

THE EFFECT OF CHARISMATIC LEADERSHIP AND ORGANIZATIONAL
CHANGE ON BUSINESS TRANSFORMATION IN THE SMALL AND
MEDIUM ENTERPRISES IN MALAYSIA

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A thesis submitted in fulfillment of the
requirements for the award of degree of
Doctor of Philosophy

Azman Hashim International BusinessSchool
UniversitiTeknologi Malaysia

MARCH 2018

ACKNOWLEDGEMENT

First of all, I am grateful to my parents, for the supports given throughout my academic journey and encouraging me to complete my Doctoral Degree. I also thank my wife and siblings for their continuous assistance and faith, which makes my journey in pursuing PhD, filled with confidence.

I wish to express my sincere thanks to Associate Professor Dr Mas Bambang Baroto, my Main Supervisor, for his patient and good will in guiding me throughout the completion of my thesis as well as teaching me with many of his valuable life and working experiences.

My sincere gratitude is extended to Dr Zarina Abdul Salam, my Co-Supervisor, for her guidance and advice given throughout the completion of my thesis.

I need to thank the Ministry of Education for providing me the MyBrain scholarship, of which it helped me immensely in supporting myself during the course of pursuing this Doctoral Degree.

I also like to thank my friend Azri Usman for his encouragement and guidance extended to me, making sure that I continue towards completing my thesis.

Nevertheless, I take this opportunity to thank the faculty member of Azman Hashim International Business School (IBS), for their help and kind support, which make the journey in pursuing this PhD, a pleasant and memorable one.

ABSTRACT

The concept of business transformation has emerged in international business literature especially as a solution to the increasingly challenging business environment. Today businesses must adapt to the rapid changes and undergo business transformation in order to survive and thrive. Charismatic leadership often plays an important role in influencing the process of change in an organization, as well as a larger scale in business transformation. Through charismatic leadership, business transformation can be better achieved, resulting in improved business performances and its survival rate. However, existing studies lack research on the relationship between charismatic leadership and organizational change on business transformation. In addition, studies related to business transformation were mainly based on larger organizations while little is known about the context of business transformation in Small Medium Enterprises (SMEs). Based on the research gap, this research investigated the relationship between charismatic leadership and organizational change on business transformation. This research also identified the mediating effects of organizational change on the relationships between charismatic leadership and business transformation. This quantitative study developed four research hypotheses; 1) There is a relationship between charismatic leadership and business transformation; 2) There is a relationship between charismatic leadership and organizational change; 3) There is a relationship between organizational change and business transformation and 4) The relationship between charismatic leadership and business transformation is mediated by organizational change. Primary data were gathered from 384 respondents comprising SMEs managerial employees in Malaysia. The results reveal that the four hypotheses are significant and supported, which included three direct relationships and one indirect relationship. Findings of the study reveal that there is a significant and positive relationship between charismatic leadership and organizational change in business transformation. Findings also indicate that charismatic leadership has a positive significant relationship with organizational change. Similarly, it is demonstrated that the relationship between charismatic leadership and business transformation is mediated by organizational change. Thus, results obtained in this study support the hypotheses. The implication of this study centred on the application of a more charismatic leadership during the implementation of organizational change and business transformation, to improve the chances in ensuring success on both initiatives.

ABSTRAK

Konsep transformasi perniagaan semakin dikenali dalam bidang perniagaan antarabangsa terutama sebagai penyelesaian kepada persekitaran perniagaan yang semakin mencabar. Syarikat perniagaan pada masa kini perlu sentiasa berubah dan melaksanakan transformasi perniagaan untuk kekal dan terus membangun dalam dunia perniagaan. Kepimpinan karismatik sering memainkan peranan penting dalam proses perubahan dalam organisasi serta skala yang lebih besar dalam transformasi perniagaan. Melalui kepimpinan karismatik, transformasi perniagaan dapat dicapai dengan lebih baik, seterusnya meningkatkan prestasi syarikat dan kekal berniaga. Walau bagaimanapun kajian yang sedia ada kekurangan penyelidikan terhadap hubungan antara kepimpinan karismatik dan perubahan organisasi terhadap transformasi perniagaan. Di samping itu, kajian yang berkaitan dengan transformasi perniagaan banyak tertumpu pada organisasi yang lebih besar dan hanya sedikit yang diketahui tentang konteks transformasi perniagaan dalam Perusahaan Kecil dan Sederhana (SMEs). Memandangkan wujudnya jurang penyelidikan tersebut, kajian ini berusaha untuk mengkaji hubungan antara kepimpinan karismatik dan perubahan organisasi terhadap transformasi perniagaan. Kajian ini turut mengenal pasti kesan pengantaraan perubahan organisasi terhadap hubungan antara kepimpinan karismatik dan transformasi perniagaan. Kajian kuantitatif ini membangunkan empat hipotesis penyelidikan; 1) Terdapat hubungan antara kepemimpinan karismatik dan transformasi perniagaan; 2) Terdapat hubungan antara kepemimpinan karismatik dan perubahan organisasi; 3) Terdapat hubungan antara perubahan organisasi dan transformasi perniagaan dan 4) Hubungan antara kepemimpinan karismatik dan transformasi perniagaan dimediasi oleh perubahan organisasi. Data utama dikumpul dari 384 responden yang terdiri daripada pekerja SMEs di Malaysia. Dapatan menunjukkan bahawa empat hipotesis ini adalah penting dan disokong, termasuk tiga hubungan langsung dan satu hubungan tidak langsung. Dapatan kajian ini turut membuktikan bahawa terdapat hubungan yang signifikan dan positif antara kepimpinan karismatik dan perubahan organisasi dalam transformasi perniagaan. Dapatan juga menunjukkan kepemimpinan karismatik mempunyai hubungan yang positif dengan perubahan organisasi. Selain itu, perubahan organisasi menjadi pengantara terhadap hubungan kepemimpinan karismatik dan transformasi perniagaan. Oleh itu, hasil yang diperoleh dalam kajian ini menyokong hipotesis. Implikasi kajian ini berpusat pada penerapan kepemimpinan yang lebih berkarisma semasa pelaksanaan perubahan organisasi dan transformasi perniagaan, untuk meningkatkan peluang dalam memastikan kejayaan kedua-dua inisiatif.

TABLE OF CONTENTS

CHAPTER	TITLE	PAGE
	DECLARATION	ii
	ACKNOWLEDGEMENT	iii
	ABSTRACT	iv
	ABSTRAK	v
	TABLE OF CONTENTS	vi
	LIST OF TABLES	x
	LIST OF FIGURES	xiii
	LIST OF ABBREVIATIONS	xv
	LIST OF APPENDICES	xvi
1	INTRODUCTION	1
	1.1 Background of the Study	1
	1.2 Statement of the Problem	6
	1.3 Research Questions	14
	1.4 Research Objectives	15
	1.5 Significance of The Study	16
	1.6 Scope of The Study	19
	1.7 Definition of Key Terms	20
	1.8 Organization of the Remaining Chapter	23
	1.9 Summary	24
2	LITERATURE REVIEW	25
	2.1 Introduction	25
	2.2 Theoretical Foundation	25
	2.2.1 Theory of Multi-Stage Transformation	25
	2.2.2 Four Ideal-Type Development Theory	29
	2.2.2.1 Life-Cycle Theory	29

2.2.2.2	Teleological Theory	31
2.2.2.3	Dialectical Theory	31
2.2.2.4	Evolutionary Theory	32
2.2.3	Leadership Theory	34
2.3	Business Transformation	38
2.3.1	Business Transformation Dimensions and Concepts	43
2.4	Organizational Change	67
2.4.1	Organizational Change Dimensions and Concepts	74
2.5	Charismatic Leadership	88
2.5.1	Charismatic Leadership Dimensions and Concepts	90
2.6	Relationship between Charismatic Leadership and Business Transformation	109
2.7	Relationship between Charismatic Leadership and Organizational Change	112
2.8	Relationship between Organizational Change and Business Transformation	115
2.9	Organizational Change as Mediator	117
2.10	Conceptual Framework	118
2.11	Summary	122
3	METHODOLOGY	123
3.1	Introduction	123
3.2	Research Philosophy	123
3.3	Research Paradigm	124
3.4	Research Design	126
3.5	Population and Sample Size	128
3.6	Sampling Design	130
3.7	Data Collection	131
3.8	Questionnaire Type and Format	133
3.9	Constructs Used in This Study	135
3.9.1	Business Transformation	135
3.9.2	Organizational Change	138
3.9.3	Charismatic Leadership	139

3.10	Data Collection Procedure	141
3.11	Data Screening	143
3.12	Statistical Analysis Procedure	143
3.12.1	Data Analysis and Interpretation	143
3.12.2	Common Method Bias (CMB)	145
3.13	Evaluation of PLS Path Model Results	146
3.13.1	Evaluation of the Measurement Model	148
3.13.1.1	Internal Consistency Reliability	149
3.13.1.2	Convergent Validity	150
3.13.1.3	Discriminant Validity	150
3.13.2	Assessment of Structural Model	151
3.14	Summary	152
4	DATA COLLECTION	153
4.1	Introduction	153
4.2	Overview	154
4.3	Pilot test	154
4.3.1	Location and Participants	154
4.3.2	Objectives	155
4.3.3	Pilot Procedures and Activities	155
4.3.4	Results	156
4.3.4.1	Internal Reliability	156
4.3.4.2	Convergent and Discriminant Validity	161
4.3.5	Improvement to the Questionnaire	166
4.4	Data Screening	168
4.5	Respondents' Profile	172
4.6	Common Method Bias (CMB)	173
4.7	Evaluation of PLS Path Model Results	175
4.7.1	Evaluation of the Measurement Model	176
4.7.1.1	Internal Consistency Reliability	177
4.7.1.2	Convergent Validity	178
4.7.1.3	Discriminant Validity	179
4.7.2	Assessment of Structural Model	182
4.7.3	Hypotheses Testing	189

4.7.4	Evaluation of Mediator	197
4.8	Summary	204
5	DISCUSSION AND CONCLUSION	216
5.1	Introduction	216
5.2	Summary of Research	217
5.3	Summary of Findings	218
5.4	Discussion of Findings	221
5.4.1	Relationship between Charismatic Leadership and Business Transformation	221
5.4.2	Relationship between Charismatic Leadership and Organizational Change	222
5.4.3	Relationship between Organizational Change and Business Transformation	224
5.4.4	Mediating Effect of Organizational Change on the Relationship between Charismatic Leadership and Business Transformation	225
5.5	Implications of The Study	227
5.5.1	Theoretical Implications	227
5.5.2	Practical Implications	228
5.6	Limitations and Suggestions for Future Research	229
5.7	Conclusion	230
	REFERENCES	232
	Appendices A - G	276 - 310

LIST OF TABLES

TABLE NO.	TITLE	PAGE
1.1	Summary of the research objectives and research questions	16
2.1	The four ideal-type developments	33
2.2	House's theory of charismatic leadership	37
2.3	Differences between management and leadership	38
2.4	Strengths and weaknesses of transformation levels	46
2.5	McKeown and Philip (2003) multi-stage business transformation	49
2.6	Levy and Powell (2002) business transformation growth path	52
2.7	An overview of integrated use of change enablers	57
2.8	Examples of business transformation dimension	60
2.9	Dimensions of business transformation	62
2.10	Proposed business transformation measurements	64
2.11	Summary of the core construct in business transformation	65
2.12	Comparison of episodic and continuous change	72
2.13	Dimensions of organizational change	84
2.14	Summary of the core construct in organizational change	87
2.15	Dimension of charismatic leadership	90
2.16	Burns (1978) transactional leadership and transformational leadership	94
2.17	Behavioral components of charismatic and non-charismatic leaders	103
2.18	Summary of the dimensions in charismatic leadership	108
2.19	Empirical evidence of the link between charismatic leadership and short term objectives	110
2.20	Research hypotheses	119

