

Transformational Leadership Model: The Mediating Role of Organizational Culture and High Performance Work System on SME Performance in Thailand

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Abstract

The objectives of this study are to: 1) investigate and demonstrate the model of transformational leadership, and to demonstrate the mediating effects of organizational culture and high performance work systems on SME performance in Thailand; and 2) develop a causal model linking transformational leadership, organizational culture, high performance work systems, and SME performance in Thailand. The Office of Small and Medium Firms Promotion's database has 545 small and medium-sized enterprises that are divided into 110 retail and wholesale companies, 204 service companies, and 231 manufacturing companies. The data were gathered from 545 SMEs in Thailand as part of the quantitative study design. The respondents were senior management or their representatives from small and medium-sized businesses with between 51 and 200 full-time workers and a fixed asset worth between 50 and 200 million baht. To test the theories, a structural equation model was employed. The research's conclusions indicated that: 1) transformational leadership significantly affected organizational culture and the high performance work system; 2) transformational leadership indirectly influenced SMEs' performance through high performance work; and 3) SMEs' performance was unaffected by either transformational leadership or organizational culture. Additionally, the following empirical data supports the causal hypothesis of transformational leadership, high-performance work systems, organizational culture, and SME performance: CFI = 0.99, GFI = 0.90, AGFI = 0.89, RMSEA = 0.050, SRMR = 0.043, $\chi^2 = 181.14$, $df = 131$, P-value = 0.00246 and $\chi^2/df = 1.38$. Finally, the causal model explaining how organizational culture, high performance work systems, and SME performance affect outcomes was consistent with the actual evidence. These factors might be used to characterize the 45.0 percent variability in SMEs' performance in Thailand.

Keywords: transformational leadership; high performance work system; organizational culture; SME performance

Introduction

The intense rivalry brought on by less government regulation, globalization, contemporary technology, and other quick environmental changes has had an influence on organizational performance and national competitiveness. In this circumstance, strengthening a nation's competitive advantage is essential. The common objective of all SMEs process flows is to respond to customer satisfaction and deliver high-quality goods and services. Accurate,

timely, and high-quality data flows must be made both inside and outside the company. SMEs are finding it difficult to offer high-quality goods and services at competitive pricing in today's private sector due to growing expenses. The emphasis of the SMEs sector has shifted from leadership management to procurement. SMEs under enormous pressure to maintain high product quality while minimizing service expenses. SMEs have been slow to embrace this strategy, in contrast to other industries that have overcome these obstacles by applying performance management techniques including human capital development and high performance work systems. According to several analysts, the peculiar character of SME activities is to blame for the sluggish acceptance.

Scholars and practitioners alike have consistently focused on transformational leadership. Leadership has a significant impact on how well companies succeed (Scott-Cawiezell et al., 2004). Since the SMEs sector has undergone significant transformation, it is crucial to find the right leadership (Schwartz, Tumblin and Peskin, 2002). Leadership is closely related to organizational culture (Bycio, Allen and Hackett, 1995; McDaniel and Wolf, 1992; Medley and Larochelle, 1995), and leaders need to be flexible, focus on creativity and innovation, care for and respect employees, and build trust and integrity (Johnson, 1998; Schwartz et al., 2002) in order to increase productivity and the relationships and satisfaction of the workforce. These two are seen to be important factors influencing the organization's performance (Bass and Avolio, 1994; Kouzes and Posner, 2002; Cameron and Quinn, 2006). In order to study the impact of both factors on organizational performance more thoroughly, scholars have developed conceptual frameworks for the relationship between organizational culture and leadership (Schneider and Vaughn, 1993; Bellante and Porter, 1998; Rojas, 2002; Schimmoeller, 2006). They have also started to research the types of leadership that are consistent with organizational culture, as well as the combined impact of the two factors on organizational performance. The study will make it simpler to comprehend how the two factors and organizational performance relate to one another. However, there aren't many empirical research on this subject (Xenikou and Simosi, 2006; Cameron and Quinn, 2006), particularly in the government, university, and non-profit sectors (Cameron and Quinn, 2006; Schimmoeller, 2006). It will be really important for academic knowledge development, advantageous to the performance enhancement of SME, and helpful to developing a competitive advantage if these two variables can be examined combined to predict organizational success.

