

## **Transformational Leadership and Employee Performance in Singaporean SMEs**

by  
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### **Abstract**

In Singapore, like many countries, economic vitality hinges on the profitability of small and medium enterprises (SMEs). The key to their success lies in the link between leadership style and employee performance. Despite extensive research on the impact of leadership on employee performance, there is a gap in understanding how transformational leadership specifically influences employee performance within Singaporean SMEs. This study addresses that gap, aiming to provide empirical insights crucial for the local context. A correlational research design is employed to investigate relationships among the variables. A questionnaire, administered via Qualtrics XM to 200 participants, collected data on demographics and four tenets of transformational leadership using a five-point rating scale. Structured Equation Modelling techniques were employed using Smart-PLS version 4 for the analysis of the collected data. The conceptual model demonstrated strong construct validity and reliability. The findings reveal two significant relationships: intellectual stimulation (H4) and individualized consideration (H5) within transformational leadership positively affect employee performance in Singaporean SMEs. This suggests that leaders' encouragement to be innovative and cater to the followers' needs are more likely to foster higher performance in the organization.

**Keywords:** employee performance, small and medium enterprises, structured equation modelling, transformational leadership

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## Introduction

Today, Singapore is often characterized as a ‘little red dot’ with its land size of less than 720km<sup>2</sup> and a population of 5.92 million (Department of Statistics Singapore, 2023). Logically, the success of organizations is often built upon their human resources. The leaders or followers must then be guided and developed for optimum effectiveness and efficiency. The construct of leadership remains an elusive construct, and its definition is interpreted differently from person to person or situation to situation. To date, the application of leadership as a concept exists in many human endeavors such as politics, business, academic, and social work. Specifically in the business context, the success of an organization is largely reliant on good leadership and performance (Hao & Yazdanifard, 2015; Mohammad & Hossein, 2006).

Luedi (2022) defined leadership as an infinite and extremely complex phenomenon coupled with paradoxes that still require further deliberation. Other scholars have characterized leadership as a process of persuading people to dedicate their energies to achieving their full potential to contribute collaboratively with passion and utmost honesty (Cant, 2010; Ngambi, 2011). Many research studies have highlighted the importance of leadership, particularly the significant impact of leadership on employee performance and organizational development (Khan et al., 2021; Kumar & Bhatti, 2020; Lok & Crawford, 1999, 2001; Mohammad & Hossein, 2006; Omar, Che Cob, Sakarji, Thani, Abu Bakar, et al., 2022; Ullah, Alam, Khan, Joseph, Farooq, Noreen, et al., 2022; William & Hazer, 1986). A country’s economic growth, industrial development, and employment generations are contingent on the profitability of small and medium-sized enterprises. The small and medium enterprises community contributes to Singapore’s economy in terms of Singapore’s Gross Domestic Product (GDP) and workforce employment. Within businesses, the influence of these styles is relatable to everyone across the hierarchy. Many scholars have argued that a successful organization comprises of two key elements namely, leadership style and competency (Turner & Muller, 2005). The findings from these studies revealed the significant impact of leadership style on employee performance, in particular, the leader’s quality in influencing employees to enhance their performance to meet the organizational goals (Fry, 2003; Lok & Crawford, 2004; Lim & Ployhart, 2004).

Given the context above, this study seeks to address the research gap by investigating the relationship between transformational leadership and employees’ performance, focusing on small and medium enterprises. With the important role that small-medium enterprises play in Singapore’s economy coupled with the ever-evolving business environment, it is therefore crucial for scholars and practitioners to review the significance of transformational leadership on employees’ performance.

## Literature Review

Leadership has long lacked a consensus definition. Scholars (McClesky, 2014; Skendall & Ostick, 2017) trace current theories to a century of research. Torlak et al. (2022) defines it as the use of personality and responsibility to guide individuals and organizations, while Cole (2005) describes it as persuading others to achieve goals. This study reviews three leadership types—transactional, charismatic, and

transformational—with transformational leadership widely recognized for enhancing organizational effectiveness (Podsakoff et al., 1996; Bass & Avolio, 1990; Yukl, 2006).

### **Transactional Leadership**

The concept of transactional leadership was first developed by Burns (1978) and the essence of this style is based on the transactions that take place between leaders and followers (Bass, 1985, 1990; Bass & Bass, 1985, 2009). The association between leaders and followers is largely transactional driven by exchanging rewards and benefits for employees' performance (Avolio et al., 2009; Burns, 1979; Snell & Bateman, 2018). In the business context, transactional items often refer to the employee's salary in exchange for their time and effort. Scholars (Frooman et al., 2012; Popli & Rizvi, 2016) highlighted compliance to a minimum standard as an important facet of transactional leadership. Herein lies the difference between transactional and transformational leadership where the followers will strive to meet the minimum standard and not go beyond the agreed scope. Savino (2016) emphasized that many power wielders rely on transactional leadership to ensure followers' compliance with the standards.

### **Charismatic Leadership**

Ojokuku et al. (2012) regarded charismatic leadership style as one of the most esteemed leadership styles. Scholars such as Armstrong and Stephens (2005) and Wren (2013) highlighted that leaders who exhibited charismatic leadership style possess the ability to inspire and rally individuals through character and personality. A notable characterization of charismatic leadership is the willingness of the followers to abide by the leader's vision (Avolio & Yammarino, 2013; Bratton et al., 2005; Grabo & Vugt, 2016). Avolio and Yammarino (2013) defined charismatic leadership as a unique leadership style, however there is a common dimension 'idealized influence' that overlaps with the notion of transformational leadership. Notwithstanding the similarities between the two leadership styles, there is a meaningful distinction which lies in the leader's intention in the process of influencing the followers. Charismatic leaders tend to prioritize their personal goals over their teams or organizations; unlike the transformational leaders whose focus is on improving team or organizations.

### **Transformational Leadership**

The emergence of transformational leadership from the 1970s stemmed from the major changes in the external environment, particularly the international economy and large companies. The definition of transformational leadership by Bass (1997) is presently the most widely acknowledged definition in the leadership literature. Individualized consideration zooms in on the provision of attention to individuals' needs, while intellectual stimulation encourages the use of reasoning, rationality, and evidence. Bass's expansion of transformational leadership revolves around the followers' needs vis-vis the leader's needs. In essence, transformational leadership prioritizes the improvement of followers' performance and the development of followers to their fullest potential (Avolio, 1999; Bass & Avolio, 1990).

