

# **PERSONAL VALUES AND LEADERSHIP STYLES-ORIENTATION AMONG OWNERS AND MANAGERS OF SMALL AND MEDIUM-SIZED ENTERPRISES**

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## **ABSTRACT**

*Personal values and leadership styles have attracted much attention in the literature. In addition, the literature emphasizes the relationships between personal values and leadership styles adopted in organizations. However, the review of the small business literature reveals that limited studies have strived to investigate the relationships between personal values and leadership styles in small and medium-sized enterprises (SMEs), particularly in the local context. This study attempted to address this issue by examining the relationships between personal values and leadership style-orientation among the owners and the managers of the SMEs. The data for the study was collected by mailing structured questionnaires to 140 SMEs. The results of the study indicated that three of the five personal values found among the owners and managers of SMEs are positively related to the four leadership style-orientation adopted in these firms.*

## **INTRODUCTION**

Small and medium-sized enterprises (SMEs) represent an important component of the business community in developed as well as developing countries across the world. Given their important role, SMEs have attracted much attention in the literature. However, in the case of Malaysia, although they play a significant role in the

development process of the national economy, research involving SMEs continue to remain limited in scope as well as neglected.

The review of small business literature in Malaysia indicates that previous studies on SMEs have mainly focused on different issues such as the role of SMEs, challenges and problems faced by SMEs, business practices in SMEs, strategic planning and business strategies adopted by SMEs, and organizational factors associated to innovation activities in SMEs. Nevertheless, limited studies have been conducted to investigate personal values and leadership among the owners and managers of SMEs (Hashim, 2000; Hashim & Wafa, 2002; Hashim, 2010).

Personal values and leadership have attracted much attention in the literature. The review of past studies on personal values and leadership styles however, indicated that previous research has primarily concentrated on large companies (Sosik, 2005; Hood, 2003; Byrne & Bradley, 2007). Despite the importance of personal values and leadership styles to the performance of both large and small enterprises, the review of the small business literature reveals that research on personal values and leadership styles in the context of small business have not received much research attention, particularly in the Malaysian context.

Despite the importance and relevance of personal values and leadership to organizational viability and effectiveness, research in these two areas in the context of SMEs has not been emphasized. As a result, little is known about personal values and leadership styles found among the owners and managers of SMEs in Malaysia. This study strived to address this issue. More specifically, the study attempted to investigate the personal values and leadership styles prevalent among the owners and managers of Malaysian SMEs.

## **LITERATURE REVIEW**

The concept of personal values and leadership has been defined in many different ways in the literature. Different authors used

different definitions to define both the concepts. In addition, research focus on values and leadership resulted from the realization that understanding both concepts can help us explain and understand human behaviour and leadership change as well (McClelland, 1961; Weber, 1990; Kilby, 1993; Kotter, 1996; Kotey & Meredith, 1997).

McShane (2008) viewed personal values as stable, evaluative beliefs that can guide a person's preferences for courses of actions and outcome in different situations. More specifically, according to the author, values are like perceptions about what is good or bad, and right or wrong. More importantly, values can be used as a moral compass that can help to direct not only a person's motivation but also assist in decision-making and taking actions.

In addition, the literature shows that past studies on personal values have also attempted to determine the impact of values on behaviour, particularly when making strategic decisions, and also those related to actions of entrepreneurs. For instance, Feather (1990) defined values as those which reflect the entrepreneur's conscious view of himself. This conscious view or belief shapes actions or motives that determine the performance of an organization (Darling, Keeffe, & Ross, 2007).

Leadership has been studied in various contexts and theoretical foundations. The earlier studies on leadership mainly focused on character types, behaviours and actions of leaders. However, given the shortcomings and limitations of the earlier studies, more recently, studies have broken new ground by focusing on investigating leadership styles instead. The more recent studies emphasized identifying and investigating leadership styles needed to not only improve organizational performance but also help organizations cope with the changing business environment. By using the Leadership Style Inventory (LSI), Reardon, Reardon and Rowe (1998) identified the following

four basic leadership styles; commanding, logical, inspirational and supportive. According to the study, these four leadership styles could help improve the performance of organizations as well as accomplish organizational change.

The literature also emphasizes not only leadership effectiveness but also views leadership as an important source of competitive advantage for business organizations. Given the importance of leadership to organizational effectiveness, more companies are focusing on developing effective leaders in their organizations. Moreover, organizations need effective leaders to create the context that enables employees to take on new challenges and achieve superior business results. Nevertheless, without effective leadership, productivity, innovation, and profits in organizations would be affected (Zaccaro & Klimoski, 2001; & Yukl, 2001).

