Successful Leadership Styles from the Lense of Qualitative Perspective: A Conceptual Visit

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Abstract: This paper explores the relevancy of transformational and servant leadership styles in Small and Medium Enterprises (SMEs) in Malaysia. The topic of leadership has been studied extensively throughout the years, with various leadership theories have been proposed. Previous studies have also highlighted on how leadership style is critical in influencing the performance of an organization. Moreover, these two well-known leadership styles are believed to sit well with the concepts and strategies practiced among SMEs in this country. This study seeks to offer literature and practical insights into why these two styles of leadership are relevant and practical for the distinctive circumstances of Malaysian SMEs. Therefore, the researcher concluded with a rationale that applying the right and suitable leadership styles will influence the performance and success of Malaysian SMEs in the future.

Keywords: Leadership; transformational leadership; servant leadership; SME performance; Malaysia.

1. Introduction

Small and Medium-sized Enterprises (SMEs) form the backbone of Malaysia’s economic landscape, constituting a diverse and dynamic sector that significantly contributes to the nation’s economic development (Mohamad et al., 2021). These enterprises, which differ in terms of their size, scope and industry, have a vital role in promoting entrepreneurship, driving innovation, and providing substantial employment opportunities across the country. As of the latest available data from the Department of Statistics Malaysia, SMEs make up over 98% of business establishments in the country (Official Website of SME Corporation Malaysia, 2022). These enterprises play a crucial role in employment generation, innovation and economic resilience. As engines of economic growth, Malaysian SMEs face a unique set of challenges and opportunities shaped by evolving market dynamics, technological advancements and global economic trends (Mohamad et al., 2021). In the face of a fast-changing global economy, Malaysia must address the difficulties by implementing effective leadership techniques to ensure the success and sustainability of SMEs (Howard et al., 2019). In the context of SMEs in Malaysia, the role of leadership styles is crucial in shaping the direction of these businesses.

It was supported by the finding from Franco & Matos (2015) that leadership styles that emphasize adaptability, innovation and employee development are crucial for SMEs to thrive in a competitive business environment. Also, effective leadership behavior is crucial for achieving optimal organizational performance and mitigating the risk of organizational failures (Priadana et al., 2021). Earlier, Matzler et al. (2008) highlighted that transformational leadership was an appropriate approach to managing the firm, measuring the positive impacts on innovation, growth and profitability in there. Simultaneously, servant leadership, which prioritizes the welfare of team members and society, aligns with the ethical considerations valued in Malaysian business culture (Spears, 2005). Looking into the existing research on leadership styles on organizational performance, much of that previous research has been conducted quantitatively, even in the context of Malaysia (Tian et al., 2020; Rasheed et al., 2021; Rose & Mamabolo, 2019; Hisham et al., 2020; Ng, 2019; Suhartanti & Prasetyanto, 2022). However, Ragaisis (2018) has suggested a qualitative approach to studying leadership. The qualitative approach to studying leadership could fill in the inconsistencies that had occurred among the previous quantitative studies. Therefore, this paper is undertaken to explore and discover the successful leadership styles practiced by the owners or leaders of SMEs in Malaysia that have a crucial influence on the performance of these businesses.

2. Literature Review

Different Perspectives of Definition of Leadership: Many previous researchers have studied the definitions of leadership when conducting their studies. Bass (1990) explained leadership as a dynamic connection between many persons within a group, involving the organization or reorganization of the context and the members’ views and expectations. Along with this definition, leaders are regarded as
change agents – individuals whose conduct has a greater impact on others than it does on themselves. Yukl (2012) defined leadership as the process of encouraging people to comprehend and concur on what must be done and how to do it, while also facilitating individual and group efforts to achieve shared objectives. In general, the concept of leadership encompasses the ability to resolve challenges, motivate and inspire individuals, and inspire them to reach their full potential in the pursuit of organizational goals (Peleg, 2012). Meanwhile, in the context of Malaysia, leadership is how an individual behaves and takes activities to motivate, stimulate, and encourage a group of persons to accomplish organizational objectives (Arham, 2014). Also, Voon et al. (2011) in their study characterized leadership as a process of influence between leaders and subordinates, in which a leader attempts to influence the behavior of subordinates to accomplish organizational objectives. Additionally, they emphasized that worker commitment, job satisfaction, and output can be enhanced through the implementation of effective leadership styles.