### **Idealized Influence**

The first key tenet of transformational leadership is known as charisma or idealized influence which is the emotional component of leadership as described by

Antonakis (2012). The interplay between leaders who act as strong role models and followers' recognition and desire to emulate them is the crux of idealized influence. This phenomenon is echoed by Fishbach and Ferguson (2007) where the findings suggested that role models can influence subordinates' goal setting and motivation levels. Gibson (2004) highlighted that positive role modelling can improve performance and skills acquisition which in turn reinforces feelings of self-efficacy. Leaders who exemplify high moral and ethical conduct are often entrusted to do the right thing and are highly respected by their followers. Leaders who embody idealized influence can communicate their vision and sense of mission to the followers. A study by Linge and Sikalieh (2019) discovered that the idealized influence positively affected employee job performance among lowerlevel insurance company managers in Kenya. Nidadhavolu (2018) highlighted that the transformational leaders assume the role of mentors and take keen interest in followers' personal development, learning and accomplishments. This phenomenon is consistent with the findings by Bastari et al. (2020), Ma and Yang (2020), and Nugroho et al. (2020), where transformational leadership has a positive impact on employee performance, whether is it an Indonesian manufacturer, a state-owned enterprise in Indonesia, or enterprises in China. Therefore, it was hypothesized that:

**H2<sub>0</sub>:** Idealized influence does not positively affect employee performance in Singapore's SMEs.

**H2<sub>a</sub>:** Idealized influence positively affects employee performance in Singapore's SMEs.

### **Inspirational Motivation**

The second key tenet of transformational leadership is the characterization of leaders who communicate high expectations to followers, inspiring them through motivation and contributing to the organization's shared vision. In other words, the ability of the leader to encourage the followers to come along due to the personality of the leader that induces a sense of loyalty is known as inspirational motivation. Wren (2013) labelled this skill 'charisma', which is a distinctive trait that allows the leader to organize and maintain engagement in an organization through specially designed actions coupled with perceived personal attributes.

Leaders leverage on symbolic underpinnings and emotional appeals to motivate group members to rise above their own self-interest to achieve more for the organization. Researchers reported that followers' perceptions of tasks were transformed, and this transformation cultivated a collective identity and selfefficiency among employees (Avolio & Yammarino, 2013; Conger, 1999). Numerous studies (Berriales and Bchini, 2019; Nidadhavolu, 2018; Nugroho et al., 2020) have reported that transformational leadership is successful in driving employee performance in organizations through magnifying human capabilities and fostering trust relationships. Hansen and Pihl-Thingvad (2019) highlighted that employees who felt motivated and inspired with a heightened sense of awareness rallied under a collective sense of mission instilled by transformational leaders.

In Kenya, there were similarities in the findings conducted in both the healthcare sector (Kinya and Eliud, 2021) and regulatory state firms (AnyikoAwori et al., 2018) where the top managers and leaders inspired commitment through articulating expectations

and future goals. Also, it was discovered that in the region of Iraqi Kurdistan, transformational leaders had a favorable effect on employee performance (Top et al., 2020). Therefore, it was hypothesized that:

**H3<sub>0</sub>:** Inspirational motivation does not positively affect employee performance in Singapore's SMEs.

**H3<sub>a</sub>:** Inspirational motivation positively affects employee performance in Singapore's SMEs.

### **Intellectual Stimulation**

The third key tenet of transformational leadership is intellectual stimulation whereby leaders stimulate followers to think outside the box, be creative and innovative, and challenge their own beliefs and values as well as those of the leader and the organization. A study by Hancott (2005) reported a significant positive relationship between intellectual stimulation, and job performance. Followers are encouraged to attempt new approaches and explore innovative solutions in addressing organizational issues. The intention is for followers to develop critical thinking and problem-solving skills. This phenomenon is supported by various research studies; leaders who adopt transformational leadership styles surpass others (Bass et al., 2003), and transformational leaders are much more effective in their organizations (Rukmini et al., 2010). Busari et al. (2020) found that leaders who embrace intellectual stimulation can inspire followers to be creative and innovative in dealing with old challenges. Carreiro and Oliveira (2019) emphasized that subordinates' interest and capacity in problem-solving can be enhanced by leaders' intellectual stimulation.

Leaders' empowerment of their followers improves followers' cognitive abilities, thereby facilitating problem-solving in new and creative ways (Al-Husseini and Elbeltagi, 2018). Scholars such as Ayacko et al. (2017), Dialoke and Ogbu (2018), and Hankir et al. (2020) reported that intellectual stimulation positively influenced employee performance, which suggests that leaders encourage creativity in problem-solving among the followers as well as being creative in managing time and space. Therefore, it was hypothesized that:

**H4<sub>0</sub>:** Intellectual stimulation does not positively affect employee performance in Singapore's SMEs.

**H4<sub>a</sub>:** Intellectual stimulation positively affects employee performance in Singapore's SMEs.

### **Individualized Consideration**

The last key tenet of transformational leadership refers to leaders who establish a supportive climate where every individual follower's needs are carefully considered – individualized consideration. Leaders serve as guides by the side to coach and advise while facilitating followers in becoming fully actualized. There are instances where leaders may assist followers in overcoming their personal challenges through delegation. Bass and Bass (2009) asserted that leaders must strive beyond an outcome-driven approach and display concern for their employees to forge strong relationships and in turn enhance employee motivation. Case in point, leaders can either give strong affiliation or specific directives with a high degree of structure that is beneficial to different groups of employees.

Echoing the same sentiments, Rost (1993) considered caring in leadership as one of the notable facets of leadership and it requires the leader to express a certain level of caring for the follower which in turn promotes success instead of depending on the authority or positional power of the leader. Individualized consideration by leaders encourages the subordinate to demonstrate positive beliefs by maintaining their strengths, providing proactive support and developing constructive behaviors (Chen et al., 2018). Bastari et al. (2020) deduced that the leaders' creativity in leading the employee is directly proportional to the employees' job performance whereby the more creative the leader is, the better the employees' job performance.

Apart from employee performance, leaders develop personal bonds with employees through investing time and attention in their developmental needs thereby increasing employee satisfaction (Khalil & Sahibzadah, 2017). Okafor and Egboka (2021) recommended employers to implement tailored interventions unique to the subordinates' distinct personalities when assigning duties and responsibilities. Therefore, it was hypothesized that:

**H5<sub>o</sub>:** Individualized consideration does not positively affect employee performance in Singapore's SMEs.

**H5<sub>a</sub>:** Individualized consideration positively affects employee performance in Singapore's SMEs.

### **Employee Performance**

Individual performance, specifically employee performance, has been extensively researched by scholars over time. Koopmans, Bernaards, Hildebrandt, de Vet, and van der Beek (2014) coined the term Individual Work Performance (IWP), and it can be further unpacked into three dimensions: task performance, contextual performance, and counterproductive work behavior. The research on individual performance has been wide and vast and it is not the aim of this review of literature to analyze the scope of IWP but rather investigating the relationship with transformational leadership.

Other definitions of performance include the one provided by Daft (2000), where performance is described as the individual's ability to allocate resources efficiently to meet the set targets that can be either personal or professional ones. Additionally, Saleem, Bhutta, Nauman, and Zahra (2019) described how work overload and psychological stress are flow from decisions made as a result of poor leadership, eventually leading to employee performance being compromised in the Pakistan banking sector. This proposition was supported by Saleem et al. (2019), i.e., transformational leadership and empowerment can inform human resource management practices to enhance the capacity of employees to achieve the strategic goals of the organization.

