



LEADERSHIP SKILLS TOWARDS EMPLOYEE ENGAGEMENT IN SMES

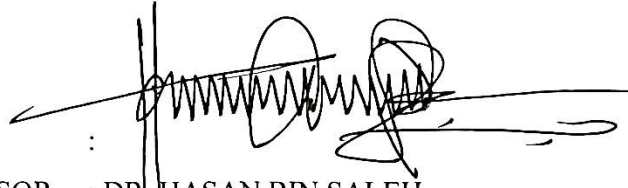


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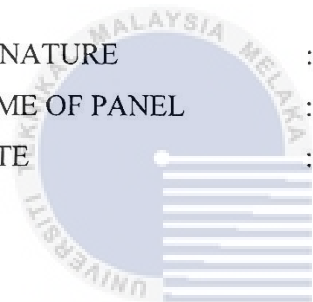
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This thesis is submitted in partial fulfilment of the requirements for the award of Bachelor of Technology Management (Technology Innovation) with Honors

Faculty of Technology Management and Technopreneurship
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JANUARY 2023

DECLARATION OF ORIGINAL WORK

I hereby declare that all of the work presented in this thesis, "LEADERSHIP SKILLS TOWARDS EMPLOYEE ENGAGEMENT IN SMES," is entirely my own original work and that no part of it has ever been submitted in support of an application for another degree or qualification at this institute or university or any other.

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DEDICATION

I am incredibly appreciative of my family members for their consistent support, encouragement, and creating a love of studying in me throughout my education. Additionally, I would like to extend my profound gratitude to Dr. Hasan Bin Saleh, my lecturer and project supervisor for the final year, as well as to my fellow students for their tremendous assistance, counsel, and suggestions throughout the study process. Without their assistance, it would not have been feasible to do this research in such a short amount of time.



ACKNOWLEDGEMENT

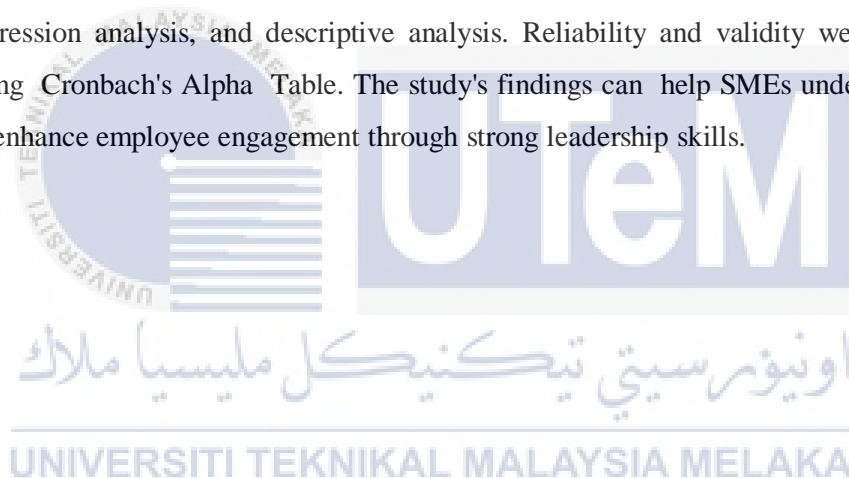
I am deeply grateful to God for granting me the health, strength, and opportunity to successfully complete this Final Year Project within the given time frame. My heartfelt thanks go to my parents for their unwavering support and patience throughout my degree. I also extend my sincere gratitude to my friends for their valuable advice and guidance throughout this research project. Their shared knowledge and insights were instrumental in helping me to complete this research project efficiently.

Secondly, i would like to express my deep gratitude and appreciation to my beloved supervisor, Dr. Hasan bin Saleh, for her guidance, teaching, monitoring, support, and invaluable contributions throughout this research project. He has been patient and supportive during the two semesters of the 2020/2021 academic session. Additionally, I would like to extend my sincere appreciation and thanks to TS. DR. L. Ganagambegai, who served as a panel researcher, for sharing his extensive knowledge and experience in research methodology. His suggestions were immensely helpful in guiding me to conduct this research project successfully.

Lastly, I would like to extend my sincere gratitude to all the respondents who took the time and effort to complete the questionnaires. Their valuable feedback was instrumental in the completion of this research. Without the support and participation of the respondents, it would have been impossible to gather the necessary data. I am deeply grateful and truly thankful to all of them for their contributions.