Emerging Theories of Leadership: Leadership has become an increasingly significant concept in the contemporary globalized world, having been the subject of extensive scholarly investigation due to its complex and multifaceted nature (Benmira & Agboola, 2021). Therefore, previous researchers had proposed many different theories on leadership in those periods. The establishment of effective leadership is complicated, and it has evolved over the centuries influenced by many factors (Sharkawi et al., 2016). In a study conducted by Benmira & Agboola (2021), those leadership theories were categorized into four main eras: trait, behavioral, situational and new leadership. The overview of the preferred leadership theories is in Table 1 below:

<table>
<thead>
<tr>
<th>Era</th>
<th>Period</th>
<th>Theory</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trait</td>
<td>1840s</td>
<td>Great Man</td>
<td>Concentrate on leaders produced naturally</td>
</tr>
<tr>
<td></td>
<td>1930s-1940s</td>
<td>Trait</td>
<td>Determining the qualities and attributes of effective leaders should be the primary focus</td>
</tr>
<tr>
<td>Behavioural</td>
<td>1940s-1950s</td>
<td>Behavioural</td>
<td>Consider the competencies and behaviors of leaders</td>
</tr>
<tr>
<td>Situational</td>
<td>1960s</td>
<td>Contingent and Situational</td>
<td>Attain leaders who modify their approach in consideration of the surrounding context</td>
</tr>
<tr>
<td>New leadership</td>
<td>1990s</td>
<td>Transactional</td>
<td>Emphasize the cost-benefit ratio of leadership</td>
</tr>
<tr>
<td></td>
<td>1990s</td>
<td>Transformational</td>
<td>Emphasize an inspirational approach that propels individuals to ever-increasing heights of accomplishment</td>
</tr>
<tr>
<td></td>
<td>2000s</td>
<td>Shared</td>
<td>Consider how followers can guide one another</td>
</tr>
<tr>
<td></td>
<td>2000s</td>
<td>Collaborative</td>
<td>Concentrate on involving followers or a person-focused approach</td>
</tr>
<tr>
<td></td>
<td>2000s</td>
<td>Collective Servant Inclusive Complexity</td>
<td>Concentrate on the entirety of an organization's system</td>
</tr>
</tbody>
</table>

Source: Adapted from Benmira & Agboola (2021) and modified by the researchers.

As for this study, it will focus on both transformational and servant leadership. It is believed that the practice of both transformational and servant leadership by leaders of SMEs is relevant and adaptable to the nature of businesses in Malaysia itself.

Transformational Leadership: Transformational leadership, recognized as a relatively new leadership style, can be traced back to the initial work of Dowton in 1973. Bass (1998) defines transformational leadership as the process of fundamentally changing the thinking and emotional viewpoint of individuals and organizations. This entails broadening one’s perspective, gaining a profound understanding, and aligning one’s actions with personal views, principles, or values. It also requires effecting lasting, self-sustaining changes that generate momentum. Globally, transformational leadership encompasses individuals with the ability to bring about change, inspire followers with a visionary outlook and facilitate their followers in becoming more creative and innovative (Reza, 2019). According to Robbins & Judge (2017), transformational leaders are characterized as individuals who motivate their followers to
transcend their interests and work toward the betterment of the organization. Therefore, those leaders offer direction to their staff to enhance their individual, group, and organizational development and innovation abilities. According to Warrilow (2012) and Bass & Avolio (1993), there were four components, often referred to as the ‘Four I’s’ of transformational leadership which are described below:

- **a) Idealised Influence/Charisma**: The leader exhibits endearing behavior and demonstrates strong convictions in the presence of their followers. He/she will act as a role model for the followers.
- **b) Inspirational Motivation**: The leader articulates a convincing vision to inspire followers regarding future goals. This motivational behavior fosters a collective sense of team spirit, instilling a general excitement for tackling challenging difficulties within the entire group.
- **c) Intellectual Stimulation**: The leader fosters innovation among the followers, prompting them to approach problems from a fresh perspective. Followers are encouraged to inquire, speculate, and frequently reassess fundamental beliefs to determine their accuracy.
- **d) Individualized Consideration**: The leader acts as a mentor or coach to each follower to understand their needs and show respect for their contributions to the team. Each follower is regarded as an individual, rather than merely a member of the group.