When taking into account the theoretical issues of the resource-based approach, particularly in regard to a high-performance work system, there are still some significant gaps that need be examined since a high-performance work system does not immediately effect organizational performance. It is yet unclear what effect a high-performance work structure will have on organizational performance (Delaney and Huselid, 1996; Delery, 1998; Hislop, 2003; Paauwe and Boseli, 2003; Lopez, Peon and Ordas, 2005). A significant information gap exists about the relationship between human resource management and organizational success, which is known as the "black box" of HRM. Because of this, researchers are now increasingly interested in studying the elements that link high-performance work systems with effective organizational performance (Wright, Dunford and Snell, 2007; Takeuchi, Lepak, Wang, and Takeuchi, 2007). The results are consistent with Delery and Shaw's (2001) study, which suggests that knowledge, skill, ability, and motivation can be thought of as the pillars that connect the human resource management system and labor productivity (Batt, 2002; Boxal and Purcell, 2002). These findings also suggest that a high-performance work system influences employee performance through the following mechanisms: ability, motivation, and work opportunity. Human capital is therefore probably going to be a factor connecting the high-

performance work system to SME performance.

A company's numerous internal divisions must maintain good ties in order for it to accomplish its objectives. This is true because cooperation and internal coordination inside the workplace are the sources of work performance (Pennings and Goodman, 1994: 146-154; 160-164). Only when two or more elements work together harmoniously can an organization operate at its best, enabling it to make the required adjustments to itself in order to survive or provide superior outcomes. Furthermore, companies who have a superior structure that is in line with backup plans will do better than those that do not. As a result, the consistency notion views organizational culture and high-performance work processes as elements that must remain constant in order for organizational performance to manifest (Deal and Kennedy, 1982; Carmeli and Tishler, 2004; Tanriverdi and Zehir, 2006; Chajacki, 2007; Weiss and Legrand, 2011).

The company employs a high-performance work system (HPWS) to hire, develop, and uphold organizational culture in the meanwhile, in order to achieve organizational success and a competitive edge. However, there is still a lack of knowledge, research, and competence regarding organizational culture, high-performance work systems, and how these two factors affect organizational performance in Thailand. There has to be more study done in this area. Thailand is also struggling with a variety of human resource management issues, such as inadequate compensation, unsafe working conditions, and a shortage of staff relative to workloads (Krisada Sawaengdee, 2006: 52).

Recent studies on the performance of SMEs, high-performance work systems, organizational cultures, and transformational leadership have a tendency to focus on one issue or how it interacts with other issues. The impact of variables on company prospects has not been studied. Numerous academics have looked at management strategies based on academic information pertinent to big organizations as well as an overview of small and medium-sized enterprises, but none have been able to clearly explain the link between factors impacting medium-sized businesses (Agmon and Drobnick, 1994; Jones and Tilley, 2003: 258; Robbins, 1990: 167-168). The researcher contends that because medium-sized businesses are thought to be a big driver of economic expansion in the nation, further research on the variables affecting their success is required. On the other side, exports grew less quickly in 2021 than they did in 2020. Development of small and medium-sized business organizational management must thus be completed as soon as feasible (Casey, 1996: 5). On the other hand, small and medium-sized businesses need managers who can cope with a range of situations that are always changing. Additionally, a lot of small and medium-sized business CEOs have failed to lead their companies because they lacked business management abilities, were resistant to marketing changes, lacked expertise, worked for companies that were market-driven, and didn't grasp technology well enough (Mosia and Veldsman, 2004).

Research Objectives

- 1 To investigate and exemplify the model of transformational leadership, and the mediating role of organizational culture and high performance work system on SME performance in Thailand; and
- 2 To develop the causal model of transformational leadership, organizational culture, high performance work system and SME performance in Thailand

Research Methods

Population and sample

According to the Office of Small and Medium Firms Promotion database, the population in this research consists of 13,924 businesses from three business sectors of small and medium-sized enterprises, such as (1) retail and wholesale, (2) service, and (3) manufacturing (Office of Small and Medium Enterprises Promotion, 2021)

Sample size

In this investigation, multiple-stage sampling is used. For a total of 545 organizations, the organizational level is the analytical unit. The following was part of the selection procedure: Step 1: For the purpose of calculating the sample size for structural equation modeling, the criteria for structural equation modeling (SEM) have to be checked (SEM). In addition to sample size, Bollen (1989, referenced in Nonglak Wiratchai, 1999) suggested that the amount of free parameter estimates be taken into account. For more free parameters, larger sample sizes are needed. The researcher therefore adheres to the straightforward guideline of a 20 to 1 sample unit to parameter or measurable variable ratio (Lindeman, Merenda and Gold 1980; Weiss, 1972, quoted in Nonglak Wiratchai, 1999). The constructed research methodology in this study needed a sample size of at least 300 businesses since parameter estimate on a total of 15 measurable variables was necessary. This is regarded as appropriate parameter estimate that results in powerful hypothesis testing. In the samples used in this study, senior management or their representatives act as the organization's informants.