ABSTRACT

This study's purpose is to find out how leadership skills affect employee engagement in small and medium-sized businesses (SMEs). The study focuses on three key leadership skills: communication skills, problem-solving skills, and mentoring skills. The conceptual framework proposed that these skills are key factors that influence employee engagement in SMEs. To test this concept, a measurement construct was developed using modified measurements from previous studies. A quantitative research method was used, and a structured questionnaire was distributed to employees of Mingu International Trading Sdn. Bhd. in Malim Jaya, Malacca, Malaysia. Convenience sampling was used to choose the sample, which had a size of 82. Data analysis was conducted using SPSS, including correlation techniques, regression analysis, and descriptive analysis. Reliability and validity were assessed using Cronbach's Alpha Table. The study's findings can help SMEs understand how to enhance employee engagement through strong leadership skills.



ABSTRAK (BAHASA MALAYSIA VERSI)

Tujuan kajian ini adalah untuk mengetahui bagaimana kemahiran kepimpinan mempengaruhi penglibatan pekerja dalam perniagaan kecil dan sederhana (PKS). Kajian ini memberi tumpuan kepada tiga kemahiran kepimpinan utama: kemahiran komunikasi, kemahiran menyelesaikan masalah, dan kemahiran mentor. Rangka kerja konseptual mencadangkan bahawa kemahiran ini adalah faktor utama yang mempengaruhi penglibatan pekerja dalam PKS. Untuk menguji konsep ini, satu konstruk ukuran telah dibangunkan menggunakan ukuran yang diubah suai daripada kajian lepas. Kaedah kajian kuantitatif telah digunakan, dan soal selidik berstruktur telah diedarkan kepada pekerja Mingu International Trading Sdn. Bhd. di Malim Jaya, Melaka, Malaysia. Persampelan kemudahan digunakan untuk memilih sampel yang mempunyai saiz 82. Analisis data dijalankan menggunakan SPSS, termasuk teknik korelasi, analisis regresi, dan analisis deskriptif. Kebolehpercayaan dan kesahan dinilai menggunakan Jadual Alpha Cronbach. Penemuan kajian boleh membantu PKS memahami cara meningkatkan penglibatan pekerja melalui kemahiran kepimpinan yang kukuh.

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CHAPTER 1: INTRODUCTION

In chapter 1, the study's overview will be covered. The problem statement will be stated and explained. Next, research questions will be followed with the objectives that need to be achieved by the research. In addition, the scope and limitations of study will be conducted to know whose and what method that will be used then. The significance of study also will be discussed to let the readers know how this research will help the future researchers and students. The final section of Chapter 1 will include a summary of this chapter.

1.1 Background of Study

Leadership is a behaviour that develops the structure to the members, so they have the direction to complete their tasks. Good leadership can help the company to achieve their goals and make the members do their tasks comfortably. According to Rosari (2019), Leadership is not only a person, sit at the top of hierarchy, determine for a group of loyal followers, the pace, direction, and outcome of effort. There are five leadership styles that are main to use which are transformational leadership, authoritarian leadership, delegative leadership, participatory leadership, and transactional leadership.

The leadership style known as authoritarian leadership allows for the imposition of expectations and outcome definition. This style will sacrifice creativity so it will be used when the members are confused about their work. Participative leadership involves members to make decision making processes in order to make them feel engaged and motivated. Delegative leadership is the leadership style that focuses on delegating initiative to team members. The responsible members will lead this strategy to success but if they are not engaging in work, it will lead to less motivations and low morales (IMD, 2021).

In transactional leadership, the leader assigns rewards and penalties based on the goals, and the team members work hard to earn their rewards. Transformational leadership is the leadership style that motivates their followers with the company vision and encourages them to achieve it. Transformational leadership can decrease the employee turnover rate and employees always be motivated by the leader.

However, leaders also can deceive their employees and leaders always need to motivate them and get feedback (IMD, 2021).

Leadership skills are the abilities that the person can help to oversee the processes and guide their members or followers to achieve their goals. Leadership skills are the essential parts that enable executives to make thoughtful decisions for their goals and also can allocate the resources to reach those orders. There are some examples of leadership skills such as communication, problem solving and mentoring (McLaughlin, 2014).

