

Transformational Leadership and Job Performance: The Case of SMEs in Taiwan

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Abstract

In this study, we examined the link between transformational leadership, employee competency, organizational commitment, and job performance. We proposed a mediated moderation model linking transformational leadership to job performance, which includes organizational commitment as an intermediary variable and employee competency as a contextual moderator. The relationship between transformational leadership and job performance occurs through organizational commitment only when employee competency was high, but not when employee competency was low. Organizational commitment fully mediated the relationship of the interaction between transformational leadership with employee competency and job performance. Finally, a discussion and suggestions relevant to the empirical results of this study are proposed.

Keywords: transformational leadership, employee competency, organizational commitment, job performance

In a changeable and unpredictable competitive environment, employees have always been the key to the success of modern enterprises (Mohan, 2010); they are also a part of an organizational system that cannot be easily replaced (Noe, Hollenbeck, Gerhart, & Wright, 2009). Individuals' willingness to remain in their organizations contributes to workforce stability and organizational effectiveness (Liu, Hui, Lee, & Chen, 2012). Organizational commitments can predict the turnover behavior of employees (Meyer, Stanley, Herscovitch, & Topolnysky, 2002), and can serve as an index of work performance (Ferris, & Aranya, 1983). A high level of employee commitment is also a key factor in improving the performance of small and medium enterprises (SMEs) (Zheng, Morrison, & O'Neill, 2006).

SMEs are one of the driving forces behind Taiwan's economic development and the main body of the overall enterprise structure. With the development of enterprises, a large number of employment opportunities have been created; this phenomenon has a significant contribution to national progress and economic development (Yeh, 2006). Because of the combined operational and proprietary rights and few organizational levels (Huang, 1995), SMEs place greater emphasis on the working relationship between top levels of management and employees than other types of enterprises do (Ghosh, Tan, Tan, & Chan, 2001); consequently, appropriate models of leadership and interactions between managers and employees are of particular importance.

Transformational leadership is a process by which an organization's leaders and members have a mutual influence on one another; transformational leadership can stimulate the potential ability of the members (Burns, 1978), create common goals (Early, & Davenport, 2010), and influence members to commit to organizational goals (Yukl, 2009). Studies indicate that leadership and commitment are critical factors in the success of SMEs (Ghosh et al., 2001), and that transformational leadership can enhance organizational commitment (Korek, Felfe, & Zaepernick-Rothe, 2010) and job performance (Piccolo, & Colquitt, 2006) in its members. transformational leadership is also a suitable method for SME management (Matzler, Schwarz, Deutinger, & Harms, 2008).

Previous studies have found that various dimensions in the relationship between transformational leadership and organizational commitment were inconsistent, with positive (Chih, & Lin, 2009), negative (Guh, 2008; Mancini, 2008), or insignificant (Ramachandran, & Krishnan, 2009) correlations. Therefore, it is deduced that the relationship between transformational leadership and organizational commitment is influenced by other factors (Loa, Ramayah, Hii, & Songan, 2010), and awaits further clarification.

The cultural background and core values of Taiwan are different from those of North America and Western Europe regions (Liao, Chang, Hu, & Yueh, 2012); the needs of employees are not identical either (Lu, Gilmour, Kao, & Huang, 2006). In the past, discussions related to human resource management in SMEs have focused on comparison with large enterprises (Belvedere, Grando, & Papadimitriou, 2010; Golhar, & Deshpande, 1997; Hornsby, & Kuratko, 2003; McEvoy, 1984; Okatch, Mukulu, & Oyugi, 2011; Watson, Storey, Wynarczyk, Keasey, & Short, 1994), supply chain risks, work life balance, the role of trade unions, compensation, employee selections and appointments, training, and licensing (De Kok, & Uhlaner, 2001; Cegarra-Leiva, Sa'nchez-Vidal, & Cegarra-Navarro, 2012; Rainnie, 1989; Szamosi, Duxbury, & Higgins, 2004; Thun, Druke, & Hoenig, 2011; Wyer, & Mason, 1999). These theories and studies generally focus on Western organizations; empirical verifications focusing on Taiwanese SMEs and the relationship between transformational leadership, organizational commitment and job performance in Asian organizations are apparently insufficient.