**Servant Leadership**: Robert Greenleaf first developed the concept of servant leadership in the early 1970s. He defined servant leadership as the innate desire to serve and prioritize serving others above all else (Northouse, 2018). Similarly, Liden et al. (2008) concluded that servant leaders always prioritize their followers by dedicating themselves to developing them to reach their highest potential. Also, servant leadership can be defined as people-oriented leadership behavior that emphasizes the interests and needs of the followers over the leader's own (Liden et al., 2015). Eva et al. (2019) proposed a revised concept of servant leadership, which involves a leadership style that focuses on the needs and interests of individual followers. This approach also emphasizes shifting one’s self-concern towards concern for others within the organization and the broader community. They also added that through servant leadership practice, many benefits can be gained at the corporate, team, and individual levels. According to Northouse (2018), leaders in servant leadership are characterized by their focus on being attentive, empathetic and nurturing towards their followers. Furthermore, Coetzee et al. (2017) established four competencies of servant leadership, which encompass a blend of cognitive and technical knowledge, abilities, attitudes, and habits that are utilized to attain a particular standardized result. The competencies are:

- **a) Empowerment**: Commitment to developing others to prosper personally, professionally and spiritually, sharing information, encouraging problem-solving independently and building self-confidence.
- **b) Stewardship**: The process of assuming responsibility for the interests of a community, an organization and a person; and adopting a mindset of “caretaker” rather than “owner”.
- **c) Building Relationship**: The leader builds good relationships with individuals, customers, and the community, such as collaboration; communicates effectively with followers; creates an environment of care and support in the organization and understands the needs of others.
- **d) Compelling Vision**: The capacity to focus on and formulate a broader vision that is connected to historical occurrences, present patterns, and possible future situations. It will also generate additional value for the community.

**Why Transformational and Servant Leadership?** SMEs play a crucial role in Malaysia’s economy, making substantial contributions to employment, innovation, and general economic expansion (Yusuff et al., 2020; Hirnissa et al., 2018). Meanwhile, leadership itself has been recognized as one of the important elements in guiding SMEs towards success in the dynamic and competitive business climate (Kocherbaeva et al., 2019). Therefore, transformational and servant leadership, which prioritize employee development, empowerment, and ethical practices, are especially vital for SMEs in Malaysia to ensure continuous growth and greater performance forward (Arshad et al., 2016; Hisham et al., 2020). Firstly, transformational leadership focuses on inspiring and motivating employees to beyond their expectations (Shafi et al., 2020). According to Bouletidis & Triantafyllopoulos (2014), SMEs are able to survive economic crises by developing alternative marketing techniques, implementing inventive tactics, and introducing new concepts, despite the limited resources that they have. Thus, it has highlighted that it is crucial to cultivate a culture of innovation and creativity in SMEs.

Transformational leaders promote a mindset among employees that goes beyond mundane activities, creating a conducive atmosphere for the development of innovative ideas. Adopting this strategy is crucial
for SMEs aiming to distinguish themselves in the market and adjust to evolving business environments. In SMEs, where human capital is a valuable asset, investing in employee development is crucial. A study conducted by Onkelinx et al. (2016) provided support for the notion that investing in employee human capital is crucial for enhancing labor productivity and internalization in rapidly expanding SMEs. Transformational leaders prioritize the development of individuals, providing opportunities for skill enhancement and career progression (Dong et al., 2017; Hetland et al., 2018). Also, this approach not only improves the capabilities of the workforce but also enhances employee loyalty and retention, mitigating the challenges of talent turnover that SMEs frequently encounter. As evidence, Tian et al. (2020) in their study regarding employee retention in SMEs, concluded that transformational leadership positively impacts employee retention in SMEs, with organizational behavior and communication as their mediating variables.

