



LEADERSHIP AND PERFORMANCE: THE CASE OF MALAYSIAN SMEs IN THE SERVICES SECTOR

Ahmad Fadhly Arham

RMIT University, Australia and Faculty of Business Management, Universiti Teknologi MARA, Malaysia

ABSTRACT

Most of SMEs in Malaysia are in the services industry. The industry is believed to largely contribute to Malaysia's economy. The success and performance of services SMEs are obviously depended upon several contributing factors – managers' leadership skills and qualities are reported to be two of them. The current study, aims to investigate the impact of leadership behaviours on the performance of services SMEs in Malaysia. 193 owners and top managers of services SMEs in Malaysia participated in the study. The results revealed that: a) there were significant relationships between different leadership behaviours and organisational performance of services SMEs; and b) transformational leadership contributed more significantly to the performance of SMEs than transactional leadership behaviour. The findings implicate that leadership behaviour of leaders of SMEs is one of the essential factors that influences SMEs performance in the services sector.

© 2014 AESS Publications. All Rights Reserved.

Keywords: Transformational leadership, Transactional leadership, Organisational performance, Services SMEs, Malaysia.

1. INTRODUCTION

The contribution made by the services industry is huge towards strengthening a nation's economy. This is the fastest and largest growing industry of developing and developed countries. In the USA alone, this sector of the economy contributes 76% of total employment and 57% to the annual GDP. In Malaysia, 87% of all small and medium enterprises (SMEs) are represented by those from the services industry (NSDC, 2008). When it comes to the effort of improving the performance within the services industry, previous studies put more focused on the quality of services as an important or major contributing factor (Leblanc, 1992; Lee *et al.*, 2000; Chen and Artejo, 2008). Few studies have examined the impact of leadership behaviour on organisational performance within the Malaysian SMEs context, especially in the services sector.

Leadership is about the process of how to influence people and guide them to achieve organisational goals (Robbins and Coulter, 2005; Northouse, 2007). The presence of good and effective leadership can help to improve the performance of an organization. Two different studies have been done on identifying the key success factors among the top SMEs in Malaysia and Singapore. Both findings correlate each other by recognizing that one of the components of key success factors among the SMEs in both countries is attributed to the presence of a strong, visionary and capable leadership (Ghosh *et al.*, 2001; Hung *et al.*, 2010).

The purpose of this study is to investigate the impact of leadership behaviours on the organisational performance of services SMEs in Malaysia. It is hoped that the outcomes from this could provide evidences which leadership behaviour that would be most suitable to ensure better performance of the firms. The following section will discuss literature review on leadership behaviours, organisational performance and the relationship between leadership behaviours and organisational performance. Based from this discussion, hypotheses are developed. Then, methodology and results are presented. Final section of this paper discusses key findings and identifies implications for future research.

2. LITERATURE REVIEW

2.1. Leadership Behaviours

Transactional and transformational leadership theory was first developed by Burns (1978). Burns established the idea of transactional leadership and highlighted that transactional leaders are those who intend to influence followers by appealing to their own self-interests whereas transformational leaders inspire followers to work for common goals and achieving higher level self-actualization needs instead of self-interest through instilling a clear mission and vision and building up trust and confidence among them (Burns, 1978).

Taking on the initial ideas developed by Burns (1978), Bass (1985) has refined Burns' view on the transactional and transformational leadership with a proposed theory of transformational leadership. He asserted that an effective leader with transformational attributes and abilities has the ability to transform his/her organization to greater heights and to achieve greater performance (Bass, 1985;1990a;1990b). Based on the earlier constructs of transformational and transactional leadership behaviour developed by Burns (1978), Bass (1985) added the laissez-faire leadership construct and later used the label "full range leadership theory" (Bass, 1996) to represent the transformational, transactional and laissez-faire leadership theory.

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". Transactional leaders provide direction and motivate employees by instituting goals and by clarifying task requirements (Robbins and Coulter, 2005). There exists 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 a stable and predictable environment (Bass, 1990a)

Contrary to transactional leadership, Bass (1985) defined transformational leadership as the process whereby leaders employ the collective interest of an organization and its employees to achieve outcomes beyond ordinary performance. Leaders affect and transform organizations by increasing employees' awareness on the importance of the task and its value, elevate interest on the

organizational goals instead of their personal interests and focus on their higher-order needs. This type of leader is “attentive to the needs and motives of followers and tries to help followers reach their full potential” (Northouse, 2007). Robbins and Coulter (2005) wrote that this type of leader inspires employees to go beyond their own self-interests for the benefit of the organisation. They are not only concerned about the situational factors the organisation faces, they pay attention to the individual issues and developmental needs, they inspire employees to look at old problem with a new perspective and they are able to extract extra effort from the employees through their ability to stimulate and inspire followers to achieve organisational goals.

