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## Article

The effect of transformational leadership style on employee job satisfaction towards small and medium-sized enterprises (SMEs) in Ho Chi Minh City, Vietnam

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# The Effect of Transformational Leadership Style on Employee Job Satisfaction towards Small and Medium-sized Enterprises (SMEs) in Ho Chi Minh City, Vietnam

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## Abstract

In the era of chaotic changes and competition among enterprises have become increasingly severe, enterprises need to have a good workforce, which is considered as a positive factor to foster success in enterprises. Leadership style becomes so important to cultivate their talents and assist in developing enterprises, not only for big enterprises but also for SMEs. In this paper, the researcher studied the relationship between Transformational Leadership Style (TLS) and Employee Job Satisfaction (EJS). The quantitative approach is used to apply in this study. The data samples assessed were 263 SMEs located in HCMC. It was concluded that TLS affected positively to EJS. Through this paper, management of the SMEs can drawdown to enhance their leadership skills as well as their employees' satisfaction towards the performance of the SME's in the era of international integration.

## Keywords

Transformation leadership, leadership skills, motivation, employee satisfaction, SMEs, Vietnam

**JEL Codes:** J21, J24, J28

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## 1. Introduction

Nagy and Eriksson (2015) stated that in the globalized competitive economy nowadays, many firms attempt constantly to improve their performance and gain competitive advantages with rivals. Besides, firms find it difficult to anticipate their future in the changing era. As a result, firms have to innovate themselves, instigate adjustments quickly and concisely. When Vietnam has joined many international organizations such as WTO, and AFTA, etc. in the era of economic integration, it also created tremendous competition between local enterprises and foreign ones (Vuong and Rajagopal, 2017; Vuong and Rajagopal, 2018). Therefore, Vietnamese firms have been faced with implementing internal changes for managing human resources and strategies, which they need to, improve to keep pace with the new era. According to Nagy and Eriksson (2015), management scores are considered to have a positive and significant association with higher productivity, firm size, profitability, sales growth, market value, and survival so that the role of management becomes very important for the firm's success. The fast and continuous changes are the results of innovation in technology, economics, and administration. The changes are implemented collaboratively from the management board, as well as from the employees of that firm. Moreover, the changing style of leaders in an organization is regarded as one of the most important factors in management procedure (Wehrich *et al.*, 2008; James and Ogbonna, 2013).

Additionally, it is a requirement towards leaders to create new ideas, which are creative and innovative to move their organization for greater excellence in the process of "change management" (Hargreaves *et al.*, 2010; Tengi, 2017). It is imperative for all organizations wanting to remain and improve their position in the highly competitive environment of the global market. Enterprises must consider engaging the services of notable management leaders (Fasola *et al.*, 2013). Therefore, for enterprises must change if they are on the right track for success. A suitable leadership style is very important since leadership is considered as a core component of an organization's success which addresses its vision and objectives (Dlamini *et al.*, 2017). Nowadays, many organizations increasingly focus on developing the transformational leadership style towards their managers. This change leads to getting better organizational performance (Munir *et al.*, 2012). Moreover, Nikezić *et al.* (2012) argues that it becomes an evolutionary path, coexisting with the changes in the environment while the transformational leadership certainly is said to occur as a complex process. This process is based on the individual vision, courage and willingness to learn, openness to followers and values based on the radical changes in the organization and the environment.

Therefore, transformational leadership is focused on changes and the development of each employee's talent, it is imperative for the firms to continually develop and innovate in the current global market. Gomes (2014) regarded the transformational leadership style as a potential influence when it introduced substantial changes to the society and working

environments. Additionally, it justifies the investment in the followers with increased values. Besides, Munir *et al.*, (2012) stated that leadership styles are considered as important organizational antecedents towards employees' job satisfaction. Additionally, leadership is said to have an impact on employees' behavior and commitment, which lead to improving the work climate and knowledge sharing (Orabi, 2016). It is also about having the vision, being able to transform visions into actions that can influence others to perform at higher levels, promote the importance of organizational and interpersonal citizenship behaviors (Fasola *et al.*, 2013). Most of their employees want to learn, develop and increase their dedication to the firm. The leaders' nature is to help them stimulate that potential. The efficiency and development of each organization is highly dependent on the suitable implementation of the human resources (Ahmadi *et al.*, 2015).