3.1	Steps in the research process	128
3.2	Summary of literature on business transformation dimensions	137
3.3	Summarized the organizational change items based on the dimensions from Burke-Litwin (1992)	139
3.4	Summarized the organizational change items based on the dimensions from Conger and Kanungo (1998)	140
3.5	Summary of research objectives, research questions and research methodology	145
4.1	Reliability statistics-organizational change	156
4.2	Item-total statistics – organizational change	157
4.3	Reliability statistics - business transformation	157
4.4	Item-total statistics – business transformation	158
4.5	Reliability statistics – charismatic leadership	159
4.6	Item-total statistics – charismatic leadership	160
4.7	Average Variance Extracted (AVE)	163
4.8	Cross loadings of the items	164
4.9	Usable and unusable questionnaire rates	169
4.10	Missing values treatment	169
4.11	Skewness and kurtosis analysis	170
4.12	Frequency of respondents	173
4.13	Harman’s single factor test	174
4.14	Reliability of all constructs	177
4.15	Outer loadings of the measurement model	178
4.16	Average variance extraction of all constructs	179
4.17	Cross loadings of the items	179
4.18	Fornell-Larcker criterion	181
4.19	HTMT ratio	182
4.20	Collinearity assessment	182
4.21	Coefficient of determination (R^2) of endogenous constructs	182
4.22	Structural model path coefficient result: direct relationship	183
4.23	Structural model result: indirect relationship	185
4.24	Significance testing results of the total effect	187
4.25	Results of Q^2 values	188

4.26	q^2 effect size	188
4.27	f^2 values for each path	189
4.28	Direct hypothesis results	190
4.29	Hypothesis results between the dimensions of charismatic leadership and business transformation	192
4.30	Hypothesis Results between the dimensions of charismatic leadership and organizational change	194
4.31	Hypothesis results between the dimensions of organizational change and business transformation	196
4.32	The results of structural model (Mediation effect)	201
4.33	Summary of result	204

LIST OF FIGURES

FIGURE NO.	TITLE	PAGE
2.1	Land's growth curve	26
2.2	Handy (1994) sigmoid curve	27
2.3	Five levels of IT-Enabled business transformation	47
2.4	McKeown and Philip (2003) multi-stage business transformation model	48
2.5	Dimensions of change program	53
2.6	The double objective	54
2.7	Douglas grid group model	58
2.8	Bititci (2007) business transformation formula	59
2.9	Root cause effects of business transformation	64
2.10	The congruence model	80
2.11	Burke-Litwin (1992) organizational change model	81
2.12	Motivational effect on charismatic leadership	98
2.13	Walter and Brunch model of charismatic leadership behavior emergence	106
2.14	Path diagram of organizational change as mediator variable	118
2.15	The proposed hypotheses among the study variables	119
2.16	List of dimension in the three main variables	121
3.1	Formative and reflective indicators in statistical diagram	136
4.1	Measurement model in pilot test result	162
4.2	Measurement model	176
4.3	Direct path coefficients and R ² values for the structural model	183

4.4	Direct path coefficients between Charismatic Leadership (CL) and Business Transformation (BT) without Organizational Change (OC)	186
4.5	Bootstrapping results of structural model	187
4.6	Mediator	198

LIST OF ABBREVIATIONS

ACCIM	-	Associated Chinese Chambers of Commerce and Industry of Malaysia
AVE	-	Average Variance Extracted
BPR	-	Business Process Reengineering
BT	-	Business Transformation
BTEP	-	Business Transformation Enablement Program
CL	-	Charismatic Leadership
CMB	-	Common Method Bias
CMV	-	Common Method Variance
GDP	-	Gross Domestic Product
ICT	-	Information and Communications Technology
IT	-	Information Technology
OC	-	Organizational Change
PLS	-	Partial Least Square
SEM	-	Structural Equation Modeling
SME	-	Small and Medium Enterprises
TQM	-	Total Quality Management
UK	-	United Kingdom

LIST OF APPENDICES

APPENDIX	TITLE	PAGE
A	Number of Establishments by Sectors	276
B	Definition by Size of Operation	277
C	Literature on Business Transformation Dimension	278
D	Summary of literature on Charismatic Leadership and Business Transformation	284
E	Summary of literature on Charismatic Leadership and Organizational change	290
F	Summary of literature on Organizational Change and Business Transformation	295
G	Relationship of Charismatic Leadership and Organizational Change on Business Transformation among Malaysia Small and Medium Enterprises (SMEs) 2015-2016	303

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Today's business world is complex, with uncertain global competition (Bititci, 2007) and operates under constant change (Reinstein, 2007). With the rising level of business competition globally, it has become much more challenging for businesses to survive and even more so to stay competitive in the current business environment (Lan and Wu, 2010; Aremu and Adeyemi, 2011; Muhammad, Char and Hassan, 2010). The trend of globalization has exposed the local business operator to a much higher exposure of business challenges. One way to survive the increasingly challenging business environment is through business transformation. The application of business transformation is immensely popular and making changes has now becoming common among corporations.

Many businesses have chosen to transform their business operation; some even make changes to the nature of the business in order to stay relevant in the market. Business transformation can assist business to achieve specific improvements such as higher efficiency, market value and financial sustainability through making fundamental changes (Pratono and Mahmood, 2013). Transformation has made its presence not only in the context of private business entity but also at the national level, as economic transformation. According to KPMG survey, 93 percent of U.S.-based multinational companies are conducting changes of their business models (KPMG, 2014). Business transformation has been widely accepted and practiced across foreign corporations, despite the slowing global economies.

Governments at the macro level also need to transform, as incompetency in the operation and economy structural will eventually lead to disaster (Christodoulakis, 2013), with many ready to serve as live examples such as Greece, Italy and Spain. Business transformation can help improve economy performance of a region through improving the business performance of existing businesses (Worall, 2007). In Canada, the Treasury Board of Canada Secretariat introduced Business Transformation Enablement Program (BTEP) to assist departments and agencies to transform business in a more reliable and standardized manner based on the guidelines and methodology provided in the business transformation toolkit (Treasury Board of Canada Secretariat, 2010). Malaysia has also make swift decisions to execute economic transformation with the current Prime Minister, Dato' Sri Haji Mohammad Najib bin Tun Haji Abdul Razak, championing his Economic Transformation Plan during the beginning of his term in 2009, aiming to make the country's economic structure and government operation more efficient and competitive. It is even more important for business transformation to be widely practiced for private businesses in the Malaysia context, whereby the private sector has been given larger emphasis and expected to be involved significantly, with an expected private sector investment amounting to 92 percent of the country's investment (Menon, 2012). As of year 2015, private sector investment in Malaysia amounted to 69.2 percent of GDP (The Star, 2016).

Private enterprises are no doubt an important segment of the socio economic structure that constructs the very foundation of the economic system, and among them the Small and Medium Enterprises (SMEs) constitute the majority. In order to make any economic transformation successful, the right policy executed at the national level must work in tandem with the economic driver, that is, the SMEs (SME Corp, 2013b), for their massive number and their close link to the social economy. The roles of SMEs are even more important in the era of fast development and an increasingly global competitive world (Aharoni, 1994). SMEs contributed significantly not only in terms of economic growth, but also in fostering the technological progress of the country (Mulhern, 1995). They create countless job opportunities for the country, thus, improving and generating household income. SMEs also become the major force in driving industrial development (Hoq, Ha and Said, 2009).

Many studies have shown that SMEs contributed significantly towards economic growth, jobs creation and reducing poverty (Arinaitwe, 2006; Audretsch, 2002; Ayyagari, Beck and Demirguc-Kunt, 2005; Karides, 2005; O'Regan and Ghobadian, 2004). Despite the economic downturn in most countries, many observed the seemingly similar scenario of SMEs remaining as one of the main economic driving force contributing to the recovery process. Evidence has proved that SMEs have continuously influenced the economies of many countries by contributing to economy recovery, despite increasing global market competition (Ghobadian and Gallear, 1996; Ladzani and Van Vuuren, 2002; Lee, Sameen and Cowling, 2015).

According to the latest official consensus 2016 available in Economic Census 2016, SMEs made up 98.5 percent (907,065) of the total establishments in Malaysia. Of that, 693,670 are micro sized enterprises, 192,783 are small sized enterprises and 20,612 are medium sized enterprises (Number of Establishments by Sectors in Appendix A).

Meanwhile, Malaysian SMEs have performed remarkably well, with growth exceeding that of the overall economy (in 2011-2015 SMEs grew at an average annual rate of 6.7% versus the overall average growth of the economy of 5.3%). Its contribution to the GDP has also increased from 29.6 percent in 2005 to 37 percent in 2016, while contributed 65 percent of total employment (6.6 million workers) and nearly 18 percent of total export (The Star, 2017).

The function of the private sector especially the SMEs is so important to the society, that its existence largely influences the functionality and stability of the economy as a whole (Lin, 1998). Policy to develop the sector of SMEs can also be seen in many countries highlighting the importance of SMEs growth towards the country's economy (Abdullah and Bakar, 2000). The supporting roles of SMEs are even more obvious during financial turmoil.

Malaysian SMEs are also facing many challenges that threaten their business survival (Jebna and Baharudin, 2015). Major challenges include lack of access to financial facility, market and networks, and also lack of business related knowledge

(Hashim and Wafa, 2002; Muhammad, Char, Yasoa and Hassan, 2009; Teoh and Chong, 2008). Khaliq, Isa, Shaari, Abdul and Ageel (2011) identified that Malaysian SMEs are also troubled by bad economic condition, low productivity and difficulty in global sourcing. Meanwhile, Franco and Haase (2010) pointed out that external factors were more often attributed to poor performance and failure of SMEs though their analysis of Portuguese SMEs revealed that internal weakness such as the lack of strategy and vision, low educational levels and inadequate social capital should also be recognized. In supporting SMEs through initiatives and programmes, Malaysian government focuses on the three main objectives: strengthening the enabling infrastructure, building the capacity and capability of SMEs and enhancing access to financing of SMEs (Hoq, Ha and Said, 2009).

In the past decades, business transformation has been widely researched and numerous methods have been developed in support of business to transform in order to remain competitive (Kettinger, Teng and Guha, 1997). However, John Kotter have pointed out a staggering 70 percent failure rate of change initiatives to produce expected outcomes (Higgs and Rowland, 2000), with the underlying factor relating to the nature of leadership (Kotter, 1996). In addition, Haug, Graungaard and Stentoft (2011) pointed out that 40 percent of IT-enabled business transformations are abandoned while 90 percent of them did not achieve their goals. Irani, Sharif and Love (2001) in researching business transformation of manufacturing SMEs stated that literature on failure rates of business transformation is limited and varied widely in the range of 15 percent to 85 percent, as the definition of failure is dependent on the perception of respondents and some projects are terminated before completion.

Over the last three decades, the primary role of leaders has mainly focused on executing change to maintain and enhance organizational performance (Bass, 1985; Burns, 1978; Yukl, 2010). Study has also proved that charismatic leadership has a positive effect on the organization such as improving the employee's employment modes and perceived job security (Wang, Zhou and Wen, 2014). In implementing any business transformation, it is crucial to construct changes from the organizational unit's current state to the desired future state. The ability to adapt and transform is also critical to an organization's success (Ashurst and Hodges, 2010). The dynamic

workplace environment has posted difficulties for aligning the organization's components, resources and strategy with the new vision. The new initiatives must find its balance in satisfying the different value and identity of organization a members. However, without so, business transformation cannot be accomplished.

Unsuccessful, large-scale organizational change is mainly due to the fact that organizations are unable to establish readiness for change (Kotter, 1996). Many organizations fail to successfully transform especially those at the steady state, when the leaders fail to convey the new vision. Moreover, the existing fear of change within the organization could also effectively become detrimental to business transformation. Numerous research indicated that acquiring more funds and capital alone is not sufficient to answer organizations' struggle to execute business transformation (Chesbrough, 2006; Govindarajan and Trimble, 2005). The structural nature of SMEs provided that the leaders with greater influence over the members of the organization and also the organization as a whole (Baum *et al.*, 2001). Therefore, the leadership characteristic would have more influence in SME (Matzler, Schwarz and Harms, 2008).