In this paper, transactional and transformational leadership theory will be employed since this theory is the most recent and commonly used by researchers in the current literature (Pawar, 2003; Lo *et al.*, 2009; Law, 2011) and it has been shown that transformational leadership has positive impacts on the performance of organizations (Law, 2011). Matzler *et al.* (2008) also pointed out that transformational leadership would be more relevant to the study of entrepreneur and SME.

2.1.1 Key Dimensions of Transformational Leadership

Transformational leadership is defined as a process whereby leaders broaden and raise the interest of their employees. It occurs when they generate awareness and acceptance of the purpose and mission of the organisation and when they help their employees to look beyond their own self-interest for the benefit of the group (Bass, 1985; 1990a; Daft, 2008). There are four dimensions of transformational leadership. These are idealized influence, inspirational motivation, intellectual stimulation and individualized consideration.

As *idealised influence*, leader provides vision and sense of mission, instils pride and develops respect and trust among employees (Bass, 1990a). The leaders inspire and excite employees with the idea that they are able to accomplish great things by putting in extra effort (Avolio and Bass, 2004). *Inspirational leaders* communicate high expectations, use symbols to focus effort and convey important purposes to employees in simple ways about what needs to be done (Bass, 1990a; 1996; Muenjohn and Armstrong, 2008). They articulate shared goals and develop a mutual understanding of what is right and important in simple ways to their employees (Avolio and Bass, 2004). *Intellectual stimulation* involves leaders encouraging intelligence, rationality and careful problem solving (Bass, 1990a). This type of leaders encourages innovative thinking and allows employees to develop the capacity to solve problems unforeseen by them (Avolio and Bass, 2004). The *Individualised consideration* aspect of transformational leadership means leaders provide personal attention and treat each employee individually (Bass, 1990a). Leaders spend time coaching and to giving advice and pay close attention to differences among the employees (Muenjohn and Armstrong, 2008).

2.1.2 Key Dimensions of Transactional Leadership

Transactional leadership can be referred to as the type of leadership where the leaders explain what is required from the employees and what compensation that they will get when they accomplish these requirements. It is a transaction between leaders and followers (Bass, 1990a). The three dimensions of transactional leadership that will be used in this study are contingent reward, management-by-exception (active) and management-by-exception (passive).

Contingent reward refers to the exchange of rewards for efforts, promises rewards for excellent performance, acknowledge accomplishments and punishments for poor performance (Bass, 1996; Muenjohn and Armstrong, 2008). In the management-by-exception (active) mode, leaders act as monitors to search and watch for deviations from rules and standards and take corrective actions (Bass, 1990a; 1996; Muenjohn and Armstrong, 2008). In the management-by-exception (passive) mode, leaders will only intervene when procedures are not followed and standards are not met (Bass, 1990a; 1996).

2.2. Organisational Performance

Organizational performance is one of the most important dependent variable of interests for researchers concerned with just about any area of management (Richard *et al.*, 2008). According to Madrid *et al.* (2007) high performing firms are able to generate a variety of company and society benefits like attracting resources, wealth creation and jobs generation. 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. Inappropriate measures of performance will mislead the results that lead to a poor competitive position (Madrid *et al.*, 2007). Murphy *et al.* (1996) confirm that growth, profitability and efficiency are the most commonly form of performance factors in the entrepreneurship literature. This is similar to what has been outlined by Covin and Slevin (1991) that growth and profitability represent the dimensions of a firm's economic performance.

2.2.1. Key Measurements of Organisational Performance

Lumpkin and Dess (1996) advocated that performance is a multidimensional construct and therefore multiple measures of performance should be used. Davidsson *et al.* (2002) postulated that organisational growth has become the mainstream in the literature with many researches incorporating growth with entrepreneurship. Growth has been argued as an essential element to the attainment of sustainable competitive advantages and profitability (Markman and Gartner, 2002) and it is hard to associate sustained growth without profitability (Fitzsimmons *et al.*, 2005).

