

Transformational Leadership and Organizational Commitment in Small and Medium-Sized Enterprises: The Mediating Role of Mission Culture Trait

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ABSTRACT

This study examines the role of Mission trait approach in the relationship between the application of transformational leadership style and organizational commitment. The survey method was initiated in fulfilling the purposes of this study. A hierarchical multiple regression analysis was considered to assess the hypotheses in a sample of 177 responses to ascertain the correlations between the selected variables by applying the SPSS statistics software. Findings of this study have provided the evidence that mission cultural trait approach mediates between transformational leadership style and organizational commitment. Therefore, the clarification of this finding does not conclude that leadership styles are irrelevant in relation to employees' organizational commitment but reasonably to prove that cultural trait approach do emanate as a clarifying mechanism and resulting as determinant to the organizational outcomes.

KEYWORDS: SMEs, Cultural trait, Transformational leadership style, Organizational commitment

I. INTRODUCTION

Continuous changes in the external environment deriving from legislative, economic and technological factors, puts pressure not only to corporate organizations, but also to the Small and Medium-Sized Enterprises (SMEs). SMEs are business entities that significantly contribute to Malaysia's economic activity and allocate approximately 48.4 per cent of the employment rate and dedicate towards 38.9 per cent of national gross domestic product (GDP) (Department of Statistics, 2020). As reported, SMEs account for the largest proportion of businesses in Malaysia with a total of 98.5 per cent (The World Bank, 2020); therefore, SMEs are substantial to the Malaysian economic advancement. SMEs function as an indispensable share in the economic event traversing between small enterprises and large establishments. Small businesses accommodate numerous products and deliver services to one another as well as to larger business establishments. As a developing nation, Malaysia comprehends the role of leadership of the National SME Development Council which serves as a dynamic factor particularly in the policy agenda (The World Bank, 2020).

However, likewise to large establishments, SMEs are exposed to a significant number of threats, and their endurance and suppleness are essential in both, national and global economies. For instance, changes in business and the technological landscape are presently threatening the organizations' stability and causing incredible challenges (Cascio & Montealegre, 2016). The new market entrants and business pressures have caused increased challenges of small businesses to sustain due to their organizational proportions and restricted resources. These challenges are not only originating from their peers but also by large businesses and the reliance on national markets for business growth performance is an issue for many SMEs. These challenges not only originates from their peers but also from large businesses as well as the reliance on national markets for business growth. All these factors are issues faced by many SMEs. Therefore, managing organization's performance is the process of ensuring that companies are well utilized in pursuit of goal attainments (Tang et al, 2009). In addition to this, Ledimo (2014) concurred that approach in organizational leadership and culture are the most effective ways to improve performance. In addition to this, Ledimo (2014) concurred that the most effective ways to improve performance is through the leadership and culture approach.

In this essence, research has repeatedly advocated effective leadership style towards regulating the overall performance of organizations (Ukaidi, 2016; Daft, Kendrick & Vershinina, 2010), as well as to procure the dynamics of work culture (Groysberg, Lee, Price & Yo-Jud, 2018) - to authorize and involve members, encourage teamwork and enrich members' capabilities. Leadership is the ability to influence, motivate and enable others to contribute towards the effectiveness and success of their organization. Despite numerous leadership styles in literature, transformational leadership is deemed to fit the objective of this study. A transformational leader is one who supports, guides, and facilitates transcendence of employees to higher level self-actualization and thus motivates followers beyond their own self-interest in support of the organization (Yukl, 2013). Further, Takahashi, Ishikawa and Kanai (2012) stated that transformational leaders may be more effective due to their ability to manage culturally diverse contexts, as shown through improved performance and organizational commitment. Notably, Chiu and Ng (2015, as cited in Alrowwad et al, 2019) stated that organizational commitment may be attributed to the fact that it leads to beneficial outcomes for both individuals and organizations. Thus, it serves as a significant platform for collaboration and agreement in a functionally cohesive organizational environment. On the other hand, culture may well be a leading factor in proposing the relationship between the styles of leadership and organizational outcomes (Hartnell, Kinicki, Lambert, Fugate & Corner, 2016). Organizational culture is a set of customs, values, strategies, ideas and attitudes which exist and form a context of ongoing actions within the organization and introduced to others who are new as the only correct culture (Jacques, 1952, as cited in Szydlo & Grzes-Buklaho, 2020). In various studies, culture is divided into a number of traits (i.e Denison & Mishra, 1995) and each trait holds a diverse outcome on performance indicators. In reference to this current study, the Denison model is considered. There are four culture traits elements namely; involvement, consistency, adaptability and mission. Involvement equips organization with multiple viewpoints in decision making (Denison, Nieminen & Kotrba, 2012). The Consistency trait is also considered critical for achieving internal integration based on its ability to facilitate the coordination of activities (Denison et al, 2012). Adaptability refers to the degree to which an organization has the ability to alter behavior, structures, and systems in order to survive in the wake of environmental changes (Nesbit & Lam, 2014). The mission trait defines the organization's goals and provides the organization's member with a sense of purpose and meaning, as such, the mission emphasizes stability and direction and helps the organization to orchestrate its relationships with the external world (Denison & Mishra, 1995). Consistent with previous researches, each factor of organizational culture has a significant influence on organization performance (i.e. Joseph & Kibera, 2019; Naranjo-Valencia, Jimenez-Jimenez & Sanz-Valle, 2015).

