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# A Study on The Relationship of Leadership Styles on Employees' Job Performance in SMES in Klang Valley, Malaysia 

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#### Abstract

The study focused on transformational, visionary, and coaching leadership styles, assessing their effects on worker commitment, job satisfaction, and productivity in the SMEs industries of Klang Valley, Malaysia. The study's goal is to look into the connections between transformational, visionary, and coaching leadership styles and employee job performance. To acquire thorough data, a quantitative survey was undertaken, targeting 437 employees from various SMEs in the Klang Valley. SPSS V. 29 was used for inferential and descriptive statistics, including pearson correlation analysis and multiple regression. The findings revealed strong somewhat positive associations between transformational, visionary, and coaching leadership styles and employee job performance. The study's findings have important consequences for Malaysia's small and medium-sized enterprises (SMEs). They provide significant insights for leaders and managers on effective approaches for improving employee performance levels. Furthermore, the findings of this research can help policymakers and government agencies develop targeted policies and programmes to improve the leadership practices of SMEs. This, in turn, would increase their production and competitiveness. In conclusion, the value of this study lay in its ability to advance knowledge of the relationship between leadership styles and job performance in Malaysian SMEs and to drive the development of successful strategies to improve SMEs' performance and support the national economy.


Keywords: Leadership Styles, Employee Performance, Transformational Leadership, Visionary Leadership, Coaching Leadership

## Introduction

Small and medium-sized businesses (SMEs) play a vital role in the economy of Malaysia, accounting for $97.4 \%$ of total business establishments and accounting for nearly $38 \%$ of the

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country's Gross Domestic Product (GDP) SMEs also employ over 7.3 million Malaysians, making them a significant source of job creation and income generation (Editorial, 2022). Despite their importance, Malaysian SMEs face a number of challenges, including limited access to financing, limited human resources, and low levels of productivity and innovation. To overcome these difficulties, several policies and programs have been implemented by the Malaysian government to assist SMEs develop and growing, such as financial assistance schemes, capacity-building programs, and business advisory services (Sylvia et al., 2020).

Effective leadership was critical to the success of Malaysian SMEs. Leaders with the required leadership styles and skills could inspire and motivate their employees to achieve organizational goals, adapt to changing market conditions, and improve the company's overall performance. However, there had been limited research into the relationship between effective management and employee performance in Malaysia's small and medium-sized enterprises (SMEs) (Khalil, et al., 2022). Existing studies primarily focus on leadership styles' impact on employee performance in large corporations, neglecting the unique challenges faced by SMEs. Recognizing this research gap and the significance of SMEs in Malaysia's economy, it is crucial to understand how leadership styles affect job performance in this industry (Amegayibor, 2021).
The study aims to investigate the correlation between management styles and worker performance in small and medium-sized businesses (SMEs) within Malaysia's Klang Valley region (SME Corporation Malaysia - MSME Statistics, 2021). The primary focus is to examine how different leadership styles, namely Transformational, Visionary, and Coaching, influence job performance. The study focuses on transformational, visionary, and coaching leadership styles, as they align with SMEs' goals and address the specific challenges they face. Transformational leadership inspires employees, visionary leadership sets long-term goals, and coaching leadership supports skill development and growth.

Considering the importance of effective leadership development for SMEs to thrive, the study seeks to fill the research gap by conducting a specific investigation in the Klang Valley region (Contributors, 2023). It is essential to understand the impact of leadership styles on employee job performance in this context, as ineffective leadership can lead to disengagement, high turnover, lack of direction, reduced innovation, and negative organizational culture within SMEs (Habtamu Kebu Gemeda \& Jaesik Lee, 2020). The outcomes of this study could help policymakers and government agencies design targeted policies and programmes to help SMEs improve their leadership practices, hence increasing productivity and competitiveness.