For small firms, growth has been considered as the most important performance measure since it is a more precise and easily accessible performance measure than accounting indicators, and hence provides a more superior indicator of financial performance (Wiklund, 1999). Profitability on the other hand, is also another important measure of organisational performance that must be considered as it is unlikely that firm growth can be sustained without profit contributions (Fitzsimmons *et al.*, 2005). Taken all of these arguments and the suggestion by Covin and Slevin (1991), this study will measure organisational performance based on growth and profitability.

2.3. Leadership and Organisational Performance

In SMEs, the leadership behaviours of the top management can have a strong impact on the innovativeness and the performance of the firm (Matzler *et al.*, 2008). As the business becomes globally competitive, SMEs development requires a new vision and set of directions to help them to become more competitive and have the ability to sustain their businesses. In order to be able to do this, the leadership behaviours of the CEO/ owner would play a major role in ensuring the directions and a clear vision to be shared among employees in their establishments.

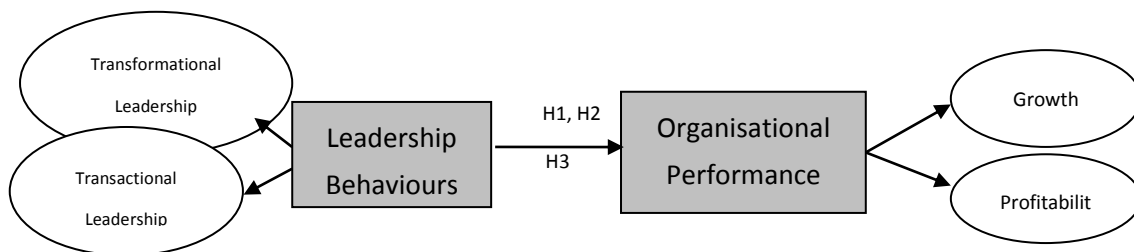
Transformational and transactional leadership are not regarded as opposing style to each other and Bass (1985) proposed that leaders can display both transformational and transactional leadership qualities. However, transformational leadership is more effective than transactional leadership (Gardner and Stough, 2002). Motivational aspect of transformational leadership has been found to exceed the leadership models characterized by the transactional leadership (Bass, 1985; Bass, 1997). The most important qualities of transformational leaders are that these leaders can influence followers to do more than what they are expected to do (Yukl, 1994) and move them to perform beyond expectations (Bass, 1985; Bass, 1997). They are also believed to be paying more attention to individual need of the follower and treating each of the followers with respect and trust. Significant amount of evidences also suggesting that transformational leadership will positively influence organisational performance (Bass and Yammarino, 1991; Bass and Avolio, 1994; Avolio, 1999).

In regards to the studies on leadership behaviours and performance of SMEs, transformational leadership is found to have a positive impact on the performance of SMEs and this relationship is significant (Pedraja *et al.*, 2006; Matzler *et al.*, 2008; Yang, 2008). However, in regards to transactional leadership, contradicting findings are found between these studies. Transactional leadership is found to have a small, significant positive relationship towards the performance of SMEs in study conducted by Yang (2008) but there is a negative and significant relationship between transactional leadership and the performance of organization in study conducted by Pedraja *et al.* (2006). In one of those studies also, Yang (2008) has found that only the transformational leadership contributes significantly to the prediction of organisational performance and transactional leadership was not a good predictor of the organisational performance.

3. RESEARCH FRAMEWORK AND STATEMENT OF HYPOTHESES

The following shows the research framework developed for this study.

Figure-1. Research Framework



Source: Developed for this study

3.1. Statement of Hypotheses

Due to the mixed results of research on the variables discussed previously, the following hypotheses are made:

Hypothesis 1: There is a significant positive relationship between leadership behaviour and organisational performance of services SMEs.

Hypothesis 2: Transformational leadership has a stronger relationship with organisational performance than transactional leadership.

Hypothesis 3: Transformational leadership is a better predictor than transactional leadership for organisational performance of services SMEs.

4. RESEARCH METHODOLOGY

A quantitative research method was employed to examine the relationships between leadership behaviours and organisational performance of services SMEs in Malaysia. There were two methods of data collection method were employed in the data collection. The first one was through an online survey in which a list of 500 enterprises was obtained from the SME Corp. Malaysia. The second approach involved distribution of 350 questionnaires through several agencies that conduct training and seminars for the SMEs in Malaysia like the SME Corp. Malaysia, Malaysian Institute of Management and Entrepreneurial Development Agencies. All together, the response rate for this study was 22.7% in which 193 respondents responded to the survey questionnaires.