Also, servant leadership is another leadership style that can generate various benefits among SMEs as it prioritizes ethical behavior and social responsibility (Sendjaya et al., 2020). For SMEs in Malaysia, maintaining ethical behavior is not just a moral obligation but also a strategic benefit. Servant leaders genuinely prioritize the well-being of their employees and the community, ensuring that the values of the organization are in line with those of society (Dierendonck, 2011). Furthermore, the application of the servant leadership style will create a new, healthy working environment for the employees to engage and develop in a long-term period (Luu, 2019). This commitment to ethical practices enhances the reputation of SMEs, fostering trust among customers and stakeholders. Both transformational and servant leadership styles foster a culture of collaboration and teamwork. In SMEs, where the work environment tends to be close-knit, building strong interpersonal relationships is vital. Transformational leadership has the potential to significantly influence team performance and creativity by improving team communication and fostering trust among teammates (Boies et al., 2015).

Similarly, servant leadership can increase satisfaction and retention through mutual respect, trust and collaboration (Sturm, 2009). These leadership styles promote a sense of unity and a shared vision, facilitating teams to collaborate effectively towards mutual objectives. Thus, effective teamwork is essential for SMEs to address obstacles, take advantage of favorable circumstances, and achieve sustained growth. In conclusion, the implementation of transformational and servant leadership is crucial for the success and sustainability of SMEs in Malaysia. These leadership styles not only bolster employee engagement, innovation and adaptability but also contribute to the ethical underpinning and social responsibility of SMEs. By adopting these leadership concepts, SMEs may establish themselves as dynamic, responsible, and resilient contributors to Malaysia’s economic prosperity. In the ever-changing business environment, the role of transformational and servant leadership in SMEs will remain integral for navigating challenges and unlocking new opportunities.

3. Past Research on Leadership and Performance of SMEs in Malaysia

The topic of leadership has been discussed by many researchers more than 100 years before (Kovach, 2018). Nevertheless, the extent of studies on leadership in Malaysia remained somewhat limited in comparison to Western countries. Recently, experts from both local and international backgrounds have made efforts to gain insight into leadership methods in Malaysia (Arham, 2014). Choosing both transformational and servant leadership as the main focus of leadership studies for this study is equivalent to the findings from previous studies. Firstly, many past studies have been conducted relating to transformational leadership and the performance of SMEs in Malaysia. For example, Arham & Sulaiman (2013) conducted a study on leadership and risk-taking among entrepreneurs in Malaysia. Their findings revealed a predominant use of transformational leadership over transactional leadership among entrepreneurs in Malaysia. Also, the study found that transformational leadership plays a crucial role in influencing the overall safety performance of SMEs in the manufacturing industry in Malaysia (Zulkifli et al., 2023). Meanwhile, in a study by Baharudien et al. (2019), transformational leadership was applied as a moderator variable to examine the factors influencing Big Data and Analytics (BD&A) learning intentions among Malaysian SME executives.

The study’s framework demonstrated that transformational leaders indirectly fostered employee creativity and positive organizational changes. Aligned with this perspective, Alnajjar & Hashim (2020) asserted that innovation is crucial to ensure the prosperity of SMEs in Malaysia. Their research emphasized the significance of altruism, indicating that it partially mediated the significant relationship between transformational leadership and innovative work behavior. Despite extensive exploration of leadership in
Malaysia by both local and international researchers, there has been a noticeable lack of attention given to the observation and exploration of servant leadership. From a survey conducted in the Scopus database between 2019 to 2023, it was revealed that the keyword of servant leadership between the context of business and management in Malaysia only yielded 9 research as compared to transformational leadership which yielded 40 research, in a similar time duration. Regarded as a prominent leadership theory in contemporary times (Gardner et al., 2020), this leadership style was also being practiced by owners or leaders of SMEs to enhance their business performance.