## Research Objectives

The purpose of this study is to investigate the elements that influence the job performance of employees in the Small and Medium Enterprises (SMEs) industry. The focus is on examining the relationships between three specific leadership styles: Transformational leadership, Visionary leadership, and Coaching leadership, and their impact on employee job performance. By analyzing characteristics derived from the Transformational Leadership Theory, the study aims to uncover connections between these leadership styles and how they affect the performance of employees in SMEs.

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## Specific Objective

To investigate the significant relationship of transformational leadership style on employees' job performance in SMEs in Klang Valley.

1. To investigate the significant relationship of visionary leadership style on employees' job performance in SMEs in Klang Valley.
2. To investigate the significant relationship of coaching leadership style on employees' job performance in SMEs in Klang Valley.

## Underpinning Theory

## Transformational Leadership Theory

Transformational Leadership Theory, introduced by James MacGregor Burns and expanded by Bernard M. Bass, focused on leaders' ability to inspire and motivate followers towards exceptional achievements and personal growth (Ugochukwu, 2023). These leaders created a compelling vision and purpose beyond self-interest, elevating the aspirations of their team members. Transformational leadership was characterized by charismatic and visionary qualities, which fostered trust and loyalty among followers (Lai et al., 2020). The theory was associated with positive outcomes in organizations, including increased employee engagement, job satisfaction, organizational commitment, and improved performance. However, the impact of transformational leadership could be influenced by situational and cultural factors. Additionally, other leadership styles, like transactional leadership, might interact with transformational leadership differently depending on the context (Needle, 2021).

## Literature Review and Hypotheses Development Employee Job's Performance

The article discusses the significance of employees' job performance in organizational success, emphasizing that it encompasses various factors such as productivity, quality of work, efficiency, job satisfaction, and commitment (Novitasari et al., 2022). Effective leadership, particularly transformational, visionary, and coaching styles, has been found to positively influence employee performance by inspiring and motivating employees, providing guidance, and fostering individual growth. Other factors influencing performance include job satisfaction, organizational culture, and employee engagement. Job satisfaction predicts better performance, while a positive work culture and engaged employees also lead to improved performance (Anis et al., 2019). To enhance employee performance, organizations should focus on developing effective leadership styles, creating a positive work culture, and promoting employee engagement and job satisfaction.

## Transformational Leadership Style

The study emphasizes the significance of transformational leadership style in fostering employee engagement, growth opportunities, and improved organizational performance. Studies Rana (2022) show that individuals prefer leaders who exhibit transformational behaviors, as this style focuses on employee development and encourages participation, leading to positive outcomes for the organization. Transformational leadership involves four key independent variables: Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individualized Consideration, all of which significantly impact intrinsic motivation (Rupprecht, 2022).

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Furthermore, research Lai et al (2020) indicates a strong positive association between transformational leadership and the performance of followers. Transformational leaders are more likely to motivate and inspire their employees to perform at high levels, leading to better organizational outcomes. Employees under transformational leadership become fully engaged in their work, exhibit enhanced task performance, and are more willing to assist others (Khan, et al., 2020).

The leadership style has been identified as a significant contributor to enhancing employee performance, resulting in improved operations and overall organizational benefits (Lai et al., 2020). Transformational leaders inspire employees to perform at their best, create a positive work culture, and foster personal growth and development. Consequently, employees become more engaged, committed, and productive.

In conclusion, transformational leadership is associated with various positive outcomes, including improved employee creativity and job crafting. It is particularly important in times of change or uncertainty (Top Cemil et al., 2020). Therefore, organizational leaders should consider adopting transformational leadership to inspire and motivate employees, ultimately leading to enhanced job performance and organizational success. Hence, it is hypothesized that:

Hypothesis 1: There is a significant relationship between transformational leadership style and employees' job performance in SMEs in Klang Valley.