The subjects were either the owner or the top level manager of services SMEs in Malaysia. They were selected because of their knowledge and expertise with regards to their own establishment, operation and their knowledge of the direction of the firm. They were also the most informed individuals about the firms' overall operational activities (Yang, 2008). Small and medium sized enterprises tend to have a relatively limited number of core products and technologies and therefore the owners or managers of SMEs are likely to have a clear understanding of their business operation, consequently enhancing the accuracy of the responses (Isobe *et al.*, 2004).

4.1. Research Instrument

A self-reporting instrument was developed for this research representing sections that included leadership behaviours, organisational performance and also background of business/participant. The measurements for the leadership behaviours were adopted from the Multifactor Leadership Questionnaire (MLQ) by Avolio and Bass (2004). 32 items were used and measured on a five-point Likert scales that ranged from 0=*Not at all* to 4=*Frequently, if not Always*. Organisational performance in this study was measured through growth and profitability. The initial measurements of these dimensions were adapted from Matzler *et al.* (2008). To standardize the scaling format of the research instruments, all eight items for organisational performance were also measured on five-point Likert scales ranged from 0=*Strongly Disagree* to 4=*Strongly Agree*. Due to the potential spurious influence on the variables, this study also controlled for age, gender, size of the firm and race of respondents.

5. RESULTS

Reliability coefficients or Cronbach's alpha coefficients were calculated for all measures used in this study. It is commonly used as a measure of internal consistency. Leadership behaviours earned a high coefficient of 0.87. At the factor level, transformational leadership scored a high coefficient of 0.89 while the Cronbach's alpha coefficient for transactional leadership was 0.58. The overall Cronbach's alpha coefficient for organisational performance was 0.80. All variables except for transactional leadership achieved 0.70 or above indicating an acceptable statistic testing level

(Nunnally, 1967). However, she also stated that reliabilities of $\alpha = .50$ to $\alpha = .60$ are still sufficient for early stage of basic research.

5.1. Participants

54.4% of the respondents were the owners of the firms and the rest were the top managers represented 45.6% of the sample. Majority of the respondents were relatively young ages between 31-40 years old representing 51.3% whereas 22.3% represented by those between the ages of 41-50 years old. In terms of gender, male respondents represented 63.7% while females represented 36.3%. Majority of respondents are Malay (90.2%) and 48.2% of the respondents have at least a Degree (Bachelor). Finally, the small-size enterprise represented 56.5% of the sample and the rest of 43.5% were the medium-size enterprise.

5.2. Leadership Behaviours and Organisational Performance

All items for leadership behaviours and organisational performance are measured on a 5-point Likert scale (0-4). Based from Table 1, the mean of total leadership behaviours was 2.75 (SD=0.40). In comparison between the two leadership behaviours, the mean for transformational leadership was 2.99 (SD=0.49) and the mean for transactional leadership was 2.36 (SD=0.37). The mean for organisational performance was 2.68 (SD=0.53).

Table-1. Means and standard deviations for all research variables

	Mean	Std. Deviation	N
Total Leadership Behaviours	2.75	.40	193
Transformational Leadership	2.99	.49	193
Transactional Leadership	2.36	.37	193
Organisational Performance	2.68	.53	193

Pearson product moment correlation coefficient was used to examine the relationship between leadership behaviours and organisational performance of services SMEs in Malaysia. Based from Table 2, leadership behaviours have a significant positive relationship with organisational performance ($r = 0.27$, $p < 0.001$) which confirms hypothesis 1 of this study. Table 2 also presents the results that confirm hypothesis 2 that stated that transformational leadership has a stronger relationship with organisational performance than transactional leadership behaviour (see Table 2).

Table-2. Pearson Product Moment Correlations between Measures of Leadership Behaviours and Organisational Performance

Measures	1	2	3
(1) Organisational Performance			
(2) Total Leadership Behaviours	.27***		
(3) Transformational Leadership	.26***	.96***	
(4) Transactional Leadership	.23**	.78***	.57***

N= 193, *** $p < .001$, ** $p < .01$

5.3. Effect of Leadership Behaviours on Organisational Performance

In order to investigate the influence of each leadership behaviour on the organisational performance of services SMEs in Malaysia, multiple regression analysis was conducted. Transformational and transactional leadership behaviours were used as independent variables. The

dependent variable was the organisational performance of services SMEs in Malaysia. Based from Table 3 that exhibits the extracted model (Model 2), leadership behaviours explain about only about 10.3% of total variance in organisational performance.

