

I hereby acknowledge that I have read this research and in my opinion this work is sufficient in terms of scope and quality for the award of a Bachelor Degree of Technology Management with Honours (High Technology Marketing)

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**THE INFLUENCE OF SITUATIONAL LEADERSHIP IN FAMILY
BUSINESS TOWARDS SUCCESSION PLANNING AT SME'S MELAKA**

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“I declare that this project is the result of my own research except as cited in the references. The research project has not been for any degree and it is not concurrently submitted in the candidature of any degree.”

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DEDICATION

I would like to dedicate this dissertation to my beloved family. First and foremost this dissertation is dedicated to my father Retired Police Sergeant Abdul Rahim and My beautiful mother Madam Aishah who devoted their whole life to raise me with courage and strength. They are my full sponsor. They have shared and held my hands as usual through these years of study and also not unforgettable to my only late brother-in-law Mansur Hamzah , my sibling, my only sister-in-law Norliana Abu Bakar, nieces and nephews for their endless love, support and encouragement. I also dedicate this work to my lovely friends especially with my beautiful and great housemates who always support me through ups and downs, who shared all my sorrows and all my joys throughout the years, I love you guys. Finally I love them all and this study would not have been possible without their continuing support and patience. Thank you very much for all.

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ABSTRACT

As the one of among states that receiving tourist. Many of new Small and Medium Enterprises (SMEs) exist in providing service to the customer . SMEs in general, grow and develop from the bottom armed with the spirit of entrepreneurship. Government support the SMEs to grow and nourish the Melaka State economy. Family business is driven by human resources that have a family linkage to each other. As a family business that emphasizes harmony, need a leader that plays the important role in organization to guide the organization from now into the future and apply the appropriate plan to support the organization's objectives. The aim of this research is to analyze the relationship of Leadership effectiveness that influence towards family business leadership in small and medium-sized enterprises. Data analysis has been analysis according to the Hershey Blanchard Model, statistical method (SPSS) using descriptive and regression analysis the effectiveness of Situational leadership in family firms in the model of situational leadership is largely determined by the adjustment of the maturity of the employees with the leadership style practiced. In the event of compliance hence could be expected would be easy to achieve corporate objectives include achieving sustained earnings growth that is sustainable. One indicator of leadership effectiveness is the succession planning process. This research examines the relationship between leadership effectiveness toward succession planning. Leadership model is using the situational leadership theory of Hersey-Blanchard. The results turned out to support the theory that there is negative and no significant relationship between leadership effectiveness and succession planning.

Keyword: Situational Leadership Effectiveness, Succession Planning, Family Business

ABSTRAK

Sebagai salah satu di antara negeri-negeri yang menerima pelancong. Ramai daripada Perusahaan Kecil baru dan (PKS) wujud dalam memberikan perkhidmatan kepada pelanggan. PKS secara umum, membesar dan berkembang dari bawah bersenjatakan semangat keusahawanan. Kerajaan menyokong PKS untuk berkembang dan menyuburkan ekonomi Melaka Negeri. Perniagaan keluarga yang digerakkan oleh sumber manusia yang mempunyai hubungan keluarga antara satu sama lain. Sebagai perniagaan keluarga yang menekankan keharmonian, memerlukan pemimpin yang memainkan peranan yang penting dalam organisasi untuk membimbing organisasi dari sekarang ke masa depan dan memohon pelan yang sesuai untuk menyokong objektif organisasi. Tujuan kajian ini adalah untuk menganalisis hubungan kepimpinan keberkesanan pengaruh ke atas Kepimpinan Perniagaan keluarga dalam perusahaan kecil dan sederhana. Analisis data telah analisis mengikut Harshey Blanchard Model, kaedah statistik (SPSS) dengan menggunakan analisis deskriptif dan regresi Keberkesanan kepimpinan dalam syarikat keluarga dalam model kepimpinan situasi sebahagian besarnya ditentukan oleh pelarasan kematangan pekerja dengan gaya kepimpinan yang diamalkan. Sekiranya pematuhan itu boleh dijangka akan menjadi mudah untuk mencapai objektif korporat termasuk mencapai pertumbuhan pendapatan yang berterusan yang mampan. Satu penunjuk keberkesanan kepimpinan adalah proses perancangan penggantian. Kajian ini mengkaji hubungan antara keberkesanan kepimpinan ke arah perancangan penggantian. model kepimpinan menggunakan teori kepimpinan situasi daripada Hersey-Blanchard. Keputusan ternyata menyokong teori bahawa terdapat negatif dan hubungan yang signifikan antara keberkesanan kepimpinan dan perancangan penggantian.