(1) Step 1: There are 13,924 small and medium-sized firms included in this survey. A sample size of at least 389 organizations is needed for data analysis with a five percent tolerated variance. However, respondents give given surveys minimal attention, which has a negative impact on the response rate. The researcher forecasts a response rate of $389 + (389 \times 0.4) = 545$ organizations to account for non-returned or incomplete surveys (Kalaya Wanitchbancha, 2008). As a consequence, the minimal sample size needed for the Structural Equation Modeling (SEM) analysis is exceeded by the 545 organizations used as samples in this study.

(2) Step 2: Choosing a Sample. To pick small and medium-sized businesses for the study, the researcher used the Office of Small and Medium Enterprises Promotion database's establishment categorization criteria. The small- and medium-sized businesses with 51–200 full-time employees and fixed asset values between 50–200 million baht were the ones the researcher picked. due to the fact that several academics have examined the management tool in conjunction with their knowledge of the setting of large enterprises. The correlation of factors for small and medium firms cannot be well explained by a collection of small and medium enterprise research. Additionally, small enterprises usually deal with issues such a lack of technology, a lack of human capital, access to financing for R&D, restrictions on updating skills, and the fact that most small businesses are owned by families. The advantages of medium businesses over large businesses include their capacity to successfully adapt to the demands of specific markets and the speed at which entrepreneurs may launch a company. The researcher is therefore curious to find out more information on medium-sized enterprises. The differences in organizational culture viewpoints between big, medium, and small organizations are also controlled by this.

(3) Step 3: Stratified Random Sampling. Using basic random sampling, the researcher divides the list of medium-sized businesses into company divisions. Using a list of business segments, the sample percentage to the number of organizations in each defined segment of

545 organizations is computed, as shown in Table 1.

Table 1. Population and Sample by Business Segment

	Segment	
Population (Amount)		Sample (Amount)
	Retail and Wholesale	
2,825		110
	Service	
5,205		204
	Manufacturing	
5,894		231
	Total	
13,924		545

Source: The Office of Small and Medium Enterprises Promotion, (2021).

Research Instrument

Surveys are helpful for gathering data for study. The method for creating a questionnaire is as follows:

- 1 Compile data from relevant research, concepts, and literature to create a questionnaire.
- 2 Write the questions and the structure for the survey.
- 3 The questionnaire's reliability and validity should be examined:

Using the Item Objective Congruence Index (IOC) method, the experts review the questionnaire to determine its content validity. On the other side, questions having an IOC value of less than 0.5 will be disqualified.

CFA is used to assess the elements to determine whether latent variables are composed of observable variables, confirming whether the variables are compatible with the hypothesis. Exploratory Factor Analysis (EFA) is used to analyze the exploratory components.

Verify accuracy by having individuals who are not part of the experimental sample complete a questionnaire that has been altered to be consistent with the structural validity test. Then, statistically analyze the responses; the Cronbach's alpha coefficient for these responses should be at least 0.70. (Suchart et al.,2008). A confidence level of 0.956 thus denotes a high level of assurance.

- 4 Enhance the questionnaire's precision and accuracy before employing it in study.

Data Analysis

To achieve the study's objectives and evaluate its hypotheses, the data is processed as

described below.

- 1 Frequency, percentage, mean, standard deviation, skewness, kurtosis, and distribution coefficient are useful measures. The average score and variance (Z - score)
- 2 Using CFA, evaluate the reliability of the measurement model for each component. (The term confirmatory factor analysis stems from the abbreviation CFA.)
- 3 Utilize structural equation model analysis for model testing and research hypotheses in order to evaluate the hypothesis model using empirical data.