Table-3. Model Summary^c

Model	R	R ²	Adjusted R ²	Standard error
1	.166 ^a	.027	.007	.529
2	.321 ^b	.103	.074	.511

- a. Predictors: (Constant), Race, gender, size of the firm, age
 b. Predictors: (Constant), Race, gender, size of the firm, age, transformational, transactional
 c. Dependent Variable: Organisational Performance

The ANOVA statistics in Table 4 shows that the first model (control variables) did not predict scores on the organisational performance to a statistically significant degree. However, the second model (control and independent variables) reaches statistical significance (Sig = .000).

Table-4. ANOVA Statistics^c

Model		Sum of Squares	df	Mean Squares	F	Significance
1	Regression	1.483	4	.371	1.324	2.63 ^a
	Residual	52.643	188	.280		
	Total	54.126	192			
2	Regression	5.594	6	.932	3.573	0.002 ^b
	Residual	48.532	186	.261		
	Total	54.126	192			

- a. Predictors: (Constant), Race, gender, size of the firm, age
 b. Predictors: (Constant), Race, gender, size of the firm, age, transformational, transactional
 c. Dependent Variable: Organisational Performance

The tolerance values for the two independent variable as indicated in Table 5 show that there is no problem of multicollinearity since these values are nowhere near 0 (Pallant, 2001). The coefficients scores in Table 5 show that the transformational leadership is the major factor that influences the organisational performance of services SMEs in Malaysia. None of the control variables has any significant influence on organisational performance. The results also indicated that the transformational leadership made a unique and statistically significant contribution to the prediction of organisational performance scores. Thus, hypothesis 3 is confirmed.

The results from this study support the findings of previous research that transformational leadership is more significant in predicting organisational performance. It shows that the more transformational leadership qualities being displayed by the owners or the top level managers of services SMEs in Malaysia, the better the performance of the organisation.

6. DISCUSSION AND IMPLICATION

In regards to the two forms of leadership behaviours (N = 193), the mean for transformational leadership (M = 2.99) is higher than the mean for transactional leadership (M = 2.36). Similar results were also found in a study (N = 27,285) by Avolio and Bass (2004) in which they found that the mean for transformational leadership (M = 2.85) was higher than the mean for transactional leadership (M = 2.27). The findings of this empirical study indicated that there is a significant

positive relationship between the leadership behaviours and organisational performance of services SMEs in Malaysia. The results also suggested that transformational leadership has a stronger relationship with organisational performance than transactional leadership. This is also supported through the multiple regression analysis conducted in which transformational leadership is found to be a better predictor than transactional leadership towards organisational performance of services SMEs in Malaysia. Similar outcomes were produced by AL-Hussami (2008) and Yang (2008) in which both of them found that between these two types of leadership behaviours, transformational leadership was found to be a significant predictor than transactional leadership towards organisational effectiveness and performance.

Table-5. Results of Regression Model^a

Model		Unstandardized coefficients		Standardized coefficients	t	Significance	Collinearity statistics
		Beta	Standard error	Beta			
1	(Constant)	2.53	.238		10.65	.000	
	Gender	.132	.080	.120	1.636	.104	.969
	Age	-.043	.042	-.076	-1.02	.309	.942
	Size	.021	.078	.019	.266	.791	.980
	Race	.064	.073	.064	.880	.380	.982
	2	(Constant)	1.54	.349		4.403	.000
	Gender	.127	.078	.115	1.624	.106	.959
	Age	-.038	.041	-.067	-.938	.350	.932
	Size	-.020	.076	-.067	-.267	.790	.951
	Race	.083	.071	.083	1.177	.241	.974
	Transformational Leadership	.205	.094	.189	2.185	.030	.646
	Transactional Leadership	.177	.122	.124	1.453	.148	.659

^a Dependent variable: organisational performance

But, recent studies by Obiwuru *et al.* (2011) and Srinivasa Rao (2012) suggest the opposite. Obiwuru and colleagues have examined the effects of leadership behaviours on performance of small-scale organisations in Nigeria. The models of OLS multiple regression were employed, estimated and evaluated. Their results indicated that performance is highly positively affected by transactional leadership behaviour, but insignificantly affected by transformational leadership behaviour and therefore they concluded that transactional leadership behaviour is recommended for small-scale enterprises. Perhaps due to different culture and economic development in their country, transactional leadership is seemed to be more effective. On the other hand, Rao (2012) tested the relationships between transformational and transactional leadership on business performance among managers and entrepreneurs of micro, small and medium enterprises in India and concluded that transactional leadership is more correlated to business performance than transformational leadership.