Moreover, according to Thanh Nien Newspaper (2018), with the statistics of the SME Association, approximately 600,000 SMEs are occupying 97.5% of total active enterprises and total registered capitals of SMEs are about \$121.00 billion occupying 30% of the total registered capitals of enterprises. SMEs contribute 40% of GDP yearly, 30% of expenditure is handed to the state budget, 33% of industrial output, 30% of exported products, and attracting 60% of workforce, etc. Therefore, the role of SMEs is so important for developing economics and the society of Vietnam and the resulting final analysis needs to have detailed comprehension to enable the required support. Additionally, for Vietnamese enterprises, but specifically for the SMEs, to maintain their current status and to further develop into the new era. Enterprises need to change their management approach. As well, the leaders' capability becomes an instigating factor in affecting the motivation of the employees to work and dedicate to SMEs.

According to Nagy and Eriksson (2015), many management practices were ignored so that they were used to infer the differences in productivity without empirical pieces of evidence. These were evidenced in the positive correlations between management practices and the firms' performance (Nagy and Eriksson, 2015). Therefore, the "change management" of the firm's performance and leadership style is so important for the continued survival and their development. According to Dlamini *et al.*, (2017), excellent leadership is regarded as a mirror, a detector of the enterprise culture and the success or failure of an organization. Additionally, organizational management, particularly towards the human resource, is a vital task to achieve the organization's effectiveness and competitiveness. Moreover, a positive working environment is said to promote leaders to a higher level within their organizations, which can be said to contribute much to organizations' success (Munir *et al.*, 2012). Therefore, leadership style is so important for the development of each firm since transformational leadership has the role to create motivation for employees to work as a team and assist them improve themselves and the quality of their work output. The researcher conducted this paper to study the relationship between transformational leadership with Employee Job Satisfaction to contribute to the development of SMEs in HCMC. Final outcome from study has evidenced it will help SMEs in Vietnam to develop sustainably in job creation, as well as contribute to the prosperity of the Vietnamese economy.

## 2. Literature review

### 2.1. Leadership and its importance

Pradeep and Prabhu (2011) confirmed that many scholars in different fields in the recent years have paid attention and regarded leadership as one of the mainstays for human societies (Shafie *et al.*, 2013). The concept of leadership can be understood in many ways with different opinions, in different contexts. A leader can be the person who can give direction, motivation and assistance to their team to achieve their goals, a powerful person, a supporting person to achieve tasks, one who collaboratively develops the vision, or sometimes the spiritual leader. Given there are diverse situations, each leader has different styles in leadership. The leader's core duties include the strategic vision, responsibility for the allocation of human resources, building the firm culture and making decisions, etc. The offered leadership within an organization has been regarded as a potential area to enhance the organization's performance (Overall, 2015; Orabi, 2016). As a result, leadership is said to have an important role to direct and affect a firm's success.

Nowadays, in a severely competitive global market, organizations should have the competitive advantage if those organizations rely upon their leaders to facilitate the changes and innovations (Pradeep and Prabhu, 2011). It is concluded that effective leadership can have a positive influence on the firms' performance (Maritz, 1995; Bass, 1997; Charlton, 2000, Pradeep and Prabhu, 2011). Therefore, in each firm's success the image of a leader is one of high influence and can manage by influence. As a result, these leaders with these qualities and competencies will see their team members convinced and motivated to complete their tasks with excellence. Moreover, Williams (2009) and Fasola *et al.* (2013) pointed out that leadership is said to create understanding and recognition of a group's undertaking and purpose as well as make employees know beyond their own wants and needs for the good of the company team. Therefore, having the right "frame of mind for their roles" will assist the leaders choose the effective ways to lead their staff. In many functions, the leaders' creating influence is considered as the vital factor for each firm success, the team will need to take on this "mindset" in

understanding this theory thoroughly; “leading by their influence or example, not by their power or position”. Then, they have to transmit, communicate that theory to other subordinate leaders to confirm that importance and bring back the best values for the organization.