Lowe, Kroeck and Sivasubramaniam (1996) proved that charisma has the strongest relationship with leader effectiveness, compared to other leadership dimensions. Charismatic leaders are able to stimulate followers intellectually and articulating a realistic vision that can be shared among followers. Hence, the role of charismatic leaders has become an important one that steers changes in organizations (Yammarino and Bass, 1990).

The main struggle of business transformation is attracting key components of the organization to venture into a new vision, as it involves uncertainty and higher risk. Thus, the leader must be able to steer the transformation through turbulence, which must be supported by full faith, support and commitment of the members (Creamer and Amaria, 2012). Miceski, Nikoloski and Stojovska (2014) argued that charismatic leadership is required to lead the employees to achieve missions, vision and goals of SMEs in today's global condition of strong and relentless market competition. In essence, charismatic leadership is the key factor for business success.

Research of the theory of charismatic leadership has also indicated that charismatic leadership leads to successful organizational change (Bass, 1985; Conger and Kanungo, 1998), which could effectively provide the right setting for business transformation. Nevertheless, Parry (2011) argued that leadership and organizational change are inevitably connected. However, much of the studies are not rigorous in nature or only case based.

Therefore, it is judicious to study the relationships between charismatic leadership and business transformation with organizational change as mediator. The dimensions for the Charismatic Leadership variable include: environment sensitivity, sensitivity to member needs, vision and articulation, personal risk and unconventional behavior. The dimensions for Organizational Change variable are: structure, management practices, systems, climate, task requirement and individual skills, individual values and needs and motivation. Whereas the dimensions for business transformation variable are: dynamic capabilities, ability to develop organization resources, alignment of mission and vision and leadership.

1.2 Statement of the Problem

The theoretical and practical challenges are the main motivation of this study. The practical challenges discussed the challenges faced by Malaysian businesses, in particular the SMEs, and the development of the topic on business transformation in relation to the context of Malaysian SME businesses.

Firstly, SMEs are troubled with multiple challenges. Ahmad and Seet (2009) estimated the failure rate of Malaysian SMEs at 60 percent while pointing out the lack of comprehensive research in this sector. The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCIM) survey (conducted during June-July 2014), revealed that the Chinese business community is more pessimistic about the economic outlook in 2015 and 2016 with 40 percent of the respondents expecting their business to be negatively affected and only 57 percent of them believe that they will be able to remain in business (ACCIM, 2015). Malaysian SMEs are at a critical

time to adopt effective changes in their business for survival (Ramayah, 2013). More and more companies faced the urgency to make fundamental changes either through innovative improvement or through business function and process improvement, following increased competition and globalization (Mascarenhas, 2011).

There is a need to study business transformation because business transformation has the potential to improve business performance and relevance with regards to the fast changing and increasingly challenging business environment (Bithas, Sakas and Kutsikos, 2017). Typical business transformation practices include outsourcing business processes, business model changes, mergers and acquisitions, or cross-functional organizational restructuring (Uhl and Pimmer, 2011). Some of the desired effects potentially created by business transformation including increased revenue or market share, improve customer satisfaction, higher efficiency and operation and lower cost. Venkatraman (1994) five levels of IT-enabled business transformation model demonstrated the increasing potential benefits of business transformation, from the lower degree at evolutionary level to the higher degree at revolutionary level.

Therefore, having a successful business transformation through strategy change contributes to a better outcome in terms of business performance (Collis and Rukstad, 2008). It is very important for business organizations to give more emphasis on the practice of business transformation especially in the Malaysian context. This is due to the increasing challenges in the business environment such as the glooming Malaysia market outlook following the fall in international oil prices, lower internal spending, rising cost due to subsidy rationalization and higher raw material prices, which certainly will negatively affect the SMEs.

High failure rate of SMEs causes negative effect not only to the economy but also to the society, as SMEs are closely related to the society in terms of job creation. Despite creating jobs in huge numbers, SMEs also eliminate them when SMEs failed (Ripsas, 1998), which resulted in lost of jobs for the society. Meanwhile, Halim, Ahmad and Ramayah (2013) argues that the dynamic and rigorous changes in the global commercial landscape have given Malaysian SMEs a strong warning to

reposition and improve their business in order to survive future challenges. The issue of SMEs survival in the competitive environment is in urgent need for a solution (Jebna and Baharudin, 2015). Halim, Ahmad and Ramayah (2013) further argued that even though SMEs are also troubled by challenges such as financing difficulties, lack of human resource and technology and innovation, many SMEs still try to utilize strategic approaches such as outsourcing to improve their competitive advantage. To tackle the many challenges SMEs could possibly face, business transformation provides a practical answer through delivering better business performance, of which are generally related to conducting major changes in the organization. Uhl and Gollenia (2012) stressed that business transformation is vital for business to remain competitive, and involved both fundamental and complex organizational changes.

Secondly, there are contradicting findings on business transformation, which therefore needed validation. Numerous studies have pointed out the positive outcomes such as staying competitive and thriving under changing business environment, following business transformation (Abe, Akkiraju, Buckley, Ettl, Huang, Subramanian and Tipu, 2007; Collis and Rukstad, 2008; Uhl and Gollenia, 2012) while other researchers suggested otherwise. Tennant (2007, pg73) stated “significant business transformation of change program often fails to deliver improved performance result in large organizations”. In addition, Reinstein (2007) also indicated that companies implementing business changes do not always achieve their expected outcomes. This contradicting scenario is mainly due to the fact that there are discrepancies in executing business transformation and lack of understanding of the factors that affect business transformation. The validation of business transformation would enhance understanding of the factors determining business transformation, and also provides solution to SMEs, as business transformation is believed to be associated with positive business performance. Moreover, the current standing of SMEs contribution to GDP at 32 percent is still underperformed as compared to the middle-income nations, which averaged at 39 percent (SME Corp, 2013b). To assist in closing this gap, research on business transformation in the context of Malaysian SME businesses would be essential.

Studies on business transformation are important as they answer the needs of both private business and the government in growing the national economy. In subscribing to the practice of business transformation, private businesses are able to make their businesses more relevant in the rapid changing business environment, and the success of their collective attempts in improving their business would later become part of the solution contributing to the economic transformation at the national level, thus creating higher income. Research also indicated that having a successful business transformation could improve the competitive advantage of an organization (Uhl and Gollenia, 2012). Literature suggested that there are studies related to business transformation conducted within or including Malaysia, however they are not specifically targeting the SMEs sector. Such research include the study of business transformation through asset reconfiguration (Chakrabarti, Vidal and Mitchell, 2011); lean production supply chain management (Agus and Shukri Hajinoor, 2012); enterprise architecture (Dahalin, Razak, Ibrahim, Yusop and Kasiran, 2010); e-commerce/e-business/information system (Le and Koh, 2002; Murali, Maniam and Yu, 2007); technological innovation (Yun, 1990) and also relevance of business transformation in national economic transformation (Salleh and Meyanathan, 1993).

Evidence of successful business transformation in larger organization in Malaysia, for example, LBS Bina Group and Bank Islam has proven to improve profit earning, business network and better utilization of resources (Adilla, 2013; Azmi and Madden, 2014). In fact, business transformation studies targeting SMEs were also done in the area of business process re-engineering (BPR) in Taiwanese SMEs (Chang and Powell, 1998); e-business transformation with European SMEs (Eikebrokk and Olsen, 2007) and e-business transformation with UK SMEs (Ashurst, Cragg and Herring, 2011). At the same time, there is research suggesting an urgent need to synergize the SMEs business with business transformation to create a bigger force in developing and transforming the Malaysian economy (Bux and Ibrahim, 2011). Despite the significant roles that SMEs played in Malaysia's economy, this sector has not been sufficiently studied, as most research focused on large or listed companies (Moorthy, Tan, Choo, Wei, Ping and Leong, 2012) and little research has been conducted on SMEs (Wiesner and Poole, 2009) in particular business transformation of SMEs (Haug, Graungaard and Stentoft, 2011). Therefore, a

research on business transformation in the SMEs in Malaysia is reasonable and logical. As there is a limited study on business transformation in Malaysian SMEs, the present study attempts to address this gap by researching business transformation in the SMEs in Malaysia.

Theoretical challenges are the gaps that were identified based on the literature review of business transformation, charismatic leadership and organizational change. Research gap exists in the part that verifies the relationship between charismatic leadership with business transformation, and also between business transformation and charismatic leadership through the mediating role of organizational change.

Firstly, there is a lack of research studying the relationship between charismatic leadership and business transformation in Malaysian SMEs. Studies pointed out the important role of leadership in business transformation (Kumar Basu, 2015). There are also studies in European firms suggesting that effective charismatic leadership behavior and characteristics can contribute to business transformation (Aspara, Lamberg, Laukia and Tikkanen, 2011; McKeown and Philip, 2003). Besides creating transformation at the individual level among the followers (Turner, 2003), western research also suggest that charisma helps to promote the willingness to change (Uhl and Gollenia, 2012), which is a very crucial element that trigger a successful business transformation effort (Kotter, 1995). Nadler and Tushman (1989) also suggested that there is a connection between charismatic leadership and organizational change in American firms. Charismatic leadership plays a vital role in steering successful organizational change in which a charismatic leader through enhanced motivation is able to change followers perception of works, offer an appealing future vision, develop collective identity among followers and heighten both individual and collective self-efficacy (Shamir *et al.*, 1993). Kahtani (2013) also proposed that charisma in the leader is the source for organizational change.

The problem with business transformation nowadays is not about the lack of innovation, but the whole responsibility falls on too few people (Mascarenhas, 2011). Successful business transformation requires all member of the organization to take an active role. In this, the charismatic leadership could serve as the right trigger for all

members to participate in business transformation. However, researchers have also emphasized that the relationship between these two variables must be researched more extensively (Boehm, Dwertmann, Bruch and Shamir, 2015; Nohe, Michaelis, Menges, Zhang and Sonntag, 2013). Transformation process fails when the leader fails to create the urgency to change through motivation (Kotter, 2008). Many research conducted in western countries have affirmed on the strong relationship between charismatic leadership and business transformation (De Vries, 1999; De Vries, Shekshnia, Korotov and Florent-Treacy, 2004; McMahon, 2008). However, little research effort has been given to leadership and business transformation in the context of Malaysian SMEs. Moreover, this research also helps clarify the relationship among the dimensions of charismatic leadership and business transformation. Literature is also lacking the relationships among the dimensions of charismatic leadership and organizational change. Therefore, this research will be able to contribute to the research gap and provides a more detailed understanding of the relationship between charismatic leadership and organizational change. This finding will provide an insight of the effect of charismatic leadership on business transformation of Malaysian SMEs.