Kata kunci: Keberkesanan Kepimpinan Situasional, Perancangan Penggantian, Perniagaan Keluarga.

TABLE OF CONTENT

CHAPTER	TITLE	Page
	DECLARATION	i
	DEDICATION	iii
	ACKNOWLEDGE	iv
	ABSTRACT	v
	ABSTRAK	vi
	TABLE OF CONTENT	viii
	LIST OF TABLES	xi
	LIST OF FIGURES	xii
	LIST OF APPENDICES	xiii
CHAPTER 1	INTRODUCTION	1
	1.1 Background of Study	3
	1.2 Problem Statement	6
	1.3 Research Question	7
	1.4 Research Objective	8
	1.5 Limitation of Study	8
	1.6 Scope of Study	9
CHAPTER 2	LITERATURE REVIEW	10
	2.0 Introduction	10
	2.1 Leadership	11
	2.2 Hersey-Blanchard Leadership Theory : Situational Leadership	12
	2.3 Family Business	15
	2.4 Succession Planning	16
	2.4.1 Issue in Succession Planning	17
	2.4.2 Family Business Leadership Influencing	18

Succession Planning	
2.5 Table of Comparison	19
2.6 Theoretical Framework	22
2.7 Hypothesis Testing	23

CHAPTER 3 RESEARCH METHODOLOGY

3.1 Introduction	24
3.2 Research Design	25
3.3 Methodological Choices	27
3.4 Primary Data Source	27
3.5 Secondary Data Source	28
3.6 Location of Research	28
3.7 Research Strategy	29
3.7.1 Sampling Method	29
3.7.2 Questionnaire Structure	30
3.7.3 Pilot Test	31
3.8 Reliability Test	32
3.10 Time Horizon	33
3.11 Summary	33

CHAPTER 4 RESULT AND DISCUSSIONS

4.1 Introduction	34
4.2 Sample Characteristics	35
4.3 Descriptive Analysis	35
4.3.1 Total of Respondents	36
4.3.2 Respondents Demography	37
4.3.3 Hershey -Blanchard Leadership Effectiveness Model Analysis	41
4.3.3.1 Leadership Style	41
4.3.3.2 Maturity Level	43
4.3.2.3 Hershey-Blanchard Situational	45

	Leadership Effectiveness	
	4.3.4 Succession Planning	46
	4.3.5 Simple Linear Regression Analysis	48
	4.4 Summary	50
CHAPTER 5	CONCLUSION AND RECOMMENDATION	
	5.1 Introduction	51
	5.2 Respondent Demography	52
	5.3 The Conclusion of Objective 1	53
	5.4 The Conclusion of Objective 2	53
	5.5 Conclusion	55
	5.6 Recommendation to Organization	59
	5.7 Recommendation for Future Research	
REFERENCE		57
APPENDICES		61

LIST OF TABLE

TABLE	TITLE	PAGES
2.0	Table of Comparison	19
3.0	Krejie and Morgan : Determining Sample Size of a Known Population	26
3.1	Cronbach's Alpha Coefficient Range and Strength of Association	32
3.1.1	Result Reliability Test	32
4.0	Total of Respondent	36
4.1	Subordinates Position	37
4.2	Subordinates Education Level	38
4.3	Subordinates Age	39
4.4	Held Position Period	40
4.5	Total Year of Working Experience	40
4.6	Leader's Leadership Style	41
4.7	Workers Maturity Level	43
4.8	Matrix Grid of Situational Leadership Effectiveness	45
4.9	Value of Leadership Effectiveness	45
4.10	Family Business Succession Planning Questionnaires' Answer Total	46
4.11	Model Summary	48
4.12	ANOVA	48
4.13	Coefficients ^a	48