## 2.2. Transformational leadership and measurement

According to Fasola *et al.* (2013), transformational leadership has been regarded as the most frequently researched and supported theory over the past two decades due to its demonstrated influence as increasing followers’ positive attitudes, behaviors, and levels of performance. The transformational leadership is said to be a model in the organization’s psychology as well as a subject of extensive research worldwide (Esmi *et al.*, 2017). It is also applied when providing the vision, the mission, and consciousness of the industry or any organization so that it can create a high level of ability and expertise (Fasola *et al.*, 2013).

Besides, transformational leadership is said to occur when leaders motivate, inspiring and stimulating subordinates by behaving in a charismatic manner so that employees will follow to achieve the organization’s goals (Dlamini *et al.*, 2017). New perceptions of the changing leadership styles are considered as the most effective ones with four new dimensions such as influence, inspirational motivation, intellectual stimulation, and individualized consideration (Shafie *et al.*, 2013). Transformational leaders are considered to have the ability to map out the organization’s mission, vision, and goals towards their employees (Dlamini *et al.*, 2017). Therefore, *transformational leaders* create renewed ideas utilizing the old bases by changing fundamental factors in political and cultural systems.

It is fundamentally different for managers who are only required to adjust their management skills since *transformational leaders* are persons who have the responsibility to change the mission, mechanism, and human resources of the organization. The transformational leaders have many skills enabling them to complete tasks, utilizing many methods such as: changing their emotions, values, ethics, standards, and long-term targets of individuals, by bringing up prestige and widening their vision in the whole management process. There are four proposed dimensions by Bass and Avolio (1994), which was cited by Ahmad *et al.* (2014) for the concept of transformational leadership styles such as Idealized Influence, Inspirational Motivation, Individualized Consideration, and Intellectual Stimulation.

Furthermore, according to Nilwala *et al.* (2017), transformational leadership style is said to occur when employees or other staff can communicate and collaborate with the others so that these activities can help and effect leaders and followers raise each another to higher levels of motivation and morality. Leadership style is regarded as the “bench mark” to evaluate how well the leader accomplishes the organization’s goals. Finally, both the private and public business sectors considered leadership as a fundamental scale (Nilwala *et al.*, 2017).

Table 1. A summary of transformational leadership

Author(s)	Definition	Dimensions
1. Bass (1998)	Transformation leadership motivates followers to do more than they originally expected to do	Idealized influence Inspirational motivation Intellectual stimulation Individual consideration
2. Burns (1978)	A way that leaders and followers raise one another to higher level of motivation and morality	Motivation Morality
3. Bass (1985)	Transformational leadership focuses on social values and appears in times of distress and change	
4. Yukl (1999)	Transforming the values and priorities of followers and motivating them to perform beyond their expectations	Motivation Values and priorities of followers Expectations of subordinates
5. Avolio and Bass (2004)	Transformational leaders motivate and inspire followers to achieve extraordinary	Idealized influence Inspirational motivation Intellectual stimulation Individualized consideration
6. Bass and Avolio (1990); Howell and Avolio (1993); Howell and Hall-Merenda (1999)	Those persons who demonstrate four independent and mutually reinforcing attributes that inspire followers and achieve more than expected	Charisma Inspirational motivation Intellectual stimulation Individualized consideration

Source: Nilwala *et al.* (2017)

Table 2. Characteristics of Transformational Leadership

Characteristics	Descriptions
Idealized Influence	Idealized influence emphasizes on a collective sense of mission and values, as well as acting upon these values.
Inspirational Motivation	Inspirational motivation leaders motivate and inspire those around them by providing the meaning and challenge to the followers' work.
Intellectual Stimulation	Intellectual stimulation leaders stimulate the followers' efforts as innovative and creative by questioning assumptions, reframing problems, and approaching old situations in new ways.
Individualized Consideration	Individualized consideration leaders pay special attention to each individual's needs for achievement and growth by acting as a coach or mentor.