SMEs also can be called in full name which is Small and Medium-sized Enterprises which can be defined as an organization with assets, revenues, or employees that are below a specific threshold. According to SME Corporation Malaysia, SMEs can define as firms that sales turnover does not exceed RM50 million, or number of full-time employees do not exceed 200. The Department of Statistics, Malaysia (DOSM) also stated that there will be 1,151,339 SMEs in Malaysia (Estimated 2020).

1.2 Problem Statement

The leader that obtains leadership skills can increase the organization's development. Leaders can use communication, problem solving, and mentoring this kind of leadership skills to increase their organization's growth.

Communication is a useful skill that leaders can interact with their employees at the workplace. A good communication can provide clear order or advice to the employee, so they don't need to infer the information's true meaning from the context or read between the lines. It will increase the progress of the project or work and create a good environment between leader and members. In contrast, the organization or team that lacks communication will encounter misunderstanding and conflict. This will make the project delayed and goals cannot be reached (Khan, 2021).

Next, a leader must learn problem solving to face organizational problems. A successful leader with problem solving skills can solve the organizational problems properly. They also can take advantage of opportunities in the marketplace. However, an employer or leader that cannot solve the problem will lead the company into the

darkness. The new problems will occur, and the old problems cannot be solved, and will become disasters (targetjobs, 2022).

Lastly, the mentoring skill is also important to the leader when managing the team or organization. Leaders can inspire, coach, and let their employees become better and able to solve problems by themselves. If the team or organization lacks mentoring, there will be poor knowledge, skills, creativity, and responsibility among the employees. The organization also will not become better because it is limited by the performance of the employees (Holliday, 2001).

In summary, leadership skills are very essential for the leaders and organization as it can make both aspects become better and efficient. They should acquire these skills so as not to be eliminated by the market.

1.3 Research Questions

The purpose research is to know effect of leadership skills towards employee engagement in SMEs. The research questions will be addressed below:

- I. How do the leaders keep their employees in contact?
- II. How do the leaders solve the organizational problem to engage employees?
- III. What can the leaders do to make their employees become better and engage?

1.4 Research Objectives

In order to fulfil the goals of the study, the research question will be conducted repeatedly in the research method. The research objective will be addressed below:

- I. To examine the communication skill towards employee engagement.
- II. To identify problem solving skills on engagement of employees.
- III. To determine the mentoring skills on employee engagement.

1.5 Scope and Limitation of the Study

This study will look at how leadership skills and SME employee engagement are related. The scope of research will be conducted by the SME employees that are located in Malacca as the sampling in the research. This research will collect volunteers of respondents by organization which working in the targeted SMEs to answer the questionnaires. The questionnaires will be using Google Form as the answering platform. It will take a week to collect the questionnaires in this research. The respondents in Malacca's SMEs are the suitable sampling for the research because they are close to researchers to collect the data and Malacca has many SMEs to conduct. This is more accurate and faster than sending the questionnaires to the SMEs that are located in other states or rural areas.

The philosophy of the research will conduct a positivist paradigm. The approach to theory development is a deductive approach. The research method that applies in the research is multiple methods. Primary data and secondary data are the two types of data. Surveys will be used as part of the research strategy, and a cross-sectional time frame will be used.

1.6 Significant of the Study

For employees, employers, and researchers alike, this research will offer a fresh perspective on the link between leadership abilities and employee engagement. The employers can know how to use the leadership skills to lead their employees and also know how the employees engage in SMEs. Moreover, the analysis of this research also can provide valuable information to the future researchers that are willing to make research on leadership skills and employee engagement.

1.7 Summary

In Chapter 1, the research introduces the definition of leadership, leadership skills, employee engagement, and the condition of SMEs in Malaysia. The primary goal of this study is to study about the leadership skills towards employee engagement in SMEs. Problem statements are also included in this chapter too.

For the scope and limitation, this research will conduct the questionnaire among the respondents that work in SMEs at Malacca and will use survey (Google

Form) as the method. The data will be collected using both primary and secondary data, and a multiple method will be used for the research.

For the significance of study, the employer knows how to use the skills to lead their employee to achieve the goals. They also can know how leadership skills can make an impact on employee engagement. The researchers also can do the follow-on research on this research to get valuable information.



CHAPTER 2: LITERATURE REVIEW

The topic of literature reviews will be covered in chapter 2. We'll identify and describe the independent variables which is the leadership skills and dependent variable which is the employee engagement. The relationship between the independent and dependent variables will then be maintained after the conceptual framework has been established. In addition, the hypotheses of each independent variable will be conducted to know the significance with the dependent variable. The final section of Chapter 2 will include a summary of this chapter.