FIGURE LIST

FIGURE	TITLE	PAGES
1.0	The Economic Growth and Percentage by State in 2015	2
1.1	SMEs Main Economic Sectors 2015	3
1.2	SMEs Percentage Share Economic by State, 2015	4
2.0	The Impact of Power Bases at Various Level of Maturity	13
2.1	Situational Leadership-Leadership Styles Correlated with Maturity Levels of Followers Theory Model	14
3.0	Steps in Developing a Questionnaire	31
4.0	Subordinates Position	37
4.1	Subordinates Education Level	38
4.2	Subordinates Age	39
4.3	Leader's Leadership Style	41
4.4	Workers Maturity	43

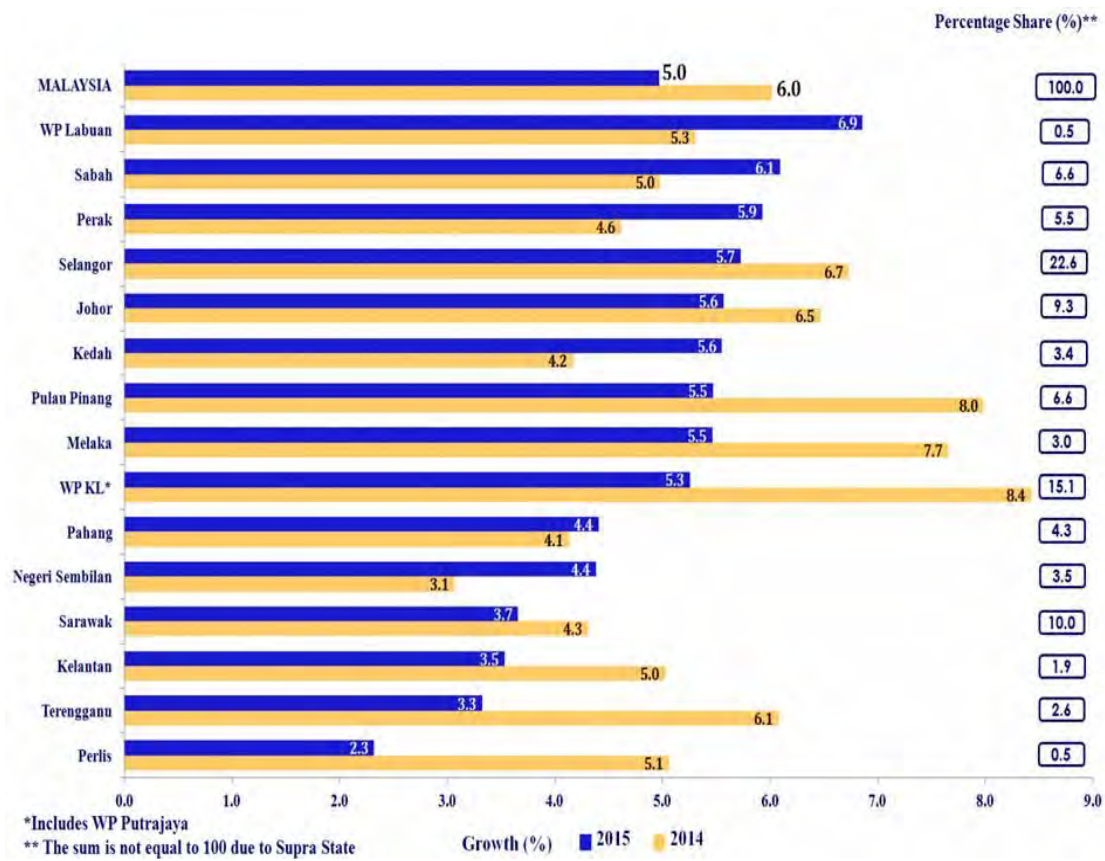
APPENDIX LIST

APPENDIX	TITLE	PAGES
1	Questionnaires	61
2	SPSS Raw Data	68

Chapter 1

INTRODUCTION

Nowadays business at Melaka is growing because of the increasing tourist visit Melaka. Since year 2008 Melaka was officially announced under United Nations Educational, Scientific and Cultural Organization (UNESCO) as UNESCO World Heritage sites. Melaka ranked 28th out of 45 selected travel destinations around the world. In addition, Melaka also has received international recognition of the website travel world renowned that tripadvisor.com (Melaka Tourism, 2016). This would