**Source:** Munir *et al.* (2012)

### 2.3. Employee Job Satisfaction

There are many different definitions of “employee satisfaction” at work and it usually indicates the emotion or spirit of a human beings. According to Emmanuel and Akonor (2017) employee satisfaction is regarded as an indicator, showing how content an employee is in all his/ her attitude toward their current job. Employee satisfaction will emanate from a good emotional mind-set and a positive attitude evidenced in the workplace.

Besides, employee satisfaction it is said to be the outcome of promotion opportunities in an employee's organization (Awan *et al.*, 2014). In a simple word, employees' satisfaction at work can be understood as a positive level of feelings and behaviours which individuals have towards their work. When employees have higher satisfaction, it means that they like their jobs. When employees have satisfying jobs, they will have better attitudes and behaviours such as; devoting, contributing, being active in learning and developing their jobs. This also increases the general productivity of the firm and helps the firm attain its targets.

### 2.4. The relationship between Leadership styles and Employee Job Satisfaction

According to Munir *et al.*, (2012), in the modern era, the studies towards transformational leadership became very popular among researchers. It is evidenced in today's “new era” it is important that the enterprises retain the most skilled and loyal employees giving the firm a stable workforce, this will have flow on benefits to the firm with considerable costs savings from additional recruitment and training costs, etc. Additionally, there will be decreasing professional errors, the increased trust within the team structure and the creation of a better corporate culture.

According to Lok and Crawford (2004), Munir *et al.* (2012), organizational culture and leadership styles become very important for the organization's antecedents towards job satisfaction. Chew and Chan (2008) as well as Dlamini *et al.* (2017), suggested that employees have committed more when they are supported by appropriate leadership styles and assistance. In today's “new era”, it is paramount to have effective and efficient managers and leaders in every firm to achieve all the organization's development goals. Burnes (2004), Ali and Mohammad (2006), Huczynski and Buchanan (2007), Laohavichien *et al.* (2009) and Munir *et al.* (2012) concluded that the application of transformational leadership's behaviour was said to contribute significantly to an organization's success. Therefore, transformational leadership style and employees' satisfaction have a mutual relationship since transformational leaders also motivate the subordinates to attain their full potential. These leaders are noted for their exceptional skills in conflict management towards the subordinates (Dlamini *et al.*, 2017).

Hoy and Miskel (2008) and Shafie *et al.* (2013) stated that all behaviours of transformational leadership such as individualized consideration, inspiration, intellectual stimulation, and charisma could help provide high-performance. This style of leadership has a significant influence on employee satisfaction and contributes toward the improvement of the business management of the organization. Therefore, it is important that the employees' performance and the firm's commitment with style of leadership are implemented. When leaders have these skills, they will convey motivation and greater aspirations for their employees to perform their tasks with greater productivity and confidence. Transformational leaders are perceived to be good at taking risks since they allow their subordinates to reach their full potential and have faith in their ability to perform their tasks (Shamir *et al.*, 1998; Dlamini *et al.*, 2017). Additionally, job satisfaction is considered to be influenced by further factors such as the firm's effect on job perception and their employees. Therefore, transformational leaders are regarded as a positive effect on the motivation of employees work satisfaction.