### **Impact of Transformational Leadership on Employee Performance**

This section presents a deep dive into research studies focusing on the relationship between transformational leadership and employee performance. Many researchers have asserted that employees' satisfaction at work is directly proportional

to job performance, and thus increased job retention, as compared to those with poor employees' satisfaction (Landy, 1989). Earlier research by Motowidlo and Van (1994) revealed that employee performance is a multidimensional construct comprised of task, contextual performance, and counterproductive work behaviors. Unsatisfied employees are more likely to turnover and demotivated to strive for good performance at work. It was also discovered that employee performance is higher in happy and satisfied workers (Kreitner et al, 2001). Moreover, research suggests that management finds it easier to motivate high performers to strive for better results.

The application of the job performance of the employees as a benchmark to measure any business organization's overall productivity and organizational performance (Imran & Anis-ul-Haque, 2011; Mefi & Asoba, 2020; Natsir et al., 2021). Sinambela and Sihite (2018), asserted that the cumulative performance of the employees amounts to the overall organizational performance. Therefore, the higher the employees' performance, the higher will be the organizational performance. Researchers, Arthur Jr, Bennett Jr, Edens and Bells (2003) asserted that employee training plays a pivotal role in improving employee performance thereby increasing organizational productivity.

In recent years, transformational leadership has been recognized as instrumental in improving employees' affective organizational commitment (Sahu, Pathardikar, Kumar, 2018). Bakker et al. (2023) reported that followers are inspired to leverage on their potential and go the extra mile by the transformational leadership behavior manifested by the leader which in turn enhances job engagement and improve overall performance in a complementary manner.

Darvishmotevali and Ali (2020) are among many scholars who have researched the relationship between transformational leadership and job performance. Schwarz (2017) asserted that transformational leadership serves as a platform for employee support in terms of persistence and sympathy at work, considerably enhancing employee performance. In a study by Lai et al. (2020), it was discovered that transformational leaders help to address the psychological needs of employees at work and resultantly enhance employees' job performance. Eliyana and Ma'arif (2019) referred to transformational leaders as the ones who inspire, motivate, and exert great influence on followers to excel beyond the expectations and prioritize organizational interest over personal interest. The effects of transformational leadership extend beyond employee performance. In a study by Buil et al. (2019), a significant relationship was found between transformational leadership, employee innovative behavior and attitudes regarding perceived results. In a study by Gyanchandani (2017), leaders served as positive examples for their followers, inspiring them through creating strong organizational culture and value system, Therefore, transformational leaders provide a supportive climate that drives overall productivity and organizational outcomes. Likewise, Tabassi, Roufechaei, Bakar, and Yusof (2017) also credited the strong influence of transformational leadership on organizational performance to climate and conditions that leaders establish in the workplace. Many scholars have concluded that transformational leadership has a significant impact on employee performance, particularly in UPT Aneka Industri and Kerajinan Surabaya (Lutvitasari, 2013), Indonesian

health care (Shahab & Nisa, 2014), Romanian retail industry (Mihalcea, 2014), and Thailand's food business (Rattanaborworn & Ussahawanitchakit, 2015).

The preceding theoretical review of literature provided the basis for generating the following hypotheses:

**H1<sub>0</sub>:** There is no significant predictive relationship between transformational leadership and employee performance in Singapore's SMEs.

**H1<sub>a</sub>:** There is a significant predictive relationship between transformational leadership and employee performance in Singapore's SMEs.

### Research Method

This study uses a quantitative, deductive approach to examine the relationship between transformational leadership and employee performance in Singaporean SMEs. It is predictive and explanatory, aiming to establish causal links between the four tenets of transformational leadership and employee performance (Saunders, Lewis & Thornhill, 2007). An ex post facto design was employed to assess the impact of transformational leadership (independent variable) on employee performance (dependent variable). Data were collected via a structured questionnaire using two established scales: the Individual Work Performance Questionnaire (IWPQ; Koopmans et al., 2013), measuring task, contextual, and counterproductive performance, and the Transformational Leadership Scale (Avolio & Bass, 1995).

### Research Questions

This study aims to address the following research questions:

1. How does transformational leadership influence employee performance among small and medium enterprises in Singapore?
2. To what degree does transformational leadership predict employee performance among small and medium enterprises in Singapore?

### Measures

The questionnaire items had specific rating scale labels, and a five-point rating scale assigned to. The complete item wordings are listed in Table 1. A 16-item transformational leadership scale (Avolio & Bass, 1995) was adopted for this study, whereby participants rated the level of agreement to the statements from "strongly disagree" to "strongly agree". For items under the construct of Task Performance (3 items) and Contextual Performance (3 items) were adopted from the Individual Work Performance Questionnaire (IWPQ) (Koopmans et al., 2014), the frequency rating scale was adopted whereby the participants rated the frequency of their behavior from "seldom" to "always". For the remaining construct, Counterproductive Work Behavior (3 items) in the IWPQ, the frequency rating of behavior ranged from "never" to "always" instead. Schwarz and Oyserman (2001) consider the frequency rating scale to be more valid than others as it requires individuals to recall and mentally assess the frequency when one is engaged in each behavior. From Table 1, the item descriptives of transformational leadership construct was operationalized starting with idealized influence at a mean value of 3.781, inspirational motivation at 3.427, intellectual stimulation at 3.458, and lastly individualized consideration at 3.478. Similarly, the employee performance construct was operationalized with counterproductive work

behavior dimension at a mean value of 2.523 which is lower than task performance at 4.239, and contextual performance at 3.967.

**Table 1**  
*Item Descriptives of Questionnaires*

<u>Construct</u>	<u>Items</u>			<u>Standard</u>
			<u>Mean</u>	<u>Deviation</u>
Idealized Influence	1	My leader acts as a role model and demonstrates high moral standards in the workplace.	4.500	4.121
	2	I feel proud to be associated with my leader because of their leadership qualities.	3.558	1.274
	3	My leader has gained my respect through ethical decision-making.	3.550	1.311
	4	My leader sets a good example that others in the organization should follow.	3.515	1.281
Inspirational Motivation	5	My leader communicates a compelling vision of the future that inspires me.	3.295	1.292
	6	My leader articulates clear goals that help us achieve our team's mission.	3.523	1.310
	7	My leader motivates me to achieve more than I thought possible.	3.460	1.296
	8	I feel optimistic about our team's goals when my leader speaks about the future.	3.430	1.210
Intellectual Stimulation	9	My leader encourages me to think creatively about the tasks I perform.	3.510	1.304
	10	I am supported by my leader to question old assumptions about how we do our work.	3.490	1.315