## Visionary Leadership Style

The study highlights the significance of visionary leadership in driving organizational success. Research Dedy et al (2021) suggests that successful leaders possess the ability to envision and believe in the future of their institution. Visionary leadership involves creating a compelling vision statement that communicates a desired future for the organization. When leaders exhibit visionary qualities, it encourages followers to identify with the leader, leading to increased proactivity and confidence among employees in taking charge of their work. Followers who possess a future-oriented mindset are more likely to see their leader as an integral part of their envisioned future, further strengthening the correlation between visionary leadership and follower identification (Liu et al., 2022).
Furthermore, the study Karwan et al (2021) emphasizes that visionary leadership involves personal qualities and the capacity to comprehend and communicate the organization's goals for future changes effectively. However, it also acknowledges that different individuals may prioritize leadership attributes differently. While some value a leader's vision, others may prioritize representativeness. This suggests that the preference for visionary leadership may vary among individuals and situations.

In conclusion, visionary leadership plays a vital role in motivating employees and fostering a sense of ownership in the organization's vision (Yücel et al., 2022). When leaders effectively communicate a compelling future and align with followers' future-oriented mindsets, it enhances follower identification and proactive behavior (UTOMO et al., 2022). However, the effectiveness of visionary leadership may vary, and there is no clear superiority of visionary leaders over representative leaders in all situations. Understanding individual preferences and adapting leadership styles accordingly can lead to more successful leadership outcomes.

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Organizations can benefit from cultivating visionary leadership qualities while considering the specific context and needs of their workforce.
Hence, it is hypothesized that
Hypothesis 2 : There is a significant impact between visionary leadership style and employees' job performance in SMEs in Klang Valley.

## Coaching Leadership Style

The study discusses the impact of coaching leadership behavior on employee performance based on previous studies. Scholars Milner et al (2018) have consistently found a significant positive correlation between coaching leadership behavior and employee performance. Employees who received coaching leadership had higher job performance ratings compared to those who did not, indicating a substantial relationship between coaching leadership style and job performance (Cardoso et al., 2014). As a result, organizations are encouraged to consider implementing coaching leadership as a means of improving employee performance. Berg \& Karlsen (2020) suggests that coaching leadership is one of the most effective ways to create positive emotions in employees, leading to increased self-esteem, optimism, motivation, and overall well-being. Coaching empowers individuals to access their potential and develop desired behaviors, contributing to their positive emotional state.
However, it is acknowledged that coaching leadership may not always be the most suitable style for all situations. In certain scenarios where swift decision-making or employees' high skill and autonomy are required, other leadership styles like governing or delegating may be more effective. The effectiveness of coaching leadership style is thus contingent on specific circumstances and the needs of the employees being led.

In conclusion, coaching leadership has a significant positive impact on employee performance and is linked to improved job ratings. It also leads to positive emotional outcomes for employees. Nevertheless, the appropriateness of coaching leadership depends on the specific context and requirements of the situation. The hypothesis suggests that there is a significant relationship between coaching leadership style and employees' job performance in SMEs in the Klang Valley. To enhance coaching skills effectively, training programs must align with individual objectives. Organizations should consider adopting coaching leadership to foster positive outcomes in their workforce and improve overall performance. In summary, it is hypothesized that:

Hypothesis 3: There is a significant impact between coaching leadership style and employees' job performance in SMEs in Klang Valley.

## Methodology

In this study, the researchers aimed to investigate the relationship of three specific leadership styles (Transformational leadership, Visionary leadership, and Coaching leadership) on employee job performance in the SMEs industry within the Klang Valley, focusing on individuals aged between 25 and 65. The data was collected using Google Forms, and a total of 437 questionnaires were distributed, resulting in a $100 \%$ response rate with 437 respondents.

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To ensure statistical significance, the minimum sample size of 384 was determined based on Krejcie and Morgan's recommendation when the population size exceeded 1,000,000. Nonprobability sampling was employed as the sampling technique, allowing for strong statistical inferences. The survey items were measured on a 5 -point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

The questionnaire consisted of demographic data (gender, age, ethnic group, education level, working tenure, and monthly income range) as independent variables. Additionally, there were six questions each for the three leadership styles and six questions for the dependent variable, which is employee job performance. The collected data were analyzed using IBM's Statistical Package for Social Sciences (SPSS) version 29.