Secondly, there is not much research done in studying the relationship between charismatic leadership and organizational change in Malaysian SMEs. Leadership is important in the implementation of organizational change (Aarons, Ehrhart, Farahnak and Hurlburt, 2015). Studies in non-SME setting have discovered that charismatic leadership is able to improve employees' commitment to organizational change (Kahtani, 2013; Nohe, Michaelis, Menges, Zhang and Sonntag, 2013). Besides encouraging the commitment towards organizational change, charismatic leadership is also able to induce organizational members to continuously anticipate and adapt to the changes in the organization (Waldman, Javidan and Varella, 2004). Organizational change requires leaders to develop a motivational message that develops trust and persuades followers to work hard to achieve vision (Martínez Zamorano and Van Bohemen, 2009). The lack of charismatic quality such as poor communication skill could significantly increase the resistance to organizational change (Martínez Zamorano and Van Bohemen, 2009). However, little research has been done in studying the relationship between charismatic leadership and organizational change in the context of Malaysian SMEs

(Santhidran, Chandran and Borromeo, 2013). The issue of leadership is increasingly common in organizations especially in the effort of making changes; the lack of charisma in leaders has make changes more challenging (Fullan, 2014). More research on organizational change has to be done in emerging markets (Zhou, David and Li, 2006). Moreover, this research also helps clarify the relationship among the dimensions of charismatic leadership and organizational change. There is a dearth of literatures studying extensively on the relationships between charismatic leadership and the dimensions of structure in organizational change (Judge, Piccolo and Ilies, 2004). Studies suggest that charismatic leaders motivate followers through their behavior of understanding the followers needs. Therefore, more research is needed to verify the relationship between the dimensions of sensitive to member's needs and preference in charismatic leadership with the dimension of motivation in organizational change (Murad, Gill and Ali, 2016). Research gap also exists in the area that studies the relationship of leader charisma behavior of envisioning and organizational change in the part of management practices (Zhou, David and Li, 2006). Therefore, this research will greatly contribute to the research gap and provide a more detailed understanding of the relationship between charismatic leadership and organizational change.

The third research gap exists in the part of the relationship between organizational change and business transformation in Malaysian SMEs. Studies found that the greater challenge in implementing successful business innovation lies not on the formation of great ideas but on the process of implementing the changes (Govindarajan and Trimble, 2005). Research in Taiwan (Lin and Lee, 2005) and United Kingdom (Cumming, Bettridge and Toyne, 2005) also indicated that most approaches used in successful business transformation came from incremental organizational changes, and business transformation is closely related to organizational change. In recent years, most research in business transformation focused on the tools and methods, especially on the aspect of e-business or IT-related business transformation (Agarwal and Brem, 2015; Elliot, 2011; Gloor, 2011; Gruner, Power and Bergey, 2013; Owusu, O'Brien, McCall and Doherty, 2014; Platt, 2012; Vayghan, 2012; Westerman, Bonnet and McAfee, 2014). The abundance of research in business transformation that focuses on technological aspects has created research gaps in the area of business transformation relating to organizational

changes. Chesbrough (2010) have revealed that companies have the ability to invest extensively in technology but their inability to innovate business model lies in their failure to overcome barriers to organizational change. Therefore, organizational change must happen in order to realize business transformation (Weerakkody, Janssen and Dwivedi, 2011). Therefore, more focus should be given to the relationship between organizational change and business transformation. This research aims to contribute to the literature by researching the relationship between organizational change and business transformation in Malaysian SMEs. Additionally, this research helps clarify the relationships between the dimensions of organizational change and business transformation, as there is limited literature on the relationships. Studies also suggested that organizational structure is related to dynamic capabilities, which is a dimension in business transformation. However, further research is needed to verify the relationship (Lawson and Samson, 2001; Rindova and Kotha, 2001), as there is still a lack of research in this area (Verona and Ravasi, 2003). Tsai (2001) further advert that there is a lacking of research on the relationship between organizational structure and the dimension of ability to develop organization resources in business transformation. Therefore, this research will contribute significantly to the research gap and provides a more detailed understanding of the relationship between organizational change and business transformation.

The fourth research gap focused on the mediating effect of organizational change in the relationship between charismatic leadership and business transformation in Malaysian SMEs. Some efforts have also been done in exploring mediators of charismatic leadership (McCann, Langford and Rwlings, 2006; Wang, Law and Hackett, 2005). Charismatic behaviors are found out to be able to effectively contribute to changes in organization (De Vries, 1999; Yukl, 1998). At the same time, research indicated that leadership is an important factor in determining the success of organizational change (Herold and Fedor, 2008; Herold, Fedor, Caldwell and Liu, 2008; Karp and Helgo, 2008; Kotter, 1996). Organizational change essentially relied on the participation of organization members (Smith, 2005), which involves the leader managing organizational members towards achieving change. Members are affected by the leadership style (Ajmal, Farooq, Sajid and Awan, 2012). Research found out that business transformation is realized through a series of radical organizational changes, each of which is not sufficient to deliver the

transformational effect, but their collective effect leads to business transformation (Bititci, Mendibil and Maguire, 2010). It is crucial to integrate a mediator for charismatic leadership (Avolio, Walumbwa and Weber, 2009; Yukl, 1999), as efforts to study mediators in the relationship are still scarce (Conger, Kanungo and Menon, 2000; Judge, Fluegge Woolf, Hurst and Livingston, 2006). It is important to study how leadership style is transmitted through the mediator, which produces changes at the organizational level during the process of transformation (Avolio, Sosik, Kahai and Baker, 2014). With consideration on the numerous research finding suggest that charismatic leadership affects business transformation, charismatic leadership affects organizational change and organizational change affects business transformation, it is logical to study organizational change as the mediator in the relationship between charismatic leadership and business transformation (Baron and Kenny, 1986; Preacher and Hayes, 2008), in the context of Malaysian SMEs. Therefore, this research aims to contribute to the literature by filling the research gap by studying the mediating effect of organizational change in the relationship between charismatic leadership and business transformation in Malaysian SMEs.

The present study attempts to fill the research gaps by studying the relationship between charismatic leadership and business transformation; charismatic leadership and organizational change; and organizational change and business transformation; as well as highlighting the importance of organizational change as a mediator in the relationship between charismatic leadership and business transformation.

1.3 Research Questions

Based on the research problems as discussed in the problem statement, this study will address the following research question:

1. Does charismatic leadership affect business transformation?
2. Does charismatic leadership affect organizational change?
3. Does organizational change affect business transformation?

4. Does organizational change mediate the relationship between charismatic leadership and business transformation?

1.4 Research Objectives

As earlier discussed in the problem statement, this research will investigate the effect of charismatic leadership on business transformation with organizational change as mediator. Hence, the objectives of this study:

- i. To analyze the relationship between charismatic leadership and business transformation
- ii. To determine the relationship between charismatic leadership and organizational change
- iii. To establish the relationship between organizational change and business transformation
- iv. To determine the significance of organizational change as a mediator in the relationship between charismatic leadership and business transformation

Summary of the research objectives and research questions are shown in Table 1.1.

Table 1.1: Summary of the research objectives and research questions

	Research Objectives	Research Question	Hypotheses
	To analyze the relationship between charismatic leadership and business transformation	Does charismatic leadership affect business transformation? CL→BT	H1
	To determine the relationship between charismatic leadership and organizational change	Does charismatic leadership affect organizational change? CL→OC	H2
	To establish the relationship between organizational change and business transformation	Does organizational change affect business transformation? OC→BT	H3
	To determine the significance of organizational change as a mediator in the relationship between charismatic leadership and business transformation	Does organizational change mediate the relationship between charismatic leadership and business transformation? CL→OC →BT	H4

Source: Developed for this study.

1.5 Significance of The Study

This study provides significant theoretical and practical contributions in the field of charismatic leadership, organizational change and business transformation study.

There are four significant theoretical contributions of this research. The first research objective will establish the significance of charismatic leadership on business transformation. This research benefits the SMEs in terms of the theoretical understanding with regards to business transformation concept. Transformation even on a small variation can potentially create huge effects to the organization (Pascale,

Millemann and Gioja, 1999). This would also further enhance the literature on charismatic leadership (Conger, Kanungo and Menon, 2000). Therefore, this research is important in accessing business transformation of Malaysia businesses in particular SMEs. Meanwhile, this research also fills in the research gap, of which there is a lack of research studying the relationship between charismatic leadership and business transformation in Malaysian SMEs. The business transformation model will serve as a guideline for further research to be done in this area. This research will provide an insight the factors that are crucial for successful business transformation, particularly the effect of charismatic leadership. Meanwhile, this research also studies the relationships between the dimensions of charismatic leadership and business transformation, which has never been done before. This would definitely enrich the literature on charismatic leadership and business transformation, as well as providing more insight into the relationship between the two variables.

The second research objective will provide an insight of the effect of charismatic leadership on organizational change. Leaders are the key personnel to formulate and implement successful organizational change by promoting commitment among employees (Herold, Fedor, Caldwell and Liu, 2008; Kotter, 1996). Herold *et al.* (2008) argued that change is one of the most important aspect faced by organizations. This research will provide some meaningful insights in the relationship of charismatic leadership towards organizational change, thus addressing the high organizational change failure rate (Beer and Nohria, 2000; Hammer and Champy, 1993; Keller and Aiken, 2009; Kotter, 2008; Senturia, Flees and Maceda, 2008), through the understanding of important charismatic leadership factors that has strong significant positive relationship with organizational change. Meanwhile, this research also fills in the research gap, of which there is a lack of research studying the relationship between charismatic leadership and organizational change in Malaysian SMEs. Moreover, it has been identified earlier that charismatic leadership potentially support a successful organizational change (Kahtani, 2013). This study will validate this assertion. Meanwhile, this research also studies the relationships between the dimensions of charismatic leadership and organizational change, which has never been done before. This would definitely enrich the literature on charismatic

leadership and organizational change, as well as providing more insight into the relationship between the two variables.

The third research objective will establish if a significant relationship exists in the relationship between organizational change and business transformation. Madsen, Miller and John (2005) indicated that change efforts are crucial to improve the effectiveness and efficiency of organization, and change is needed to address the rapid changes of business environment (Erakovic and Powell, 2006). This research attempts to fill in the research gap, for the lack of research studying the relationship between organizational change and business transformation in Malaysian SMEs. Studies in bigger organization has demonstrated that business transformation can be achieve thorough the multiple changes conducted by organizational change (Bitici, Mendibil and Maguere, 2010; McCreary, Raval and Fallenstein, 2006). The validation on the part of business transformation determinants would help the SMEs in improving their business performance, as well as policy makers to deliver higher impact through the development policy they drafted with better precision. Besides, this study also examines the relationships between the dimensions of organizational change and business transformation, which has never been done before. This study can enhance the literature on organizational change and business transformation, and provide more understanding into the relationship between the two variables.

The fourth research objective will provide an insight on the significance of organizational change in the relationship between charismatic leadership and business transformation. Leadership and change are the two major problematic issues faced by businesses that critically need to be solved effectively (Burnes and Rune, 2012). By validating mediating effect of organizational change in the relationship between charismatic leadership and business transformation, this research will be able to identify the significance of the indirect and direct effect exist in the relationship between charismatic leadership and business transformation. Studying the relationship of charismatic leadership, organizational change and business transformation together help support business transformation initiatives in Malaysian SMEs. This research will be able to contribute to the research gap, on which there is

still a lack of research studying the mediating model in the relationship between charismatic leadership and business transformation.

In terms of practical contribution, this research contributed to policy development, particularly government policies. Government agencies responsible for SMEs related policy development will be able to utilize the findings of this research to better formulate policies that foster business transformation of SMEs and support business entities that are going through business transformation. This could be done through providing training and incentives to develop necessary skills relating to the charismatic leadership and organizational change among the SMEs. Projects and incentives introduced to develop the SMEs sector will be further enhanced by the new insight of this research finding.

In addition, this research also contributed in terms of updated data on business transformation research. Malaysian SMEs can use the validated model and theoretical framework constructed to pursue an applicable and effective business transformation, through applying the factors that can contribute positively to the business transformation, which are identified from the examination between the relationships of charismatic leadership and organizational change with business transformation.

