

**UNIVERSITI TEKNOLOGI MARA**

**RELATIONSHIP OF LEADERSHIP  
STYLE AND EMPLOYEE TURNOVER  
IN SMEs**

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## ABSTRACT

The purpose of this study is to identify the factors influencing employee turnover and how gender moderate's the relationship between the independent variables (transformational leadership and transactional leadership). The research was conducted on 240 of employee in SMEs, Selangor. The transformational leadership and transactional leadership were the most popular leadership style in current literature reviews which produce good result. SMEs were chosen as a place for research method due to the huge impact in human capital development especially in Selangor. The findings showed a negative significant relationship between leadership style (transformational) and employee turnover. This specifically indicated weak correlation between transformational leadership (idealized influence and individual consideration) and employee turnover. Moreover, the relationship between leadership style (transformational leadership and transactional leadership) and employee turnover were not moderated by gender.

*Keyword: Leadership style, Transformational, Transactional, Gender, Employee Turnover*

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## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Introduction**

This chapter introduces the basic fundamental and overview of the study. There are seven elements that will be discussed in this chapter. Those elements include the background of the study, problem statement, research questions, and research objectives, scope of study, significance and definitions of terms.

#### **1.2 Background study**

In 2015, Malaysia economy remained resilient to expand by 5.0% supported by continued expansion in private sector-led domestic demand. The resilient in the economy is supported by the diversified economic structure, good macroeconomic basis, comprehensive financial system and ability in policy flexibility. The structural change in business trend led to review the definition of SMEs in Malaysia. New SMEs term was endorsed at the 14<sup>th</sup> National Skill Development Corporation (NSDC) Meeting in July 2013 which entailed five major sectors of service; manufacturing, agriculture, mining and quarrying, lastly construction. To make it more inclusive, sales and number of full-time employee were derived to determine the concept (i) manufacturing sector (ii) service and other sectors. The manufacturing sector is defined as an organization with sales turnover not exceeding RM50 million or number of full-time employees not exceeding 200 people. Meanwhile, service and other sectors are defined as an organization with sales turnover not exceeding RM20 million or number of full-time employees not exceeding 75 people (refer to Figure 1.1). Moreover, all SMEs is required to register with Company Commissioner of Malaysia (CCM) or other equivalent organizations. It is however, excluded (i) public-listed companies on main board (ii) subsidiary of public-listed companies on main board, multinational corporation (MNCs), Government –Linked