## Results

Table 1 presents the demographic profile of the sample, consisting of $57 \%$ female and $43 \%$ male respondents. The largest age group among the respondents is between 25 to 35 years old, comprising $57.4 \%$ of the sample. In terms of race, the respondents are predominantly Chinese (57\%), followed by Malay (26.3\%) and Indian (13.7\%) participants. A significant majority ( $63.8 \%$ ) of the respondents hold a degree qualification. Regarding working tenure, the most common category is 4 to 6 years, representing $29.1 \%$ of the sample. The majority of respondents fall into the monthly income range of RM 2,001-RM 4,000, making up 44.9\% of the sample.

Table 1
Respondents' Demographic Profile

| Variables |  | $\mathrm{n}=437$ | Percentage (\%) |
| :--- | :--- | :--- | :--- |
| Gender | Female | 249 | 57.0 |
|  | Male | 188 | 43.0 |
|  | Total | 437 | 100 |
| Age | $25-35$ | 251 | 57.4 |
|  | $36-45$ | 126 | 28.8 |
|  | $46-55$ | 47 | 10.8 |
|  | $56-65$ | 13 | 3.0 |
|  | Total | 437 | 100 |
| Ethnic Group | Chinese | 249 | 57.0 |
|  | Indian | 60 | 13.7 |
|  | Malay | 115 | 26.3 |
|  | Others | 13 | 3.0 |
|  | Total | 437 | 100 |
| Education level | Diploma | 72 | 16.5 |
|  | Degree | 279 | 63.8 |
|  | Master | 63 | 14.4 |
|  | Others | 23 | 5.3 |
|  | Total | 437 | 100 |
| Working | Tenure | Less than 1 year | 31 |
| Year | $1-3$ years | 100 | 7.1 |
|  | $4-6$ years | 127 | 22.9 |
|  | $7-10$ years | 73 | 29.1 |
|  |  |  | 16.7 |

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|  | More than 10 years | 106 | 24.3 |
| :--- | :--- | :--- | :--- |
|  | Total | 437 | 100 |
| Monthly | Income Below RM 2,000.00 | 4 | 0.9 |
| Range | Gross RM 2,001 - RM 4,000 | 196 | 44.9 |
| income | RM 4,001 - RM 6,000 | 127 | 29.1 |
|  | RM 6,001 - RM 8,000 | 40 | 9.2 |
|  | RM 8,001 - RM 10,000 | 37 | 8.5 |
|  | RM 10,001 - RM 15,000 | 17 | 3.9 |
|  | Above RM 15,000 | 16 | 3.7 |
|  | Total | 437 | 100 |

Cronbach's alpha was employed to assess the reliability of the measurements for the dependent variable, which is Employees' Job Performance. The obtained coefficient was 0.898, indicating a high level of internal consistency, which is considered excellent. Additionally, the independent variables were also subjected to a reliability analysis. The Transformational Leadership Style exhibited a Cronbach's alpha of 0.902 , indicating excellent internal consistency. The Visionary Leadership Style received a score of 0.931, also indicating excellent internal consistency. Lastly, the Coaching Leadership Style achieved a Cronbach's alpha of 0.932 , signifying excellent internal consistency.

For a comprehensive overview of Cronbach's alpha coefficients for all variables, please see Table 2.

Table 2
Reliability Analysis of Employees' Job Performance, Transformational leadership style, Visionary leadership style, and Coaching leadership style.