1.6 Scope of The Study

This focus is based on the practical or managerial perspective that addresses the practical challenges face by SMEs business in an increasingly challenging business environment. Firstly, this study was conducted in Malaysia and data was collected only from the SMEs of Peninsular Malaysia due to limited time and resources. This group of respondents was selected because SMEs constituted a huge segment of the Malaysian economy and is closely connected to the social economic development. This research targeted only the small (192,783) and medium (20,612) sized enterprises with total of 213,395 establishments, according to the latest available official SMEs census (Economic Census 2016). SMEs are not familiar with

modern management concepts nor strategically review their business (Tennant, 2007). Hence, it is very challenging for SMEs to transform their business (McLaughlin, 2004). Changes are more difficult for smaller firms (Kim, 1997), as they lack resources to carry out the change (Susman, Jansen, Michael, Bukowski and Stites, 2006). Thus, it will be more appropriate and effective to look into slightly bigger size establishments in the SMEs sector instead of the micro enterprises when research on business transformation in the context of SMEs. This research will be collecting data throughout starting from March 2016 to May 2016. The unit of analysis of this research will be the SME firm, of the small and medium sized, while the targeted respondents of the questionnaire will consist of managerial employees of the SME firm.

1.7 Definition of Key Terms

Business Transformation

- a) **Business Transformation:** According to Uhl and Gollenia (2011, p.1), “Business transformation implies fundamental and complex organizational changes, not only within companies but also across the entire value chain”.
- b) **Dynamic capabilities:** The strategic management in adapting, integrating and re-configuring internal and external organizational skills, resources and functional competences towards changing environment (Teece and Pisano, 1994).
- c) **Ability to develop organization resources:** The ability to recombine organizational resources, design and employ different leveraging strategies to exploit the new and current capabilities (Sirmon, Hitt and Ireland, 2007).
- d) **Alignment of mission and vision:** The arrangement of priorities, strategies, plans and work assignments (Pearce and David, 1987), in line with the core

ideology and envisioned future of the organization (Collins and Porras, 2005).

- e) **Leadership:** The process of interactive influence that occurs when, in a given context, some people accept someone as their leader to achieve common goals (Silva, 2016).

Organizational Change

- a) **Organizational Change:** According to Harsh (2011, p.62), organizational change refers as “the implementation of new procedures or technologies intended to realign an organization with the changing demands of its business environment or to capitalize on business opportunities”.
- b) **Structure:** The arrangement of functions and people into specific areas and levels of responsibility, decision making authority, communication and relationships to assure effective implementation of the organization’s mission and strategy (Burke and Litwin, 1992).
- c) **Management practices:** What managers do in the normal course of events to use the human and material resources at their disposal to carry out the organization’s strategy (Burke and Litwin, 1992).
- d) **Systems:** Standardized policies and mechanism that facilitate work primarily manifested in the organization’s reward systems, management information systems (MIS) and in such control systems as performance appraisal, goal and budget development and human resource allocation (Burke and Litwin, 1992).
- e) **Climate:** The collective current impressions, expectations, and feelings that members of local work units have that, in turn, affect their relations with their boss, with one another and with other units (Burke and Litwin, 1992).

- f) **Tasks requirement and individual skills:** The required behavior for task effectiveness, including specific skills and knowledge required of people to accomplish the work for which they have been assigned and for which they feel directly responsible (Burke and Litwin, 1992).
- g) **Individual values and needs:** The specific psychological factors that provide desire and worth for individual actions or thoughts (Burke and Litwin, 1992).
- h) **Motivation:** The aroused behavior tendencies to move towards goals, take needed action and persist until satisfaction is attained.

Charismatic Leadership

- a) **Charismatic leadership:** According to Turner (1993), charismatic leadership is one's personal strength that is perceived to be extraordinary and attractive by other people. Conger and Kanungo (1987, p. 639) define it as "an attribution made by followers who observe certain behaviors on the part of the leader within organizational context". Meanwhile, Walden, Javidan and Varella (2004, p. 358), define charisma, as "a relationship between individuals (leader) and one or more followers based on leader behaviors combined with favorable attributions on the part of the followers".
- b) **Vision and articulation:** Providing inspiring strategic and organizational goals (Chung, Chen, Lee, Chen and Lin, 2011).
- c) **Environmental sensitivity:** Readily recognizes new environmental opportunities (favorable physical and social conditions) that may facilitate achievement or organizational objectives (Chung, Chen, Lee, Chen and Lin, 2011).
- d) **Unconventional behavior:** Uses non-traditional means to achieve organizational goals (Chung, Chen, Lee, Chen and Lin, 2011).

- e) **Personal risk:** Takes high personal risk for the sake of the organization (Chung, Chen, Lee, Chen and Lin, 2011).
- f) **Sensitivity to member needs:** Shows sensitivity for the needs and feelings of other members in the organization (Chung, Chen, Lee, Chen and Lin, 2011).

Small and Medium Enterprises (SMEs)

Definition and statistics of SMEs are mainly acquired through SME Corporation Malaysia (previously SMIDEC) for which resources from this official agency have been cited in many of the SMEs related studies (Harris, Aziz and Norhashim, 2012; Hoq, Ha and Said, 2009; Jebna and Baharudin, 2015; Khan and Khalique, 2014; Sapie, Hussain, Awang and Ishak, 2015).

- a) The definition of SMEs in this study follows the latest SME definition set by SME Corp Malaysia that was endorsed at the 14th NSDC Meeting in July 2013. The definition for SMEs based on sector/ industry is as follows (SME Corp, 2013a):
 - i) Manufacturing sector: SMEs with sales turnover not exceeding RM50 million or full-time employees not exceeding 200 workers
 - ii) Services and other sectors: SMEs with sales turnover not exceeding RM20 million or full-time employees not exceeding 75 workers

A business is considered an SME when it fulfills either one of the two criteria on sales turnover and full-time employees; whichever is lower (Definition by size available in Appendix B).

1.8 Organization of the Remaining Chapter

This study consists of five chapters. The first chapter consists with nine sections, namely: background of the study, statement of the problem, research

objectives, research questions, significance of the study, scope of the study, definitions of key terms, and finally summary of Chapter One.

The second chapter mainly focuses on the existing empirical findings regarding business transformation, organizational change and charismatic leadership. In addition, this chapter also discusses the conceptual framework, hypotheses, and theoretical framework.

The third chapter discusses the research design, population and sample size, sampling procedure, data collection methods, research instruments, and statistical analysis, while the fourth chapter focuses on data analysis. Finally, the fifth chapter, which is the last chapter summarises the whole study. This chapter also provides a review of the objectives and the accomplishments of this study. Additionally, it covers the implications of the study, the limitations and suggestions for future research.

1.9 Summary

In summary, Chapter One provides information in terms of the background and initial plan of the research. An overview of the three main variables is highlighted in this chapter. SMEs are crucial to Malaysian socio economy. In response to the increasing challenges in their business, SMEs should engage in business transformation to improve their business and remain competitive in the rapidly changing environment. However, there is a lack of research studying into the relationship between the three main variables in the Asia context, more especially Malaysia. This research also introduces a new mediating model that consists of organizational change as mediator in the relationship between charismatic leadership and business transformation. Following the introduction, the chapter discusses the problem statement, the research gaps' and the research objectives, research questions, significance of the study, scope of the study, definitions of key terms, and finally the organization of the remaining chapters. The following chapter will focus on a review of the literature related to the study.

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Appendix A**Number of Establishments By Sectors (p.4)**

Sector	Total SMEs	Total SMEs (%Share)
Services	809,126	89.2
Manufacturing	47,698	5.3
Construction	39,158	4.3
Agriculture	10,218	1.1
Mining and Quarrying	865	0.1

Source: SME Corp (SME Statistics 2016)

Appendix B

Definition By Size of Operation (p.24)

Category	Micro	Small	Medium
Manufacturing	Sales turnover of less than RM300,000 OR less than 5 full-time employees	Sales turnover from RM300,000 to less than RM15 million OR full-time employees from 5 to less than 75	Sales turnover from RM15 million to not exceeding RM50 million OR full-time employees from 75 to not exceeding 200
Services and Other Sectors	Sales turnover of less than RM300,000 OR less than 5 full-time employees	Sales turnover from RM300,000 to less than RM3 million OR full-time employees from 5 to less than 30	Sales turnover from RM3 million to not exceeding RM20 million OR full-time employees from 30 to not exceeding 75

Appendix C

Literature on Business Transformation Dimension

Dimension	Research finding	Researcher
Dynamic capabilities	1) Stresses the importance of dynamic capability in business transformation and uses IT-enabled dynamic capabilities to study business transformation	Lin and Hsia (2011)
	2) Incorporate the dynamic capabilities concept to examine how organizational form and function dynamically with e-business transformation	Rindova and Kotha (2001)
	3) Important to be able to combine resources in new ways, gain additional resources and dispose of superfluous resources during e-business transformation.	Daniel and Wilson (2003)
	4) Dynamic capability is fundamental to the transformation of a business, which enabled value-creation.	Amit and Zott (2001)
	5) The proposed model of business transformation positions the firm's abilities to coordinate and exploit firm resources, which include processes, information technology and readiness of customers and suppliers to create online informational capabilities that drives business transformation.	Barua, Konana, Whinston and Yin (2004).
	6) Conducting business transformation, variety of capabilities are needed to manage the enterprise wide changes, management must be able to identify and implement areas of improvement using and targeting cross department issues.	Safrudin, Recker and Rosemann (2011)
	7) Both technological and business capabilities play a critical role in business transformation. Changes in business model can be facilitated through combination business capabilities.	Wu and Hisa (2008).
	8) Organization capabilities depend on the organization resources, for which the interaction between resources and capabilities such as	Bhatt (2000)

Dimension	Research finding	Researcher
	technology, technique and people that become important determinant to firm's success through business transformation	
	9) The primary thrust in IT-enabled business transformation is process integration at the same time the transformation can be achieved through coordination of organization's capabilities in terms of processes, relationship building, human resources and groups functioning.	Brown and Sambamurthy (1999)
	10) The implementation of Service Oriented Architecture as key enabler of business transformation must build upon the collaboration of multiple business units and ability to support transformation. Crucial ability such as service and workflow, information system, technology and third party product integration determine the success of the transformation.	Walker (2007)
	11) The ability to change strategy and operate on new competencies is crucial, that must be supported by development and investment. During transformation, organization will not change without new competency. Capability is the key in transformation and it is not free.	Morgan, Cole, Johnson and Johnson (2010)
Ability to develop organization resources	1) Highlight the importance of identifying and commit resources with IT investment during the business transformation	Barua, Konana, Whinston and Yin (2001)
	2) Important to develop employees that are capable accomplish mission, short-term improvement business transformation must be use to further increased the ability of the organization in achieving vision.	Kotter (1995)
	3) Growing the talent in the organization is crucial for business transformation such as leadership development and talent management. Executive range managers can be exposed with new unit of business operation in order for them to be effectively grown as a future leader.	Cohn, Khurana and Reeves (2005)
	4) Ability of organization to reconfigure and recombine resources is critical for business transformation. It is not only the technology but also the people that has to be continuously develop in order to	Bhatt (2000)

Dimension	Research finding	Researcher
	effectively apply the changes through business transformation.	
	5) Asset reconfiguration by both growth and diversification provide an useful measure for resources development in achieving business transformation. Market development later affect the ability of firms to transform and benefit from the transformation. Reconfiguration of the resource base can be done through acquisition, internal development and diversification.	Chakrabarti, Vidal and Mitchell (2011)
	6) Effective transformation through restructuring must be complement with the firm existing strengths and its ability to learn and develop its resources. Organizational learning can enhance intangible resources and help improve firm's ability in strategy planning. Resources that build up the basis for firm performance include managers, employees, knowledge, firm capabilities (processes/routines) and assets.	Uhlenbruck, Meyer and Hitt (2003)
	7) Successful transformation can be achieved through managerial development in areas relating to changing goals, tasks, technologies, cultures, structures, power and managerial work. Focus must be given to developing managers who are responsible for the development activities in the organization.	Doyle (1995)
Alignment of short-term mission with long-term vision	1) Included the dimension of enabling IT to deliver process and services goals dimension in e-business transformation	Lin and Hsia (2011)
	2) Crucial to align processes and customer and supplier readiness to maximize benefit during business transformation.	Barua, Konana, Whinston and Yin (2001)
	3) Important to have short term goals achievable than long term goals that waited too long to see result as real transformation takes time and organization may face possible loss of momentum without short term success. Organization will need to actively look for strategies in keeping the improvements directed to the long-term goal.	Kotter (1995)

Dimension	Research finding	Researcher
	4) In IT-enabled business transformation, various strategies are utilized to aligned process integration actions to in attending the long-term vision of transformation in both process and core value transformation.	Brown and Sambamurthy (1999)
	5) Using goals to help relate the reason for a transformation implementation and give reason for the introduction of new process in the business architecture model. Such alignment with the business vision also provides reason for the change process.	Yu, Strohmaier and Deng (2006)
	6) E-business transformation doctrine required the firm to integrate it's vision and tactical delivery with information technology as to meet the vision and process execution.	Bosilj-Vuksic, Stemberger, Jaklic and Kovacic (2002).
Leadership	1) Leadership is the organizational enablers for evolutionary level of IT-enabled business transformation.	Venkatraman (1994)
	2) The research highlights the importance of key leadership role in business transformation. Effective leadership can establish the change agenda, gains commitment to the change goals and engage stakeholders. The main function of leadership include: keeping the team involved; make alignment by communicating; keep employees focus; emphasize listening and building understanding	Cowan-Sahadath, K. (2010).
	3) Leadership can accelerate the business transformation process through the 3 dimensions: <ul style="list-style-type: none"> • - Strategic sensitivity: the sharpness of perception of, and the intensity of awareness and attention to, strategic developments; • - Leadership unity: the ability of the top team to make bold, fast decisions, without being bogged down in top-level 'win-lose' 	Doz and Kosonen (2010).

