

Driving Change Readiness in Malaysian SMES: The Roles of Self-Efficacy, Transformational Leadership, and Organisational Culture

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Abstract

In today's dynamic business landscape, small and medium enterprises (SMEs) must cultivate readiness for organisational change to remain resilient and competitive. This study investigates factors influencing employee readiness for change within SMEs in Klang Valley, Malaysia, focusing on self-efficacy, transformational leadership, and effective communication. Additionally, it examines the role of employee engagement as a mediator in the relationship between leadership and change readiness and organisational culture as a moderator for self-efficacy and communication. Using a quantitative approach, data were collected from 384 SME employees and analysed with Partial Least Squares Structural Equation Modeling (PLS-SEM). Results reveal that self-efficacy, leadership, and communication significantly impact readiness for change, with employee engagement and organisational culture enhancing these relationships. The study's findings underscore the importance of fostering a supportive culture, transparent communication, and confidence-building practices to prepare employees for change. These insights offer practical strategies for SME leaders to boost adaptability, align employee attitudes with organisational goals, and promote resilience in a rapidly evolving business environment.

Keywords: Change Readiness, Transformational Leadership, Self-Efficacy, Employee Engagement, SMES

Introduction and Background

Adaptability is an essential competency in today's fast-paced and unpredictable business environment. For small and medium enterprises (SMEs), which often operate with constrained resources, intense competition, and economic pressures, navigating change is essential for survival and growth (Akanji, Adebayo, & Olufunmilayo, 2020). In Malaysia, SMEs form the backbone of the economy, representing 98.5% of all business establishments and contributing 37.4% to GDP, 48% to employment, and 17.3% to exports (SME Corporation Malaysia, 2022). However, these enterprises are increasingly exposed to disruptive

technological advancements, evolving consumer expectations, and global market volatility. The COVID-19 pandemic further highlighted the vulnerability of SMEs, particularly in Malaysia, where many faced operational disruptions, declining revenues, and increased pressure to adopt digital technologies (OECD, 2021). These challenges underscore the pressing need for Malaysian SMEs to develop organisational change readiness as a strategic enabler of resilience and competitiveness.

Organisational change readiness, defined as employees' psychological and behavioural preparedness to support and implement change initiatives, has emerged as a critical factor for successful transformations (Wang, Zhang, & Yang, 2021). In the SME context, where every employee's contribution holds significant weight due to lean structures, fostering change readiness is paramount. Change readiness mitigates resistance, improves employee engagement, and enhances the likelihood of successfully implementing organisational initiatives (Cummings & Worley, 2018; Vakola, 2014). These capabilities are particularly important for Malaysian SMEs given the government's push for digitalisation under initiatives like the National SME Digitalisation Initiative and the emphasis on post-pandemic recovery strategies to strengthen business resilience (SME Corporation Malaysia, 2022).

Despite the clear importance of change readiness, a significant gap exists in understanding how specific organisational and individual factors influence this construct in the Malaysian SME context. Existing research predominantly focuses on large organisations or Western contexts, where resources, organisational culture, and leadership styles differ significantly from SMEs in Malaysia. Malaysian SMEs are unique in their structure, often characterised by close-knit teams, hierarchical decision-making, and culturally rooted practices that influence employee attitudes toward change (Zainol, Daud, & Nordin, 2021). This distinctiveness warrants a deeper exploration of how self-efficacy, transformational leadership, and organisational culture shape change readiness in this context.

Self-efficacy, which refers to an individual's belief in their ability to navigate change successfully, is a key predictor of positive attitudes and behaviours during organisational transitions (Bandura, 1997). Employees with high self-efficacy are more likely to embrace change, perceive challenges as opportunities, and contribute actively to change initiatives (Muafi & Siswanti, 2019). However, research on self-efficacy in Malaysian SMEs remains limited, particularly in understanding how it interacts with leadership and cultural dynamics to influence change readiness.

Transformational leadership, which inspires trust, articulates a compelling vision and supports employees, has been shown to play a crucial role in fostering change readiness (Al-Hussami, 2017; Cummings & Worley, 2018). In Malaysia, leadership styles are often influenced by cultural dimensions such as collectivism and power distance, which may affect how transformational leadership is perceived and implemented (Hofstede, 2001). This study seeks to fill the gap by examining the role of transformational leadership within the Malaysian SME context, providing insights into how culturally attuned leadership practices can drive change readiness.