Contrary to what they have found, the results from this study indicated that when leaders exert more transformational leadership behaviours, they should be able to induce higher performance within their firms as compared to transactional leadership. Leaders of SMEs in Malaysia recognize that their ability to exercise the attributes of transformational leaders could motivate and encourage higher performance outcomes. Each attributes of transformational leadership is believed to engage and encourage positive outcomes from the employees and affect the growth and profitability of the

firm. As Gillespie and Mann (2004) suggest that for a firm to achieve success and gain support from employees, leaders need to encourage employees to grow and develop, to challenge employees by setting high targets for them, show emotional support and provide direction, recognise individual need and team requirement, and to develop their skills and capabilities.

Previous studies of leadership have shown that a good leader can enhance organisational performance (Bass, 1985; Ogbanna and Harris, 2000; Tarabishy *et al.*, 2005; Yang, 2008), increase employees' satisfaction and improve employees' motivation (Papalexandris and Galanaki, 2009). Transformational leadership is considered to be more effective and provide more satisfaction and it is becoming the ideal leadership behaviour for both the leaders and subordinates regardless of their countries and cultures (Muenjohn and Armstrong, 2007). The results also confirmed that the leadership theories developed by the westerners are applicable in the developing country like Malaysia.

Another important conclusion that could be made from the outcomes of this study is that the owners/top managers of services SMEs in Malaysia perceived themselves as practicing leadership that associated with transformational behaviours than transactional behaviours. As Matzler *et al.* (2008) also suggested that transformational leadership is more relevant for the entrepreneurs and SMEs. Bass and Avolio (1994) postulated that transformational leaders who raised subordinates' awareness of the importance of desired outcomes, stimulates subordinates' views of their work from new perspectives, develops subordinates to higher levels of their ability, and motivates subordinates to transcend self-interest for the benefit of the organisation are desirable by the people involved. One major managerial implication that this study raises is that the governing body that promotes entrepreneurship in Malaysia like the SME Corp. Malaysia should give more focus on developing and enhancing the qualities and attributes of transformational leadership amongst the entrepreneurs in the country. A better understanding of which leadership behaviour and its impact towards organisational performance could help the entrepreneurs to develop the appropriate leadership behaviour from the very beginning to ensure the effectiveness and organisational success. As Bhattacharyya (2006) suggested that the right leadership behaviour is important for developing entrepreneurial development since it creates the appropriate climate for entrepreneurship and innovation within the organisation. It is proven that a leadership style that focus on close monitoring and intervention (management-by-exception active/passive) and focus much on the exchange of rewards for efforts (contingent reward) has become less effective in the context of services SMEs in Malaysia.

7. CONCLUSION AND LIMITATIONS

Management's leadership behaviour is one of the essential factors that influence SMEs performance in the services sector since different leadership behaviours may develop different effect on organisational performance. Overall, transformational leadership is having a stronger correlation to the overall performance of services SMEs than transactional leadership. Between these two leadership behaviours, transformational leadership is found to be a better predictor of the organisational performance. Even though Malaysia is a country with different backgrounds in culture, society and institutional development, similar results were also produced in which the transformational leadership is more effective than transactional leadership.

The following limitations should be acknowledged. Since the leadership behaviours only explained about 10.3% of total variance in this study, future research should consider including other variables that might also be important to explain organisational performance like employee satisfaction and entrepreneurial orientation. Secondly, the data in this study were collected only from the owners/top managers of the SMEs. The respondents may have exaggerated their evaluation on their leadership behaviours as well as their organisational performance measures. It should be noted that self-assessment on leadership behaviour, according to a review of literature, tends to be more inflated than other sources (Muenjohn *et al.*, 2012). Thus, it would be meaningful in the future to conduct an empirical research that include a multiple respondents from each organisation. To conduct a longitudinal study to observe the impact of leadership behaviours on the organisational performance of services SMEs over time also could provide a meaningful outcome in the future. Finally, it is also recommended to conduct a comparative study between the impacts of leadership behaviours towards different industries.