	11	My leader challenges me to solve problems in innovative ways.	3.400	1.315
	12	I am encouraged by my leader to experiment and take calculated risks.	3.430	1.325
Individualized Consideration	13	My leader takes the time to mentor me when I need guidance.	3.435	1.298
	14	I feel that my leader understands my personal needs and development goals.	3.310	1.362
	15	My leader gives me specific, constructive feedback to improve my work.	3.528	1.310
	16	My leader acknowledges my efforts and encourages me to develop my skills further.	3.640	1.261
Task Performance	17	I continually sought new challenges in my work.	4.125	0.806
	18	I actively participated in meetings and/or consultations.	4.367	0.619
	19	I came up with creative solutions for new problems.	4.225	0.644
Contextual Performance	20	I managed to plan my work so that I finished it on time.	4.095	0.732
	21	I kept in mind the work result I needed to achieve.	4.025	0.908
	22	I was able to carry out my work efficiently.	3.780	0.867
Counterproductive Work Behaviour	23	I focused on the negative aspects of situation at work instead of the positive aspects.	2.810	0.997
	24	I talked to colleagues about the negative aspects of my work.	2.780	1.025
	25	I made problems at work bigger than they were.	1.980	1.072

## Procedures

The questionnaire was distributed online via Qualtrics XM using convenience sampling, which leverages the researcher's accessible network (Hill & Hill, 2012). It included three sections: informed consent, 16 Transformational Leadership items (5-point scale), Task and Contextual Performance (5-point frequency scale), Counterproductive Work Behavior (5-point frequency scale), and demographics (age, gender, work experience). The survey targeted 200 SME employees across hierarchical levels in Singapore. Hypotheses were tested using Structural Equation Modeling (SEM) via SmartPLS 4. PLS-SEM was used to assess variable reliability and validity, which is essential for evaluating the measurement model.

## Participants

The questionnaire was administered to a sample of employees across the hierarchy within the SMEs in Singapore (200 completed responses with 100% response rate). The average age of the participants was 39.1 years with a standard deviation of 1.249. Based on the sample population, a total of 51.5% of the respondents were female, 42.5% were male, and approximately 6.0% preferred not to say. Amongst the respondents, approximately 62.5% reported having at least degree or higher education level. Also, 31.5% of the respondents reported having a diploma level education qualification. The remaining 6% reported having secondary school and below education level. Moreover, 70% of the respondents reported having more than 10 years of working experience ranging from 11 years to more than 30 years, while the remaining 28.5% of the respondents reported having 1 to 10 years of working experience. Only 1.5% of the respondents reported having less than 1 year of working experience.

## Results

A quantitative approach was employed to investigate the relationship between transformational leadership and employee performance among small and medium enterprises in Singapore. A key aim of this study was to examine the effects of transformational leadership style on employee performance using the four tenets of transformational leadership as the theoretical basis for this research.

## Measurement Model Analysis

PLS-SEM is a causal modeling approach focused on prediction (Wold, 1982; Sarstedt et al., 2017). Data were analyzed using SmartPLS 4, assessing factor loadings, convergent validity, internal consistency reliability, and discriminant validity (Hair et al., 2019).

### Factor Loadings

Factor loading measures how strongly each item correlates with its underlying factor, ranging from -1 to 1 (Pett, Lackey & Sullivan, 2003). All items except TP1, CP1, CWB1-CWB3 exceeded 0.50 and were retained; others were removed as presented in Table 2.

**Table 2**  
Factor Loading

	IC	II	IM	IS	EP
CP2	0.778				
CP3	0.806				
IC1		0.884			
IC2		0.942			
IC3		0.940			
IC4		0.941			
II1			0.813		
II2			0.929		
II3			0.939		
II4			0.917		
IM1				0.937	
IM2				0.913	
IM3				0.942	
IM4				0.944	
IS1					0.933
IS2					0.940
IS3					0.914
IS4					0.927
TP2	0.734				
TP3	0.751				

#### Indicator Multicollinearity

Variance Inflation Factor (VIF) assesses multicollinearity (Fornell & Bookstein, 1982). Values below 5.0 are acceptable (Sarstedt et al., 2021). All indicators except IC2, IC3, and II3 (5.023, 5.242, 5.223) were below 5.0.

#### Convergent Validity

Convergent validity assesses the extent to which multiple measures of the same concept agree (Bagozzi, Yi & Phillips, 1991). In this study, it was evaluated using Average Variance Extracted (AVE), which should be  $\geq 0.50$  (Fornell, 1981). AVE values for all constructs ranged from 0.589 to 0.873, supporting convergent validity as presented in Table 3.

**Table 3**

#### Construct Convergent Validity (AVE)

	Average variance extracted (AVE)
EP	0.589
IC	0.860
II	0.812
IM	0.873
IS	0.862

### Internal Consistency Reliability

Mark (1996) stated that, “Reliability is defined as the extent to which a measuring instrument is stable and consistent. The essence of reliability is repeatability. If an instrument is administered repeatedly, will it yield the same results” (p. 285). Reliability was assessed using Cronbach Alpha (CA) and Composite Reliability (CR), which range from 0 to 1. CA values ranged 0.777– 0.951, and CR values 0.851–0.965, all above the 0.70 threshold, confirming construct reliability (Hair, Ringle & Sarstedt, 2011) as presented in Table 4.

**Table 4**

*Construct Reliability Analysis (Cronbach Alpha and Composite Reliability)*

	Cronbach's alpha	Composite reliability
EP	0.777	0.851
IC	0.946	0.961
II	0.922	0.945
IM	0.951	0.965
IS	0.947	0.962

### Discriminant Validity

“Discriminant validity is the degree to which the measures of different concepts are distinct. The notion is that if two or more concepts are unique, then valid measures of each should not correlate too highly” (Bagozzi et al., 1991, p. 425). The discriminant validity was determined by a combination of FornellLarcker criteria, cross loadings, and HTMT ratio.

### Fornell and Larcker Criterion

Discriminant validity was confirmed as the square root of AVE (bold/italic) for each construct exceeded its correlations with other constructs (Fornell, 1981). For instance, EP (0.768) was higher than its correlations with IC (0.927), II (0.901), IM (0.934), and IS (0.929).

**Table 5**

Discriminant Validity – Fornell & Larcker Criterion

	EP	IC	II	IM	IS
EP	<b>0.768</b>				
IC	0.324	<b>0.927</b>			
II	0.369	0.834	<b>0.901</b>		
IM	0.353	0.858	0.868	<b>0.934</b>	
IS	0.366	0.876	0.854	0.866	<b>0.929</b>

### Cross Loadings

Cross loadings assess whether each item loads higher on its intended construct than on others (Wasko & Faraj, 2005). In this study, all items met this criterion. For instance, IC1–IC4 loaded highest on IC (0.884–0.942) compared to other constructs (e.g., CP1 = 0.287, II1 = 0.540, IS1 = 0.831). Thus, discriminant validity was confirmed as presented in Table 6.