cause to the increasing of SME's family business organization to grow together. Refer to figure 1 show that Melaka is seventh states in Malaysia that grew at a faster pace than the national growth (5.0 per cent), which Melaka is 5.5 per cent (Department of Statistic Malaysia, 2015). Business that exists in Melaka, is more expose with tourisms especially Melaka Tengah district because this area have many famous world tourism spot other two district (Green City Plan Action, 2014). The impact make this area has high services demand by tourists.



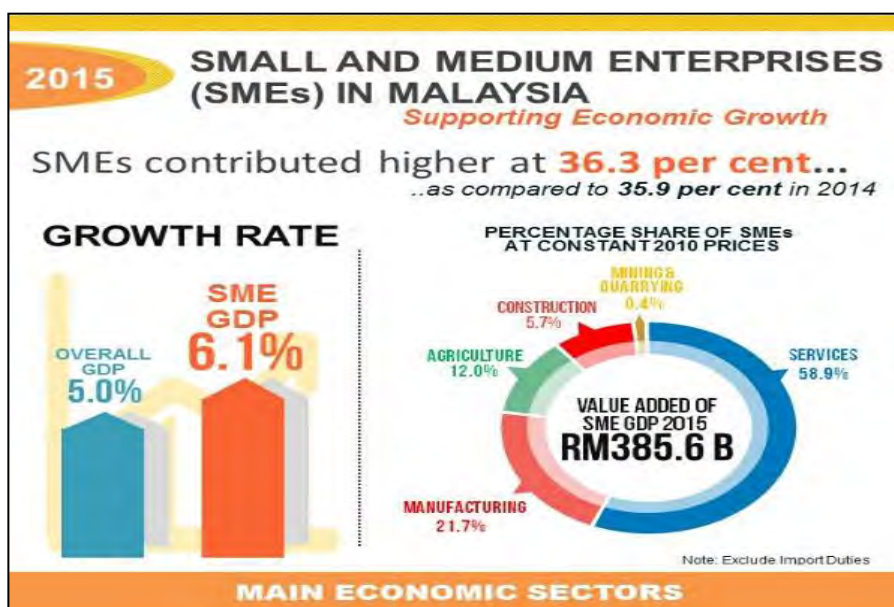
Source: Department Statistic of Malaysia Portal

Figure 1.0 : The Economic Growth and Percentage by State in 2015

1.1 Background of Study

Small and medium-sized enterprises (SMEs) are non-subsiary, independent firms which employ less than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees. However, some countries set the limit at 200 employees. Small firms are generally those with fewer than 50 employees, while micro-enterprises have at most 10, or in some cases 5, workers. According to Department of Statistic Malaysia the five SMEs (2015) main sectors are:

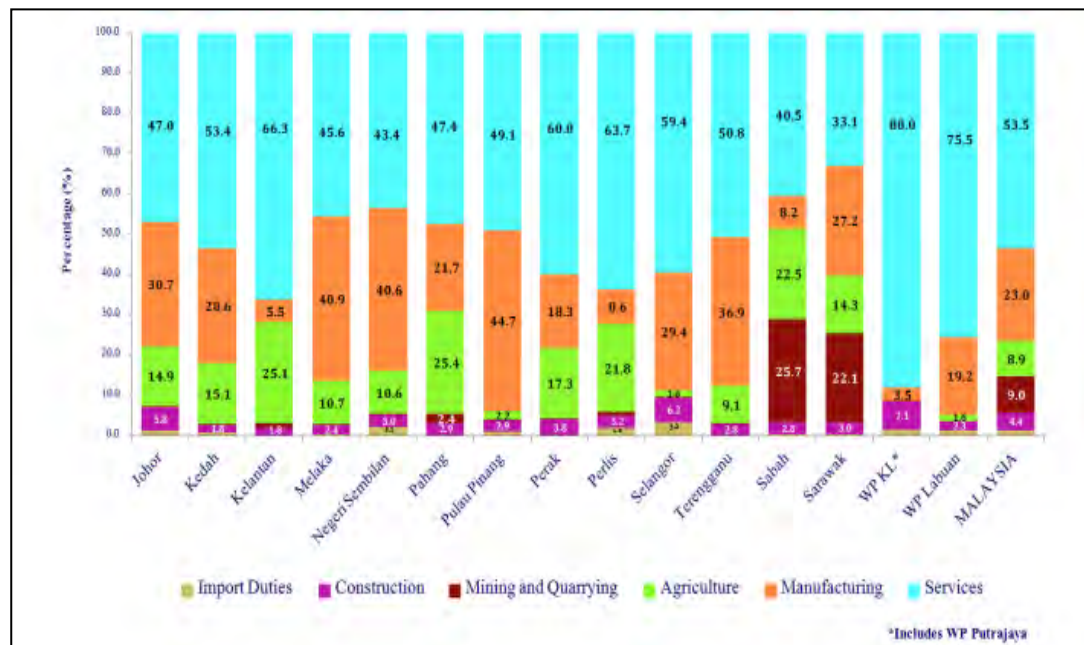
- a) Agriculture : Stimulated by Rubber, Oil Palm, Livestock and Agriculture
- b) Construction: Specialised construction activities and non-residential buildings underpinned the SME's momentum.
- c) Services: Wholesale and retail trade, food and beverage, and accommodation emerged as the prime mover.
- d) Manufacturing: Spearheaded by petroleum, chemical, rubber and plastic products.
- e) Mining and quarrying: Supported by quarrying of granite and limestone



Source: Department Statistic of Malaysia Official Portal

Figure 1.1: SMEs Main Economic Sectors 2015

In figure 2, shows the growth rate of Malaysia SMEs in 2015 and services sector is the high percentage in gross domestic profit (GDP). While by state SMEs in Melaka service sector has the high percent in economy share which is 45.6% . As shown below in figure 3.



Source: Department Statistic of Malaysia Official Portal

Figure 1.2 : SMEs Percentage Share Economic by State, 2015

As shown in above statistic, Melaka Government now do a lot of approach through more economy plan for upgrading to Melaka citizen to have better income level and opportunity through business especially in services sector. (K-Ekonomi Melaka,2015).

Family business has become an increasingly studied field over the last decade and forms one of the fastest growing research areas today. The uniqueness of family businesses is the interaction between two systems; the family and the business systems, leading to specific characteristics that we rarely see in other types of businesses. In order to understand the interaction between the family and the business systems, researchers have adopted a diverse range of theories from different fields. When one generation is preparing to hand the company over to the next, it is normal to focus on getting the new leaders ready, but the way the old CEO exists is just as important (Business School, 2013). Those going into family businesses to

remember that the benefits of ownership come with very large responsibilities. Either they are the first, second or third generation, more of the family business is needs to upgrade their human resource among the family that can sustain the ability the business in the market at Melaka. This because only 30 percent of family businesses going beyond the first generation and only about 10 percent to 15 percent beyond the third generation (Hassan,A.A, 2014)

Style leadership of the family leader that manage the business will give impact to the next generation to take over the business. Specific leadership behaviours are use to in a specific environment or situation. Employees, families and the society around company are all affected by the leader decisions. At the end of the day, the business is much bigger than the leader and their family because it impacts so many people. A common notion that needs to be put into implement is that the key to success is an effective leadership. A high-quality leadership in an organization will improve the effectiveness of the organization (Noor, Shamsuddin, & Abdullah, 2014).