It is statistical software that evaluates the connection between variables using a logical model created from a particular conceptual framework and theory to assess whether the data supports the theory (Suchart et al.,2008). Ensure the researcher's hypothesis model is correct by validating the structural equation model (Model Evaluation). In conclusion, the evaluation was divided into two sections: the overall model fit measure and the primary component results will result in further model development (Component Fit Measure).

Results

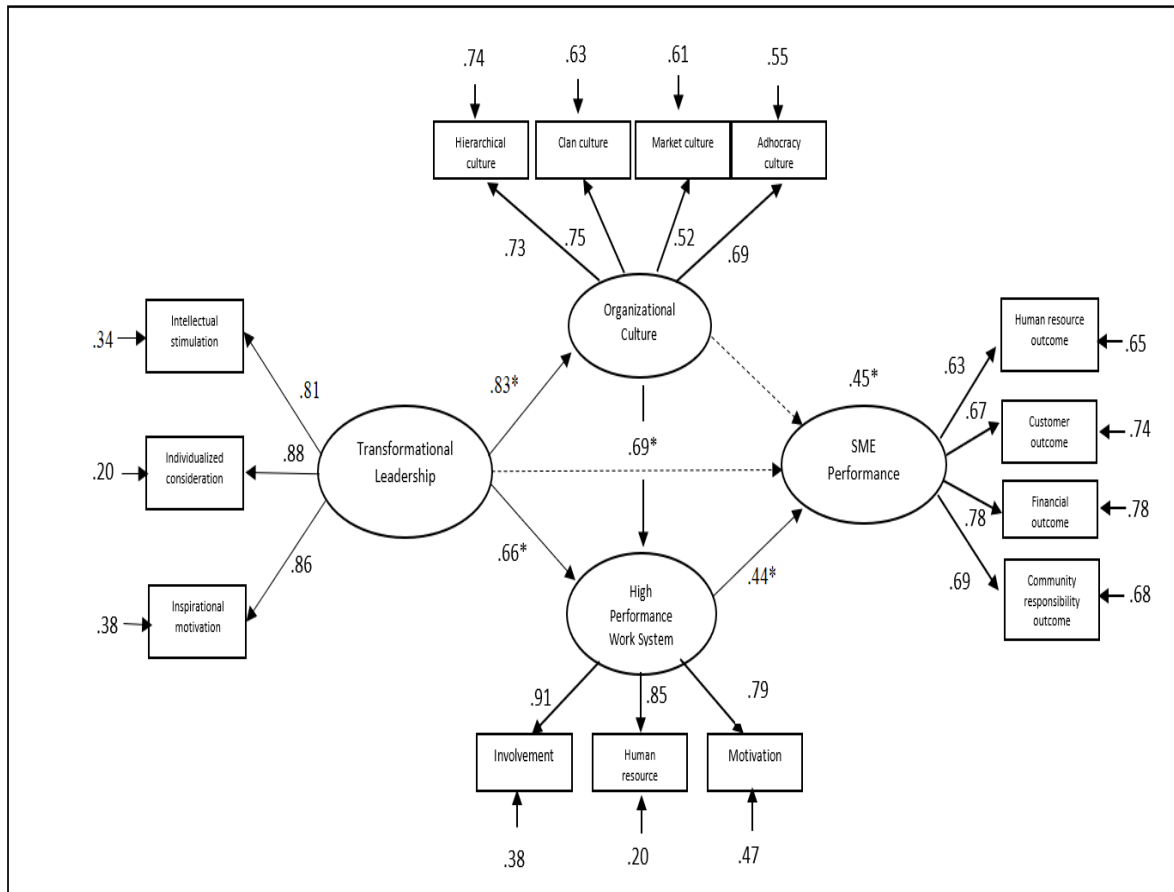
Basic data analysis findings from the samples include gender, age, education, length of employment, and current position. 55.12% of the 545 respondents to this study are men, while 44.88% are women, according to the respondents. The majority of respondents (41.58 percent) are between the ages of 41 and 50, while 27.72 percent are between the ages of 51 and 60. Finally, 4.95 percent of respondents are under 30 years old. The majority of samples (52.15%) own a master's degree, followed by a bachelor's degree or equivalent (43.23 percent). 0.99 percent of respondents had a graduate degree or above. The majority of respondents (35.31 percent) have worked for 15 years or more, followed by those with 5-10 years of experience (31.02 percent). 7.26 percent of individuals with fewer than five years of employment. Vice President was the most common title among responders (23.76 percent), followed by Assistant President (21.12 percent). Secretary has the lowest share at 5.28 percent.

