

A Qualitative Approach to Leadership Effectiveness for Sustainable SMEs Performance

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Abstract

Purpose: This study presents a case study approach to gain insights into the phenomenon of consistent success within business organisations, as perceived by accomplished leaders.

Design/methodology/approach: There were four in-depth interviews conducted with entrepreneurs. These entrepreneurs were able to not only sustain but expand their businesses through difficult economic period and COVID-19. There are two stages involved in analyzing the data. The first stage involved the thematic analysis. Excerpts from the interview data were examined to identify potential themes toward leadership effectiveness. Thematic analysis identified eight key themes towards leadership effectiveness. Subsequently, during the second stage, these eight themes underwent scrutiny from experts to gather feedback, leading to necessary refinements.

Findings: The study reveals that effective leadership goes beyond merely overseeing business operations; it also entails the vital responsibility of upholding employee morale in the face of challenges and unpredictable economic and social circumstances. These leaders demonstrated swift adaptability and responsiveness to the prevailing economic climate.

Research limitations/implications: This paper further discusses the limitations and recommendations of the study based on the findings.

Practical implications: Through this assessment, a multitude of valuable insights and implications for leadership in the current dynamic and demanding business environment have been revealed.

Originality/value: This research contributes to the existing body of knowledge by introducing a resilient model comprising six dimensions: adaptability, emotional intelligence, visionary capabilities, spiritual intelligence, a growth-oriented mindset, and fostering an internal ecosystem.

Keywords: Leadership, Effectiveness, Sustainability, SMEs, Qualitative

Introduction

Small and Medium-sized Enterprises (SMEs) are of significant importance in driving economic growth and promoting innovation within the current dynamic business environment (Bashri et al., 2023). These organisations, which are characterised by their agility and limited resources, have a distinct array of challenges and prospects, particularly in relation to sustainability and enduring success (Yoshino & Taghizadeh-Hesary, 2016). Effective leadership is a crucial factor in the ability of SMEs to manage the ever-changing and dynamic business environment.

Leadership within SMES encompasses more than mere strategic decision-making (Madanchian et al., 2016). It entails the ability to motivate teams, cultivate creativity, and effectively navigate the many dynamics that influence the outcome of endeavours, ultimately

determining whether they will be successful or unsuccessful. Although quantitative studies offer significant insights, they frequently miss the subtleties of leadership effectiveness when viewed in the context of SMEs' performance and sustainability.

This article explores the domain of leadership in SMES from a qualitative perspective. It acknowledges that successful leadership goes beyond quantitative measures and necessitates a comprehensive comprehension of the human dynamics, values, and behaviours that form the foundation of sustainable SME achievement. Through undertaking this qualitative investigation, we aim to delve into the diverse aspects of leadership within SMEs, elucidating its crucial significance in not only influencing financial results but also in driving the social and environmental effects that are progressively essential for achieving business prosperity in the contemporary global context.

This paper is structured as follows. Following the introduction, a brief review of the literature is presented. It is followed by the research methodology to investigate the leadership effectiveness that drives SMEs towards sustainability and improved performance. This exploration will involve the examination of real-world cases via interviews and observations. The final section will present the discussion and conclusion. It is hoped that this investigation will provide useful insights and practical recommendations to leaders, stakeholders, and scholars in the SMEs sector who are interested in maximising the efficacy of leadership for the long-term sustainability of SMEs.

Review of Literature

Leadership Effectiveness

Scholars have engaged in discussions regarding the pivotal role of good leadership in determining the success or failure of organisations, as they analyse the various aspects that contribute to organisational success (Bennis & Nanus, 1985). Moreover, the efficacy of leadership is the result of leaders' ability to exert influence over a group, facilitating the fulfilment of their respective tasks and generating favourable outcomes for the organisation (Ha et al., 2016).