Dimension	Research finding	Researcher
	politics; <ul style="list-style-type: none"> • - Resource fluidity: the internal capability to reconfigure capabilities and redeploy resources rapidly. 	
	4) Business transformation fail due to the lack of leadership. Leadership must be able to establish enough sense of urgency during the course of business transformation process. Creating a new system would require leadership.	Kotter (1995).
	5) Business transformation through Business Process Reengineering required a top-down, directive leadership. It also requires the management of motivated, skilled, independent-thinking people doing non-programmable tasks for which a non-directive leadership style is most suited.	Sutcliffe, N. (1999).
	6) Successful leadership communications plays important role in business transformation during the process of transforming culture in organization. The four principal characteristics are: they are authentic to the personality of the leader; they are not one-time communications, but the beginnings of a cascade; they are personally relevant to each individual employee; and they are quickly followed by visible actions springing from the strategic direction set by the leader's communications.	Hirsch (2014)
	7) Research in Taiwanese firms identified that, leadership style that has been labeled as "transformational" was found to have direct and indirect relationship with organizational innovation. "Transformational" type of leadership has significant and positive relations in creating innovation-supporting organization climate.	Jung, Chow and Wu (2003)
	8) Leadership provided the impetus for business transformation. The central role of leaders are making new commitments and breaking the	Rosenbloom (2000)

Dimension	Research finding	Researcher
	old one. Creation of new capabilities is essential to sustain the business transformation in long run.	
	9) Transformation can only to occur and sustained when the top of organization accept the concept. Leaders shall forge network that hold people together in engaging the change, through a shared vision. Leadership is responsible for connecting needs and opportunities with available resources of the organization. Such connection should be developed using their passion, power of persuasion and influence skills.	Roth (2006)
	10) Business transformation initiative often arise out of crisis and are driven by leader. The case study strongly suggested that the transformation process is on-going and multi-stage. Both leadership and alignment of short-term mission with long-term vision have been critical to the success of business transformation. Critically. Leadership is one of the primary requirements to make business transformation successful, with which the leader must be both visionary and operationally focused. Without clear and accountable leadership, business transformation is destined to fail.	McKeown and Philip (2003)
	11) Leadership together with performance measures are the key to bind all the components together in achieving business transformation. Business transformation components consisted of value streams, systems and resources, strategy, organization, people and processes. It is very important for leadership to form the belief and support among the teams on the idea of business transformation. Leaders must drive the transformation while getting everyone involve in the process.	Bititci (2007)

Appendix D

Summary of literature on charismatic leadership and business transformation

No	Author(s)	Methodology	Variable characteristic used	Research finding
1	Herbert, 2009	Longitudinal Case Study UK firm	Management control system (MCS)	(Non SME) -Discussed empowerment with business transformation. Employee assuming greater responsibility through empowerment with the facilitation of management system could improve organization performance. Real progression of business transformation program is achieved over extended period of time.
2	Cheyunski and Millard, 1998	Case Study	Business transformation	(Non SME) -Business transformation requires a clear strategy blueprint to guide the execution of transition, which must be clearly delivered and understood by all participants. -Business transformation requires the sensitivity to internal and external demand such as clients' satisfaction, staff appraisal and career need; this is to ensure appropriate coordination is made among leadership, resources and clients in executing strategy.
3	Hughes, 2015	Conceptual paper	Transformation Leadership	(Non SME) -Major focuses of leadership in transformation activities such as establishing a sense of urgency, forming powerful guiding coalition, creating vision and communicating the vision.

No	Author(s)	Methodology	Variable characteristic used	Research finding
4	Kilgallon and Lampe, 2007	Conceptual paper	Transformation	<p>(Non SME)</p> <ul style="list-style-type: none"> -Business challenges must be address with a proper design of transformation road map and implement the identified measures. -The key to business transformation is to identify the right timing to initiate the transformation while creating vision of the future with detailed specific measure to achieve the goals. -Some of the elements involves in transformation suggested which can be fully addressed with charismatic leadership include: <ol style="list-style-type: none"> 1) Create the urgency of change 2) Forming a guiding coalition 3) Creating powerful vision 4) Providing clear transformation map 5) Persuasive Communication 6) Reducing resistance among employees 7) Allocation of resources 9) Having face to face meeting
5	De Vries, 1999	Interview	Charisma Business transformation	<p>(Non SME)</p> <ul style="list-style-type: none"> -Organization face challenges such as employee resistance and internal and external pressure in any change process. -Requires someone with established power and authority to become an effective change agent in the business transformation process. -The function of charismatic leader towards the

No	Author(s)	Methodology	Variable characteristic used	Research finding
6	De Vries, Shekshnia, Korotov and Florent-Treacy, 2004	Case Study Russia	Business leadership Transformation	<p>organization include: 1) Envisioning 2) Empowering 3) Energizing 4) Organizational design 5) Control systems 6) Reward systems</p> <p>(Non- SME) -Entrepreneurs that successful transform their business are found to be energetic opportunistic, which not only exhibit competency but are also future-oriented; changing status quo; open to new concepts and create vision while transmitting it clearly to their organization; emotionally intelligent and able to see change as opportunity. - Charismatic leadership is among the most important feature in the leaderships that drives transformation. Even though leaders are usually equipped with power over the organization by virtue or position, the followers with their assumption that leaders are superior and having unique rights create charismatic leaders (attribution of charisma to leaders by followers). This is partly due to the culture of the society as well. -Such charisma allows leaders to maneuver the organization more easily.</p>

No	Author(s)	Methodology	Variable characteristic used	Research finding
7	Uhl, Gollenia and Muench, 2012	Research paper	Business transformation	(Non-SME) -Charisma is among other qualities (confident, respect and loyalty, expressive praise and inspiration) that are crucial in leader managing business transformation
8	Ojo, 2009	Case Study Nigeria	Leadership	(Non-SME) -Charismatic leadership is the fundamental factor in the transformational process with its leader's ability to generate great symbolic power.
9	McMahon, 2008	USA	Charismatic Leadership	(SME) -Charismatic leaders show strong visioning skills and have the ability to generate and articulate different solutions that followers find viable. -Charismatic leader can help firm confront status quo while lead the organization in creating high cohesion, low internal conflict, high value congruence and high consensus. -Charismatic leader make assessment of environmental resources/constraints and follower needs, later formulate environmental opportunities into strategic vision.
10	Hayat and Riaz, 2011	Pakistan	Transformational Leadership Business Performance	(SME) -Transformational Leadership, that is partly measure by charisma, can contribute positively to business performance due to their ability to gained respect persuade the team with their vision and idea.
11	Menkhoff and Chay, 2005	Singapore SME	-Resistance and barriers to change	(SME) - Most of the respondents characterized their situation post-

No	Author(s)	Methodology	Variable characteristic used	Research finding
			-Change leadership	<p>Asian financial crisis as “high urgency of change and low resistance towards change” which require a charismatic approach of business transformation instead of a dictatorial approach in terms of business strategy.</p> <p>-Leader charisma can be effective to deliver a transformative change which involve major and rapid adjustments to need environmental conditions</p> <p>-Most of the SME mainly conducted continuous and incremental (first order change) that consists of minor improvements and adjustment while only minority had implemented transformative change (fundamental, second order change) that changes the core system such as technology, structure, culture and paradigm shift.</p>
12	Ziegler, 1999	Case study Family business	Learning process	<p>(SME)</p> <p>-Business transformation requires several processes (which are identical to the charismatic leadership behavior)such as:</p> <ol style="list-style-type: none"> 1) Making meaning to the changes 2) Challenging the norm 3) Learn to do things differently <p>- Changes can be made at individual level and later achieve a collective effect at the organizational level.</p>
13	Kazmi and Naaranoja, 2015	Case Study Finland	Charisma Transformation	<p>(Non SME)</p> <p>Charismatic leadership is able to establish a shared vision between the leaders and followers during the transformation process. It is important to encourage the employees to perform beyond expectations and build strong relationship</p>

No	Author(s)	Methodology	Variable characteristic used	Research finding among employees.
14	Dion and Arnould, 2011	Case Study of luxury brand	Charisma Transformation	(Non SME) Charismatic leaders are able to create value to the brand through their charisma persona, drawing attention to the brand with their strong personality. Charismatic leaders with exceptional talents, high creativity, novel appearance, vision and ethusism, bring about transformation to the business.
15	Aspara, Lamberg, Laukia and Tikkanen, 2013	Case Study Nokia	Charisma Business Transformation	(Non SME) Charismatic leaders help to draw talents into the organization, with their personal charisma and ambition. The extensive development of the organization human resources is paramount in the business performance and drive transformation.
16	Okanga and Drotskie, 2016	South Africa Investment firm	Transformational Leadership Charisma	(Non SME) Charisma can be used strategically to plan, organize and motivate employees to effectively accomplish the activities essential to attain transformational mission and vision
17	Orzeata, 2011	Conceptual paper	Leadership Transformation	(Non SME) During the course of transformation, leader need to promote new type of relationship with the followers, of which encourage teamwork and authority delegation. This must be achieve through improve communication, which are shown in the quality of charismatic leader.

Appendix E

Summary of literature on charismatic leadership and Organizational change

No	Author(s)	Methodology	Variable characteristic used	Research finding
1	Kahtani, 2013	Conceptual paper		(Non-SME) -Charisma of leader result in higher commitment in the employees, which deliver more organizational change for organization improvement.
2	Waldman, Javidan, and Varella (2004)	Upper echelons perspective (Canadian firms) CEO as leader	Charisma and intellectual stimulation with perceived environmental uncertainty	-(Non-SME) -Leader with charismatic quality are able to induce organizational members to continuously anticipate and adapt to their environmental changes. -Compare to intellectual stimulation, charisma induce lower perceived environmental uncertainty.
3	Nohe, Michaelis, Menges, Zhang and Sonntag (2013)	Empirical research German Large Company 33 leaders and 142 followers	-Perceived charisma -Commitment to change -Leader's change-promoting behaviors.	(Non-SME) - Positive relationship of followers' perception of leader's charisma with their commitment to organizational change, as well as team performance. - Leader's commitment to change is perceived by follower as charismatic thus positively associated with team performance.
4	Wilderom, van den Berg and Wiersma (2012)	Longitudinal study Dutch Bank	Organizational culture Charismatic leadership Objective and perceived corporate performance	(Non SME) -Charismatic leadership is related to the organizational practices such as empowerment, external orientation, interdepartmental cooperation and human-resource orientation.