### 3. Methodology of research

In this paper, the researcher investigated the relationship among variables. The data was collected from SMEs in HCMC. The initial stage was done by referring the previous studies to have the scales of measurement for the study. The scales of measurement were applied by a sliding five-point Likert scales, (1= strongly disagree) and (5 = strongly agree). The technique of using simple random sampling was applied to have data samples of the study. SMEs in Vietnam are divided into three levels: super small, small, and medium one according to their total financial investment capital (The total capital is equivalent to the total assets which are identified in the balance sheet of the firm accounts) or the average number of employees per year (the total capital is the priority). In this study, the researcher only considered the small and medium-sized enterprises. Based on Item 1, Article 3 of the Decree 56/2009/ND-CP on June 30, 2009, of Vietnamese Government towards the definition of SMEs by each business fields as well as capital or human resources working at the enterprise, the researcher focused on studying enterprises in sales, manufacturing, and services which employ from 10 employees to 300 as the standard to the survey. In the second stage, after having the scales of measurement, the researcher studied and analysed data with the software SPSS 20.0. 263 samples were considered and selected for this study.

#### 3.1. Scale for measuring factors

Table 3. The coded dimensions of transformational leadership and its items

Dimension	Items
<b>Idealized influence (II)</b>	(II1) I make others feel good to be around me.
	(II2) Others have complete faith in me.
	(II3) Others are proud to be associated with me.
<b>Inspirational motivation (IM)</b>	(IM1) I express with a few simple words what we could and should do.
	(IM2) I provide appealing images about what we can do.
	(IM3) I help others find meaning in their work.
<b>Intellectual stimulation (IS)</b>	(IS1) I enable others to think about old problems in new ways
	(IS2) I provide others with new ways of looking at puzzling things.
	(IS3) I get others to rethink ideas that they had never questioned before.
<b>Individualized consideration (IC)</b>	(IC1) I help others develop themselves.
	(IC2) I let others know how I think they are doing
	(IC3) I give personal attention to others who seem rejected.

Source: [http://alrestivo.com/Downloads\\_files/Multifactor%20Leadership%20Questionnaire.pdf](http://alrestivo.com/Downloads_files/Multifactor%20Leadership%20Questionnaire.pdf)

Table 4. Scales of measurement for factor Employee Satisfaction

Dimension	Items
Employee Job Satisfaction	(EJS1) I can see a clear link between my work and the company's goals & objectives.
	(EJS2) My leader inspires me to do my best work.
	(EJS3) My leader helps me to complete my work.
	(EJS4) My leader lives the core values of the company.
	(EJS5) I have confidence in the leadership of my company
	(EJS6) I am satisfied with my salary.

#### 3.2. Theoretical Framework of this study

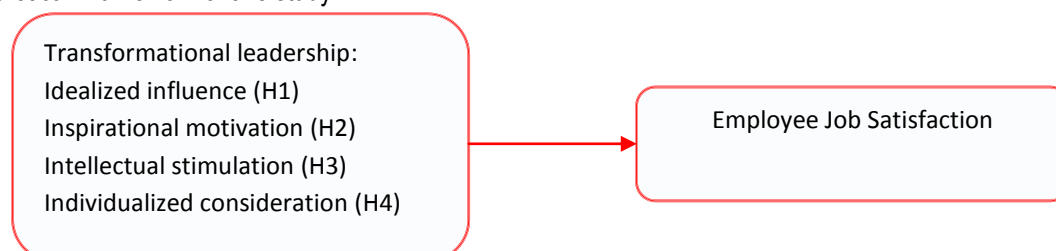


Figure 1. Theoretical Framework of this study

## 3.3. Data analysis

## Analysing Cronbach's Alpha

Table 5. Result of analyzing Cronbach's Alpha

Factors	Cronbach's Alpha
Idealized influence (II)	0.669
Inspirational motivation (IM)	0.666
Intellectual stimulation (IS)	0.619
Individualized consideration (IC)	0.739
Employee Job Satisfaction (EJS)	0.813

Resulting from Table 5, it is evidenced that all coefficients of Cronbach's Alpha exceeded 0.6. Therefore, the scales of measurement shown good reliability and the research data has met requirements the analysis standards. The researcher continued to analyze EFA, the collected results also meets the standard. The coefficient of Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) was 0.890 ( $>0.5$ ) and Barlett's Test of Sphericity had the statistical meaning (Sig.=0.000); and Average Variance Extracted was 57.256%, which has met the requirement of statistics. All variables were separated into individual groups, loading factors was above  $>0.3$ , which presents a meaningful contribution of each factor. Resulting from the analysis of the EFA, the outcome shows (4) analyzed independent factors that have relevant statistical meanings and there have been no factors or observed variables removed.