**Table 6**  
*Discriminant Validity – Cross Loadings*

	EP	IC	II	IM	IS
CP2	0.778	0.287	0.377	0.330	0.325
CP3	0.806	0.268	0.238	0.231	0.268
IC1				0.766	0.774
IC2	0.253	0.884	0.752	0.772	0.774
	0.306	0.942	0.758		
IC3	0.295	0.940	0.777	0.833	0.819
IC4	0.338	0.941	0.804	0.812	0.874
II1	0.316		0.813		0.599
II2	0.286	0.540	0.820	0.596	0.819
			0.929	0.835	
II3	0.362	0.793	0.939	0.818	0.809
II4	0.354	0.843	0.917	0.868	0.840
IM1	0.337	0.789		0.937	0.775
IM2	0.269	0.804	0.787	0.913	0.813
			0.823		
IM3	0.338	0.840	0.839	0.942	0.864
IM4	0.361	0.779	0.802	0.944	0.788
IS1	0.323	0.831	0.804		
IS2	0.384	0.859	0.844	0.827	0.933
				0.864	0.940
IS3	0.273	0.788	0.770	0.755	0.914
IS4	0.360	0.771	0.749	0.759	0.927
TP2			0.111	0.148	
TP3	0.734	0.118	0.297	0.296	0.173
	0.751	0.255			0.295

#### Heterotrait-Monotrait Ratio (HTMT)

The HTMT ratio, calculated from construct associations, assesses discriminant validity. Thresholds vary, with Kline (2011) suggesting  $\leq 0.85$  and Teo et al. (2008) allowing  $\leq 0.90$ . In this study, most HTMT values met the 0.90 threshold, except for IC, II, and IM, which ranged from 0.906 to 0.927. Thus, discriminant validity was only partially supported as presented in Table 7.

**Table 7**  
*Discriminant Validity – HTMT*

	EP	IC	II	IM	IS
EP					
IC	0.346				
II	0.387	0.891			
IM	0.374	0.906	0.927		
IS	0.394	0.922	0.911	0.910	

## Structural Model Analysis

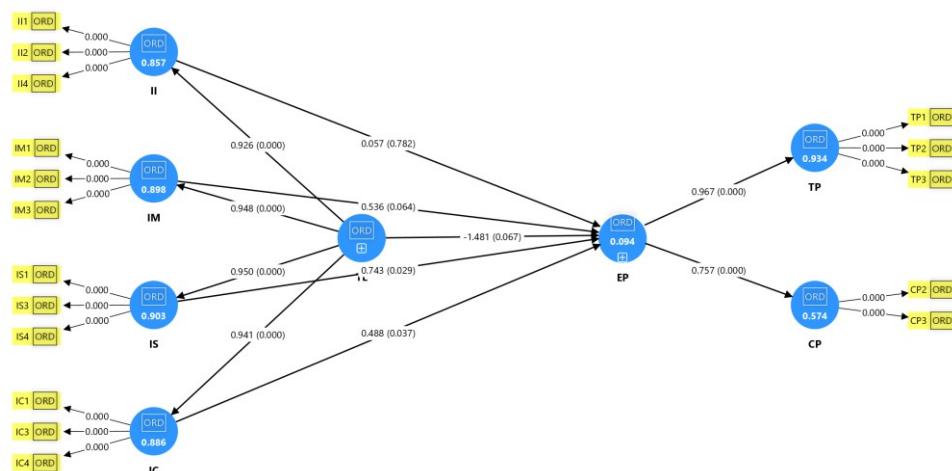
The next step in data analysis was to assess the significance and strength of hypothesized relationships in the proposed model. Evaluating predictive power was key, involving path coefficients, indirect and total effects, outer loadings, and other insights. Hair et al. (2019) note that PLS-SEM bridges the gap between academic explanation and prediction, forming a basis for managerial implications. Path analysis was used to examine direct and indirect linear relationships between constructs. As Lei and Wu (2007) explain, it is one of the best methods for studying construct relationships and uncovering causality, offering deeper understanding.

SEM, often called causal modelling (Wuensch, 2009), uses linear regression to determine a construct's explained variance ( $R^2$ ) via standardized regression coefficients (Almahamid & Rub, 2011).  $R^2$  assesses predictor importance (Anglim, 2007), while path coefficients show relationship strength (Chin, 1998). Figure 1 and Table 8 present path coefficients and loadings from the PLS algorithm. The highest t-value was for IS  $\rightarrow$  EP ( $t = 2.181$ ), the lowest for II  $\rightarrow$  EP ( $t = 0.277$ ). Of five hypotheses, only H4 (IS  $\rightarrow$  EP:  $\beta = 0.743$ ,  $t = 2.181$ ,  $p < 0.05$ ) and H5 (IC  $\rightarrow$  EP:  $\beta = 0.488$ ,  $t = 2.091$ ,  $p < 0.05$ ) were supported. H1 (TL  $\rightarrow$  EP:  $\beta = -1.481$ ,  $p > 0.05$ ), H2 (II  $\rightarrow$  EP:  $\beta = 0.057$ ,  $p > 0.05$ ), and H3 (IM  $\rightarrow$  EP:  $\beta = 0.536$ ,  $p > 0.05$ ) were not significant.

**Table 8**  
Structural Path Analysis Result

Number	Hypothesized Relationships	Path	T-Values	p-Values	Results
H1	TL $\rightarrow$ EP	-1.481	1.834	0.067	Rejected
H2	II $\rightarrow$ EP	0.057	0.277	0.782	Rejected
H3	IM $\rightarrow$ EP	0.536	1.853	0.064	Rejected
H4	IS $\rightarrow$ EP	0.743	2.181	0.029	Accepted
H5	IC $\rightarrow$ EP	0.488	2.091	0.037	Accepted

**Figure 1**  
Path Coefficient Results and p-Values for the Conceptual Model



## Discussion and Conclusions

This study is one of the first few that employed SEM to investigate the effects of transformational leadership on employee performance among small and medium enterprises in Singapore. Through this study, the application of transformational leadership as the conceptual framework for gaining insights into the predictors of the independent variables, four tenets of transformational leadership, towards the dependent variable, employee performance. According to the conceptual framework developed from transformational leadership, the hypotheses were theorized to delve into the underlying relationship between the four tenets of transformational leadership and employee performance, and in turn the overall impact of transformational leadership on employee performance among small and medium enterprises in Singapore.

### Transformational Leadership and Employee Performance

***H1<sub>o</sub>: There is no significant predictive relationship between transformational leadership and employee performance in Singapore's SMEs.***

The results of data analysis show that the t-statistic value for the hypothesized relationship of transformational leadership and employee performance was slightly smaller than t-table value ( $1.834 < 1.96$ ), which means that, according to the self-report of participants in the current study, transformational leadership has no significant impact on employee performance in Singapore's SMEs. Therefore, H1 is rejected. Increasingly, transformational leadership has been recognized as instrumental in improving employees' affective organizational commitment, task performance as well as organizational citizenship behaviour (Obiwuru et al., 2011; Sahu et al., 2018; Wang et al., 2005).