It was discovered that servant leadership was an important factor to improve the performance of SMEs in Malaysia (Raja Hisham et al., 2020). Indeed, they confirmed that emotional healing, wisdom and organizational stewardship were significantly related to SME performance through path analysis. Supporting this, Poh & Chiew, (2023) discovered a positive relationship between servant leadership and entrepreneurial performance in Malaysian SMEs. Their quantitative research proposed a new research paradigm, incorporating servant leadership, growth, managerial leadership, working capital, instructional leadership and authentic leadership as predictors of entrepreneurial performance. Ng et al. (2016) highlighted the significance of servant leadership among leaders in Malaysian SMEs for cultivating positive relationships with employees. Their research in Johor Bahru yielded results indicating that servant leadership had the ability to decrease the intention of job withdrawal among employees. It demonstrated that adopting servant leadership in SMEs is beneficial for reducing employee turnover. Specifically, the dimensions of servant leadership including listening and ethical behaviour, were found to have a significant mediation effect on turnover intention. Ng (2019) suggested that attending to employees’ needs and welfare through servant leadership can be effective in mitigating turnover.

4. Discussion and Contribution of Study

The topic of leadership itself has been discussed by many researchers for more than 100 years (Kovach, 2018). In SMEs, leadership is a complex and crucial factor that greatly impacts the success and sustainability of the organizations. Several common characteristics can be highlighted in discussing SMEs in Malaysia. Firstly, many SMEs in various industries are struggling with the limited resources to support their businesses from time to time (Zhang, 2021). Therefore, a transformational leader, who can provide a good vision and transform employees for the better is needed to achieve their goals in business. Another characteristic of Malaysian SMEs is that most of the companies established in this country are based on the employee-oriented principle (Shaikh et al., 2021). To address this, the concept of servant leadership is suitable to be applied as it emphasizes the need to serve subordinates as the top priority (Mahon, 2020). The outcome of this research is expected to improve the performance of SMEs in Malaysia. By understanding the qualitative perspective of leadership, a better understanding of leadership practices that enhance performance could be developed and presented.

Secondly, this research will discover the practices of both transformational and servant leadership among owners or leaders of SMEs in Malaysia. On top of that, the triangulation data to be analysed based form the focus group discussion with the employees from respective industries would add value to the understanding of transformational and servant leadership among leaders of SMEs in Malaysia. This research anticipates that the owners or leaders of SMEs will display a higher level of transformational and servant leadership in managing their organizations. This is because this research considers that both leadership styles are suited to address the needs of SMEs in this country. Based on previous studies, transformational leadership was proven to influence the success of owner-managed SMEs in Malaysia (Ng et al., 2016) while servant leadership was able to contribute to the organizational sustainability of Malaysian industry (Batoool et al., 2021). In addition, it may construct new guidelines or leadership models on how to manage and maintain the performance of SMEs despite any business challenges that can be used specifically in Malaysia. It is believed that by adapting these leadership styles to the local business environment, SMEs can enhance their performances and contribute positively to Malaysia’s dynamic economy.

5. Conclusion

In conclusion, the primary objective of this study is rooted in the recognition that there is a necessity for a more profound comprehension of the leadership styles exhibited by the leaders of Malaysian SMEs. The analysis of effective leadership in SMEs in Malaysia uncovers a complex array of leadership strategies that are essential for organizational success. This study started by first revealing the definition of leadership
from different perspectives and variations of leadership theories that existed in this study area. Also, the combination of transformational and servant leadership in the SME landscape is crucial for promoting innovation, employee engagement and overall organizational resilience. With the aim to uncover new findings and have a better understanding of the current situation, it will be conducted by using a qualitative approach to attaining rich information data from the selected respondents of SMEs leaders. Besides, new findings and theories may be developed, inspired by the current needs and wants of SMEs in Malaysia. Thus, this brings a new direction to the researchers’ deep interest in this topic in enhancing the leadership literature focusing on the successful leadership styles of SMEs specifically in the local context of this country. Also, given the significant role that SMEs play in the Malaysian economy, it has consequences that go beyond theoretical discussion. It provides practical counsel for SME leaders, policymakers and scholars. Further, the same study is encouraged to be done in other industries and regions of SMEs. It is believed that by improving the leadership styles in an organization, the performance of SMEs can be expanded for the business to grow and flourish.

References