2.1 Communication

Every communication has a sender, a message, and a recipient. Communication is the act of sharing information from one place, person, or group to another. According to Kristina L & Yesenia (2011), communication is a means of transmitting information and making oneself understood by another or other. Communication is a major challenge for managers because they are responsible for providing information, which results in efficient and effective performance in organizations. Communication involves transmission of verbal and non-verbal messages. It consists of a sender, receiver, and channel of communication (Munodawafa, 2008). These previous studies show that communication is the important skill that can provide information to the other.

2.1.1 Communication Process

Communication process is the flow of sender encoding message and decoding by the receiver and the receiver will proceed with feedback to the sender again. According to Kristina L & Yesenia (2011), communication process shows that the sender is a person, department, or unit of an organization or system who originated the message. Sender will send the information to the receiver and the receiver will decode the messages. Decoding is affected by the receiver's prior experience and frames of reference (Kristina L & Yesenia, 2011). This previous study also shows that the process of decoding the message is important because the receiver may interpret the wrong information.

2.1.2 Feedback

The receiver will provide the feedback to the sender after they interpret the message, and this can make the sender know the understanding of the receiver to the meaning of the message that sender wants to deliver. According to Kristina L & Yesenia (2011), feedback is any information that individuals receive about their behaviour. Feedback can be information related to the productivity of groups in an organization, or the performance of a particular individual. Next, the sender will adjust or changes after receiving the feedback from the receiver.

2.1.3 Strategic Communication

Strategic communication is an intentional process of presenting ideas in a clear, concise, and persuasive way (Kristina L & Yesenia, 2011). The leaders must present their thoughts and ideas to the members in an intentional effort so the communication can align with the organizational missions, strategies, and goals. Argenti et al. (2015) also stated that strategic communication as communication aligned with the company's overall strategy, to enhance its strategic positioning. A strategic communication leader can increase the efficiency of the work and reach the organization missions, visions, and strategies.

2.2 Problem Solving

Problem solving is the act of defining a problem, determining the cause of the problem, generating, and implementing the solution. A leader must obtain the problem-solving skill so the leader can face the organizational problem and solve it. The problem-solving process can be categorized by defining problems, generating alternative solutions, evaluating, and selecting solutions, implementing, and following up solutions. According to Martinez (1998), problem solving is a ubiquitous feature of human functioning. Human beings are problem solvers who think and act within a grand complex of fuzzy and shifting goals and changing means to attain them.

2.2.1 Defining the Problem

Leader needs to define the problems that are faced by the organization so can generate alternative solutions for the problems. The leader must determine the cause

of the problem and review how to process the current work. Leaders may define the problem by tools that can proceed the data because people cannot solve the problem without any data.

2.2.2 Generate Alternative Solutions

After the leader defines the problems, the leader can generate alternative solutions for the problem. These alternative solutions are the potential option that can manage the problem and make the organization operate more effectively. According to D'Zurilla & Goldfried, (1971), leaders generating as many alternatives as possible, the probability of generating a variety of potentially effective solutions will increase. Better selection allows for identification, selection, and implementation of the most effective solution for the problem situation, facilitating the opportunity for maximizing positive outcomes and minimizing negative consequences. In contrast, deficits in generating alternatives would be expected to result in impaired problem-solving due to generation of a restricted selection of alternatives that may have been insufficient in producing truly effective solutions.

2.2.3 Selection and Implementation

The leader can start to select the most effective solution that is generated. Leader needs to evaluate these solutions without any bias and evaluate their outcomes to ensure it is fit to the goals and standard. Next, the selected alternative solution can start to implement it. Leader can plan a pilot test for the selected solution and collect the feedback. Measuring and monitoring also need to be done so ease the leader to do the follow up solution. The better implementation of the solution can help the leader to solve organizational problems and take advantage of opportunities in the marketplace.

2.3 Mentoring

The leader will inspire, coach, and lead their members to become better. Mentoring is important for leaders because it can generate confidence, inspire trust, and improve team development. A leader with good mentoring can make their members become more efficient, productive, and quality when they are involved in

the workplace. For the mentor, a mentoring relationship provides a 'crucial subordinate' who will put the superior's need ahead of self as a career move, accords him with greater legitimization in the organization and refreshes his interests, motivations, and skills. For the protege, mentoring brings job security and career advancement (Scandura et al., 1996).