Dependent Variable

| Variables | Case <br> Processing <br> Summary | n | \% | Cronbach's Alpha | No of Items |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Employee's Job Performance | Valid | 437 | 100.0 | 0.898 | 6 |
|  | Excluded ${ }^{\text {a }}$ | 0 | 0.0 |  |  |
|  | Total | 437 | 100.0 |  |  |
| Independent Variables |  |  |  |  |  |
| Variables | Case |  |  |  |  |
|  | Processing |  |  |  |  |
|  | Summary | n | \% | Cronbach's Alpha | No of Items |
| Transformational Leadership Style | Valid | 437 | 100.0 | 0.902 | 6 |
|  | Excluded ${ }^{\text {a }}$ | 0 | 0.0 |  |  |
|  | Total | 437 | 100.0 |  |  |
| Visionary | Valid | 437 | 100.0 | 0.931 | 6 |
| Leadership Style | Excluded ${ }^{\text {a }}$ | 0 | 0.0 |  |  |
|  | Total | 437 | 100.0 |  |  |
|  | Valid | 437 | 100.0 | 0.932 | 6 |

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| Coaching <br> Leadership Style | Excluded $^{\text {a }}$ | 0 | 0.0 |
| :--- | :--- | :--- | :--- |
|  | Total | 437 | 100.0 |

The study assessed data normalcy for three leadership philosophies (transformational, visionary, and coaching) using Q-Q Plots. These plots are useful in identifying extreme outliers within the dataset. The Normal QQ plot allows for the examination of univariate normality by observing the positioning of points on a graph. In this study, all variables tested displayed a normal distribution, as evidenced by the close alignment of data points with the diagonal line in Figures 1 to 4 . Pearson's correlation coefficient was then employed to explore the relationship between motivation and hygiene factors and their influence on job satisfaction.


Figure 1: Normal Q-Q Plot for Employees Job Performance


Figure 2: Normal Q-Q Plot for Transformational leadership style

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Figure 3: Normal Q-Q Plot for Visionary leadership style


Figure 4: Normal Q-Q Plot for Coaching leadership style

Table 3 provides a summary of the results obtained through Pearson Correlation for Hypotheses 1, 2, and 3. The correlations reported in the range of 0.33 to 0.39 indicate a moderate and positive strength of association between the three specific leadership styles (Transformational leadership, Visionary leadership, and Coaching leadership) and employee job performance in the SMEs industry within the Klang Valley. Moreover, the P-Values are all less than 0.001 , indicating high significance at a 0.01 significance level.

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Table 3
Pearson Correlation Results

| Hypothesis - Independent <br> Variables | Pearson <br> Correlation | P-Value | Relationship |
| :--- | :--- | :--- | :--- |
| H1: There is a significant <br> relationship between <br> transformational leadership style on <br> employees' job performance in <br> Klang Valley. | 0.390 | $<0.001$ | Significant moderate <br> positive correlation <br> relationship |
| H2: There is a significant <br> relationship between visionary <br> leadership style on employees' job <br> performance in Klang Valley. | 0.374 | $<0.001$ | Significant moderate <br> positive correlation <br> relationship |
| H3: There is a significant <br> relationship between coaching <br> leadership style on employees' job <br> performance in Klang Valley. | 0.337 | $<0.001$ | Significant moderate <br> positive correlation <br> relationship |

The study revealed a moderate and positive association between the three specific leadership styles (Transformational leadership, Visionary leadership, and Coaching leadership) and employee job performance in the SMEs industry within the Klang Valley. Among these leadership styles, Transformational leadership showed the highest correlation with employee job performance ( $r=0.390, p<0.001$ ), followed by Visionary leadership ( $r=0.374, p<0.001$ ), and Coaching leadership ( $r=0.337, p<0.001$ ) according to (Bhandari, 2023).

In summary, the findings suggest that Transformational and Visionary leadership styles have a stronger positive impact on employee job performance compared to Coaching leadership style in the context of SMEs in the Klang Valley.

