

UNIVERSITI TEKNOLOGI MARA

**THE RELATIONSHIP BETWEEN
ETHICAL LEADERSHIP AND
ORGANIZATIONAL
PERFORMANCE IN INFORMATION
COMMUNICATION TECHNOLOGY
(ICT) SMALL AND MEDIUM
ENTERPRISES (SMEs): A
MEDIATING EFFECT OF
LEADERSHIP EFFECTIVENESS**

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PhD

September 2020

AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.


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ABSTRACT

Malaysia has the vision to be a developed country by 2020. To achieve this vision, the country needs to further strengthen its economic development and growth. Small and Medium Enterprises (SMEs) development is one of the important sources for economic development and growth. However, compared to the SMEs in many developed countries their contributions to the country's economy need to be enhanced. According to the literature, ethical leadership and leadership effectiveness are two important factors rolling organizational performance, however, research on these two factors in small businesses, especially SMEs in Malaysia, is still lacking. On the other hand, the Information Communication Technology (ICT) has been known as an enabler lifting Malaysia to achieve the Vision 2020 and yet Malaysia needs more focus on SMEs and ICTs to improve its economic growth. Therefore, this study concentrates on the organizational performance of SMEs in Malaysia from the perspective of the ethical leadership and leadership effectiveness, specifically ICT sector' leaders and examines the relationship between ethical leadership and organizational performance through the effect of leadership effectiveness as a mediator. To achieve this, this study begins by reviewing the literature in the areas of ethical leadership, leadership effectiveness, and organizational performance. The ethical leadership was chosen as a one-dimensional construct and leadership effectiveness as a mediator which are considered the most recent paradigms of leadership. Growth and profitability were used as measures for organizational performance. Afterward, a conceptual model was developed to test the hypotheses, with data being collected from 383 ICT companies of SMEs context in Malaysia using a probability sampling method. Confirmatory factor analysis and structural equation modeling (SEM) using path analysis were used to test the proposed model and to verify all hypotheses on the effects of ethical leadership and leadership effectiveness on organizational performance. This study demonstrated that there is a significant and positive relationship between ethical leadership and organizational performance as well as a significant and positive relationship between leadership effectiveness and organizational performance. Also, leadership effectiveness as a mediator was found to have an impact on the relationship between ethical leadership and organizational performance. The findings of this study suggested that besides having ethical leadership, leaders need to focus on their effectiveness to improve their organizational performance. Moreover, the knowledge gained from this study acknowledges that ethical leadership and leadership effectiveness are important resources and capabilities in an organization as the integration of these two elements can offer success for SMEs organizations. These proved that the results of this study can help ICT SMEs to focus on what matters to improve their performance. The findings of this study provide a better understanding of the contributions of ethical leadership and leadership effectiveness to the performance of SMEs specifically ICT companies in Malaysia.

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