Although a considerable number of researchers have argued that there is a constant interplay between organisational culture and leadership (i.e Matko & Takacs, 2017; Kargas & Varoutas, 2015; Szczepanska-Woszczyna, 2015), there are limited empirical studies examining the relationship between leadership and culture as well as their joint effect on important organisational outcomes, specifically in the context of small business. Therefore, the objective of this study is to test the role of mission culture trait as mediator between transformational leadership and organizational commitment due to rapid changes in the economic situation in Malaysia, predominantly the SMEs. The hypotheses are constructed as follows:

Ho¹ Mission cultural trait approach mediates between transformational leadership style and organizational commitment.

II. METHODOLOGY

The objective of this study is to determine the relationship between the mediating role of mission culture trait, transformational leadership style and organizational commitment. A survey questionnaire has been applied in the effort to collect data from the SMEs employees' perceptions based on the variables and to test the validity of the model. The research hypothesis is developed and represented in Figure 1.

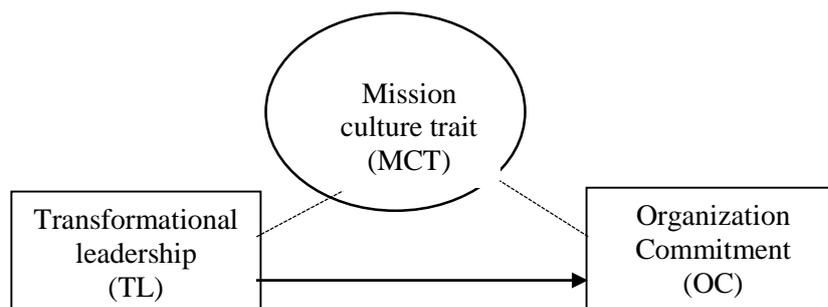


Figure 1: The research model

Survey Procedure and Sampling : The employees with a minimum of Diploma qualification in the Malaysian SMEs related to service sectors constituted the target response group. This study employs a random sampling method to select 15 firms which is listed in the SME 100 Awards 2020 (SME100.asia). The researchers distribute 200 set of questionnaires which is to be completed by the administrative staff through the HR department of the selected SMEs. A total of 181 responses were received, 4 are considered as incomplete or non-usable. The remaining 177 returned questionnaires are valid and complete and were then quantified. It represents a useable response rate of 88.5%. The average Cronbach’s alpha was 0.70, indicating that there is an acceptable consistency among the respondents. The Cronbach alpha functions in assessing the reliability of the constructs to indicate the sufficiency of the items in complementing one another (Sekaran & Bougie, 2010). In this relation, Field (2005) stated that a value of 0.7 above is an acceptable value of Cronbach’s Alpha and considered as reliable.

Research Instruments : The survey items were adapted from existing instruments validated in past studies. The first instrument in assessing transformational leadership style was adopted from Bass & Avolio (1997), known as the Multifactor Leadership Questionnaire (MLQ) 5X. Secondly, the Denison & Mishra (1995) dimensions for mission culture trait was assumed, and finally as well as organization commitment measurement by Glisson and James (2002) were tested. All measurements of the variables were anchored by five-point Likert –style responses ranging from “strongly disagree” to “strongly agree”.

III. ANALYSIS OF DATA

The data analysis was guided by Baron & Kenny’s (1986) procedure to analyze the mediating effect of mission culture trait between transformational leadership style and organization commitment. The procedure is represented in Figure 2.

