5	6	7	8	9	10
6	Kami bertindak dengan tingkah laku yang membuatkan pekerja hormat pada kami.	1	2	3	4	5	6	7	8	9	10
7	Kami menekankan kepentingan mencapai matlamat secara berkumpulan.	1	2	3	4	5	6	7	8	9	10
8	Kami menekankan kepentingan mempunyai naluri yang kuat terhadap matlamat.	1	2	3	4	5	6	7	8	9	10
9	Kami berbincang secara spesifik dengan pekerja yangbertanggungjawab mencapai sasaran prestasi.	1	2	3	4	5	6	7	8	9	10
10	Kami bercakap dengan penuh harapan mengenai masa depan.	1	2	3	4	5	6	7	8	9	10

11	Kami bercakap dengan penuh semangat tentang apa yang perlu disempurnakan.	1	2	3	4	5	6	7	8	9	10
12	Kami menunjukkan kepuasan hati apabila bekerja mencapai sasaran	1	2	3	4	5	6	7	8	9	10
13	Kami menyemak andaian-andaian kritikal jika bersesuaian	1	2	3	4	5	6	7	8	9	10
14	Kami memastikan pekerja melihat masalah dari pelbagai sudut.	1	2	3	4	5	6	7	8	9	10
15	Kami mencari pelbagai perspektif apabila menyelesaikan	1	2	3	4	5	6	7	8	9	10
16	Kami mencadangkan cara-cara baru untuk bagaimana menyempurnakan	1	2	3	4	5	6	7	8	9	10
17	Kami meluangkan masa untuk mengajar dan melatih.	1	2	3	4	5	6	7	8	9	10
18	Kami menolong pekerja untuk mengembangkan kepakaran mereka	1	2	3	4	5	6	7	8	9	10
19	Kami mengganggap setiap pekerja mempunyai keperluan keupayaan dan aspirasi yang berlainan	1	2	3	4	5	6	7	8	9	10
21	Kami melayan pekerja sebagai individu dan bukan hanya sebagai ahli dalam perniagaan	1	2	3	4	5	6	7	8	9	10
21	Kami memberikan ganjaran kepada pekerja sebagai balasan pada usaha mereka	1	2	3	4	5	6	7	8	9	10
22	Kami menjelaskan apa yang boleh diterima apabila matlamat prestasi dicapai.	1	2	3	4	5	6	7	8	9	10
23	Kami menunjukkan keyakinan bahawa setiap matlamat boleh dicapai.	1	2	3	4	5	6	7	8	9	10
24	Kami menumpukan perhatian terhadap kegagalan mencapai prestasi kerja.	1	2	3	4	5	6	7	8	9	10
25	Kami beri perhatian pada pelanggaran peraturan, kesilapan, ketidakhadiran dan ketidakcapaian prestasi kerja	1	2	3	4	5	6	7	8	9	10
26	Kami menumpukan sepenuh perhatian pada penyelesaian kesilapan, aduan dan kegagalan.	1	2	3	4	5	6	7	8	9	10
27	Kami dapat mengesan semua kesilapan.	1	2	3	4	5	6	7	8	9	10
28	Kami mempertimbangkan kesan moral dan etika yang mempengaruhi keputusan.	1	2	3	4	5	6	7	8	9	10

29	Kami menunggu sehingga perkara menjadi rumit sebelum diambil tindakan.	1	2	3	4	5	6	7	8	9	10
30	Kami tidak bercampur tangan sehingga masalah menjadi serius	1	2	3	4	5	6	7	8	9	10
31	Kami memastikan masalah mesti menjadi kronik sebelum mengambil tindakan.	1	2	3	4	5	6	7	8	9	10
32	Kami adalah seorang yang berkepercayaan teguh pada 'jika tidak rosak, jangan baiki'	1	2	3	4	5	6	7	8	9	10

BAHAGIAN 2: ORIENTASI KEUSAHAWANAN.