The researcher investigated the causal link between transformational leadership and SME performance in Thailand, as well as the influence of organizational culture and high-performance work systems as mediators. The first phase of the structural equation model (SEM) is to evaluate the model using sample data to see whether it fits the analytical data. The following are the specifics:

According to the sample group's statistical data, the Chi-Square Goodness of Fit Index (2) equals 181.14, the degrees of freedom (df) equals 131, and the probability (p) is 0.00246. That is, the Chi-square is just marginally different from zero. As the Goodness of Fit Index (GFI) is equal to 0.90, the Adjusted Goodness of Fit Index (AGFI) is equal to 0.89, and the

Root Mean Square Error of Approximation (RMSEA) is equal to 0.050, it indicates that the hypothesis for the developed causal model of the SME performance is consistent with the empirical data.

Figure 1 Examine the relationship between transformational leadership, organizational culture and high performance work system on SME performance in Thailand



Note: Relationship pathway with statistical significance Relationship pathway with no statistical significance, * $p < .01$

Figure 1 depicts the correlations between the factors of SME businesses. At a statistical significance level of 0.01, transformational leadership influenced organizational culture and high performance work system, as shown by standardized factor loadings of 0.64 and 0.40, respectively. This stated that once transformational leadership grew by 1 unit, organizational culture and high performance work system would grow by 0.64 and 0.40 units, respectively. The organizational culture's Structural Equation was 0.83, suggesting that the factors influencing organizational culture in the model could explain 83% of its covariance. Similarly, the Structural Equation of organizational culture was 0.66, indicating that the factors influencing the high performance work system in the model could explain 66% of the covariance of organizational citizenship behavior.

At a statistical significance level of 0.01, the high-performance work system had an impact on the performance of SMEs. While the high-performance work system had a 0.57 standard factor loading on SME performance, respectively. Taking into account the R2 for the

Structural Equation, it was determined that all of the factors influencing SME performance in the model could explain 45% of the covariance of SME performance. However, transformational leadership and organizational culture have little direct impact on the performance of SMEs. In this section of the research, the independent variable's direct impact, indirect effect, and total effect are examined. Variables on the dependent variables were analyzed as shown in Table 1

Table 1 Compare the impact of the cause variable on the model's effect variable.

Independent Variables	Effect	Dependent Variables			
		Transformational Leadership	Organizational Culture	High Performance Work System	SME Performance
Transformational Leadership	DE	-	0.83*	0.66*	-
	IE	-	-	0.18	0.69
	TE	-	0.83	0.84	0.69
Organizational Culture	DE	-	-	0.69*	-
	IE	-	-	-	0.46
	TE	-	-	0.69	0.46
High Performance Work System	DE	-	-	-	0.44*
	IE	-	-	-	-
	TE	-	-	-	0.44

Remark DE = Direct Effect, IE = Indirect Effect, TE = Total Effect, * $p < .01$, ** $p < .05$

Transformational leadership was found to have a direct and indirect impact on the high performance work system, but only a direct impact on organizational culture and an indirect effect on SME performance. Furthermore, organizational culture has a one-to-one relationship with the high-performance work system. Similarly, the high-performance work system was clearly the sole variable that had a direct impact on SME performance.

Discussion

According to Bass (1985), transformational leadership frequently influences culture in a way that is consistent with the leader's beliefs. The findings of this study demonstrate that organizational culture, rather than direct management style, affects SME performance. The quantitative study's conclusions made it clear that the top executives of the SME were most concerned with the entrepreneurial culture's outer expressions, such as teamwork, a focus on quality and safety, and a customer-focused attitude. Similar findings were made by Ogbonna and Harris (2000), demonstrating that supportive and participative leadership indirectly fosters a competitive and innovative company culture. Casida and Pinto-Zips (2008) used the same notion of Denison's organizational culture to investigate big organizations in the state of New Jersey, USA, and looked at the link between Avolio and Bass' Full Range Leadership Theory of leadership styles and organizational culture's performance. It has been demonstrated that employees at businesses perform better when the culture of the workplace is impacted by the leadership styles of their bosses. They were therefore able to balance adaptation and stability better as a result. The study's conclusions showed a connection between transformative leadership and SME success. There was proof in this case that good leadership may be linked to a company's capacity to inspire employees through efficient human resource management.