Unique to the findings of this study, there appears to be no significant predictive relationship between transformational leadership and employee performance in Singapore's SMEs. This finding is inconsistent from earlier studies where transformational leadership significantly impacted employee performance by inspiring the followers to go the extra mile (Bakker et al., 2023; Darvishmotevali & Ali, 2020; Eliyana & Ma'arif, 2019; Gyanchandani, 2017), by providing a platform for employee support in terms of sympathy at work (Schwarz, 2017; Tabassi et al., 2017), and by addressing the psychological needs of employees at work (Lai et al., 2020). However, the findings from this study coincide with the research findings by Elgelal and Noermijati's (2014), Prabowo et al. (2018), Rafia and Achmad Sudiro (2020), where transformational leadership was reported to have no significant effect on employee performance in specific industries such as education, hospitality and public service. Also, Brown and Arendt (2010) reported that there was no significant relationship between transformational leadership and employee performance because of the lack of commitment exhibited by the management.

A recent study by Prabowo et al. (2018) further reinforced the importance of the leaders' authenticity in the practice of the characteristics of transformational leadership in the daily work which was absent in this study. Apart from leadership practices, Rabl et al. (2014) concluded with a meta-analysis of research in 29 countries that managerial discretion and national cultures also affect performance. The negative estimated path

coefficient value of -1.481 supported the findings that countries like Singapore and China with high power distance index and uncertainty avoidance index which indicates presence of collectivism and centralized authority are negatively related to transformational leadership (Budur, 2020). In a study by Syafii et al. (2015), company culture and employee motivation were discovered to partially mediate effects of leadership style on employee performance. This suggests the key to improving employee performance lies not only on the leadership style but also the reform of corporate culture and employee motivation. The existing phenomena might be attributed to the high percentage of respondents who reported having more than 5 years of working experience (83.5%) which indicates a dominating presence of mid-career professionals who may be more attracted to the provision of monetary benefits. This is consistent with the findings by Rafia and Achmad Sudiro (2020), where additional income or welfare benefits was a strong driver for employee performance in the public service sector.

Finally, the results indicate that the estimated path coefficient value of 1.481 suggests an inverse relationship between transformational leadership and employee performance, specifically for every unit increase in transformational leadership, employee performance is expected to decrease by 1.481 units. The estimated path coefficient value of -1.481 suggests a relatively strong effect of transformational leadership as a predictor variable on employee performance as an outcome. The *p*-value was 0.067 greater than the significance level of 0.05. Henceforth, the null hypothesis for H1 was accepted where there was no significant predictive relationship between transformational leadership and employee performance in Singapore's SMEs.

### **Idealized Influence and Employee Performance**

#### ***H2<sub>o</sub>: Idealized influence does not positively affect employee performance in Singapore's SMEs.***

In the current study, the *t*-statistic value for the hypothesized relationship of idealized influence and employee performance was significantly smaller than table value ( $0.277 < 1.96$ ), which means that idealized influence had no significant impact on employee performance in Singapore's SMEs. Therefore, H2 was rejected. Yue et al. (2019) reported that idealized influence promoted employee performance through disseminating collective vision and values, exhibiting courage and assurance, and fulfilling the role as a charismatic leader.

The finding of the current study contradict those of several which reported that idealized influence positively and significantly affected employee performance in many countries around the world such as, Bosnia and Herzegovina (Bayram & Dinç, 2015), China (Wang et al., 2011), Germany (Boehm et al., 2015), India (Nidadhavolu, 2018), Iran (Hayatiet al., 2014), Kenya (Linge & Sikalieh, 2019; Ngaithie et al., 2016; Ogola, 2017), Pakistan (Haseeb & Subramaniam, 2021), Sri Lanka (Edirisooriya, 2020), and Vietnam (Khuong & Hoang, 2015; Nguyen & Nguyen, 2014). However, the findings from this study resonated with the study by Brown and Arendt (2011), where there was no significant relationship between idealized influence and employee performance among front desk supervisors in Malaysian hotels. While many studies have reported the presence of significant relationship between idealized influence and employee performance, specific studies have also reported that idealized influence had a low degree of influence

over job satisfaction (Emu & Umeh, 2014; Long et al., 2014). According to Boehm et al. (2015), a leader's behaviour and actions associated with idealized influence motivates the followers which in turn drives performance beyond contractual expectations. The existing phenomenon might be attributed to a combination of factors such as education level and years of working experience.

In Budur and Poturak (2021), more than half the respondents reported having an education level of a bachelor's degree and above (62.5%) coupled with a high percentage of respondents reported having more than 5 years of working experience (83.5%) indicating an overwhelming presence of professionals who are both educated and experienced in the workplaces and being more discerning of any inconsistency between their actions and the stated beliefs. Furthermore, more than half the respondents reported having age of 44 years and below (52.5%) indicates a significant proportion of Millennials and Generation Z. This finding resonates with the study by Epitropaki et al. (2017) which found that while the leaders may have sound and compelling vision, the leaders' actions and behaviours must be consistent with the stated beliefs or else they will lose respect from their followers. Millennials and 'Gen Zers' are known to be more realistic than the other earlier generations, they acknowledged that idealism has no place in confronting the challenges of the future (Bălan & Vreja, 2018). According to Hofstede (2001), Singapore is rated above the Asian norm on the power distance dimension with a score of 74 which suggests employees are respectful of authority and hierarchy, subsequently driving organizational performance. This cultural phenomenon may be the explanation for the insignificant impact of idealized influence on employee performance in Singapore's SMEs.

Finally, in the present study the estimated path coefficient value of 0.057 indicates a positive but not-significant relationship between idealized influence and employee performance, specifically for every unit increase in idealized influence, employee performance is expected to increase by 0.057 units. An estimated path coefficient value of 0.057 suggests a weak effect of idealized influence as a predictor variable on employee performance as an outcome. The estimated path coefficient value of 0.057 which is considered as less than moderate statistically, and similarly the *p*-value is 0.277 which is much greater than the significance level of 0.05. Henceforth, the null hypothesis for H2 was accepted where idealized influence did not positively affect employee performance in Singapore's SMEs.

### **Inspirational Motivation and Employee Performance**

***H3<sub>0</sub>: Inspirational motivation does not positively affect employee performance in Singapore's SMEs.***

The results of data analysis show that the *t*-statistic value for the hypothesized relationship of inspirational motivation and employee performance was slightly smaller than *t*-table value ( $1.853 < 1.96$ ) which means that inspirational motivation had no significant impact on employee performance in Singapore's SMEs. Therefore, H3 was rejected. Inspirational leaders communicate high expectations to followers, encouraging them to go beyond their potential through motivation and contributing even more to the organization's shared vision.