To sustain the family business the director should go for succession planning method. Succession planning is not an issue that many organizations address in any systematic way. But many profit or non-profit organizations that are small (with fewer than 10 employees) may be facing other organizational challenges, thinking about who the next executive director might be or what would happen if the director of finance suddenly left is not high on their priority list (Foundation Canada, 1996). This presents a particular challenge for smaller firms as they usually lack the suitable resources in order to make full usage of their knowledge stock which is particularly at risk in situations of staff turnover and/or long-term absences, as the small staffing level does not allow for an immediate replacement (Durst & Wilhelm, 2012)

After identifying the role of leadership and the characteristic, move further are to ensure the current situation factors that influence of the leadership toward succession planning by using theory created by Hersey-Blanchard . Usually behaviour of the leader in the family business will be high imitated by the next generation. Training by practical to the next generation through their involvement in the business process for the young family members is one of their opportunities to

develop the next leader. The challenging part is, whether the young generation willing to sacrifice their time to be trained. As the impact, the family business which has good leadership will result the good sustainability plan implementation. Yet, while leaders set the direction, they must also use management skills to guide their people to the right destination, in a smooth and efficient way.

To get information on this leadership impact, studies will be conducted in Melaka. The issues discussed in this study limited to Melaka state level. The issues based on the influence of situational leadership in family business towards succession plan of the leadership model perspective.

In conclusion the Melaka local family business owner is the leader that piloting themselves and others to do the right things and do things right. They set direction, build an inspiring vision, and create something new. Leadership is about mapping out where you need to go to "win" as a team or an organization; and it is dynamic, exciting, and inspiring.

1.2 Problem Statement

Researcher found the problem during industrial training at Pulau Melaka , Melaka. The researcher has identified the SMEs family business face obstacles in succession plan regarding to the relationship behavior of the director of company cause of high turnover of employee in company . From observation, the influence of the type leadership is the main role that will impact to the family business learning process to grow , stable and sustain

The Melaka government really want to increase the economy as the tourism sectors give high impact to Melaka population economy. Many of the business that exists in the Melaka Tengah district is can be heritable business because and they have high demand by the tourists. Therefore it is really unfortunate if a business cannot sustain because of fail to build leaders in the family business for succession

plan for future. Since Melaka economy is growing cause from the increasing amount tourist visit Melaka year by year (Bernama, 2016). As the government now doing a lot of more economy plan for Melaka citizen, a waste if the exits business do not have future strategic planning to grow together with the government development plan. More services and product can expend in the exist company in Melaka.

Now with the ‘ Go Green’ plan by the government to make Melaka more clean, environmental friendly and more green vehicles is encourage to be used in Melaka. It gives a lot of more uniqueness to this state. There are two challenges to be faced in the study of the acceptance of the next generation towards their business conduct by their family and will the next leader doing the same business type or will change the business type or will expand new business under their family business.

1.3 The Research Problem Question

Preparation is the key to successful succession, whether the person are the one going in or coming out in the family business. To ensure a smooth, conflict-free transition, the former head of the company needs to have a clearly defined role for him or herself after them steps in the leader position as the succession is planned. The question is on how is the old generation leadership impact:

1. What style of leadership is suitable when family business prepares for succession planning?
2. How does leadership can influence the process of succession planning in family business?