Theory and hypotheses

Transformational leadership is the process by which leaders and an organization's members influence one another. During the process, organizational leaders and members jointly conduct motivational and

inspirational activities, and influence the members to make commitments to the organization (Yukl, 2009) through communication, participation, and coherency of group consensus (Burns, 1978). Transformational leaders should sympathize with the needs of each member of the organization, show their concern toward them, allow members to feel the warmth of the organization and understand their importance in the organization, establish friendly and close relationships with them, encourage the team to share ideas, and organize visions and values (Bass, 1985).

Based on these descriptions, in the cause and effect model of organizational commitment proposed by Mathieu and Zajac (1990), the concept of transformational leadership corresponds with the concepts of leaders, levels of communication, participatory leadership, group cohesiveness, and the degree of understanding in the antecedent variable, "group leader relationship". Therefore, transformational leadership can be regarded as the antecedent variable of organizational commitment, and transformational leadership may affect the development of organizational commitment.

Additionally, Yukl (2009) and Bass (1985) believe that an organization's members can be affected by transformational leadership, which can establish and enhance their commitments to the organization. This belief is consistent with that expressed in studies by Korek et al., (2010) and Chih and Lin (2009); in that transformational leadership can enhance the organizational commitments of its members. Therefore, the following hypothesis is proposed:

Hypothesis 1: Transformational leadership has a positive effect on organizational commitment.

The competence model is highly regarded among practitioners; its application in human resource management has become increasingly popular (Briscoe, & Hall, 1999; Ulrich, 1997). Employee competency refers to the abilities (Mirabile, 1997) knowledge, techniques, and attitudes related to outstanding work performance (Albanese, 1989); employee competency can also be measured by set standards (Parry, 1998). The authors find that previous empirical studies regarding employee competency mainly focused on the competency of specialists in specific industries or professions, and the development of their core functions; thus, the results are only applicable to specific targets (Patanakul, & Milosevic, 2008; Sheng, & Chen, 2006). According to a survey conducted by the National Association of Colleges and Employers (NACE) in 2010, of the abilities that employers wish to find in job applicants, professional skills only rank 12th. Employers taking part in NACE's Job Outlook 2013 survey say they look for a range of soft skills, including initiative, the ability to communicate, and more. In addition, 75 percent of employers are looking for problem-solving skills (NACE, 2012). The Taiwanese government has begun establishment of the "national common core functions" in 2003 (the Bureau of Employment and Vocational Training, 2012). For many years, the government has continuously provided intensive training courses on "national common core functions" at institutions and enterprises throughout the country to facilitate the development of common functions in Taiwanese citizens. Particularly, SMEs are small in scale, have numerous personnel possessing versatile skills and great flexibility, and can transform their business and markets at any time (Yeh, 2006); therefore, having common employee competency is crucial to employees of SMEs.

The McKinsey 7S framework indicates that structures and strategies are the hardware, whereas the system, management style, staff, skills, and shared values are the software of an organization (Pascale, & Athos, 1981; Peters, & Waterman, 1982). Organizational resources can be divided into tangible and intangible resources (Lado, Boyd, Wright, & Kroll, 2006). Tangible resources are assets; intangible resources are competencies, including employee competency. The management style of transformational leadership is the creation of common goals (Early, & Davenport, 2010) and values (Bass, 1985) by encouraging team concepts and reaching consensus through communication (Burns, 1978). Organizational commitment signifies that the members of an organization identify with the beliefs and goals of the

organization, have common values, and are willing to work hard for the benefit of the organization. Therefore, transformational leadership, employee competency, and organizational commitment are the software dimensions of an organization; these dimensions are related to each other and they may influence each other.

Human resource activities such as education and training can enhance employee competency (Guest, 1997); if an enterprise is willing to treat employees as its partners, with whom it can grow together with, permitting employees to sense the intention of the enterprise, employees would identify with the organization and enhance their organizational commitment. The cause and effect model developed by Mathieu and Zajac (1990) also indicate that skill level is an antecedent variable of organizational commitment, and consider that the skill level of an employee has an effect on the development of organizational commitment. The skill and commitment of employees have also been shown to be crucial variables in human resource management in SMEs (Zheng et al., 2006). Studies have shown that more capable employees are more likely to switch to workplaces with better employment conditions (Khatri, Chong, & Budhwar, 2001; Steel, & Griffeth, 1989); by contrast, ensuring development in employee competency would reduce the employee turnover rate (Shah, Sterrett, Chesser, & Wilmore, 2001; Wai, & Robinson, 1998). Previous studies showed that the employability of employees has a positive effect on organizational commitment (Camps, & Majocchi, 2010). The authors deduce that the relationship between transformational leadership and organizational commitment may be moderated by employee competency. Therefore, the following hypothesis is proposed:

Hypothesis 2: Employee competency has moderating effect on the relationship between transformational leadership and organizational commitment.