No	Author(s)	Methodology	Variable characteristic used	Research finding
5	Ertürk, 2008	Empirical Study 878 employees in Turkey public organization	Trust in supervisor Managerial communication Employee participation Openness to organizational change	-Charismatic leadership is able to affects objective company performance and related to the perceived firm performance. (Non SME) Trust in the supervisor (quality demonstrated by charismatic leader) fully mediates the relationship with managerial communication and openness to change while partially mediates the relationship between employee participation and openness to change. Trust in leader enhances the employees' openness to organizational change.
6	Martínez Zamorano and van Bohemen, 2009	Master thesis	Strategic change Leadership	(Non SME) -Leader must have charisma, among other qualities to implement change in organization level. -Organizational change require leader to develop motivational message that develop trust and persuade followers to work hard to achieve vision. -Poor communication could significantly increase the resistance to change. -Charisma in leader is crucial to envisage, empower and energize followers in organizational change.
7	Groves, 2002	PhD Thesis 108 leaders and 325 followers of various public and private organization	-Leader social intelligence -Charismatic leadership behaviour -Followers openness to organizational change	(Non SME) -Charismatic leadership is strongly related to perception of overall leadership effectiveness and leadership effectiveness concerning organizational change -Charismatic leadership can contribute to the successful

No	Author(s)	Methodology	Variable characteristic used	Research finding
8	Khatri, Templer and Budhwar, 2012	Survey Research India, Singapore, USA, and UK	-Perception of leadership effectiveness Charisma Vision	implementation of organizational change (Non SME) -Daring/ change seeking leadership is highly positively related to motivation, satisfaction, cooperation and performance of employees in UK and USA -Social sensitivity (dimension of charisma) has a highly significant positive relationship with motivation and satisfaction of followers (dimension of organizational change) in all four countries. -Charisma is positively associated with satisfaction of followers. -Daring/change-seeking criteria showed highly significant positive relationships with unit performance in the UK and USA samples. (While in Asia, the expert/knowledgeable factor is more important) -The factor of social sensitivity in charisma is important for cooperation/teamwork in India, Singapore and USA. -Daring/exchange seeking was positively associated with motivation in India, UK and USA.
9	Cheyunski and Millard, 1998	Case study	Business Transformation	(Non SME) Organizational changes required drivers in several areas to achieve transformation include: 1) Leadership- having the skills and behaviors to align organization towards change. 2) Communication – to involve and engage organization

No	Author(s)	Methodology	Variable characteristic used	Research finding
10	Ling, Simsek, Lubatkin and Veiga (2008)	Survey Research 195 U.S. SME	Transformational leadership Firm performance	<p>member with the change</p> <p>3) Commitment – realization of change requires participation of all members to remove the old method and embrace the new.</p> <p>4) Structure – the design of jobs and responsibilities to support the new business processes and systems</p> <p>5) Capabilities – identifying, developing the skills required by individuals and groups to support the new business processes and systems.</p> <p>6) Culture – the value and behaviors of employees in getting work done.</p> <p>(SME) Transformational type leader (with attribution of charisma) has direct over organizational performance in SME as opposed to previous finding suggesting no direct influence of such leadership towards organization performance in the context of large company</p>
11	Nam Nguyen and Mohamed, 2011	Empirical study 157 Australian SMEs	Organizational culture Knowledge management practices	<p>(SME)</p> <ul style="list-style-type: none"> -Charismatic Leadership behavior positively related to, and has greater influence over all dimensions of knowledge management practices, -Charismatic Leadership behavior is able to influence organizational knowledge and the managerial mindset, which promote flow of knowledge through organization. -Leadership is essential in determining the practices of organization.

No	Author(s)	Methodology	Variable characteristic used	Research finding
12	Rasmussen, 2013	Master Thesis Case Study Sweden SME	Leadership Organizational Culture	<p>-Charisma is the most influential leadership behavior in determining organization practices.</p> <p>(SME) -Charismatic leadership are able to create organizational culture stability, feeling of trust and meaning among employees prior to organizational change which help to reduce reluctance to change. -Entrepreneurs tend to poses quality of charisma as their characteristic.</p>
13	Naulleau, 2014	Case study French SME	Talent management	<p>(SME) -The study reaffirms the necessity to clarify the SME's strategic vision in introducing transformation in the business. The lack of clarification and well-defined vision, organization cannot achieve the transformational changes. -The lack of clarification in vision can be attributed to the lack of ability in decision maker to define their vision with the introduction of business improvement.</p>
14	Tan, Menkhoff and Chay, 2007	Survey Singapore SME	Leadership Organizational change	<p>(SME) -Characteristic such as charisma is necessary to manipulate people and resources to achieve changes or improvements in the organization. -Opportunistic leader that is sensitive to opportunity (a quality of charismatic leadership) recruit more qualified staff and engage more staff in decision-making that create a better environment for workforce commitment.</p>

Appendix F

Summary of literature on Organizational change and Business Transformation

No	Author(s)	Methodology	Variable characteristic used	Research finding
1	McCreary, Raval and Fallenstein, 2006	Conceptual Paper	Model Workplace	<p>(Non SME)</p> <ul style="list-style-type: none"> -A user-centric business transformation from technology oriented to customer oriented can be attained from a proposed model workplace that leverages business expertise within the organization with research consultants that serve the purpose of gathering diagnostic information. -Organizations often find large-scale organizational change to be challenging and time-consuming. -Organization often waited too long to get enough information before they start with organizational changes thus losing various opportunity. - The proposed Model Workplace highlight the importance of accessing how well a particular technology (eg. Tools, systems, physical environment, or organizational structure) fits its users and work environment in relation to the business goals. - An effective assessment could help organization to better-achieved desired business transformation.
2	Bititci, Mendibil and Maguire, 2010	Longitudinal Case Study Manufacturing industry	Business transformation -Value stream and products -Vision and strategy -Organization -Infrastructure, systems and	<p>(Non SME)</p> <ul style="list-style-type: none"> -Business transformation is build up from multiple changes in organization, which includes structures, processes, culture and strategy. -The case study suggested business transformation to be

			<p>resources</p> <ul style="list-style-type: none"> -Processes and competencies -People and culture -Leadership -Performance measure 	<p>done through progression in several waves which took place over a longer time period:</p> <ol style="list-style-type: none"> 1) Vision and strategy 2) Supply chain 3) Production system 4) New value stream 5) Restructuring of operations 6) Capacity expansion 7) Warehouse management <ul style="list-style-type: none"> - High-value manufacturing through business transformation is realized through a series of radical organizational changes, each of which is not sufficient to deliver the transformational effect but their collective effect leads to business transformation. - The waves of changes are not planned; instead they are the result of responses to opportunities and threats (each wave will change the whole system and render any subsequent planned changes ineffective).
3	Yu and Kwan, 2015	Case Study Hong Kong family business	<ul style="list-style-type: none"> -Culture -Technology 	<p>(Non SME)</p> <ul style="list-style-type: none"> -Changes in organizational culture and technology can influence business strategy and bring about business transformation -Organization culture impact the company production, trade practice, corporate governance and branding -Technological change impact the company in major areas such as corporate governance, human resource management, product development and marketing strategies

4	Malik, 2003	Conceptual Paper	<ul style="list-style-type: none"> -Business Transformation -Complex Adaptive System 	<p>(Non SME)</p> <ul style="list-style-type: none"> -Business transformation can be achieved with complex adaptive systems that enable organization to make adaptation from a broad range of situations. -Level of Business operation: <ul style="list-style-type: none"> 1) Material- traditional product, market, and approaches 2) Financial- financial performance, sales growth 3) Conceptual- concept driven, free of old boundaries -Each progression/transformation involves changes in the organizational condition, structure and leadership. -The complex adaptive system promotes a living system for the organization with conditions such as: <ul style="list-style-type: none"> 1) Disequilibrium- state of fluidity, shaking off old perceptions, strategies and processes. Disrupting old balance. 2) Presence at the edge of chaos- active condition, control to the disorder, allow old ways to give way to new. 3) Cultivation of self-organization and emergence – result of distributed intelligence, which the living system organizes itself to meet and master external demands. 4) Disturbing rather than directing leadership – living system must be guided instead of directed in order not to compromise their ability to tap into environmental opportunity.
5	Cheyanski and Millard, 1998	Case Study	Business Transformation	<p>(Non SME)</p> <ul style="list-style-type: none"> -Business transformation through reengineering overdone changes, and resulted in massive loss of talent, diminished profit margin, and anxiety among employees.

6	Bithas, Kutsikos, Sakas and Konstantopoulos, 2015	Conceptual paper	Business Transformation	<p>-More effective business transformation should focus in integrating human resources with IT and business processes.</p> <p>-Business transformation requires proper designing and transition in the area of business process, IT and organization, guided by a set of strategy.</p> <p>-Business transformation can be achieve through combination of approaches instead of single method such as TQM.</p> <p>(Non SME)</p> <p>-Business transformation is driven by value deficiency while changes are the remedy to such problem.</p> <p>-Business transformation can be achieve through:</p> <ol style="list-style-type: none"> 1) Develop new value proposition 2) Reduce operating cost 3) Engage in value innovation activities
7	Bosilj-Vuksic, Stemberger, Jaklic and Kovacic, 2002	Conceptual paper	IT-enabled transformation	<p>(Non SME)</p> <p>- To achieve business transformation, organization must make changes in the business processes and introduction of IT into the business model</p> <p>- Business transformation failure mainly attributed in the failure in organizational change (many leading organization conducted BPR in achieving business transformation, however the success rate is less than 50%, failure attributed mainly due to inability to accurately predict the outcome of radical changes, difficulty to capture the existing process in a structured way, lack of creativity in process redesign, high cost to implement new process and inability to recognize the</p>

				dynamic nature of processes).
8	Borgianni, Cascini and Rotini, 2010	Case Study Italy footwear industry	Business process	(Non SME) Business production changes are able to deliver value added such as satisfaction in the end user. Transformation through business process re-engineering is able to improved customer perceived benefits.
9	Nørager, 2009	Case Study Denmark	-Strategy -Innovation	(SME) - The strategy style adopted by the firm will determine the success of transformation from non-innovative to innovative SME - A critical change is needed in the management and employee's ability to reflect and make decisions in the transformation process. - Transformation must be supported by changes is area such as: improving management, creating atmosphere of freedom, changing human resource approach, linking human resource contracting system with business strategy, refining long term strategy and changes in the mode of administration.
10	Zeng, Chen and Huang, 2008	Conceptual paper China	Organizational transformation E-business transformation	(Non-SME) -Proposed an e-business transformation model that mainly derives from various organizational changes. The 5 major dimensions in the business transformation include: corporate strategy and vision transformation, organizational structure, product and market transformation, business process transformation, and corporate culture transformation.