Organisational culture also significantly influences change readiness, shaping employee perceptions, attitudes, and behaviours. A culture that supports learning, collaboration, and

innovation can enhance adaptability and reduce resistance to change (Kotter & Heskett, 1992). Malaysian SMEs often operate within a hybrid cultural framework that blends traditional values with modern business practices, creating unique challenges and opportunities for fostering change readiness. Understanding the moderating role of organisational culture in Malaysian SMEs can provide practical insights for tailoring change management strategies.

This study contributes to both theory and practice by addressing these gaps. Theoretically, it extends the understanding of change readiness by integrating self-efficacy, transformational leadership, and organisational culture within the SME context, focusing on Malaysia's unique cultural and structural dynamics. It also adds to the literature on employee engagement as a mediator, highlighting how engaged employees act as catalysts for organisational change. Practically, this research offers actionable insights for SME leaders, policymakers, and practitioners in Malaysia. By identifying key drivers of change readiness and understanding their interactions, the findings can inform the design of targeted interventions, such as leadership development programs, employee training, and cultural alignment initiatives. These insights are critical for Malaysian SMEs striving to navigate digital transformation, global competition, and post-pandemic recovery challenges.

Moreover, this research aligns with Malaysia's strategic priorities, such as achieving high-income nation status and strengthening SME contributions to economic growth. By fostering a change-ready workforce, SMEs can enhance competitiveness and contribute to broader national development goals. This underscores the practical utility of the study, as it provides a roadmap for SMEs to build resilience, drive innovation, and sustain growth in an increasingly complex business environment. In summary, this study investigates employee readiness for change among SME employees in Malaysia's Klang Valley, focusing on the roles of self-efficacy, transformational leadership, and organisational culture. By exploring these dynamics, the research provides a comprehensive framework for understanding and enhancing change readiness in Malaysian SMEs, bridging theoretical gaps and offering practical solutions for real-world challenges.

Literature Review

Change readiness is essential for successful organisational transformation, defined as employees' psychological and behavioural preparedness to embrace change, significantly impacting the likelihood of a smooth transition (Vakola, 2014). This concept is particularly relevant to Malaysian small and medium enterprises (SMEs), representing 98.5% of business establishments and contributing significantly to employment and economic growth (SME Corporation Malaysia, 2022). However, SMEs face unique challenges such as resource constraints, structural rigidity, and heightened vulnerability to external disruptions like the COVID-19 pandemic (Akanji, Adebayo, & Olufunmilayo, 2020). The Organisation for Economic Co-operation and Development (OECD, 2021) emphasises the urgent need for Malaysian SMEs to enhance adaptability through digital transformation and employee resilience, making change readiness a critical study area. This research explores the factors influencing change readiness in Malaysian SMEs, addressing gaps in the existing literature and providing insights tailored to this vital sector.

Key factors influencing change readiness include self-efficacy, leadership, communication, employee engagement, and organisational culture. Self-efficacy, or employees' belief in their capacity to manage change, has promoted positive attitudes toward organisational transformation (Bandura, 1997; Muafi & Siswanti, 2019). Transformational leadership fosters trust, reduces resistance, and inspires employees to align with change objectives (Al-Hussami, 2017; Baharudin, Rafik-Galea, & Abdul Hadi, 2020). Moreover, communication is important, as clear and transparent messaging helps reduce ambiguity, build trust, and engage employees effectively (Kitchen & Daly, 2002; Nordin & Rafik-Galea, 2021). Culturally sensitive communication strategies in Malaysian SMEs are especially important to ensure employee alignment with organisational goals.

Additionally, employee engagement and organisational culture significantly influence change readiness. Engaged employees are more likely to adopt proactive behaviours and embrace change positively, which is particularly critical in resource-constrained SMEs (Schaufeli, Bakker, & Salanova, 2006; Asbari, Wijayanti, & Hyun, 2021). A supportive organisational culture that fosters innovation, learning, and adaptability enhances readiness by creating an environment conducive to transformation (Denison & Mishra, 1995; Zainol, Daud, & Nordin, 2021). Despite these insights, much of the existing research focuses on larger organisations or Western contexts, overlooking the unique challenges SMEs face in Malaysia. This study addresses these gaps, providing theoretical and practical contributions by exploring how these factors collectively shape change readiness in Malaysian SMEs, thereby equipping practitioners with actionable strategies for enhancing adaptability.