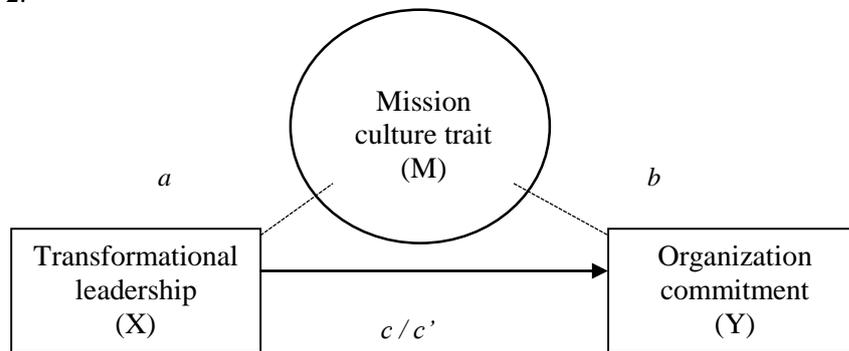


Figure 2: Path coefficient estimation

Figure 2 demonstrate that the path coefficients (a , b , c') estimate the strength of the hypothesized causal relations as estimated by unstandardized regression coefficient analysis. The c' coefficient estimates the strength of the direct effect of transformational leadership on job performance. In other words, the process is represented as $X \rightarrow M \rightarrow Y$ relationship which is referred as “mediation” or “indirect effect” of X on Y through M (MacKinnon, 2008).

Regression Coefficient Estimation : The regression analyses are conducted in order to acquire on the estimation of the path coefficients by referring to the steps recommended by Baron & Kenny (1986) as follows:

The first step of analysis : A regression was implemented to determine Y (Organization Commitment or OC) from X (Transformational Leadership or TL). The unstandardized regression coefficient corresponds to path c . Table 1 represents the regression coefficients as part of the output. This is where the unstandardized regression coefficient for the prediction of Y (OC) from X (TL) is $c = 2.882$ and statistically significant, $t = 6.651$, $p < .001$.

Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	10.698	28.344		.432	.714
	TL	2.882	.578	.833	6.651	.0000

a. Dependent variable: Organization commitment

Table 1: Regression coefficient to predict Y from X

The second step of analysis : The next regression analysis was performed to determine the mediating variable (M, Mission culture trait or MCT) from the causal variable (X, TL). The outcome of this procedure shall provide the path coefficient denoted *a* (refer Figure 2). The hypothetical data, the unstandardized *a* path coefficient was 1.548, with $t = 3.635$, $p = .001$. The coefficient of this regression is presented in Table 2.

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	78.653	24.142		3.354	.004
	TL	1.548	.411	.578	3.635	.001

a. Dependent variable: Mission culture trait

Table 2: Regression coefficient to predict M from X

The third step of analysis : This final step of analysis indicates a regression which has taken place in order to predict the outcome for dependent variable Y (OC) from the path of X (TL) and M (Mission culture trait or MCT). This analysis has provided an estimation of the unstandardized coefficients for path *b* as well as path *c'* (the direct effect of X on M when the mediating variable has been included). The final analyses of this scenario is represented in Tables 3, 4 and 5.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.843 ^a	.692	.668	36.774

a. Prediction (Constant) Mission culture trait, Transformational leadership

Table 3: Summary of the research model analysis

a. Prediction (Constant) Mission culture trait, Transformational leadership

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	80887.133	2	41444.076	31.140	.000 ^a
	Residual	37350.738	175	1350.287		
	Total	118237.872	177			

b. Dependent variable: Organization commitment

Table 4: ANOVA^b

Model		Unstandardized Coefficients		Standardized Coefficients	
		B	Std. Error	Beta	t

		B	Std. Error	Beta	t	Sig.
1	(Constant)	-29.167	28.975		-1.005	.438
	TL	2.266	.482	.621	4.651	.000
	MCT	.515	.196	.358	2.768	.017

a. Dependent variable: Organization commitment

Table 5: Coefficients^a

Findings: As indicated in Table 5, it signifies that unstandardized coefficient for path $b = .515$, $t = 2.768$, $p = .017$; on the other hand, the path $c' = 2.266$, $t = 4.651$, $p < .001$. These unstandardized results for the path coefficients are adapted to specify the paths of causal model as demonstrated in Figure 3 below. The values are also used to determine on the null hypothesis $H_0: ab = 0$.