Besides expanding our knowledge of when transformational leadership is most strongly related to employee organizational commitment, our next aim is to examine organizational commitment as an intermediary mechanism between the interaction of transformational leadership and employee competency, and job performance. A high level of employee commitment is also a key factor in improving the performance of small and medium enterprises (Zheng, et al., 2006). Previous studies show positive correlations between transformational leadership and job performance (Piccolo, & Colquitt, 2006) which may indicate that possible moderators and mediators are involved. Some researchers have looked at the link between organizational commitment and job performance (Jaramillo, Mulki, & Marshall, 2005) and found that when organizational commitment was high, performance was also high. The authors combine the arguments above in our proposed mediated moderation model. Our model suggests that organizational commitment mediates the relationship between the interaction of transformational leadership and employee competency, and job performance. Either transformational leadership or perceptions of employee competency can enhance organizational commitment, after which these employees, who have high levels of organizational commitment, invest their excess resources back in the organization in the form of job performance (Hobfoll, 2001; Conklin, Dahling, & Garcia, 2013). Therefore, the following hypothesis is proposed:

Hypothesis 3: Organizational commitment has mediating effect on the relationship between the interaction of transformational leadership and employee competency, and job performance.

Method

Participants and Procedures

The survey respondents in this study were employees of SMEs in Taiwan. Enterprises that match the definition for a SME were randomly selected from the “Taiwan business directory in 2012” compiled by China Credit Information Service, LTD (2012). This survey was divided in two stages: the first stage was a pretest analysis of the questionnaire to ensure that it was appropriate for use as a formal questionnaire; the second stage encompassed the distribution and recovery of the formal questionnaires. The pretest has content validity. We first consulted experts and SME managers; 50 employees were randomly selected as the respondents for the pretest. The survey targets of the formal questionnaire were employees of Taiwanese SMEs. Questionnaires were collected anonymously. Data were requested from 1000 employees and 1000 managers. Participating managers were asked to select one employee to complete a survey based on surnames last in the alphabet to create a random sample. An accompanying letter explained the research purpose, the voluntary nature of participation, and assured confidentiality. Surveys were returned anonymously and directly to the university in pre-stamped envelopes. Managers rated Job performance of their employees, and employees rated transformational leadership of their direct manager, employee competency and organizational commitment. Matching codes were used to link the manager and employee questionnaires. Five hundred twenty eight manager and 510 employee questionnaires were returned, corresponding with response rates of 53% and 51%, respectively. As we needed manager-employee dyads for testing our hypotheses, twenty manager questionnaires and two employee questionnaires were removed from the dataset as the matched questionnaire was missing.