Table 4
Result of Multiple Regression Analysis of Employees' Job Performance and Transformational Leadership Style, Visionary Leadership Style, and Coaching Leadership Style.

| Model |  | Unstandardized Coefficients |  | Standardized Coefficients | t | Sig. |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | B | Std. Error | Beta |  |  |
| 1 | (Constant) | 2.708 | . 162 |  | 16.696 | <. 001 |
|  | Transformational leadership style | . 244 | . 083 | . 271 | 2.943 | . 003 |
|  | Visionary Leadership Style | . 129 | . 089 | . 160 | 1.453 | . 147 |
|  | Coaching Leadership style | -. 020 | . 074 | -. 025 | -. 267 | . 790 |

a. Dependent Variable: Employees Job Performance

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Referring to Table 4, it becomes apparent that there is a clear and direct impact between the transformational leadership style and the job performance of employees. The statistical values, with a t -score of 2.943 and a p -value of 0.003 (where p is less than 0.05 ), confirm this relationship. This suggests that a one-unit increase in the transformational leadership style corresponds to an estimated increase of 0.244 units in employees' job performance. Moreover, after standardizing the variables, the standardized coefficient (Beta) of 0.271 indicates a moderately positive effect of this variable on the dependent variable (Bhandari, 2023). In contrast, the association between visionary leadership style and employees' job performance exhibits an indirect influence. The statistical values, with a tscore of 1.453 and a $p$-value of 0.147 , suggest that this relationship may not be statistically significant at the conventional significance level of 0.05 . However, it is worth noting that a similar indirect effect is observed in the relationship between visionary leadership style and employees' job performance (Bhandari, 2023), as indicated by the statistical values of $t=$ 1.453 and $p=0.147$. Conversely, a negative correlation is evident in the case of coaching leadership style and employees' job performance. The statistical parameters reveal a t-score of -0.267 and a p-value of 0.790 , indicating that this variable is not statistically significant and may not have a meaningful impact on employees' job performance (Bhandari, 2023).

## Conclusions

In order to enhance employee job performance, companies should consider providing a comprehensive set of incentive factors, including the nature of the work itself, personal development opportunities, accountability, as well as hygienic factors like company policies, relationships, oversight, and remuneration (Chua et al., 2018). This approach can lead to increased employee loyalty, motivation, and productivity, ultimately resulting in higher profits and a competitive edge in the market (Amegayibor, 2021). As a result, other SMEs in the industry may take notice of and be encouraged to improve their own business operations, leading to an overall positive impact on the local Klang Valley SMEs.
Conducting research on the impact of leadership styles on employee job performance in Malaysian SMEs is of utmost importance, considering the challenges faced by these organizations, such as resource limitations and a shortage of qualified personnel (Khalil, et al., 2022). Previous studies have highlighted the significance of leadership styles in employee performance across various settings and industries. However, there is a lack of research specifically focused on Malaysian SMEs (Sita, et al., 2021).
Thus, this study aims to bridge this gap by investigating the relationship between leadership philosophies and worker productivity in Malaysian SMEs. The findings of this research will carry substantial implications for SMEs in the region, offering valuable insights to leaders and managers on effective management techniques to improve employee performance. Policymakers and government agencies can also benefit from these findings in crafting targeted policies and initiatives to support SMEs in enhancing their leadership practices, productivity, and competitiveness.
Moreover, the significance of this study extends beyond Malaysian SMEs. It can serve as a foundation for future research in similar contexts, particularly in Southeast Asia, where SMEs play a vital role in the economy. By advancing the understanding of the connection between leadership styles and job performance in Malaysian SMEs, this study can contribute to the development of successful strategies to boost SMEs' overall performance and bolster the national economy. By adopting the recommended strategies such as efficient data collection,

## INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS AND SOCIAL SCIENCES

 Vol. 14, No. 3, 2024, E-ISSN: 2222-6990 © 2024multiple indicators consideration, control for confounding variables etc., SMEs can improve employee performance, foster loyalty, and achieve a competitive edge in the market.

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