1.4 Research Objective

The main objective of the research is to conduct a study on the method use in leadership as the impact for family business succession planning in Melaka. The local family business small, medium or big business that getting grow in current time is really need the second generation to sustain the business and grow by the challenges that the business will face in future is manageable and business will be more profitable. This will increase the Melaka economy, so the research is:

1. To explain about leadership style according to situation of family business for succession planning.
2. To know does the leadership influence process succession planning in the family business

1.5 Limitations of Study

The study limits only on local family business for small, medium and big size of organization and involve in any type of business that include in services sector that they offer as classify by Department of Statistic Malaysia ; wholesale and retail trade, food and beverage, and accommodation emerged as the prime mover

The issues in this study limited to human resources inside the family members from the next generation that impact on leadership characteristic succession planning for family business. In preparing questionnaire, there are few obstacles that may limit the efforts in establishing detailed and ample data collection for analysis leadership characteristic in building next leader among the family members such as:

1. The study sample population sample from one part in Melaka state district which is in Melaka Tengah.
2. The issued discuss only one part of for succession planning which is leadership.

3. Distribute survey to get data and it will be quantitative analyses only.
4. For future study can be expended this study because this research only look at the leadership in family business succession plannin

1.6 Scope of Study

Leaders are people who do the right thing ; managers are people who do things right. Leadership is the art of getting someone else to do something you want done because he wants to do it. The word "leadership" can bring to mind a variety of images, but this study is focus on the leadership type that match or not in helping the succession planning to be done next generation and being hep by the non-family members in the local family business. Usually the next generation that can involve in family business in their own task in the business shows the effective leadership they have which mould by the current leader in the business. Focused on Melaka states Melaka Tengah district which have high is world tourism attraction area and high SMEs in services sector

Excellent style leadership character in business, continue the business or create realistic vision, convincing and attractive depiction of where they want to be in the future. Vision provides direction, sets priorities, and provides a marker, so that presents leader can tell that what they have achieved and what wanted to achieve.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

A literature review is an evaluative report of information found in the literature related to researcher selected area of study. The review should describe, summarise, evaluate and clarify this literature. It would give a theoretical base for the research and help researcher determine the nature of their research. Works which are irrelevant should be discarded and those which are peripheral should be looked at critically.

A literature review is more than the search for information, and goes beyond being a descriptive annotated bibliography. All works included in the review must be read, evaluated and analysed which researcher would do for an annotated bibliography, but relationships between the literatures must also be identified and articulated, in relation to your field of research.

2.1 Leadership

A review of the journal literature shows that there is an evolution of opinions starting with “The Great Man Theory”, “Trait Theory” up to “Transformational Theory” (Noor et al., 2014). The development of these theories, which approached leadership from the perspective of leadership traits, was made apparent when previous researches conducted studies on the subject and were more inclined to focus on the traits and behaviours of successful leaders (Creighton, T, 2011). This leadership trait approach was introduced with the aim of:

1. Identifying specific physical, mental and personality traits that are related to their successful leadership process.
2. Explaining the traits that differentiate a leader and the effectiveness of his/her leadership process.

Leadership theories that are based on the trait approach started to become popular in the 1930s (Noor et al., 2014) . The Great Man Theory states that each leader is extraordinary as they were born with natural traits to lead and these traits differentiate the effective leaders from other, passive leaders (Creighton, T, 2011). The theory term uses “Man” because during the age, the field of leadership was dominated by men (Kao, H., Craven, A. E., & Kao, T.-yun. 2006). According to Creighton, the issue rose up when the researches started to conduct research related to leadership behaviours after realizing that the research on leadership traits is not credible.

This issue arises as the assumption that leaders were born with the natural traits required to lead is no longer fully-accepted. In addition, also stated that leaders are not born but every individual has the same opportunity to become a leader (Kao, H., Craven, A. E., & Kao, T.-yun. 2006). One of the review of leadership theory and research, Avolio, Walumbwa, and Weber (2009) recommended that “determining the causal mechanisms that link leadership to outcomes will be a priority” (Bernhard & O’Driscoll, 2011). All the theory shows that the leadership style have link with many current criteria that influence the leadership style.