Measures

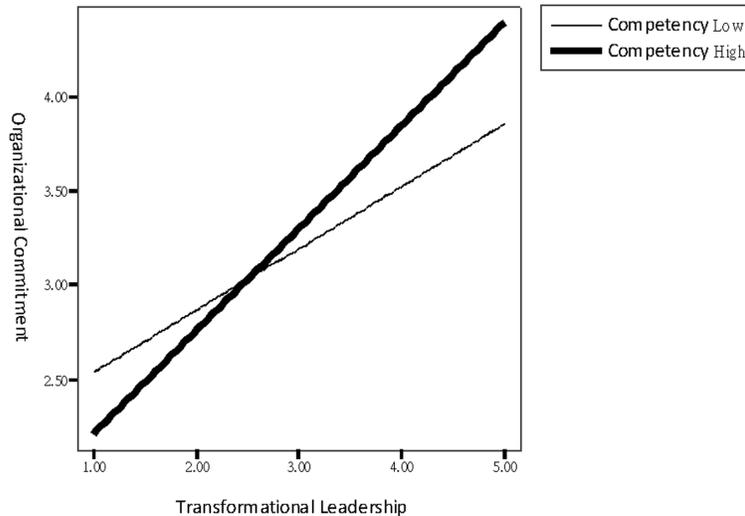
Unless otherwise stated, a 5-point Likert scale was used ranging from 1 (strongly disagree) to 5 (strongly agree). Transformational leadership was assessed using the 18-item scale developed by Bass and Avolio (1997). A sample item is: “The director of the company I work for helps me develop my own characteristics.” Cronbach’s α was .89. Employee competency was assessed using the 20-item scale developed by Xiao (2006). A sample item is: “Effectively allocate my time at work.” Cronbach’s α was .84. Organizational commitment was assessed using the 18-item scale developed by Allen and Meyer (1996). A sample item is: “I would be very happy to spend the rest of my career with this organization.” Cronbach’s α was .88. Job performance was assessed using the 4-item scale developed by McAllister(1995). A sample item is: “This person adequately completes assigned duties.” Cronbach’s α was .86. In addition, we controlled for industry in this study. A measurement model with four latent factors (i.e., transformational leadership, employee competency, organizational commitment, job performance) was tested to verify whether scale items were adequate indicators of their underlying construct. This model provided an acceptable fit to the data $\chi^2 = 1458.765$; CFI = .916; RMSEA = .036; SRMR = .071 (cf. Hu, & Bentler, 1999).

Results

Table 1 presents descriptives, intercorrelations, and reliabilities of the scales. employee competency, transformational leadership, and organizational commitment, as well as organizational commitment and job performance, are significantly correlated in the expected direction. In line with Hypothesis 1, multilevel regression results in Table 3 (Step 2) show a significant positive relationship between transformational leadership and organizational commitment ($B = .23$, $SE = .10$, $p < .05$).

Hypothesis 2 predicted that employee competency moderates the relationship between transformational leadership and organizational commitment. Industry, transformational leadership, employee competency, and the interaction term of transformational leadership and employee competency were entered in

subsequent steps in our analysis. Table 3 (Step 4) shows that the interaction term was significant and positive ($B = .18, SE = .05, p < .01$). This significant interaction is plotted in Figure 1, the regression slope of the high employee competency group is greater than that of the low employee competency group, representing that employees with high competency would enhance the positive effect of transformational leadership on organizational commitment. The above results support Hypothesis 2 of this study: the positive effect of transformational leadership on organizational commitment in SMEs would be strengthened with greater employee competency.



Hypothesis 3 stated that organizational commitment mediates the interaction between transformational leadership and employee competency on job performance, proposing a “mediated moderation” model. Mediated moderation is demonstrated when the indirect effect of the independent (transformational leadership) on the dependent variable (job performance), via the mediator (organizational commitment), differs in strength across low and high levels of the moderator (employee competency) (Edwards, & Lambert, 2007). Conventional methods of treating mediation and moderation separately suffer from various methodological problems thereby undermining accuracy and utility (Edwards, & Lambert, 2007). Therefore, we examined mediation and moderation simultaneously in one model using multilevel structural equation modeling. First, organizational commitment was regressed on transformational leadership, employee competency, and their product to test the interaction effect of transformational leadership and employee competency on organizational commitment. Second, job performance was regressed on transformational leadership, employee competency, their product, and organizational commitment (see Table 4). Both regression equations were simultaneously estimated in Mplus. Maximum-likelihood estimation was used. We report the chi-square statistic, the comparative fit index (CFI), root mean square error of approximation (RMSEA), and standardized root mean square residual (SRMR). Well-fitting models were defined as those that had a SRMR below .08 and met at least one of the following criteria: RMSEA below .06 or CFI above .95 (Hu, & Bentler, 1999).

The hypothesized model fitted the data well, $\chi^2 = 73.756$; CFI = .942; RMSEA = .051; SRMR = .065. To confirm the hypothesized structure of our model, alternative models were tested. First, employee competency was included as a moderator in the path from organizational commitment to job performance (i.e., second stage moderation). The coefficient for the moderator variable (employee competency x

organizational commitment) was not significant, and this model did not fit the data better than our hypothesized model, $\chi^2= 82.623$; CFI = .931; RMSEA = .049; SRMR = .058. Second, a model including dummies for sector and country fitted worse to the data, $\chi^2= 103.731$; CFI = .856; RMSEA = .065; SRMR = .043. Overall these results support our model.