This result is in accordance with that of Zhu, Chew, and Spangler (2005), who discovered that without human resource management practices including hiring, training, and communication, the visions of leaders might not be adequately transmitted to employees. It is crucial to remember that human resource management significantly affects the lines of communication between executives and staff. These human resource management techniques help to boost productivity and foster a sense of commitment and ownership among staff members in light of the company's stated objectives. Similar findings were reached by Sparrowe and Liden (1997), who proposed that in order to develop people and boost the abilities of followers, leaders must employ human resource management techniques including hiring, training, and development, performance evaluation, and a reward system. Therefore, it can be concluded that leadership affects organizational performance through the methods of human resource management, as shown by the findings of the study. The improvement of SME performance via the application of a competency-based leadership development strategy is the major objective of the leadership development process for SMEs. Thus, the characteristics of the leader might be modified to fit the requirements of specific companies (Garavan, Morley, Gunnigle and Collins, 2001; Bingham, 2005; Brownell, 2006). The SMEs improved its personnel by utilizing both on-the-job and off-the-job training techniques. Lectures, case studies, group exercises, practice sessions, and study outings were just a few of the topics that were covered in off-the-job training. This is a significant topic because it promotes knowledge growth, the exchange of ideas and practical experience, group problem-solving, and participative activities that help build leadership skills (Conger and Benjamin, 1999; Rattikorn Chongwisana, 2013).

By utilizing on-the-job development strategies including coaching, mentorship, delegation, and role modeling by leaders, it is feasible to increase specific skills in accordance with each SME's needs (Avolio, 2005; Bass and Riggo, 2006). Leaders must set a positive example for their staff in order to improve the workplace by motivating people to follow directives and display desired behaviors (Yukl, 2010; Rattikorn Chongwisana, 2013). This is why it may be claimed that transformational leadership encourages excellent SME performance by simultaneously implementing development initiatives within and outside of the workplace (Enzenauer, 2010; Robino, 2012; Nawasanan Wongprasit, Jamnean Joungrakul and Katsunori Kaneko, 2012).

The practices of the high performance work system have an impact on organizational performance as demonstrated by organizational culture, according to the conceptual framework Evans and Davis (2005) developed for the relationship between the high performance work system and organizational performance. In other words, organizational culture may promote a high performance work environment by creating a supportive environment. The high performance work system includes a participatory system that encourages teamwork and gives employees a sense of organizational support or justice, as well as a motivating system that encourages collaboration. These systems allow workers to regularly initiate and offer creative work-related ideas. This suggests that the high performance work system is a factor that inspires and enhances the organizational performance of customer loyalty, human resource development, financial success, and community engagement. The quantitative study results are consistent with the procedures to enhance organizational performance in terms of creating a work environment. This workplace is, in fact, a high-performance work system (Rhoades and Eisenberger, 2002)

In other industries, it has been discovered that a high performance work system, including training and development (Snape and Redman, 2010), providing feedback on job performance (Tansky and Cohen, 2001; Snape and Redman, 2010), and motivational practices

like performance-based pay (Pfeffer, 1998; Snape and Redman, 2010), are positively associated with organizational performance. By effectively encouraging employee confidence and desirable discretion, this can improve organizational performance.

The organizational culture influences the SME's human resource management policies and practices in part. This is in line with Aycan's (2005) observation that the organization's senior management would take into account the concepts and assumptions about the nature of work and employees, as well as the deeply embedded corporate culture, before implementing any system related to human resource management. A company will function exceptionally well if it has a culture that supports human resource management. Study, the leaders' priorities, customer expectations, and socialization procedures, notably orientation, role modeling, workplace integration, and team building, all contributed to the evolution of the SME's organizational culture. The development of the corporate culture was influenced by all of these factors. These findings supported the claims made by Bass (1985), Robbin (2001), Jones (2004), Bass and Riggo (2006), and Schein (2010) that the aforementioned traits served as significant contributors of organizational culture.

Given the value, rarity, and distinctiveness of organizational culture, SME performance may be improved. According to Deal and Kennedy's organizational culture theory from 1982, a successful and exceptional company results when a worker's norms and values are shared by the organization. Creating a strong business culture is an effective way to change employee behavior, which improves performance. The results of this study highlighted the close connection between organizational culture and the high performance work system, demonstrating how organizational culture positively improved SME performance through the high performance work system (Guest, 1994; Legge, 1995; Den Hartog and Verburg, 2004).