Self-Efficacy and Change Readiness

Self-efficacy, a concept introduced by Bandura (1997), refers to an individual's belief in their ability to perform tasks or manage new challenges successfully. Self-efficacy has been widely studied to predict individual attitudes and behaviours, particularly in response to change. Research suggests that employees with high self-efficacy perceive change as an opportunity rather than a threat, which positively influences their readiness to adapt to new processes or structures (Judge, Thoresen, Pucik, & Welbourne, 1999; Karkoulian, Assaker, & Hallak, 2019). Within SMEs, where adaptability is crucial, self-efficacy can empower employees to view change as a manageable task rather than a disruptive force (Muafi & Siswanti, 2019).

Studies indicate that organisational culture can moderate the impact of self-efficacy on change readiness. A culture that promotes learning, resilience, and innovation can enhance employees' confidence in handling change, further amplifying the positive effect of self-efficacy on readiness for change (Asbari, Wijayanti, & Hyun, 2021). This study hypothesises that self-efficacy will positively influence change readiness within Malaysian SMEs and that this relationship will be strengthened in supportive organisational cultures (Bandura, 1997; Sahi, Mahajan, & Malhotra, 2021).

Hypotheses:

- H1:** Employee self-efficacy positively influences readiness for organisational change in SMEs in Klang Valley, Malaysia
- H2:** Organisational culture positively moderates the relationship between employee self-efficacy and readiness for organisational change in SMEs, strengthening the positive impact of self-efficacy on change readiness.

Leadership as a Catalyst for Change Readiness

Transformational leadership is critical to organisational change readiness, particularly in SMEs. Transformational leaders inspire employees, communicate a compelling vision, and create an environment of trust and support, essential for fostering readiness for change (Cummings & Worley, 2018). According to Al-Hussami (2017), transformational leadership positively influences employees' attitudes toward change by reducing uncertainty, motivating engagement, and fostering alignment with organisational goals. Leaders play an instrumental role in shaping employees' perceptions of change, especially in SMEs, where leaders are often closely involved in daily operations and employee development.

Employee engagement is a mediating factor in the relationship between leadership and change readiness. Engaged employees—those who are emotionally connected and committed to their roles—are more likely to support organisational change, which can amplify the effects of transformational leadership on change readiness (Wulandari, Wijayanti, Hyun, & Santoso, 2020). For SMEs, which often rely on tight-knit teams, transformational leadership can foster a culture of inclusivity and motivation that enhances employee engagement. This study posits that transformational leadership positively affects change readiness, as mediated by employee engagement (Burnes & Jackson, 2011; Hartini, 2017).

Hypotheses:

- H3:** Transformational leadership positively influences employee readiness for organisational change in SMEs in Klang Valley, Malaysia.
- H4:** Employee engagement mediates the relationship between transformational leadership and readiness for organisational change in SMEs, where transformational leadership increases engagement, enhancing change readiness.
- H5:** Employee engagement positively influences readiness for organisational change, acting as a mediating variable between transformational leadership and change readiness.

Effective Communication and Change Readiness

Communication is essential in preparing employees for change, particularly within SMEs, where transparency and clarity are often crucial to maintaining trust. Effective communication strategies involve clarifying change initiatives' purpose, benefits, and outcomes, helping employees understand what to expect and addressing any concerns they may have (Kitchen & Daly, 2002; Hartini, 2017). Research suggests that when employees understand the reasoning behind changes, they are more likely to exhibit positive attitudes and support the change process (Akanji et al., 2020).

The role of organisational culture in moderating the relationship between communication and change readiness is particularly relevant in the SME context. Cultures that value openness and transparency enable more effective communication strategies, fostering a positive attitude toward organisational change (Kitchen & Daly, 2002; Sridharan, 2022). This study hypothesises that effective communication will positively influence change readiness among SME employees and that this relationship will be amplified in organisational cultures prioritising openness and transparency.

Hypotheses:

H6: Effective communication positively influences employee readiness for organisational change in SMEs in Klang Valley, Malaysia.

H7: Organisational culture positively moderates the relationship between effective communication and readiness for organisational change, where open and transparent cultures amplify the positive impact of communication on change readiness.

Employee Engagement as a Mediator in Change Readiness

Employee engagement has been extensively studied as a critical factor influencing organisational performance and change readiness. Engaged employees are more likely to be aligned with organisational goals and exhibit a proactive attitude toward change, essential for SMEs striving to implement new processes effectively (Wulandari et al., 2020). Engagement fosters a sense of belonging and motivation, which reduces resistance and promotes a willingness to support organisational change initiatives (Burnes & Jackson, 2011). In this study, employee engagement is posited as a mediator that strengthens the influence of transformational leadership on change readiness.