Results show that employee competency acts as a moderator in the relationship between transformational leadership and organizational commitment ($\beta= .21, p < .01$). A similar interaction pattern occurs as for Hypothesis 2 (see Figure 1). For job performance, results show that both the interaction term of transformational leadership and employee competency ($\beta= .22, p < .01$) and organizational commitment ($\beta= .16, p < .05$) are significantly related to job performance (see Table 4). Then, following suggestions of Edwards and Lambert (2007) and Preacher et al. (2007) we estimated conditional coefficients (i.e., simple effects) for the first stage (path from transformational leadership to organizational commitment), second stage (path from organizational commitment to job performance), direct (path from transformational leadership to job performance), indirect, and total effects across levels of employee competency (see Table 5). As hypothesized, Table 5 shows that the path from transformational leadership to organizational commitment is significant and positive for high to mean scores on employee competency (employee competency = 5: $B = .95, p < .01$; employee competency = 4: $B = .72, p < .01$; employee competency = 3: $B = .47, p < .01$), and nonsignificant for low scores on employee competency (employee competency = 2: $B = .26, ns$; employee competency = 1: $B = .05, ns$). Furthermore, results show a significant indirect effect from transformational leadership to job performance via organizational commitment for high employee competency (employee competency = 5: $B = .09, p < .05$; employee competency = 4: $B = .07, p < .05$), whereas no significant indirect effect is found for the mean and low scores on employee competency (employee competency = 3: $B = .04, ns$; employee competency = 2: $B = .03, ns$; employee competency = 1: $B = .02, ns$), in line with Hypothesis 3. Overall, results support Hypothesis 3.

Differential analysis was performed on the personal background of the respondents of this study to determine whether significant differences existed among transformational leadership, employee competency, organizational commitment and job performance. As shown in Table 2, Age illustrates significant differences in transformational leadership, employee competency, organizational commitment and job performance. Respondents aged between 41 and 50 years of age displayed greater differences in variables that have reached significance, and the differences in most of these respondents were particularly higher than in respondents younger than 30 years of age. The location of enterprises had significant differences in transformational leadership and employee competency. Enterprises located in northern Taiwan had significantly lower differences in variables that have reached significance. Years of service showed significant differences in transformational leadership, employee competency, organizational commitment and job performance. The variables that have reached significance in respondents with less than five years of service were clearly lower.

Table 1. Descriptives, correlations, and reliabilities of the study variables

Variable	<i>M</i>	<i>SD</i>	1	2	3	4	5
1. Industry	1.56	.79					
2. Transformational leadership	3.73	.53	.06	(.82)			
3. Employee competency	3.24	.48	.08	.63**	(.76)		
4. Organizational commitment	3.96	.89	.06	.55**	.09	(.83)	
5. Job performance	3.91	.59	.07	.05	.02	.21**	(.81)

* $p < .05$, ** $p < .01$.

Table 2. One-way ANOVA on age, the location of enterprises, year of service in the variables

	Age	Area	Tenure
Transformational leadership	F = 3.32* 1 < 3	F = 11.12** 1 < 2, 1 < 3	F = 6.08** 1 < 3, 2 < 3
Employee competency	F = 3.85* 1 < 3	F = 4.85** 1 < 3	F = 3.91* 1 < 3
Organizational commitment	F = 5.12** 1 < 3	F = 0.32	F = 9.81** 1 < 2, 1 < 3, 2 < 3
Job performance	F = 4.92** 1 < 3	F = 0.52	F = 8.62** 1 < 3, 2 < 3

Age: 1 = 18-30; 2 = 31-40; 3 = 41-50; 4 \geq 51

Area: 1 = Northern area; 2 = Middle area; 3 = South area

Tenure: 1 \leq 5; 2 = 6-10; 3 = 11-15; 4 \geq 16

* $p < .05$, ** $p < .01$.