According to the study conducted by Arham et al. (2013), effective leadership has a crucial role in influencing organisational outcomes. Hence, it can be argued that effective leadership has the potential to influence the success and sustainability of an organisation significantly. The most commonly used measure to evaluate the effectiveness of a leader is to examine the effects of their actions (Dhar et al., 2001). Furthermore, a number of scholars (Arham et al., 2023; Cogliser & Brigham, 2004; Bryant, 2004) have asserted that leadership has garnered increased scholarly interest in the literature on small and medium-sized enterprises (SMEs). This is attributed to the recognition that the successful establishment of new small businesses within the SME context necessitates the presence of effective leadership.

Leadership Effectiveness and SMEs Performance

The recognition of the significance of SMEs as the primary catalyst for economic growth in the country's economy was evident with the founding of the National SME Development Council (NSDC) in 2004. The significance of SMEs in fostering national growth and promoting economic development is a vital aspect of overall economic progress (Madanchian & Taherdoost, 2019). The significance of leadership effectiveness as a determinant of organisational success is widely recognised. However, there is limited research specifically examining this aspect in the context of small firms, particularly SMEs in Malaysia

(Madanchian & Taherdoost, 2019; Arham, 2014). Scholars have engaged in discussions regarding the crucial role of effective leadership in determining the success or failure of organisations, particularly when analysing the various factors that contribute to organisational performance (Benis, 1985).

Moreover, the effectiveness of a leader is the result when leaders can exert influence on a group, thus enabling them to fulfill their respective duties and achieve favourable outcomes for the business (Ha et al., 2016; Dhar, 2001). According to Denison et al. (1995), the presence of good leadership holds considerable importance in its ability to exert an impact on the outcomes of an organisation. Therefore, strong leadership can have a significant impact on the functioning of a business. The most commonly used measure to evaluate the effectiveness of a leader is to examine the repercussions of their actions (Madanchian, 2015; Dhar & Mishra, 2001; Bass, 1985). Thus, this present study used a case study approach to explore the phenomena of sustained success inside business organisations, as observed by skilled managers.

Methodology

This paper is a qualitative study, and the data is gathered from four SME owners via in-depth interviews. Qualitative research offers small and medium-sized enterprise (SME) executives valuable insights pertaining to their own leadership practises. The cultivation of self-awareness has the potential to enhance decision-making capabilities among leaders, enabling them to recognise and leverage their strengths while also identifying areas that require further development. There are two stages involved in data analysis. In the first stage, data collected were transcribed, and thematic analysis was used to identify potential themes towards leadership effectiveness. Initially, there were eight themes identified. In the second stage of data analysis, six expert reviews were obtained to provide feedback on the initial themes identified. Based on the findings, there are only six final variables representing leadership effectiveness.

Findings

This research has undertaken a qualitative approach to study leadership effectiveness among leaders of SMEs in Malaysia. An in-depth interview approach was conducted with four entrepreneurs from different SME industries. Each of the interviews lasted between 60 to 90 minutes.

Demographically, the age of the respondents was between 32 – 55 years old. All were male respondents and represented the owners of their own businesses. There are two owners from the services industry and two owners from the manufacturing industry. These owners were able to sustain their business operations during the period of economic instability and the COVID-19 pandemic.

First Stage of Data Analysis

In the first phase of data analysis on the interview data, eight themes were identified that include the following: adaptability, emotional intelligence, vision, strong communication, self-awareness, spiritual intelligence, optimism, and supportiveness. The following are the excerpts extracted from the interview data.

a. Adaptability,

...I can say I was being adaptive to what happened in that year (2020). So, we diversified our businesses (Resp 1).

In this era, you must adapt to digitalisation, challenges, and many other things (Resp 4).

b. Emotional intelligence,

...I am a result-oriented person. In the current situation, I don't mind my employees going in and out of the office as long as they reach the target. Because I can't press them very much. If you monitor too much, they will get stressed quickly. So, I want results, so I don't put too much concern on the formality of working hours. Only if I don't get the result, I will go and dig on the root of the problem, and they are happy (Resp 3).