According to research, engaged employees are more receptive to change when they feel valued and supported by leadership, as they trust that the change aligns with organisational and personal goals (Judge et al., 1999; Karkoulian et al., 2019). This study's exploration of employee engagement as a mediating variable underscores its significance for Malaysian SMEs, where transformational leadership practices are likely to drive higher levels of engagement and, consequently, change readiness.

Organisational Culture as a Moderator in Change Readiness

Organisational culture refers to the shared beliefs, values, and practices that shape employees' attitudes and behaviours. A supportive organisational culture that values adaptability, openness, and learning can amplify the effects of self-efficacy and communication on change readiness. Such cultures create an environment where employees feel secure in their roles and capable of handling new challenges, enhancing their confidence and willingness to engage with change initiatives (Asbari et al., 2021; Nordin & Rafik-Galea, 2021).

Research indicates that supportive organisational cultures are essential in SMEs, where resources for formal training and structured change management may be limited (Cummings & Worley, 2018). By moderating the effects of self-efficacy and communication, a supportive culture can create a conducive environment for change, reinforcing employees' belief in their abilities and reducing the likelihood of resistance (Sridharan, 2022). This study posits that organisational culture will mediate the relationships between self-efficacy, communication, and change readiness.

Figure 1 is a representation of the conceptual framework. In this framework, employee engagement mediates the relationship between leadership and change readiness, while organisational culture moderates the effects of self-efficacy and communication on change readiness. This structure supports the notion that personal and organisational factors interact dynamically to influence how ready employees feel to embrace change within SMEs in Klang Valley.

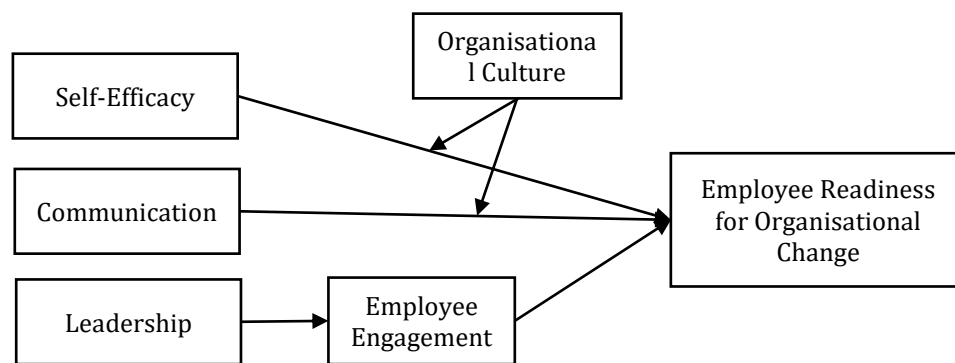


Figure 1: Conceptual Framework for Employee Readiness for Organisational Change

Research Methodology

This study investigates factors influencing employee readiness for organisational change among SMEs in Klang Valley, Malaysia. Specifically, it examines the effects of self-efficacy, transformational leadership, and communication on change readiness. Additionally, it explores the mediating role of employee engagement in the relationship between transformational leadership and change readiness and the moderating role of organisational culture on the relationships between self-efficacy, communication, and change readiness. The following sections detail the sampling approach, data collection process, survey instrument, and data analysis techniques utilised in this study.

Sample and Data Collection

The target population for this study consists of employees from SMEs in Klang Valley, Malaysia, across various sectors, including technology, manufacturing, retail, and services. SMEs were chosen as the focus due to their critical role in Malaysia's economy, comprising 98.5% of all business establishments and contributing significantly to national GDP and employment (SME Corporation Malaysia, 2022). Klang Valley was selected because it is one of Malaysia's most economically vibrant and densely populated regions, with a high concentration of SMEs operating in diverse industries (Yusof, 2022).

To determine the appropriate sample size, this study applied Krejcie and Morgan's (1970) formula, widely used to calculate sample size in behavioural research. A target sample of 384 respondents was set to ensure statistical power and generalizability of findings across the SME sector. Stratified random sampling was used to ensure representation across different industries and job levels, as employees' experiences and attitudes toward organisational change may vary based on their roles and sectors (Babbie, 2021). By stratifying the sample, this study aimed to capture perspectives from employees at various levels, ranging from entry-level to management positions, thereby achieving a comprehensive view of change readiness within SMEs.