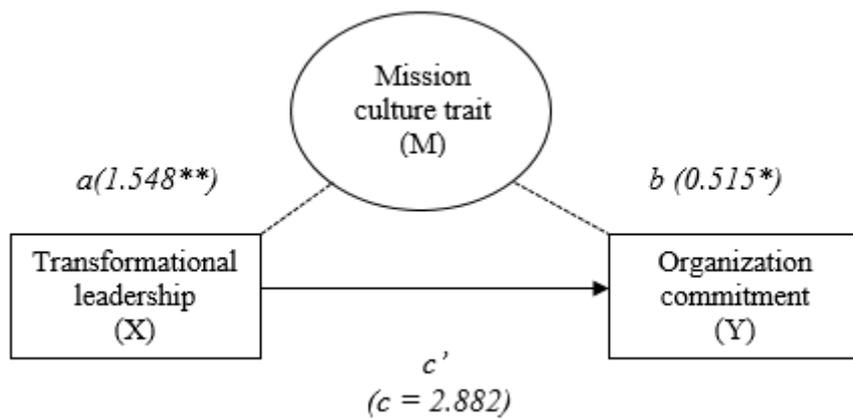


Figure 3: Unstandardized path coefficients

On the other note, Figure 4 represents the standardized path coefficients which also known as beta coefficients is also specified to determine the regression analysis, whereby the $R^2 = .843$, the adjusted $R^2 = .692$ in which statistically significant, $F = 31.140$ and $p < .001$.

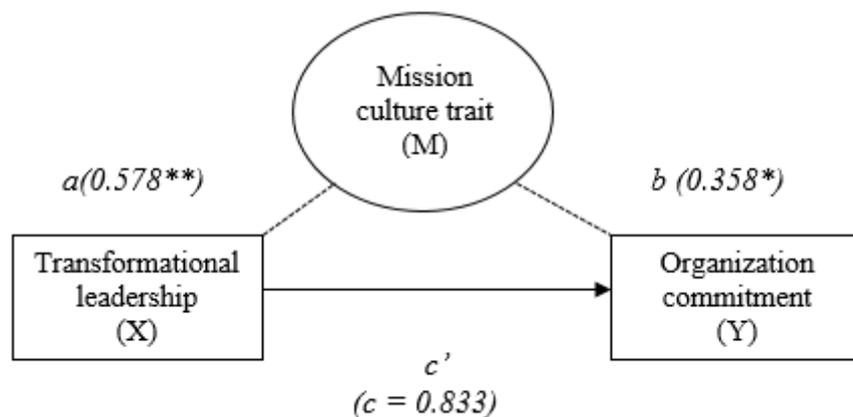


Figure 4: Standardized path coefficients

The overall findings as presented (refer Figure 4) has shown that the two variables; transformational leadership (TL) and mission cultural trait (MCT) have significantly predicted the variance of organization commitment (OC) through the analyses conducted and the null hypotheses are rejected.

IV. DISCUSSION AND CONCLUSION

This study intends to examine the relationship between leadership-culture and to what extent it has its influence on SMEs employees' organizational commitment despite rapid changes and ever demanding business scenario. Organizational culture helps to shape employees' experiences which affect their behaviour, as well as to understand cultural boundaries of leadership in the business world. Past studies have examined the relationship between leadership and organizational commitment (i.e. Abasilim, Gberevbie & Osibanjo, 2019; Dahie, Mohamed & Mohamed, 2017); organizational culture and commitment (i.e. Inanlou & Ji-Young, 2017; Mohammadi & Zarei, 2015); and leadership and organizational culture (e.g. Kargas & Varoutas, 2015; Ledimo, 2014). However, in comparison to previous studies which focuses on direct relationship analysis, this study has explored the causal effect with the inclusion of mission cultural trait as the mediator, namely an indirect analysis. The interpretation of this finding has no intention to conclude that leadership styles are irrelevant in relation to organizational commitment, however, it is relative to substantiate that cultural traits do emerge as a filtering mechanism and as part of an anticipating variable to the organization members' level of commitment in respond to fast changes in the business and market landscape. This is specifically from the standpoint of SMEs in Malaysia. Importantly, organizational culture affects all functional aspects in organizations (Alsabbagh & Al Khalil, 2017; Mungiu-Pupazan, 2016). Leaders oversee the uniqueness of culture in the organizational administrations, structures and procedures. It is within these policies and organization structures that shape organizational behaviors as a whole. It is obligatory that leaders and managers advocate the importance of culture in the organization's functional aspects and to identify on the types of culture that complements to an organization's development as well as to focus on intensifying the optimistic work culture among organizational members.

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