...If you are not strong emotionally, it is very difficult for you to understand others (Resp 4).

c. Vision,

... I made a demand to the producer to appoint me as the sole distributor. Because I can see that my team and I are able to sell the product well. ... and true enough, we made huge profits out of that single product for years (Resp. 2).

...most important when you want to work with people is to make them believe in your vision because once they believe in your vision, they will put in their trust (Resp 4).

d. Strong Communication,

...it means that they can visualize the same, where we want to go, where is the ultimate objective of this company, the staff must be able to have the same vision. They must understand the 'why' behind the vision. (Resp 1).

I practice open communication with my staff. I encourage them to give their opinion for the sake of improvement (Resp. 4).

e. Self-awareness,

...if we only see ourselves, we will feel comfortable. We don't have a benchmark. When among competitors, even friends, when we see their achievements, we feel that we want to achieve more than them (Resp. 2).

...from there, I feel that with the existing shortcomings, I have to find other advantages. That's a feeling of encouragement. I want to prove to my family even with a modest academic achievement, I want to be the most successful person (Resp 2)..

...To be successful, the first thing is self-identity. Because for me, what makes me have a big, clear picture is that my own identity is formed by my surroundings and environment (Resp 3).

f. Optimism,

...If possible, 24 hours I want to work. Because I believe that effort can bring results (Resp 2)

...When the COVID-19 season starts in March 2020, I will strengthen myself, so that we can move forward. In June, we don't just think for sustain, we hold massive recruitment, we do online, we do marketing, post throughout the country,.. the whole month, we are busy (Resp 3).

g. Spiritual intelligence,

...In business, I prioritise three things. First, prayer, secondly charity and thirdly, doing good to parents, that is our heaven (Resp. 2)

...Based on my experience in doing business, I believe in two principles. First based on divinity to Allah and second based on humanity. If we are clear about our life path, we know where we are going, the "rezki" will be easier (Resp 3).

h. Supportiveness,

..if it's on the weekend, even our staff are also uncomfortable when they are disturbed. But my line of business happens a lot on weekends too. So, psychologically, if I could make him feel comfortable by giving him an extra allowance that I call as "flexibility allowance," he would be happy should we need some assistance over the weekend. And this allowance has been given to them continuously (Res. 3)

The nature of our work here is like family teamwork. We support each other. If the target is reached, the benefit will go to all employees. I always stress this to them.... they can give me their views for improvement, for a continuous improvement plan. And I am very grateful because my staff can improve on themselves (Resp 4).

If we can add value to our employees, we will do it all the way. Cost is number 2 (Resp 3).

Second Stage of Data Analysis

In the second stage of data analysis, six expert reviews were obtained on the eight themes identified earlier. Each expert was required to rank these eight themes on their importance towards resilient leadership. A definition for each of the eight variables was provided to the experts. After obtaining feedback and suggestion from the experts, the researchers have finalised only six variables representing resilient leadership. The final variables for resilient leadership are as follows:

Table 1: Expert Review

Initial Themes	Revised Themes
Adaptability	Adaptability
Visionary	Visionary
Emotional Intelligence	Emotional Intelligence
Self-awareness	
Strong Communication	Internal Ecosystem
Supportiveness	
Spiritual Intelligence	Spiritual Intelligence
Optimism	Growth Mindset

Discussion

Studying leadership effectiveness among SMEs via qualitative research can have far-reaching implications that benefit not only the SMEs themselves but also their employees, stakeholders, and the broader business community. It provides a holistic and context-specific understanding of leadership, which is essential for sustainable growth and success in the SME sector.

The application of a two-staged approach to data analysis, combining thematic analysis and expert reviews, has provided a more practical solution towards understanding leadership effectiveness that has led to the development of a resilient leadership construct. The development of a resilient leadership construct holds significant importance in the contemporary context of a complicated and continuously evolving global landscape (Singh et al., 2023). Resilient leadership encompasses the capacity of leaders to demonstrate adaptability, recover from adversities, and adeptly manoeuvre through many obstacles, encompassing both individual and collective spheres. The cultivation of resilient leadership skills is crucial for effectively navigating periods of uncertainty. In an era characterised by technological upheaval, economic instability, and worldwide emergencies like the COVID-19 pandemic, leaders must exhibit composure and adaptability.