Table 3. Multilevel regression results for organizational commitment

Organizational commitment			
Step 1	Industry	.16	(.07)
	R ²	.00	
Step 2	Industry	.12	(.07)
	Transformational leadership	.23*	(.10)
	R ²	.03*	
Step 3	Industry	.08	(.07)
	Transformational leadership	.34**	(.12)
	Employee competency	.08	(.14)
	R ²	.06**	
Step 4	Industry	.07	(.07)
	Transformational leadership	.38**	(.11)
	Employee competency	.16	(.14)
	Transformational leadership x Employee competency	.18**	(.05)
	R ²	.12**	

Notes. B-values are presented, standard errors in parentheses;

* $p < .05$, ** $p < .01$.

Table 4. Results of multilevel path analysis

	Organizational commitment	Job performance
Industry	.17	.23*
Transformational leadership	.27**	.08
Employee competency	.07	.05
Transformational leadership x Employee competency	.21**	.22**
Job performance		.16*
R ²	R ² = .15**	R ² = .23**

Notes. Standardized coefficients are presented; * $p < .05$, ** $p < .01$.

Table 5. Analyses of simple effects

	Stage		Effect		
	First	Second	Direct	Indirect	Total
Employee competency Value (Moderator)					
1	.05(.16)	.08*(.03)	.03(.09)	.02(.01)	.03(.09)
2	.26(.16)	.08*(.03).	.05(.10)	.03(.02)	.07(.10)
3	.47**(.17)	.08*(.03)	.07(.10)	.04(.02)	.13(.10)
4	.72**(.20)	.08*(.03)	.21*(.12)	.07*(.03)	.27*(.12)
5	.95**(.23)	.08*(.03)	.32*(.13)	.09*(.04)	.43**(.13)

Notes. B-values are presented, standard errors in parentheses; * $p < .05$, ** $p < .01$.

Discussion and Managerial Implications

This study represents a contribution to the transformational leadership literature with a mediated moderation model. This model responds to the call for more understanding of the intermediary mechanisms and context in which transformational leaders affect employee performance. Our results demonstrate that for high employee competency, organizational commitment mediated the relationship between transformational leadership and job performance.

We used Cognitive valuation theory (Boal, & Cummings, 1981; Hamner, & Foster, 1975; Phillips, & Lord, 1980; Shalley, 1995) to explain how and when transformational leadership affects job performance, by examining employee competency as a moderator, and organizational commitment as a mediator in this relationship. Different employees would regard transformational leadership as a reward or stressor, depending on their competency. Employees with great competence will consider the transformational leadership behavior of a manager as a sign of support and a reward for their performance, and develop a sense of achievement and confidence in their working environment; and consequently, have stronger organizational commitment. In contrast, employees with inadequate competence may regard the transformational leadership behavior of a manager as a sign of potential stress and control, and worry that they are unable to provide a comparable contribution to the manager or organization, and would feel anxious, frustrated, and stressed; consequently, their commitment to the organization is reduced. Hobfoll (2001)

proposed that people have to invest resources in order to protect against resource loss, gain resources, and recover from losses. Therefore, obtained resources are often reinvested in the organization. In line with this, we expect that employees experiencing high levels of organizational commitment repay the benefits of the obtained resources via persisting in investing effort by job performance (Hobfoll, 2001).

According to the empirical results of this study, transformational leadership has positive effects on organizational commitment; that is, SMEs in Taiwan that implement transformational leadership can effectively enhance employee organizational commitment. Managers can improve their ability in transformational leadership through training and counseling (Radstaak, 2008). Therefore, SMEs are recommended to implement transformational leadership training plans to cultivate leaders with transformational leadership ability, and to promote the implementation of transformational leadership to enhance the organizational commitment and job performance of employees.

Furthermore, the result of this study demonstrates that enterprise location shows significant differences in transformational leadership and employee competency; the differences among enterprises in Northern Taiwan are significantly lower in the variables that have reached significance. An organization's members are found to influence organizational commitment in the process of cultivating the organization's environment (Iverson, & Buttigieg, 1999). The relationship between transformational leadership and organizational commitment differ between regional cultures and industrial environments (Ramachandran, & Krishnan, 2009). Therefore, SMEs are recommended to consider the influences of industrial environment and regional characteristics when implementing transformational leadership.