Table 6. Descriptive Statistics

Descriptive Statistics			
	N	Mean	Std. Deviation
II	263	3.6020	.55911
IC	263	3.4867	.54692
IM	263	3.3194	.57534
IS	263	3.6413	.53878
EJS	263	3.5982	.46911
Valid N (listwise)	263		

Table 7. Result of regression analysis

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.741 <sup>a</sup>	.549	.542	.31740
a. Predictors: (Constant), IS, IC, IM, II				
b. Dependent Variable: EJS				

From table 6, the Descriptive Statistics showed that there were 263 analyzed data samples and coefficients of means ranked from 3.3194 to 3.6413. Table 7 also showed that Adjusted R Square ( $R^2$ ) was 54.2%. As a result, it can be seen that the style of transformational leadership affected positively to all employee job satisfaction. This opinion is also the same as Munir *et al.*, (2012), the transformational leadership style was said to have a significantly strong to large and positive relationship with employee job satisfaction. Additionally, transformational leaders motivate the subordinates to reach their full potential, allowing leaders to manage conflict among their subordinates (Dlamini *et al.*, 2017). Moreover, leadership can communally influence on the behavior and commitment of employees that led to improve the working environment and knowledge sharing (Orabi, 2016). The final outcome from the evidence and related studies, it can be confirmed, that increasing transformational leadership quality has a positive flow on effect thus increasing the employee's satisfaction when they are in the workplace. Additionally, it will help SME enhance its performance and its business management issues.

Table 8. The Coefficients

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.823	.160		5.151	.000		
	II	.155	.044	.185	3.498	.001	.623	1.605
	IC	.142	.044	.165	3.243	.001	.673	1.485
	IM	.196	.042	.240	4.635	.000	.653	1.532
	IS	.294	.049	.338	5.963	.000	.544	1.839
a. Dependent Variable: EJS								

#### 4. Results

Multiple regression analysis is evidenced in Table 8 showing the P-values < 0.05 of factors such as II, IC, IM, IS. Therefore, hypotheses (H1, H2, H3, and H4) is supported. The coefficient of VIF was <2, so that there was no collinearity. Additionally, the highest contributing factor to Employee Job Satisfaction (EJS) was Intellectual stimulation (IS) with  $\beta = 0.338$ . The secondary factor to effect on EJS was Inspirational motivation (IM) with  $\beta = 0.240$ . The third factor affecting positively to EJS was Idealized influence (II) with  $\beta = 0.185$ . Fourthly, the factor affecting most to EJS was Individualized consideration (IC) with  $\beta = 0.165$ .

#### 5. Conclusions and recommendations

In general, it could be concluded that the transformational leadership style has a positive significant and large influence on Employee Job Satisfaction (EJS) in SMEs in Ho Chi Minh City. It is evidenced from these findings, the characteristics of transformational leadership affected positively to Employee Satisfaction (EJS). As a result, the most positive factor effecting EJS was Intellectual stimulation (IS). The second factor to EJS was Inspirational motivation (IM). The third factor to EJS was Idealized influence (II). The fourth factor was EJS was Individualized consideration (IC).

*Recommendations:* In conclusion from the data analysis, it can be said that the characteristics of transformational leadership affected positively to employee job satisfaction. These findings will indicate that leaders of SMEs should have a good leadership skills since transformational leadership in a fast-changing era in order to inspire; creativeness, innovation, desire for employees to reach the SMEs' expectations. This flow on effect allows them to work more enthusiastically, effectively and contribute more to development of the firm.