Terdapat sebelas (11) kenyataan yang menggambarkan orientasi keusahawanan anda/ syarikat anda dibawah. Sila nyatakan sejauh mana anda bersetuju berkaitan dengan syarikat anda, berdasarkan kepada skala perbandingan berikut:-

No.	**Orientasi Keusahawanan**	**Sangat Tidak Bersetuju**					**Sangat Bersetuju**				
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
1	Syarikat kami memasarkan banyak keluaran baru produk dan perkhidmatan.	1	2	3	4	5	6	7	8	9	10
2	Kami percaya bahawa perubahan pada keluaran/perkhidmatan di dalam syarikat kami kebanyakannya adalah kecil.	1	2	3	4	5	6	7	8	9	10
3	Secara umumya kami suka memberi penekanan yang tinggi kepada Penyelidikan & Pembangunan, kepimpinan teknologi dan inovasi.	1	2	3	4	5	6	7	8	9	10
4	Kami bersedia untuk mencuba cara baru dalam melakukan sesuatu perkara untuk mencari penjelasan yang baru serta luar biasa.	1	2	3	4	5	6	7	8	9	10
5	Dalam menghadapi pesaing, syarikat kami lazimnya bertindak balas terhadap tindakan yang dimulakan pesaing.	1	2	3	4	5	6	7	8	9	10

6	Secara amnya kami suka memberi jangkaan kepada perkara yang akan berlaku yang melibatkan kerja-kerja kami.	1	2	3	4	5	6	7	8	9	10
7	Dalam menghadapi pesaing, syarikat kami lazimnya memulakan tindakan yang kemudiannya dibalas/diikuti oleh pesaing.	1	2	3	4	5	6	7	8	9	10
8	Dalam menghadapi pesaing, biasanya syarikat kami yang pertama memperkenalkan produk dan teknik pentadbiran baharu.	1	2	3	4	5	6	7	8	9	10
9	Syarikat kami mempunyai minat yang tinggi terhadap projek berisiko tinggi (dengan pulangan yang amat besar).	1	2	3	4	5	6	7	8	9	10
10	Apabila berhadapan dengan proses membuat keputusan melibatkan ketidakpastian syarikat, kami lazimnya mengambil langkah berani untuk memaksimumkan kemungkinan menafaatkan peluang yang ada.	1	2	3	4	5	6	7	8	9	10
11	Apabila berhadapan dengan proses membuat keputusan yang meltidakpastian, syarikat kami lazimnya mengambil langkah berhati-hati "tunggu dan lihat".	1	2	3	4	5	6	7	8	9	10

BAHAGIAN 3: PRESTASI ORGANISASI

Terdapat lapan (8) kenyataan yang menggambarkan prestasi organisasi syarikat anda. Sila nyatakan sejauh mana ada bersetuju atau tidak bersetujuj dengan kenyataan di bawah berdasarkan kepada skala perbandingan berskala.

No.	Prestasi Organisasi	Sangat Tidak Bersetuju					Sangat Bersetuju				
		1	2	3	4	5	6	7	8	9	10
1	Kami berpuas hati dengan pulangan pelaburan kami.	1	2	3	4	5	6	7	8	9	10
2	Kami mempunyai pulangan pelaburan yang lebih tinggi (berbanding dengan pesaing lain).	1	2	3	4	5	6	7	8	9	10
3	Kami berpuas hati dengan pulangan jualan kami.	1	2	3	4	5	6	7	8	9	10
4	Secara umumnya, syarikat kami telah mencapai pulangan kewangan yang sangat positif.	1	2	3	4	5	6	7	8	9	10
5	Pertumbuhan syarikat kami melebihi prestasi.	1	2	3	4	5	6	7	8	9	10
6	Pertumbuhan syarikat kami adalah memuaskan.	1	2	3	4	5	6	7	8	9	10
7	Bahagian pasaran kami meningkat lebih peratus berbanding bahagian pasaran pesaing lain.	1	2	3	4	5	6	7	8	9	10
8	Syarikat kami bakal berkembang dalam jangkamasa tiga (3) tahun ini.	1	2	3	4	5	6	7	8	9	10

BAHAGIAN 4: LATAR BELAKANG PERNIAGAAN/RESPONDEN

Sila tanda/pilih nombor yang paling tepat menggambarkan situasi anda.