Hiring and retaining high-performance employees are crucial to enterprise success. High-performance work practices are methods that lead to high personal and enterprise performance. The characteristics of these practices generally include strategies to enhance employees' work motivation, reduce work slack, improve the retention rate of high-performance employees, and establish methods to encourage underperforming employees to leave (Robbins, & Coulter, 2009). Thus, although the study results show that implementing transformational leadership can improve employees' organizational commitment, organizations truly require high-performance or outstanding employees who can generate profit and achievements for the enterprise. Therefore, implementing transformational leadership in the enterprise must be accompanied by simultaneously enhancing employees' abilities. Only under this condition can transformational leadership be meaningful. However, previous studies have indicated that more competent employees have a higher likelihood of changing jobs and moving to workplaces with better employment conditions (Khatri et al., 2001; Steel, & Griffeth, 1989). Therefore, enterprises are often hesitant to train employees. However, the results of this study indicate that implementing transformational leadership can mitigate the issues related to increasing employees' abilities.

As shown in Table 2, the result of this study shows that age and years of service have significant differences in organizational commitment and job performance. The differences among respondents aged 41 to 50 years are significantly higher in variables that have reached significance, and the differences in respondents aged less than 30 years and those with less than five years of service are significantly lower. Age and years of service also show significant differences in employee competency. Similarly, the differences in respondents between 41 and 50 years of age are significantly higher in variables that have reached significance, and the differences in respondents less than 30 years old, and in respondents with less than 5 years of service, are significantly lower. Differences in age and years of service have also been found to affect employee commitment to organizations in different countries and in different working environments (Iqbal, 2010). A study by Gallup Poll showed that only 9 % of employees were devoted to work if the leadership does not value the individual advantages of an organization's members, but this ratio increased to approximately 73 % if leaders prioritize employee advantages (Rath, & Conchie, 2008).

Therefore, SMEs are recommended to focus on the improvement of employee competency as they implement transformational leadership to enhance their organizational commitments and job performance, particularly in the cultivation of younger or less experienced employees.

Although many different views on HRM exist, often-used conceptualizations include high-performance and high commitment HRM, which aim to enhance performance through increasing employee involvement and commitment. These types of HRM systems aim to build long-term relationships with employees by combining HR practices that enhance employees' skills (i.e., training and development), motivation (i.e., appraisal and rewards), and participation in decision making (i.e., self-managed teams and participation) (Kalshoven, & Boon, 2012). McLarty (1999) suggested that SMEs should emphasize the development of more effective basic skills, and stated that employee competency can be strengthened through learning and practice (Noe, 2009). Enterprises frequently enhance employee competency via education and training. Some enterprises implement education and training simply to enhance the employees' ability to complete current tasks; other enterprises cultivate employees to enable them to conduct future tasks. Some programs are only open to elites and the talented, and some education and training programs are standard and general; all arrangements must consider the enterprises' strategies, goals, and expectations for employees. The process of designing the content of education and training is extremely important; requirements are to be evaluated, willingness is to be confirmed, programs are to be designed and implemented, and outcomes are to be evaluated. The evaluation outcomes can be used as references for future education and training. Education and training programs can improve the response abilities of enterprises, enhance the promotion capability of employees, reduce turnover rates, enrich the work safety knowledge of employees, and improve services and products (Noe et al., 2009).

Furthermore, a modern enterprise needs to evaluate comprehensive abilities in employees but not traditional work analysis (Rodriguez, Patel, Bright, Gregory, & Gowing, 2002); some enterprises value the overall capability of applicants when appraising employees (Noe et al., 2009). Enterprises can adopt an occupational competency model for employee selection, career development, performance and salary management, flexibility, transformation, ability analysis, role orientation, succession plans, program design, and integration of human resources to make the work of human resources management more effective (Spencer, & Spencer, 1993; Wood, & Payne, 1998). Therefore, the human resources departments of SMEs are recommended to implement moderate adjustments and to establish a human resource management system based on employee competency.

Study Limitations and Suggestions for Future Research

Organizational commitment is a continuous psychological process; its implications differ with the change and passage of time. In this study, we adopt a cross-sectional approach and do not take the time factor into consideration, and the result may not represent actual conditions; consequently, the issues and relevant considerations may be limited. Employees of SMEs were selected as the subjects of this study. According to the empirical data of this study, enterprise location has significant differences in transformational leadership. Therefore, investigations which focus on the regionalized characteristics, environments, cultures, and atmospheres of organizations or other industries are recommended for future studies.

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