REFERENCES

- AL-Hussami, R.N., 2008. A study on nurses' job satisfaction: The relationship to organisational commitment, perceived organisational support, transactional leadership, transformational leadership and level of education. *European Journal of Scientific Research*, 22(2): 286-295.
- Avolio, B.J., 1999. *Full leadership development: Building the vital forces in organizations*. Thousand Oaks, CA: Sage Publications.
- Avolio, B.J. and B.M. Bass, 2004. *Multifactor leadership questionnaire: Manual and sampler set*. 3rd Edn., Redwood City, CA: Mind Garden, Inc.
- Bass, B.M., 1985. *Leadership and performance beyond expectations*. New York: The Free Press.
- Bass, B.M., 1990a. *Bass and Stogdill's handbook of leadership: Theory, research and managerial applications*. New York: The Free Press.
- Bass, B.M., 1990b. From transactional to transformational leadership: Learning to share the vision. *Organisational Dynamics*, 18(3): 19-31.
- Bass, B.M., 1996. Is there universality in the full range model of leadership? *International Journal of Public Administration*, 19(6): 731-761.
- Bass, B.M., 1997. *Full range leadership development: Manual for the multifactor leadership questionnaire*. Redwood City, CA: Mind Garden, Inc.
- Bass, B.M. and B.J. Avolio, 1994. *Improving organizational effectiveness through transformational leadership*. Thousand Oaks, CA: Sage Publications.
- Bass, B.M. and F.J. Yammarino, 1991. Congruence of self and others' leadership ratings of naval officers for understanding successful performance. *Applied Psychology: An International Review*, 40(4): 437-454.
- Bhattacharyya, S., 2006. Entrepreneurship and innovation: How leadership style makes the difference. *Vikalpa*, 31(1): 107-115.
- Burns, J.M., 1978. *Leadership*. New York: Harper & Row.
- Chen, J.V. and B.A. Artejo, 2008. Services quality and customer satisfaction measurement of mobile value-added services: A conceptual view. *International Journal of Mobile Communication*, 6(2): 24-30.
- Covin, J.G. and D.P. Slevin, 1991. A conceptual model of entrepreneurship as firm behavior. *Entrepreneurship. Theory and Practice*, 16(1): 7-24.

- Daft, R.L., 2008. The leadership experience. 4th Edn., OH: South-Western.
- Davidsson, P., B. Kirchoff, J.A. Hatemi and H. Gustavsson, 2002. Empirical analysis of business growth factors using Swedish data. *Journal of Small Business Management*, 40(4): 332-349.
- Fitzsimmons, J.R., P. Steffens and E.J. Douglas, 2005. Growth and profitability in small and medium sized australian firms. Melbourne: Paper Presented at AGSE Entrepreneurship Exchange.
- Gardner, L. and C. Stough, 2002. Examining the relationship between leadership and emotional intelligence in senior level managers. *Leadership and Organization Development Journal*, 23(1-2): 68-78.
- Ghosh, B.C., T.W. Liang, T.T. Meng and B. Chan, 2001. The key success factors, distinctive capabilities, and strategic thrusts of top SMEs in Singapore. *Journal of Business Research*, 51(3): 209-221.
- Gillespie, N.A. and L. Mann, 2004. Transformational leadership & shared values: The building blocks of trust. *Journal of Managerial Psychology*, 19(6): 588-607.
- Hung, D.K.M., E.A. Abdullah, L.S.A. Talib and N.A.A. Rani, 2010. A preliminary study of top SMEs in Malaysia: Key success factors vs government support programs. Paper Presented at the International Conference on Business and Economic Research, Hilton Hotel, Kuching, Sarawak, Malaysia.
- Isobe, T., S. Makino and D.B. Montgomery, 2004. Exploitation, exploration, and firm performance: The case of small manufacturing firms in Japan. Research Collection Lee Kong Chian School of Business. Available from http://ink.library.smu.edu.sg/lkcsb_research/2342 [Accessed April 20, 2011].
- Law, M.J., 2011. The study of transformational leadership and leader development of public health directors in the Midwest. Unpublished doctoral dissertation, School of Business, Capella University, Minnesota.
- Leblanc, G., 1992. Factors affecting customer evaluation of service quality in travel agencies: An investigation of customer perceptions. *Journal of Travel Research*, 30(4): 10-16.
- Lee, H., Y. Lee and D. Yoo, 2000. The determinant of perceived service quality and its relationship with satisfaction. *Journal of Service Marketing*, 14(3): 217-231.
- Lo, M.C., T. Ramayah and M.H. Wei, 2009. Leadership style and organizational commitment: A test on Malaysia manufacturing industry. *African Journal of Marketing Management*, 1(6): 133-139.
- Lumpkin, G.T. and G.G. Dess, 1996. Clarifying the entrepreneurial orientation construct and linking it to performance. *The Academy of Management Review*, 21(1): 135-172.
- Madrid, G.A., H. Auken and P.D.L.D. García, 2007. An analysis of factors impacting performance of Spanish manufacturing firms. *Journal of Small Business and Entrepreneurship*, 20(4): 369-379.
- Markman, G. and W. Gartner, 2002. Is extraordinary growth profitable? A study of inc. 500 high-growth companies. *Entrepreneurship Theory and Practice*, 27(1): 65-75.
- Matzler, K., E. Schwarz, N. Deutinger and R. Harms, 2008. Relationship between transformational leadership, product innovation and performance in SMEs. *Journal of Small Business and Entrepreneurship*, 21(2): 139-152.
- Muenjohn, N. and A. Armstrong, 2008. Evaluating the structural validity of the multifactor leadership questionnaire (MLQ), capturing the leadership factors of transformational-transactional leadership. *Contemporary Management Research*, 4(1): 3-14.
- Muenjohn, N. and A. Armstrong, 2007. Transformational leadership: The influence of culture on the leadership behaviours of expatriate managers. *International Journal of Business and Information*, 2(2): 265-283.