Data collection was conducted through an online survey, which offered logistical advantages and allowed efficient distribution to respondents in different geographic locations within Klang Valley. The survey was distributed via email and company intranets, with respondents encouraged to complete the survey within two weeks. A reminder email was sent to participants who had not responded after the first week to maximise response rates. Given the potentially sensitive nature of survey topics related to change readiness, job security, and

engagement, participants were assured of the confidentiality and anonymity of their responses. Participation was voluntary, and informed consent was obtained from all respondents before they accessed the survey.

Survey Instrument and Measures

The survey instrument measured key constructs: self-efficacy, transformational leadership, effective communication, organisational culture, employee engagement, and change readiness. The items for each construct were adapted from previously validated scales to ensure reliability and validity. Each item was rated on a 5-point Likert scale, ranging from “strongly disagree” (1) to “strongly agree” (5), allowing for nuanced responses and capturing varying levels of agreement or disagreement with each statement. Self-Efficacy was measured using items adapted from Bandura’s (1997) Self-Efficacy Scale, which captures an individual’s belief in their ability to handle challenges and perform tasks effectively. This construct included items assessing employees’ confidence in their ability to adapt to new roles and tasks during organisational changes. Next, Transformational Leadership was measured using items from the Multifactor Leadership Questionnaire (MLQ) developed by Bass and Avolio (1995). These items focused on leadership behaviours that inspire, motivate, and build trust within employees, which are essential for fostering a positive attitude toward change. This construct assesses leaders’ abilities to communicate a clear vision and provide consistent support, essential for creating a conducive environment for change readiness (Cummings & Worley, 2018).

Communication was assessed using items adapted from Kitchen and Daly’s (2002) framework for effective communication during change management. These items focused on clarity, transparency, and consistency in communication, particularly in explaining change initiatives’ purpose, benefits, and expected outcomes. Effective communication is essential for minimising uncertainty and enhancing employees’ understanding and acceptance of change (Hartini, 2017). Next, Employee Engagement was measured using items adapted from the Utrecht Work Engagement Scale (UWES) by Schaufeli, Bakker, and Salanova (2006). This scale captures how employees feel emotionally connected, motivated, and committed to their organisation. Since engagement is posited as a mediator between transformational leadership and change readiness, the items focused on how employees’ engagement levels influence their support for change initiatives.

Organisational Culture was measured using items based on Denison and Mishra’s (1995) framework, which emphasises the role of supportive and transparent cultures in fostering employee adaptability. These items assessed cultural attributes such as openness, transparency, and support, which are expected to moderate the relationships between self-efficacy, communication, and change readiness (Asbari, Wijayanti, & Hyun, 2021). Next, Change Readiness was assessed using items adapted from Vakola’s (2014) scale for individual readiness for organisational change. This construct measured employees’ psychological and behavioural preparedness to embrace organisational change. The items focused on employees’ openness, motivation, and perceived ability to adapt to new structures, processes, or roles within the organisation. Before full-scale data collection, a pilot test of the survey instrument was conducted with a small group of 30 respondents to ensure the clarity and relevance of the items (Fink, 2019). Feedback from the pilot test was used to make minor

adjustments to the wording of several items, which improved the instrument's readability and ensured its suitability for the target population.

Data Analysis

Data were analysed using Partial Least Squares Structural Equation Modeling (PLS-SEM) through SmartPLS 4 software, a robust variance-based SEM tool well-suited for exploratory research and complex models involving multiple variables, paths, and interactions (Hair, Hult, Ringle, & Sarstedt, 2017). PLS-SEM was selected due to its ability to assess direct and indirect relationships, which aligns with the study's objectives of examining mediating and moderating effects (Chin, 2010). This approach is precious in studies with complex relationships and when data do not follow a normal distribution, as is often the case with survey-based research in social sciences (Fornell & Larcker, 1981).

The data analysis procedure involved three primary stages:

Measurement Model Assessment: The first stage focused on assessing the reliability and validity of the measurement model. Internal consistency was verified using Cronbach's alpha and composite reliability (CR) values, with scores above 0.70 considered acceptable for each construct (Nunnally & Bernstein, 1994). Convergent validity was assessed using Average Variance Extracted (AVE), where values above 0.50 were deemed acceptable, indicating that the items for each construct converged well (Hair et al., 2017). Discriminant validity was evaluated using the Fornell-Larcker criterion and the Heterotrait-Monotrait (HTMT) ratio to ensure that constructs were sufficiently distinct (Henseler, Ringle, & Sarstedt, 2015).