1. Industri yang manakah sesuai untuk menggambarkan syarikat anda? ☐ Perkilangan dan/atau perkhidmatan / berkaitan perkilangan ☐ Perkhidmatan dan / atau perkhidmatan/ berkaitan perkilangan. ☐ Perkhidmatan dan/atau Teknologi Maklumat & Komunikasi (ICT) ☐ Lain-lain (Sila nyatakan)____________	2. Umur ☐ Di bawah 25 tahun ☐ 25-30 tahun ☐ 31-40 tahun ☐ 41-50 tahun ☐ Melebihi 51 tahun
3. Saya adalah………….. ☐ Pemilik syarikat ini ☐ Pengurusan atasan syarikat ini	4. Jantina ☐ Lelaki ☐ Perempuan
5. Berapakah nilai jualan tahunan syarikat anda pada tahun lepas ? ☐ Kurang daripada RM50,000 ☐ RM50,000 < RM 200,000 ☐ RM200,000 < RM 1 juta ☐ RM 1 juta < RM 5 juta ☐ RM 5 juta < RM 10 juta ☐ RM 10 juta < RM 25 juta	6. Bangsa ☐ Melayu ☐ Cina ☐ India ☐ Lain-lain (sila nyatakan) ________________

7. Berapa jumlah pekerja tetap yang anda ada ? ☐ Kurang dari 5 orang ☐ 5 - 5 - 19 orang ☐ 20 - 50 orang ☐ 51- 150 orang ☐ Melebihi 150 orang	8. Tahap Pendidikan tertinggi ☐ Pendidikan Menengah ☐ Sijil / Diploma ☐ Ijazah Sarjana Muda ☐ Ijazah Sarjana ☐ Ijazah Kedoktoran ☐ Lain-lain (sila nyatakan) __________
9. Di negeri mana syarikat anda beroperasi? ☐ WP Kuala Lumpur ☐ Selangor	10. Berapa lama organisasi anda ditubuhkan? ☐ Kurang dari 3 tahun ☐ 3 – 6 tahun ☐ 7 – 10 tahun ☐ 11-14 tahun ☐ Melebihi 15 tahun

Terima kasih atas penyertaan anda

APPENDIX D

PUBLICATIONS RELATED TO THESIS

No	Publications
1	Hashim, A, Che Omar,C.M.Z., Hamzah M.S.G., & Umar,,A. (2018). Leadership behaviour, entrepreneurial orientation and organisational performance in Malaysian small and medium enterprises. *International Business Research,11(9),*37-52,ISSN 1913-9004, E-ISSN 1913-9012,doi: 10.5539/ibr.v11n9p37.URL: http://doi.org/10.5539/ibr.v11n9p37.
2	Umar, A, Che Omar, C.M.Z., Hamzah, M.S,G.& Hashim, A. (2018). The Mediating Effect of Innovation on Entrepreneurial Competencies and Business Success in Malaysia. *International Business Research*, *11(8),*142-52,ISSN1913-9004,E-ISSN1913-9012,doi:10.5539/ibr.v11n8p142.
3	Hashim, A., Che Omar,C,M.Z., & Hamzah M.S.G.(2019).Mediating role of entrepreneurial orientation on relationship between transformational leadership, transactional leadership and performance of small and medium enterprises. *RA Journal of Applied Research*, *5(2),*,2329-2339,ISSN:2394-6709.DOI: 10.31142/rajar/v5i2.08.

APPENDIX E

CONFERENCE PROCEEDINGS RELATED TO THESIS

No	Conferences
1	Hashim, A. & Umar, A. (2017). *The relationship between market orientation,human resources management, adoption of information communication technology, performance of small and medium enterprises (SMEs) and mediating cash management.* Proceeding Conference Paper Presentation at the 4th International Conference on Rural Development and Entrepreneurship (ICORE 2017). TH Hotel, Alor Setar.
2	Umar,A. & Hashim,A, (2017). *The mediating role of product and process innovation on the relationship between entrepreneurial competencies and business success in manufacturing companies in Malaysia*. Proceeding Conference Paper presentation at the 4th International Conference on Rural Development and Entrepreneurship (ICORE 2017). TH Hotel, Alor Setar.