2.4 Employee Engagement

The idea of employee engagement describes how committed and enthusiastic people are to their work. This also will decide the efficiency and productivity of the company whether the employees are engaging or not. According to Shaw (2005), employee engagement has been defined as emotional and intellectual commitment to the organization. Employee engagement also can be simply as 'passion for work', a psychological state which is seen to encompass the three dimensions of engagement and captures the common theme running through all these definitions (Kahn 1990).

2.5 Relationship between Leadership Skills and Employee Engagement

2.5.1 The Relationship between Communication and Employee Engagement

The leader will communicate with their employees to ensure they feel engaged. Effective communication can highly increase employee engagement and decrease their turnover intention. When the employee feels engaged, the organization will grow better.

2.5.2 The Relationship between Problem Solving and Employee Engagement

A leader who has developed problem-solving abilities can address an organisational issue. They will define the problem and create the solution to solve it. The employee will feel engaged while following the leader because the leader has the ability to face the challenges.

2.5.3 The Relationship between Mentoring and Employee Engagement

The leader that can mentor, coach, and lead employees also can make their employee feel engaged. The leader will inspire and coach them and make them become better. Employees will feel engaged and want to follow the leader.

2.6 Conceptual Framework

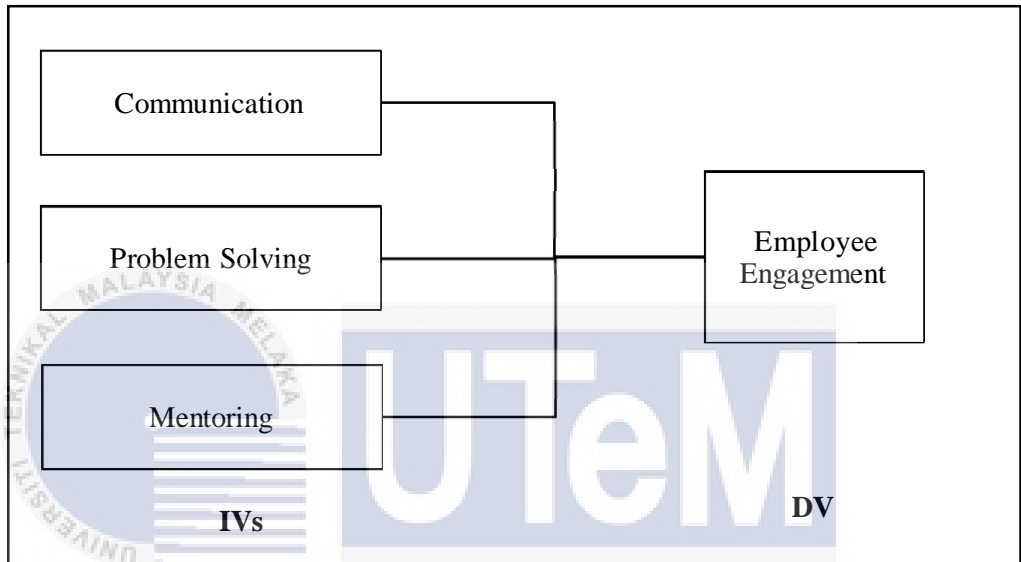


Figure 2.6: Theoretical Framework for Research

2.7 Hypotheses

H0: There is no significant relationship between communication and employee engagement.
H1: There is a significant relationship between communication and employee engagement.
H0: There is no significant relationship between problem solving and employee engagement.

H1: There is a significant relationship between problem solving and employee engagement.

H0: There is no significant relationship between mentoring and employee engagement.

H1: There is a significant relationship between mentoring and employee engagement.

2.8 Summary

The study's literature review for the three independent variables—communication, problem-solving, and mentorship—is presented in Chapter 2. Employee engagement, the dependent variable, is then similarly explained in this chapter.

To understand the relationship between the independent variables and the dependent variable, it is also possible to explain the relationship between leadership abilities and employee engagement. The conceptual framework has also been presented to demonstrate the framework for further research.

CHAPTER 3: RESEARCH METHODOLOGY

In chapter 3, there will be a discussion of research design and strategy. Qualitative research also will be stated and explained. Next, data collection will be followed with the method that needs to be used by the research. In addition, data analysis will be conducted to know what approach will be used to analyse the data. Research location also will be discussed to let the readers know where the data will be collected and also with research population and sampling size for looking at the number of respondents. Research instruments, reliability, and validity also will be conducted. The final section of Chapter 3 will include a summary of this chapter.