Findings of past studies have indicated the importance of personal values to the value systems of good leaders as well as leadership effectiveness. According to these studies, leaders with strong values tend to behave more ethically than those with weak values (Russell, 2002; Hood, 2003; & Bruno & Lay, 2008). Interestingly, although personal values and leadership are important to all types of business organizations, the review of literature reveals prior studies in these areas have primarily concentrated on examining the personal values and leadership styles among the managers in large organizations (Stodgill, 1974; Bass, 1990; and Yukl, 2001; Sosik, 2005; Hood, 2003; and Byrne & Bradley, 2007).

## **RESEARCH METHODOLOGY**

### **Sampling Frame and Sample**

The sample of the study involved SMEs operating in the manufacturing sector in Malaysia. In the study, a SME is defined as a manufacturing firm with an annual turnover of less than

RM25 million and as one which employs not more than 300 full-time employees. On the basis of these selection criteria, 300 firms operating in Kedah and Penang were identified from the 2009 Federation of Malaysian Manufacturers (FFM) Directory of Malaysian Manufacturers.

The data for this study was gathered through mail survey. Structured questionnaires were posted to the owners and managers of the 300 firms selected. The respondents were requested to complete the questionnaires and return them in self-addressed and stamped envelopes. Out of the total number of 300 questionnaires mailed, 140 usable questionnaires were returned, yielding a response rate of 46.7 percent.

### **Questionnaire**

The structured questionnaire adopted in this study consisted of four sections. The first section of the questionnaire consisted of nine items. These items were used to obtain the general information concerning the background of the respondents. The items in section two of the questionnaire focused on getting information on the characteristics of the firms such as the legal form of the firm, the number of full-time employees, the age of the firm, the industry in which the firm operates, total sales of the firm, and net profit before tax of the firm.

The items in section three were used to measure personal values. In this section, 60 items were used to measure five personal values that included political, aesthetic, social, theoretical and economic. Each personal value was measured by using 12 items based on a numerical scale ranging from "least important" (1) to "most important" (3) to measure each of the personal values. The 60 items were adopted from the study by Allport, Vernon and Lindzey (1960).

In section four, another 60 items were used to measure the leadership style-orientation. The four leadership style-orientation included commanding, logical, inspirational and

supportive. The leadership style-orientation was measured by using a seven numerical scale ranging from “least like you” (1) to “most like you” (7). These 60 items were adopted from the study by Reardon (2000). The questionnaire was tested for reliability. The coefficient alpha scores of personal values and leadership style-orientation ranged from 0.7342 to 0.8404.

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## THE RESULTS

### Characteristics of the Respondents

The profile of the 140 respondents that participated in the study is displayed in Table 4.1. As shown in Table 4.1, 59 of the 140 respondents were both owners as well as managers of their firms. Another 81 respondents were hired managers and only one respondent was just an owner. The majority of the respondents had degrees. Most of the respondents were married. More than half of the respondents were Malays. Of the 140 respondents, 102 were male and 38 were female. Almost 70% (96) of the respondents were between 25 to 40 years of age and most had more than five years of working experience.

Table 4.1

#### *Profile of the Respondents*

Profile	Frequency	Percentage (%)
Positions in Firms:		
Owner and CEO/ Managing Director	10	7.1
Owner and a manager	48	34.3
Manager but not an owner	81	48.3
Owner but not a manager	1	0.7

(continued)

Profile	Frequency	Percentage (%)
<b>Highest Education Level:</b>		
School Certificate	19	13.6
Diploma	36	25.7
Bachelor Degree	74	52.9
Master's Degree	11	7.9
<b>Marital Status</b>		
Married	112	80
Remarried	3	2.1
Never Married	25	17.9
<b>Race:</b>		
Malay	86	61.4
Chinese	20	14.3
Indian	29	20.7
Others	5	3.6
<b>Gender:</b>		
Male	102	72.9
Female	38	27.1
<b>Age:</b>		
25-30 years old	21	14.9
31-35 years old	37	26.5
36-40 years old	38	27.1
41-45 years old	30	21.4
46-50 years old	7	6.4
> 50 years old	1	0.7
<b>Work Experience:</b>		
<5 years	34	24.3
5-10 years	46	32.9
11-15 years	15	10.6
16-20 years	14	10
>20 years	31	22.1

## Business Characteristics of the Sample Firms

Table 4.2 summarizes the business characteristics of the 140 SMEs that were involved in the study. The business characteristics presented in Table 4.2 include the firms' breath of operations, the year the companies were established, the number of owners of the firms, their legal forms, and the number of products the firms produced.