Visionary leadership is a fundamental aspect of resilient leadership. The aforementioned concept offers guidance, motivation, and flexibility, hence empowering leaders and their respective organisations to flourish amidst challenging circumstances and unpredictability. Foresight or vision can be understood as the proactive component of resilience, relying on the ability to anticipate future events in advance (Renjen, 2020). According to Reid (2008), a resilient leader prioritises the mission of the organisation and promptly devises strategies to overcome challenges, demonstrating perseverance and tenacity. Additionally, such a leader assumes full responsibility for their actions and maintains a positive outlook. The presence of a clearly articulated and persuasive vision holds significant potential in fostering resilience among individuals and organisations.

Leaders who demonstrate resilience and possess a high level of emotional intelligence exhibit a profound comprehension of their own emotions, as well as their personal strengths, limitations, and triggers. The possession of self-awareness allows individuals to effectively regulate their responses and keep a composed demeanour in the face of difficult circumstances. Leaders who exhibit a high level of emotional intelligence (EQ) are more adept at effectively managing and navigating through challenging situations, fostering robust interpersonal connections, and motivating their teams to surmount challenges. Research has indicated that high levels of EQ supporting more significantly towards resilient organisations. Prioritising the development of emotional intelligence is crucial for leaders who seek to foster resilience within themselves and their organisations.

The establishment of a favourable internal ecosystem, characterised by effective communication and a supportive environment, is not only significant but also indispensable for the development of resilient leadership. The aforementioned approach aids leaders and their teams in effectively addressing obstacles by fostering unity, flexibility, and a collective understanding of objectives. The significance of internal communication lies in its ability to foster transparency within an organisation, hence facilitating effective communication between management and employees. Additionally, it serves as a valuable instrument for engaging people in the organisational context (Mishra et al., 2014). By cultivating such an atmosphere,

executives have the potential to augment their organisation's capacity to endure challenges and flourish amidst a dynamic and evolving global landscape.

Finally, resilient leaders frequently demonstrate elevated levels of empathy and compassion. Spiritual intelligence has the potential to enhance these attributes by fostering a deeper connection between leaders and others, enabling a greater comprehension of their needs and experiences. It is crucial to acknowledge that spiritual intelligence is inherently subjective and can manifest in various ways, contingent upon an individual's specific beliefs and practises. Although it may enhance the development of resilient leadership, it should be noted that it is merely one among several elements that exert an effect on a leader's capacity to achieve success in challenging circumstances. In essence, the amalgamation of spiritual intelligence with other dimensions of intelligence, including emotional and intellectual intelligence, has the potential to facilitate the cultivation of a comprehensive and adaptable leadership approach.

Conclusion

This paper presents a thorough analysis of resilient leadership by utilising a real-world case study. Through this assessment, a multitude of valuable insights and implications for leadership in the current dynamic and demanding business environment have been revealed. The case study focuses on a leader who demonstrates resilience in an industry that is undergoing rapid changes. This study offers valuable insights that are applicable to leaders in other industries.

In summary, the case study provides a comprehensive analysis of resilient leadership, highlighting the complex and diverse aspects of this concept. Resilient leaders possess a range of traits, including adaptability, emotional intelligence, and visionary thinking, among others. In addition, they actively create a growth mentality, nurture a supportive internal ecosystem, and exhibit qualities of spiritual intelligence in order to motivate their employees to traverse challenges and attain sustained success effectively.

This study highlights the significance of continuous investigation and examination of resilient leadership, along with the potential advantages that organisations can get by cultivating and fostering these leadership attributes. In the ever-changing landscape of industries, the importance of resilient leadership cannot be overstated, as it serves as a crucial catalyst for sustained growth and innovation.

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