Conclusion and Suggestions

The findings add to theory by demonstrating the connection between transformational leadership, organizational culture, high performance work systems, and organizational performance. For instance, the study found that these perspective components affect SMEs' success in terms of financial, customer, human resource, and social responsibility outcomes. The evidence for this assertion shows that the perspective determinants are an important resource that can meet the demands of several stakeholders. International researchers have been curious about this strategy for a while. First, academics emphasized financial achievement, as shown by Huselid (1995) and the meta-analyses of Combs, Hall, and Liu (2006). The bulk of organizational performance indicators were found to focus mostly on monitoring accounting outcomes, such as productivity, growth, profitability, and marketing results. The scope has been expanding over time. According to Ramsay et al. (2000), while employing high performance work system to improve organizational performance, employee benefits should also be considered.

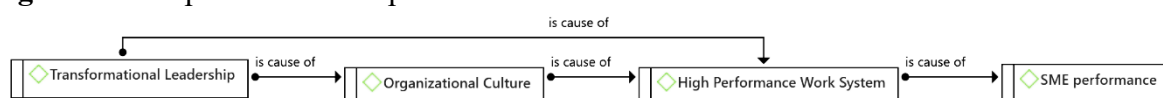
The topics have also been examined by discipline-specific researchers. The findings demonstrated that the firms' resource-based perspective determinants had a substantial influence (Messersmith et al., 2011). Resource-based view determinants can be utilized to increase an organization's overall effectiveness in fields other than finance. According to the study's findings, organizational culture and a high-performance work environment help SMEs perform exceptionally well in the following areas: 1) employee satisfaction; 2) customer satisfaction; and 3) financial performance, including income, return on investment, and return

on investment.

Numerous academics have conducted in-depth research on organizational performance, high performance work system, organizational culture, and transformational leadership. The AMO (Ability, Motivation, and Opportunity) conceptual framework was created by Becker, Huselid, Pickus, and Spratt (1997) utilizing Vroom's (1964) expectation theory as its theoretical foundation (Appelbaum and Berg, 2000; Purcell and Hutchinson, 2007). For studying the connection between these factors and organizational performance, strategic human resource management is an important and often used theoretical framework. With the help of this framework, we hope to draw attention to the importance of human resource practices that have an impact on employees' knowledge, skill, and ability as well as to participatory practices that effectively motivate staff members and allow them to use their newly acquired skills and motivation to boost organizational performance. Despite the widespread acceptance of this conceptual framework, there is still no consensus about the behaviors that cause AMO. Depending on the organizational and cultural environment of the study sample, the approaches recommended by the various specialists vary significantly (Huselid, 1995; Pfeffer, 1998; Sung and Ashton, 2005; Zacharatos et al., 2005; Liao et al., 2009; Wen Chi and Yun Lin, 2011). This study's findings on high-performance work systems are applicable to Thai SMEs since they are both comparable to and distinct from those of other studies.

The research's central thesis is that extraordinary success in businesses results from having access to priceless, unusual, distinctive, and irreplaceable resources. Academics typically utilize this theory to offer a research framework that clarifies the connection between organizational performance and this theory. The results of the investigation confirmed the validity of the hypothesis and the assumption. This hypothesis has received a variety of objections since it seems baseless and might not apply to other businesses in the same sector (Hislop, 2003; Paauwe and Boseli, 2003). The mechanisms linking the theory on organizational success elements have recently captured the attention of academics more than before (Wright, Dunford and Snell, 2007; Takeuchi, Lepak, Wang, and Takeuchi, 2007). This study's findings show that transformational leadership, which is essential, positively correlates with organizational culture, high performance work systems, and SME performance. Also discovered to be associated were the high-performance work system, business culture, and leadership. All of these connections broaden theoretical understanding, which in turn enables the effective use of strategies for improving SME performance. Figure 2 depicts transformational leadership, organizational culture, and high performance work systems as the three most important basic components of the model for good SME performance. SME performance can only be improved by utilizing the processes of the human resources process, also referred to as the SME organizational process. This tactic could aid in the challenging task of creating a values-based SME. The SME performance improvement model based on a resource-based perspective methodology offers several beneficial advantages.

Figure 2 SME performance improvement model



Source: Authors

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