Table 4.2

### *Business Characteristics of the Sample Firms*

Business Characteristics	Frequency	Percentage (%)
Breadth of Operations:		
International	23	33.8
National	11	16.2
Regional	6	8.8
Local	26	38.2
No response	2	2.9
Year Established:		
<1950	1	1.5
1950-1970	3	4.5
1971-1990	19	27.9
1991-2010	43	63.2
No response	2	2.9
Number of Owners:		
1-2 persons	20	29.4
3-4 persons	15	22
5-6 persons	4	5.9
7-8 persons	4	5.9
No response	25	36.8

(continued)



Business Characteristics	Frequency	Percentage (%)
Legal Form:		
Sole Proprietorship	11	16.2
Partnership	8	11.8
Private Limited Company	43	63.3
Others	6	8.8
Number of Products Produced:		
<25 products	43	63.2
26-50 products	3	4.4
51-100 products	18	26.5
>100 products	4	6

### **Mean and Standard Deviation of Personal Values**

The mean and standard deviation scores of personal values are presented in Table 4.3. As shown in Table 4.3, the mean values for social, theoretical, economic, political, and aesthetic ranged from 1.82 to 2.11. Social value has the highest mean value of 2.11. Meanwhile, aesthetic value has the lowest mean value of 1.82.

Table 4.3

#### *Mean and Standard Deviation of Personal Values*

Personal Value	Mean*	Standard Deviation
Social	2.11	.294
Theoretical	2.10	.313
Economic	2.00	.215
Political	1.97	.241
Aesthetic	1.82	.302

\*Numerical scale of 1 to 3

### **Mean and Standard Deviation of Leadership Style-Orientation**

The mean and standard deviation values of leadership style-orientation are shown in Table 4.4. The figures in Table 4.4 indicate that the mean values of the four types of leadership orientation ranged from 5.43 to 5.96. As indicated in Table 4.4, supportive leadership style has the highest mean value of 5.96 and commanding leadership style has the lowest mean value of 5.43.

Table 4.4

#### *Mean and Standard Deviation of Leadership Styles-Orientation*

Leadership Style	Mean*	Standard Deviation
Supportive	5.96	1.33
Inspirational	5.68	1.33
Logical	5.54	1.44
Commanding	5.43	1.65

\*Numerical scale of 1 to 7

### **Relationships between Personal Values and Leadership Style-Orientation**

Table 4.5 provides the results of the correlation analyses between the five personal values and the four leadership style-orientation. As presented in Table 4.5, three of the five personal values are found to be positively related to the four leadership style-orientation. The results indicate significantly positive relationship between aesthetic value and supportive leadership style. In addition, the results show a significantly positive relationship among social value and logical, inspirational as well as supportive leadership styles. The results also suggest that economic value is positively related to commanding leadership style.

Table 4.5

*Correlation between Personal Values and Leadership Style-Orientation*

Personal Values:	Political	Aesthetic	Social	Theoretical	Economic
Leadership Styles:					
Commanding	.257	.124	.181	.411	.154*
Logical	.678	.141	.246*	.824	.285
Inspirational	.887	.085	.251**	.674	.317
Supportive	.675	.233*	.238**	.620	.341

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

**DISCUSSION AND CONCLUSION**

This study attempted to investigate the relationships between personal values and leadership style-orientation among the owners and managers of SMEs in Malaysia. The results of the correlation analyses indicated several statistically significant relationships among three of the personal values and four of the leadership style-orientation adopted by the SMEs in the study. The statistically significant relationships are as follows. First, the results show a positive relationship between aesthetic value and supportive leadership style. Second, the results indicate significantly positive relationships among social value and logical, inspirational as well as supportive leadership styles. Third, the results of the study also suggest that economic value and commanding leadership style are positively associated.

The statistically significant positive relationships between personal values and leadership style-orientation seem to support the views presented in the literature that suggest personal values

are associated with the leadership styles adopted by the leaders in organizations. In addition, the results of this study appear to be consistent with the findings of previous studies which found similar positive relationships between personal values and leadership styles (Sosik, 2005; Hood, 2003; Byrne and Bradley, 2007).

As a whole, the results of the study seem to indicate that personal values and leadership styles are important and relevant to not only managers of large companies, but also to managers and owners of SMEs. Although the findings of the study suggest that personal values and leadership styles are positively associated, empirical research in this area is still very limited, particularly in the context of SMEs. Given this limitation, there is further need for more studies to be conducted in this area of research.

By conducting more studies, more empirical evidence can be obtained to further support the linkage between personal values and leadership styles among the owners and managers of SMEs. For instance, since this study examined SMEs in the manufacturing sector, future researchers interested in this research area could further explore and investigate the relationships between personal values and leadership in other types of industries such as retailing, construction and business services.

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