

# Leadership Style Index in Malaysian Halal Small and Medium Enterprises

SUZANA ARIFF BINTI AZIZAN

University of Malaya

CHE WAN JASIMAH BT WAN MOHAMED RADZI

University of Malaya

NURSYAKIRAH ABD MANAP

University of Malaya

HASHEM SALARZADEH JENATABADI

University of Malaya

## ABSTRACT

*Manufacturing in halal food industry world is today extremely competitive. The only attempt to continue is to adjust the needs to find the good leading ways of changing. Leaders in halal food companies must highlight actions to make changes as rapidly and easily as possible. Halal food has its own perception of food processes which have been seriously considerable for Muslim people. Therefore, in halal business and manufacturing we should have extremely committed and flexible leaders and workers. Of course, principals' leadership methods and decision making can effect on company development. This paper investigated to find the most important factors of leadership style in small and medium enterprises (SME) in halal food industry, Malaysia. The data has been analyzed based on descriptive statistic (frequency table, mean, standard deviation, and etc.) and inferential statistics (includes Cronbach' Alpha Coefficient and independent two sample t-test).*

*Keywords: Halal food industry, comparison analysis, new perception in food manufacturing*

## INTRODUCTION

Studies on halal development cited Malaysia as the primary player in the development of halal industry in ASEAN (Noordin, Hashim, & Samicho, 2009; Purnomo et. al, 2011). It has inspired the neighbouring countries to follow suit and eventually making the halal industry in the region grows tremendously. One of the biggest achievements in the Malaysia halal industry development is that, the Malaysian Standard Halal Food (MS1500:2004) has been cited by Codex Alimentarius Commission as the best example in the world in terms of justification of Halal food (Noordin et. al, 2009; Yener, 2015). The Malaysian Government is very dedicated in making Malaysia as the global halal hub (Borzoeei & Asgari, 2013; Othman, Sungkar, & Hussin, 2009). To realize the mission, the Halal Industry Master Plan was launched in 2008.

The growing market of the halal food industry means that the competition in the market is increasing and getting stiffer. In addition to this, as globalization takes place in the modern world society, the food industry generally has been experiencing the economic and technical changes in terms of food production and processing. In addition to this, particularly the halal food small and medium enterprises (SMEs), the challenges to survive in the industry mainly comes from the low technological usage, limited capital, and last but not least, the unskilled human resources (Abdullah, Zubairi, & Ghani, 2007).

In today's economy, the quality of leadership plays a vital role in determining the success or failure of an organization. In the highly competitive and dynamic world where globalization rules, an organization can only be competitive when it has a highly skilled and competent human capital. The management of this resources is heavily dependent on the organizational leadership quality. Thus, when there are effective and proactive leaders, then only a high quality and quicker decision making can be made (Chandan & Devi, 2014).

There are many styles of leadership that had been discussed by scholars. Among them are participative, autocratic and democratic styles of leadership (Iqbal, Anwar, & Haider, 2015). Apart from that, most literatures on leadership also



discussed transformational and transactional leadership styles (Birasnav, 2014; İşcan, Ersarı, & Naktiyok, 2014). Although transformational leadership style is more favorable in most of the studies, transactional leadership also had a strong on the organizational outcomes (Ali et. al, 2015). Nonetheless, to be an effective leader, there is no 'one-style-fit-all' kind of leadership style. Leaders must be able to accept feedback and if necessary, adjust their leadership style when required.

The issue on leadership style in the halal industry is essential, in which if it is not addressed immediately may hamper the growth of the industry. This study is intended to study the factors that can contribute to the leadership styles of the halal food SMEs in Malaysia.

## MATERIAL AND METHODS

In this paper, the leadership style indices are measured based on Hersey and Blanchard (1993) theory. They define leadership style based on four dimensions. These are delegating, participating, selling, and telling. Four levels of follower maturity and leadership styles were produced by combining the followers' willingness and ability. The first is the telling style, within which followers require explicit guidance when they display low willingness and low ability. The second is the selling style, in which the followers require direct guidance when they display low ability but high willingness. The third is the participating style, through which followers want to be participative when they show high ability but low willingness. The fourth is the delegating style, in which followers want to be able to admit responsibility when they display high willingness and high ability.

A validated questionnaire is considered and distributed randomly in selected manufacturing halal food companies in Malaysia. From 68 distributed questionnaire, only 45 completed questionnaires received.

## DATA ANALYSIS

Table 1 shows the output of Cronbach's alpha. Fornell and Larcker (1981) suggested that Cronbach's alpha of every latent variable must be equal to or higher than 0.7.

Table 1: Cronbach's Alpha results

Delegating	0.712
Participating	0.785
Selling	0.819
Telling	0.732

Table 2 shows the descriptive statistics of research indicators for all 45 halal food companies.

Table 2: Descriptive Statistics of the leadership style and demographic information

	Mean	Standard Deviation	Minimum	Maximum
<b><u>Leadership Style</u></b>				
Delegating	6.689	3.257	2.957	9
Participating	6.471	4.658	3.247	9
Selling	7.124	2.159	3.487	9
Telling	7.314	3.219	3.789	9
<b><u>Demographic Respondents</u></b>				
Age	38.5	5.28	32	62
Experience (Total)	16.5	7.59	7	38
Experience in current company	8.75	3.25	3	16



## T-TEST ANALYSIS

Table 3 shows the comparison study between large firms with SMEs

Table 3: T-test Analysis

	Mean Large Firms	Mean SMEs	T-test	P-value
Delegating	6.888	7.014	0.957	0.088
Participating	6.817	7.514	1.658	0.125
Selling	8.101	6.971	3.111	0.034
Telling	7.756	6.547	3.587	0.025

## DISCUSSION

Based on Table 2 the average age of participant is 38.5 years old. Moreover, the highest value of leadership style in general is belongs to “Telling” and “Selling” styles. Table 3 shows the difference analysis of leadership style between SMEs and large firm in food manufacturing. As can see Table 3 the average amount of selling and telling of large firms are higher than the SMEs and this differences are significant. The average rate of delegating and participating of SMEs are higher than the large firms. However, these differences, based on T-test analysis are not significant. This research is helpful for PhD and master student who want to working leadership style in Malaysia food industry and others area.

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