The findings from this study differed from those of the many prior studies which reported inspirational motivation positively affected performance (Anyiko-Awori et al., 2018; Chebon et al., 2019; Hasija et al., 2019; Kinya & Eliud, 2021; Kirichu et al., 2024; Mangwana et al., 2025; Sutanto et al., 2021; Top et al., 2020). According to Buil et al. (2019), leaders should hold themselves to a high level of moral and ethical standards to be positive role models for their followers. However, the findings from this study resonated with the findings from other researchers (Elgelal & Noermijati's, 2014; Mon & Tarihoran, 2021; Prabowo et al., 2018; Rafia & Achmad Sudiro, 2020) where inspirational motivation, a variable of transformational leadership, did not positively affect employee performance. Singapore is rated much lower on the uncertainty avoidance dimension with a score of 8 which is consistent with Hofstede (2001) findings that uncertainty avoidance correlates with specific kinds of behaviours that would evolve according to the different degree of uncertainty avoidance in the workplace. Hasan et al. (2020) concluded that there is a specific moderate positive relationship between uncertainty avoidance and employees' job performance. A score of 8 for the uncertainty avoidance dimension indicates a low degree of uncertainty avoidance in the workplace. The lower the employees' motivation, the lower the employees' job performance (Jie et al., 2020).

The majority of the respondents in the present study were 35 years old and above (72.5%) coupled with more than half the respondents reporting having bachelor's degree and above education level (62.5%) indicating an overwhelming presence of professionals who have experience working in organizations where the perception of inspirational leaders may differ due to possible inconsistency between the leaders' actions and vision. Additionally, more than half the respondents reported having age of 44 years and below (52.5%) indicates a significant proportion of Millennials and Generation Z. Millennials and 'Gen Zers' are categorized as extremely driven which was largely shaped by the education and the fear that the world is a tough place where winner takes it all (Bălan & Vreja, 2018). Therefore, the Millennials and 'Gen Zers' are competitive in nature and outcome driven even without the leaders' motivation. This cultural phenomenon may account for the insignificant impact of inspirational motivation on employee performance in Singapore's SMEs.

Finally, the results indicate that the estimated path coefficient value of 0.536 which indicates a positive but not-significant relationship between inspirational motivation and employee performance, specifically for every unit increase in inspirational motivation, employee performance is expected to increase by 0.537 units. An estimated path coefficient value of 0.537 suggested a moderate effect of inspirational motivation as a predictor variable on employee performance as an outcome. The estimated path coefficient value of 0.537 was considered as moderate statistically, and similarly the *p*-value is 0.064 was slightly above the significance level of 0.05. Henceforth, the null hypothesis for H3 was accepted where inspirational motivation did not positively affect employee performance in Singapore's SMEs.

## Intellectual Stimulation and Employee Performance

### ***H4<sub>a</sub>: Intellectual stimulation positively affects employee performance in Singapore's SMEs.***

The results of the study show that the t-statistic value for the hypothesized relationship of intellectual stimulation and employee performance was higher than t-table value ( $2.181 > 1.96$ ) which signifies that intellectual stimulation positively affects employee performance in Singapore's SMEs. Therefore, H4 was accepted. Intellectual stimulation had the highest path coefficients of 0.743, and it seemed to have significant impact on employee performance in Singapore's SMEs. Leaders stimulate followers to think outside the box, be creative and innovative, and challenge their own beliefs and values as well as those of the leader and the organization.

This phenomenon has been corroborated by other research (AlHusseini & Elbeltagi, 2018; Ayacko et al., 2017; Bass et al., 2003; Busari et al., 2020; Carreiro & Oliveira, 2019; Datche & Mukulu, 2015; Dialoke & Ogbu, 2018; Hankir et al., 2020; Jung & Wu, 2003; Nwagbara, 2013; Ogola et al., 2017; Rukmini et al., 2010). However, this phenomenon contradicts the study by Teoh et al. (2022) where there was a significant negative relationship between intellectual stimulation and employee performance in the Malaysian hospitality industry. Apart from the Malaysian hospitality industry, a study conducted in a Malaysian government linked company also concluded that intellectual stimulation had a negative and non-significant relationship with the job satisfaction (Long et al., 2014) This contradiction also coincides with the study by Kho et al. (2023) where there was no statistically significant relationship between a leader's intellectual stimulation and employee motivation. The world is already full of volatility, uncertainty, complexity and ambiguity, let alone the modern world that has experienced the unprecedented Covid-19 pandemic. A leader of today should welcome new experiences, continuously explore new knowledge and question basic assumptions. This sentiment is echoed by Ogola et al. (2017) which found that the CEO's encouragement to reconsider status quo significantly increased employee satisfaction at work. According to Hofstede (2001), Singapore is rated 20 on the individualism-collectivism dimension, which suggests Singaporeans are considerably more collectivistic than other nationalities such as Americans and Indians.

The findings of Gökarp and Soran (2022) suggested a partial mediating effect between collectivism and performance. This phenomenon can plausibly account for the positive impact of intellectual stimulation on employee performance in Singapore's SMEs akin to the positive impact on student pilots' flight performance and loyalty through establishing an innovative organizational structure and being open to innovations. Majority of the respondents in the present study were 35 years old and above (72.5%) coupled with more than half the respondents reported having more than 5 years of working experience (83.5%) indicating an overwhelming presence of professionals who appreciate their leaders who pushed the boundaries to challenge the status quo and revisited existing problems in novel ways especially during and after the Covid-19 pandemic.

Finally, in the present study, the estimated path coefficient value of 0.743 suggests a positive and significant relationship between intellectual stimulation and employee performance, specifically for every unit increase in intellectual stimulation, employee performance was expected to increase by 0.743 units. An estimated path coefficient value of 0.743 suggests a strong effect of intellectual stimulation as a predictor variable on employee performance. The estimated path coefficient value of 0.743, which was considered as moderate statistically, and similarly the *p*-value is 0.029 which was slightly lower than the significance level of 0.05. Henceforth, the null hypothesis for H4 was rejected and intellectual stimulation positively affects employee performance in Singapore's SMEs.

### **Individualized Consideration and Employee Performance**

#### ***H5<sub>a</sub>: Individualized consideration positively affects employee performance in Singapore's SMEs.***

The results of data analysis show that the *t*-statistic value for the hypothesized relationship of individualized consideration and employee performance was higher than *t*-table value ( $2.091 > 1.96$ ) which means that individualized consideration appeared to positively affect employee performance in Singapore's SMEs. Therefore, H5 was accepted. Thus, individualized consideration was a strong predictor of employee performance in Singapore's SMEs, with a high path coefficient of 0.488. According to Belias and Koustelios (2014), individualized consideration plays a key role in the personal development of followers through the provision of support, encouragement, coaching, feedback mechanisms which directly impact job satisfaction.