11	Ashurst, Cragg and Herring, 2011	Case Study	IT-enable business transformation -based on resource-based view (RBV)	<p>(SME)</p> <ul style="list-style-type: none"> -Firms are trying out for e-business transformation but many fail to gain value from it. -Internal factors that affect the development of e-business transformation include firm's ability to combine business and technical skills, entrepreneurial orientation and existing IT resources. -Organizational skill is imperative for successful e-business transformation. -Involve strategic management to build and leverage firm's core competences. -3 capabilities to be developed for e-business transformation are: <ul style="list-style-type: none"> 1) IT capability 2) Strategic flexibility 3) Trust building capability -For SME, value can be created through both internal and external resources and capabilities (value drivers) while innovation and integration are important in realizing value from e-business transformation. -E-business transformation stages: <ul style="list-style-type: none"> 1) Simple initiatives to extend market reach 2) Integrating 3) Adapt dynamically
12	Menkhoff and Wah, 2012	Empirical study 101 Singapore SMEs	-Change management -Openness towards strategic learning	<p>(SME)</p> <ul style="list-style-type: none"> - SMEs owners implement organizational change measure routinely. - Organizational change measure include: changing the

				<p>firm's strategic direction; changing technology; changing people, including task behaviors; changing culture; changing systems and work processes; and altering organizational structure.</p> <p>- Majority of the respondents implemented change measures based on detail planning while only a minority of them have proactively implement organizational change based on anticipation of future difficulties, threats and opportunities.</p> <p>-Around two third of the SME involve in incremental change while only about a third involve in transformative change</p>
13	Hatch, Schultz and Skov, 2015	Case Study Carlsberg Group	-Business Transformation	Business transformation also involved breaking down the old organizational culture during organizational change, which improve the business in terms of cost management and efficiency
14	Hornstein, 2015	Conceptual paper	-Organizational change	Firm must focus on the changes of social system (people) in ensuring the success of transformation, besides the emphasis on the technical and procedural change.
15	Bohmer, 2016	Case Study	-Organizational Change -Transformation	Organizational structures were required to change in order to deliver a fundamental transformation. It usually involved making small-scale changes in organization structures over long periods. Organizational change that involves structural and governance change should be top management-led as it involves new role definition and redesign work
16	Lee, Sharif, Scandura and Kim,	Empirical study Korea	-Organizational Change -Transformation	Transformation is derived from organizational changes that involved higher levels of involvement of leadership, and

	2017			requires modification of the organization's core systems during organizational change.
17	Sikdar and Payyazhi, 2014	Conceptual paper	-Business transformation -Organizational Change	Workflow redesign in the organizational change is crucial in contributing to successful business transformation initiative. Business transformation initiatives failed mainly due to the lack of alignment of change projects to corporate strategy.
18	Lewin and Peeters, 2006	Empirical Research (IncludedMalaysia)	Business Transformation	Business transformation contributed to cost saving and improve services, which involve modification of organizational processes and struture, global sourcing, and management of human capital



Relationship of Charismatic Leadership and Organizational Change on Business
Transformation among Malaysia Small and Medium Enterprises (SMEs)
2015-2016

The purpose of this survey is to gather information on charismatic leadership, organizational and business transformation based on managerial employee perceptions. The result will provide valuable insight about the relationship of charismatic leadership, organizational change and business transformation among Malaysian SME. Please answer all questions to the best of your knowledge. There are no right or wrong responses to any of these statements. All responses received will be kept strictly confidential, and will only be implemented for the academic purposes.

Thank you for your participation.

Ng Rui Wei
PhD Candidate
International Business School (IBS)
Universiti Teknologi Malaysia (UTM)

DIRECTION: Please fill in the section below and tick [/] on the choices that are most appropriate.

Part 1: Demography

The following information is strictly voluntary.

Name:

Phone number:

Which company do you belong to

Name

.....

Location

.....

Industry Sector (Please refer note below)Manufacturing Services Others **Company Size** (Please refer note below)Micro Small Medium **Length of employment in company (years)**Less than 5 years From 6-10 years From 11-20 years Above 20 years **Present position**Managerial Non-Managerial **Length of employment in present Position**Less than 5 years From 6-10 years From 11-20 years Above 20 years **Age**From 25- 30 From 31 - 40 From 41- 50 Above 50 **Gender**Female Male

Category	Manufacturing	Services and Other Sectors
Micro	Sales turnover less than RM300,000 OR full-time employees less than 5	Sales turnover less than RM300,000 OR full-time employees less than 5
Small	Sales turnover from RM300,000 to less than RM15 million OR full-time employees from 5 to less than 75	Sales turnover from RM300,000 to less than RM3 million OR full-time employees from 5 to less than 30
Medium	Sales turnover from RM15 million to not exceeding RM50 million OR full-time employees from 75 to not exceeding 200	Sales turnover from RM3 million to not exceeding RM20 million OR full-time employees from 30 to not exceeding 75

Note:

- ‘**Manufacturing**’ refers to physical or chemical transformation of materials or components into new products.
- ‘**Services**’ refer to all services including distributive trade; hotels and restaurants; business, professional and ICT services; private education and health; entertainment; financial intermediation; and manufacturing- related services such as research and development (RandD), logistics, warehouse, engineering etc.
- ‘**Others**’ refer to the remaining 3 key economic activities, namely:
 - (i) Primary Agriculture – Perennial crops (e.g. rubber, oil palm, cocoa, pepper etc.) and cash crops (e.g. vegetables, fruits etc.); livestock; forestry and logging; marine fishing; aquaculture.
 - (ii) Construction – Infrastructure; Residential and non-residential; Special trade
 - (iii) Mining and quarrying

Part 2: Questionnaire

Questionnaire

Impact of Charismatic Leadership and Organizational Change on Business Transformation Among Malaysia Small and Medium Enterprises (SMEs) 2015-2016

Direction:

- 1) Please read each of the statements given below and tick [/] 5 if you strongly agree, or 1 if you strongly disagree. Indicate the extent to which you agree with the following statement by tick [/] the appropriate number against each, based on the scale below. Please note that there is no right or wrong answer.

Section A (Organizational Change)

Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
Management Practices				
1. The management promotes career development.				
1	2	3	4	5
2. The management encourages participation.				
1	2	3	4	5
Work Unit Climate				
3. There is cooperation and teamwork between you and your colleagues.				
1	2	3	4	5
4. There is trust and mutual respect among work group members.				
1	2	3	4	5
Tasks and Individual Skills				
5. Employee's skills, knowledge, and experience appropriately fit their job.				
1	2	3	4	5
6. The right people are selected for promotion or assignment to projects.				
1	2	3	4	5
Structure				
7. Employees are given the authority they need to accomplish their work effectively.				
1	2	3	4	5
8. The organization's structure helps different departments work together effectively.				
1	2	3	4	5

Systems

9. Employees are able to receive relevant information for their work.

1	2	3	4	5
---	---	---	---	---

10. Employees are able to receive information timely.

1	2	3	4	5
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Individual Values and Needs

11. You feel valued as a person in your organization.

1	2	3	4	5
---	---	---	---	---

12. You feel satisfied with your job.

1	2	3	4	5
---	---	---	---	---

Motivational Level

13. Employees feel encouraged to reach higher levels and standards of performance in their work.

1	2	3	4	5
---	---	---	---	---

14. Employees are motivated to do what is needed to achieve the organization's mission and purpose.

1	2	3	4	5
---	---	---	---	---

Section B (Business Transformation)

Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
Dynamic Capabilities:				
1. The company is able to identify and to assess external opportunities.				
1	2	3	4	5
2. The company is able to coordinate internal resources and integrate with external activities to benefit from those opportunities.				
1	2	3	4	5
3. The company continuously makes changes.				
1	2	3	4	5
Ability to develop organization resources				
4. The company is able to develop flexible architecture for the organization (i.e. hiring process, compensation, job design).				
1	2	3	4	5
5. The company is able to develop new competencies and capabilities for staff.				
1	2	3	4	5

6. The company is able to use the resources to accomplish strategy.

1	2	3	4	5
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Alignment of mission and vision

7. The company is able to align its short-term mission with its long-term vision in terms of funding, for example, in acquiring investment or capital restructuring.

1	2	3	4	5
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8. The company is able to align its short-term mission with its long-term vision in terms of its people, for example, in enhancing the skills and capabilities of its workforce and management team.

1	2	3	4	5
---	---	---	---	---

9. The company links projects to goals.

1	2	3	4	5
---	---	---	---	---

Leadership

10. The leader has influence to create real change.

1	2	3	4	5
---	---	---	---	---

11. The leader is willing to make changes for successful transformation.

1	2	3	4	5
---	---	---	---	---

12. The leader is good in listening.

1	2	3	4	5
---	---	---	---	---

13. The leader can make decision under conditions of uncertainty.

1	2	3	4	5
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For Question 14-16, respondent is required to rate the items listed from 1 = “very low”; 2 = “Low”; 3 = “Neutral”; 4 = “High”; 5 = “very high”.

14. How does the organization foresee its chances in achieving its long-term result in terms of growth?

1	2	3	4	5
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15. How does the organization foresee its chances in achieving its long-term result in terms of profitability?

1	2	3	4	5
---	---	---	---	---

16. How does the organization foresee its chances in achieving its long-term result in terms of its goods or services delivery and quality?

1	2	3	4	5
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Section C (Charismatic Leadership)

DIRECTION: Please read each of the statements given below and tick [✓] 5 if you find the leader always match the description, or 1 if you find he/she never match the description. Please note that there is no right or wrong answer.

Never 0	Seldom 1	Sometimes 2	Often 3	Very Often 4	Always 5	
Strategic Vision and articulation						
1.	The leader has vision; he/she often brings up ideas about possibilities for the future.					
	0	1	2	3	4	5
2.	The leader provides inspiring strategic and organizational goals.					
	0	1	2	3	4	5
3.	The leader consistently generates new ideas for the future of the organization.					
	0	1	2	3	4	5
4.	The leader is entrepreneurial; he/she seizes new opportunities in order to achieve goals.					
	0	1	2	3	4	5
5.	The leader readily recognizes new environmental opportunities that may facilitate achievement or organizational objectives.					
	0	1	2	3	4	5
6.	The leader is inspirational; he/she is able to motivate by articulating effectively the importance or what organizational members are doing.					
	0	1	2	3	4	5
7.	The leader is an exciting public speaker.					
	0	1	2	3	4	5
Personal Risk						
8.	In pursuing organizational objectives, the leader engages in activities involving considerable personal risk.					
	0	1	2	3	4	5
9.	The leader takes high personal risks for the sake of the organization.					
	0	1	2	3	4	5
10.	The leader often incurs high personal cost for the good of the organization.					
	0	1	2	3	4	5

Sensitivity to the environment						
11.	The leader readily recognizes constraints in the physical environment (technological limitations, lack of resources, etc.) that may stand in the way of achieving organizational objectives.					
	0	1	2	3	4	5
12.	The leader readily recognizes constraints in the organization's social and cultural environment (cultural norms, lack of grassroots support, etc.) that may stand in the way of achieving organizational objectives.					
	0	1	2	3	4	5
13.	The leader recognizes the limitations of other members of the organization.					
	0	1	2	3	4	5
14.	The leader recognizes the abilities and skills of other members of the organization.					
	0	1	2	3	4	5
Sensitivity to member needs						
15.	The leader shows sensitivity for the needs and feelings of the other members in the organization.					
	0	1	2	3	4	5
16.	The leader influences others by developing mutual liking and respect.					
	0	1	2	3	4	5
17.	The leader often expresses personal concern for the needs and feelings of other members in the organization.					
	0	1	2	3	4	5
Unconventional behavior						
18.	The leader engages in unconventional behavior (e.g. advertising featuring his/herself) in order to achieve organizational goals.					
	0	1	2	3	4	5
19.	The leader uses non-traditional means (e.g. assign union representative in the board of directors) to achieve organizational goals.					
	0	1	2	3	4	5
20.	The leader often exhibits very unique behavior (e.g. engage in behavior that is against the industry norm) that surprises other members of the organization.					
	0	1	2	3	4	5
For Question 21 – 25, respondent is required to rate the items listed from 0 = “Strongly disagree”; 1 = “Disagree”; 2 = “Somewhat disagree”; 3 = “Somewhat agree”; 4 = “Agree”; 5 = “Strongly agree”.						

21.	Are you satisfied with the leadership in your organization?	0	1	2	3	4	5
22.	Is the leadership in your organization charismatic? (E.g. having charisma and able to influence people).	0	1	2	3	4	5
23.	Do you think that the organization is going through a phase of crisis?	0	1	2	3	4	5
24.	Do you feel secure about the future of the organization?	0	1	2	3	4	5
25.	Do you believe in a successful turnaround for the organization?	0	1	2	3	4	5

Thank you so much for your time. If you have completed electronically please save and email to ruiweing@yahoo.com .