Besides, leaders will be more flexible utilizing transformational leadership style with their team thus displaying more team motivation to discover their customers' needs and expectations. It means that employees will have a greater understanding of their customer needs and give them satisfaction. The flow on effect will be; to reduce the costs of marketing and increase the effectiveness of gaining new customers. Simultaneously when working at the SME; they create a good relationship with employees when revising and or adjusting some situations to the employees' expectations. Additionally, leaders with a transformational leadership style should provide good communication throughout the discussion, their ability to listen to the team's opinions and to participate in all aspects of decision makings. If employees cannot resolve the issues, the leaders will have the final judgement. The leaders will provide; instructions, create motivation, encourage and inspire the staff to have more motivation to work. Additionally, the excitement, enthusiasm, and confidence of a leader with transformational leadership style will be instilled and flow positively into their employees to align their thinking with the Leader. When employees are aligned and understand the problems, leaders with TLS should step back to observe and give the opportunity for employees to grow and develop at work.

Furthermore, the transformational leadership style of SMEs managers should make the subordinate perceive the importance of their work towards the enterprise. Transformational managers make their subordinates perceive their personal needs to develop themselves and finish their tasks effectively. If employees implement those tasks effectively they will attain their targets successfully and this will allow the employee to consider their job important thus making them satisfied with their jobs. The employees will then be able to give high quality and better services to clients, exceed their clients' expectations. Additionally, the flow on effect will enhance and grow the firm's reputation and brand. The transformational leadership style will enhance the dedication of the employee; this will also be evidenced in HCMC SMEs to develop more, enhancing their competitive advantage in the international integration context.

Moreover, the leader has the responsibility to create the firm's values, to compete effectively in the competitive environment and to promote sustainably. Individual leaders who wish to reach their goals have their own way to reach success. However, in this study, the researcher collected data and analysed the role of transformational leadership style affecting Employee Job Satisfaction in SMEs in Ho Chi Minh. Therefore, once again, it can be confirmed that with transformational leadership style leaders of SMEs in Ho Chi Minh City can create values for their firms. Leaders with this style will promote employee job satisfaction. This style of working environment will promote a unified team encompassing all levels.

Additionally, transformational managers will create motivation, encourage, and inspire the subordinates to work positively for the general benefits of the whole firm and each individual. It will be perceived that subordinates with transformational leadership style will gain credibility and motivation from their leaders and assist with the SMEs attaining their goal and objectives. Furthermore, utilizing the transformational leadership style, the employee will gain; attraction, excitement, and enthusiasm to transfer the message of their visions to employees and communicate clearly for their staff.

Furthermore, good leaders will gain a greater understanding of their strength and weakness to enable good business planning for the enterprise. The transformational leaders will share information with their subordinates enabling the



perception of issues, satisfying the changing needs, creation and stimulation of their subordinates' knowledge so that they can promote their current potential and talents. The subordinates can recognize problems in their group more confidently and openly as well as gaining motivation more effectively. Other gains are realized within the internal divisions of SMEs aligning with the managers' vision. Meanwhile, the subordinates will gain perception of issues and accept the "change management" with a motivated response. The employee will gain intelligent stimulation and creativity from the transformational leadership style.

The leaders with transformational leadership style will act as a role model in the new era for employees to attain or in other words, they have the role of promoting inspiration for a community of SMEs. It is evidenced when the transformational leadership style is applied in management, the flow on effect will make the SME teams perceive problems more effectively and offer solutions and development through new ways and opinions that align with the leaders' vision. The leaders' transformational styles will enhance the subordinate perception of problems allowing the easy acceptance and integration of the new direction. Some new enhancements to their working environment can be major challenges to themselves as well as to the workplace targets, plans or even opportunities from the market in the context of international integration of Vietnam. Therefore, the researcher recommended that administrators of SMEs as well as researchers use this paper to study and apply to improve employee satisfaction in HCMC, Vietnam.

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