This finding is in consonance with many mainstream literature (Bastari et al., 2020; Belias & Koustelios, 2014; Golyama et al., 2018; K'Aol et al., 2016; Khalil & Sahibzadah, 2017; Komakech et al., 2021; Megerian & Sosik, 1996; Muthusi et al., 2024; Ogola et al., 2017; Okafor & Egboka, 2021; Shamir et al., 1993; Yunarsih et al., 2020). This phenomenon is supported by research studies in different industries across the world, such as railroad operations in Indonesia (Bastari et al., 2020), banking sector in Greece (Belias & Koustelios, 2014), public sector in Tanzania (Golyama et al., 2018), private universities in Kenya, Nigeria, and Pakistan (Khalil & Sahibzadah, 2017; Muthusi et al., 2024; Okafor & Egboka, 2021), public health sector in Uganda (Komakech et al., 2021), state owned enterprises and small and medium enterprises in Kenya (K'Aol et al., 2016; Ogola et al., 2017), and the healthcare industry in Indonesia (Yunarsih et al., 2020). However, this phenomenon contradicts the finding of the study by Bello (2012) where there was no significant impact of individualized consideration on employee effectiveness. This contradiction was further supported by Obiwuru et al. (2011) where there was a positive but not significant relationship between individualized consideration and employee performance in small and medium enterprises in Lagos, Nigeria.

According to Mark et al. (2025), there was a positive relationship between individualized consideration and effective succession management in the public sector in Kenya. Majority of the respondents in the present study were reported having more than 5 years of working experience (83.5%) indicating an overwhelming presence of

professionals who must have received some form of support, encouragement, coaching and feedback from their leaders of past and present. Xenikou and Simosi (2006) proposed two cultural orientations, namely humanistic orientation and achievement orientation, that are predictors of effectiveness within organizations. Humanistic orientation is defined as organizational norms that encourage cooperation, teamwork, and participation while achievement orientation is characterized by norms of efficiency and achievement that motivate employees by setting goals and providing feedback on employees' performance. The findings of the current study suggest that individualized consideration positively affects employee performance in Singapore's SMEs which contradicts the findings by Xenikou and Simosi (2006). This contradiction may be explained by considering that social support and friendly work environment might encourage employees to act based on personal interests that conflict with the interests of the organization.

Finally, the estimated path coefficient value of 0.488 suggested a positive and significant relationship between individualized consideration and employee performance, specifically for every unit increase in individualized consideration, employee performance was expected to increase by 0.488 units. An estimated path coefficient value of 0.488 suggests a moderate effect of individualized consideration as a predictor variable on employee performance as an outcome. The estimated path coefficient value of 0.488 which was considered as moderate statistically, and similarly the *p*-value is 0.037 which is slightly lower than the significance level of 0.05. Henceforth, the null hypothesis for H5 was rejected and individualized consideration positively affects employee performance in Singapore's SMEs.

This dissertation underscores the noteworthy role of transformational leadership in driving employee performance in small and medium enterprises in Singapore. By leveraging the principles of intellectual stimulation and individualization consideration, leaders can encourage followers to think outside the box, be creative and innovative when dealing with problems, and play a key role in personal development of followers through the provision of support, encouragement, coaching, and feedback which directly impact job satisfaction. The findings of this study contribute to a growing body of literature that highlights the importance of leadership development in driving organizational success. The practical and theoretical implications of this study are relevant and meaningful for business leaders, policymakers, and researchers who seek to adopt transformational leadership in their management practices. Future research can expand on these findings to explore longitudinal studies to provide insights into how employees' perceptions and preferences may develop over time as well as the choice of different sampling methods apart from convenience sampling. In the contemporary business environment that is highly volatile, uncertain, complex, and ambiguous, this dissertation serves as a roadmap for organizations to navigate and achieve economic resilience and sustainable growth.

### **Implications**

This quantitative correlational study was designed to investigate if, or to what degree, transformational leadership (idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration) affects employee

performance among small and medium enterprises in Singapore. The findings from this study included numerous significant outcomes that have practical and theoretical implications.

### **Implications for SME Leaders**

The study highlights the evidence that transformational leadership as a unidimensional construct is not a predictor of employee performance in Singapore's SMEs. However, two of the four key tenets of transformational leadership, namely intellectual stimulation and individualized consideration, appeared to have significant effect on employee performance in Singapore's SMEs. By actively engaging employees through providing individualized support and encouraging followers to be creative and innovative, leaders can drive innovation and long-term organizational success (Bakker et al., 2023).

Business owners, corporate leaders and executives can be better informed by the findings of this study to understand how transformational leadership relates to employee performance, which includes how leaders encourage followers to think outside the box and be creative and innovative in situations. Leaders also need to appreciate the key role that individualized consideration plays in the personal development of followers through the provision of support, encouragement, coaching, and feedback which directly impact job satisfaction. Nevertheless, the results of the present study suggest that employee performance may not be affected by the leaders' acts of disseminating collective vision, values and communicating high expectations to followers, encouraging them to go beyond their potential through motivation and contributing even more to the organization's shared vision. Regardless, Singapore's business owners, corporate leaders, and executives can now take tangible steps to foster a culture of creativity and innovation as well as providing support to the personal development of the employees in order to drive organizational performance and productivity.

### **Implications for Policymakers**

Policymakers could leverage on the findings of this study to develop initiatives to promote leadership development at the SME level as a strategic priority for economic growth (Afriyie & Ibn Musah, 2019). Future policies should take a longer-term perspective to encourage leadership education to take place across the different types of businesses (Rockstuhl, 2023). Another initiative that policymakers could consider is to incentivize the SMEs in their efforts to adopt such leadership training through subsidies or grants which could potentially drive higher participation and greater organizational impact (Kindstrom et al., 2024). For example, Enterprise Singapore launched the Enterprise Leadership for Transformation in 2020 to support business leaders of promising small and medium enterprises to achieve the next stage of growth, in particular sharpening their leadership and business development skillsets. The impact of this initiative goes beyond just improving the SME performance; it must also go to strengthening Singapore's economic resilience and sustainability.

### **Theoretical Implications**

This study is an extension of Bass's (1985) Transformational Leadership Theory to the context of small and medium enterprises in Singapore. The contribution to the literature is two-fold, one is to the literature on leadership in small and medium enterprises, and two is the application of leadership in the Singapore context. The adaptability of transformational leadership principles across diverse organizational settings was manifested through this study (Madi Odeh et al., 2023). By exploring the interplay between the key tenets of transformational leadership coupled with the unique dynamics of small and medium enterprises, this research enriched theoretical underpinning of the impact of transformational leadership practices on employee performance under resource constraints (Afriyie & Ibn Musah, 2019). Furthermore, the findings from this study offer a nuanced appreciation of how transformational leadership impact employee performance, specifically in the Singapore's SMEs context. Finally, this study contributes a unique perspective on transformational leadership, employee performance, and small and medium enterprises in the Singapore context.

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