3.1 Research Design

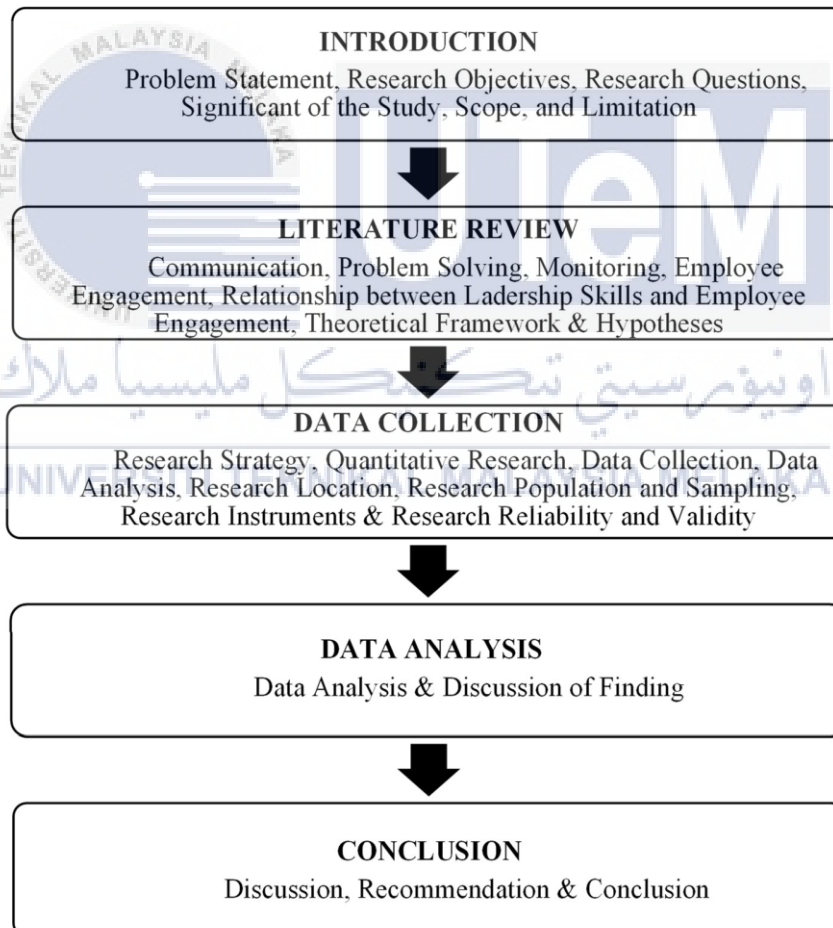


Figure 3.1: Research Design

3.2 Methodological Choice

It is also possible to establish a causal relationship between leadership skills and employee engagement in order to comprehend the relationship between the independent variables and the dependent variable. To illustrate the framework for additional research, the conceptual framework has also been offered. Quantitative research examines relationships between variables which are measured numerically and analysed using a range of statistical and graphical techniques (Saunders et al., 2016). This study is associated with positivism philosophy and followed with a deduction approach. This quantitative research design will be using more than one data collection techniques for the study. The multi-method quantitative study is what this is known as. Deductive research approach usually begins with theory, hypotheses, then continues with collection and analysis. Lastly, confirmation or rejection will be decided.

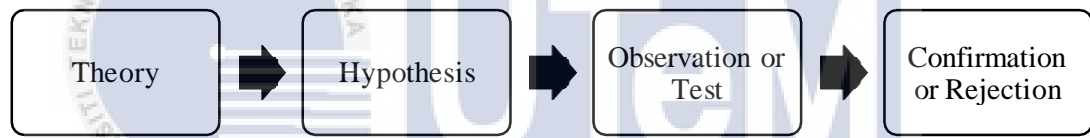


Figure 3.2: Deductive Approach

3.3 Research Strategy

In quantitative research, questionnaires will be used to conduct the survey strategy. Survey strategy is the popular strategy that is applied in management research, and it is suitable to respond to the "what," "who," and "where", and 'how' questions. This research will be using questionnaires for the survey strategy. This is because questionnaires allow collection on the large number of respondents that are easy to organize and analyse quantitatively (Saunders et al., 2016).

3.4 Data Collection

The methods for gathering information from the respondents in this study will combine both primary and secondary data. According to Kabir (2016), data collection is the process of gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research questions,