- Muenjohn, N., A. Armstrong and L. Hoare, 2012. Leadership assessment: Differences in a cross-cultural setting, in N. Muenjohn (ed.), Organisational leadership: Concepts, cases and research, Cengage Learning Australia, Melbourne. pp: 223-38.
- Murphy, G.B., J.W. Traylor and R.C. Hill, 1996. Measuring performance in entrepreneurship research. Journal of Business Research, 36(1): 15-23.
- Northouse, P.G., 2007. Leadership: Theory and practice. 4th Edn., London: Sage Publications.
- NSDC, 2008. SME annual report 2008: Rising to meet global challenges, national SME development council, Kuala Lumpur.
- Nunnally, J., 1967. Psychometric theory. New York: McGraw-Hill.
- Obiwuru, T.C., A.T. Okwu, V.O. Akpa and I.A. Nwankwere, 2011. Effects of leadership style on organisational performance: A survey of selected small scale enterprises in Ikosi-Ketu council development area of Lagos State, Nigeria. Australian Journal of Business and Management Research, 1(7): 100-111.
- Ogbanna, E. and L.C. Harris, 2000. Leadership style, organizational culture and performance: Empirical evidence from UK companies. The International Journal of Human Resource Management, 11(4): 766-788.
- Pallant, J., 2001. SPSS survival manual: A step by step guide to data analysis using SPSS version 10. St. Leonards, NSW: Allen & Unwin.
- Papalexandris, N. and E. Galanaki, 2009. Leadership's impact on employee engagement. Leadership & Organization Development Journal, 30(4): 365-385.
- Pawar, B.S., 2003. Central conceptual issues in transformational leadership research. Leadership & Organization Development Journal, 24(7): 397-406.
- Pedraja, R.L., R.P. Emilio, A.M. Delgado and R.P. Juan, 2006. Transformational and transactional leadership: A study of their influence in small companies. Ingeniare-Revista Chilena De Ingenieria, 14(2): 159-166.
- Rao, M.V.K.S., 2012. The impact of entrepreneurial orientation and leadership styles on business performance: A study on micro small and medium enterprises. International Journal of Entrepreneurship & Business Environment Perspectives, 1(2): 473-479.
- Richard, P.J., T.M. Devinney, G.S. Yip and G. Johnson, 2008. Measuring organizational performance as a dependent variable: Towards methodological best practice. Journal of Management, 35(3): 718-804.
- Robbins, S.P. and M. Coulter, 2005. Management. 8th Edn., Upper Saddle River: NJ: Prentice Hall.
- Tarabishy, A., G. Solomon, F. JR.L.W. and M. Sashkin, 2005. The entrepreneurial leader's impact on the organization's performance in dynamic markets. Journal of Private Equity, 8(4): 20-29.
- Wiklund, J., 1999. The sustainability of the entrepreneurial orientation-performance relationship. Entrepreneurship, Theory and Practice, 24(1): 39-50.
- Yang, C.W., 2008. The relationships among leadership styles, entrepreneurial orientation, and business performance. Managing Global Transitions, 6(3): 257-275.
- Yukl, G.A., 1994. Leadership in organizations. 3rd Edn., Englewood Cliffs, NJ: Prentice Hall.

Views and opinions expressed in this article are the views and opinions of the authors, International Journal of Asian Social Science shall not be responsible or answerable for any loss, damage or liability etc. caused in relation to/arising out of the use of the content.