Structural Model Assessment: After validating the measurement model, the second stage assessed the structural model to test hypothesised relationships. Path coefficients, t-values, and p-values were examined to determine the strength and significance of relationships among constructs. Bootstrapping with 5,000 resamples was performed to generate standard errors and confidence intervals for hypothesis testing (Chin, 2010). R-squared values were calculated for each endogenous variable to assess the model's explanatory power, with higher R-squared values indicating a stronger model fit (Hair et al., 2017).

Hypothesis Testing for Mediating and Moderating Effects: The third stage involved testing for mediating and moderating effects within the model. Employee engagement was posited as a mediator between transformational leadership and change readiness, and this was assessed using indirect path analysis in SmartPLS. The significance of the indirect paths was analysed to confirm whether engagement amplified the positive effect of leadership on change readiness (Baron & Kenny, 1986). For moderation analysis, the interaction effects of organisational culture on the relationships between self-efficacy and change readiness and between communication and change readiness were tested by adding interaction terms to the model. The significance levels and changes in R-squared values were examined to assess the moderating influence of organisational culture (Hair et al., 2017).

Additionally, multi-group analysis (MGA) was conducted to explore potential differences across demographic subgroups such as age, tenure, and department. This analysis provided insights into whether the relationships held consistently or varied between subgroups,

allowing for more nuanced interpretations of the findings and the development of tailored change management strategies (Sarstedt, Henseler, & Ringle, 2011).

Results

The analysis of the data collected from 384 SME employees in Klang Valley was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4 software. This section presents the findings of the study across three stages: descriptive statistics, measurement model assessment, and structural model assessment. Additionally, the results of the mediating and moderating analyses are reported to evaluate the hypotheses concerning self-efficacy, transformational leadership, communication, employee engagement, and organisational culture in predicting change readiness.

Descriptive Statistics

Descriptive statistics were calculated to provide an overview of the levels of self-efficacy, transformational leadership, communication, employee engagement, organisational culture, and change readiness among respondents. The mean scores for each construct indicate high levels of agreement among employees regarding the importance of these factors in their readiness for organisational change. Specifically, communication had the highest mean score, suggesting that employees view transparent and effective communication as essential in understanding and supporting change initiatives. Self-efficacy and leadership also scored highly, highlighting their perceived relevance in preparing employees for change.

Table 1 provides the mean and standard deviation values for each construct. The high mean scores across constructs suggest that respondents generally feel confident in their ability to engage with change, supported by strong leadership and clear communication within their organisations. These initial findings underscore the importance of leadership, communication, and self-efficacy in fostering an environment conducive to change readiness in SMEs.

Table 1

Descriptive Statistics

Construct	Mean	Standard Deviation
Self-Efficacy	4.02	0.64
Transformational Leadership	4.12	0.58
Communication	4.21	0.52
Employee Engagement	4.07	0.61
Organisational Culture	3.98	0.65
Change Readiness	4.08	0.60

Measurement Model Assessment

The measurement model assessment confirmed each construct's reliability and validity based on the internal consistency, convergent validity, and discriminant validity criteria. Internal consistency was measured using Cronbach's alpha and composite reliability (CR), with both indicators exceeding the recommended threshold of 0.70 for all constructs, thereby confirming satisfactory reliability (Nunnally & Bernstein, 1994). For instance, the CR values for self-efficacy, transformational leadership, communication, employee engagement, organisational culture, and change readiness were above 0.80, indicating strong internal consistency.

Convergent validity was assessed using Average Variance Extracted (AVE), with each construct achieving AVE values greater than 0.50, confirming that the items adequately represent the constructs (Hair, Hult, Ringle, & Sarstedt, 2017). For example, the AVE for communication was 0.72, while transformational leadership achieved an AVE of 0.68, supporting convergent validity.

Discriminant validity was examined through the Fornell-Larcker criterion and the Heterotrait-Monotrait (HTMT) ratio. The Fornell-Larcker criterion requires that the square root of the AVE for each construct is greater than the correlations between constructs, which was met in this study. The HTMT values were also below the threshold of 0.90, confirming discriminant validity and ensuring that each construct is unique and distinct (Henseler, Ringle, & Sarstedt, 2015). These results confirm the appropriateness of the measurement model for subsequent structural model assessment.

Structural Model Assessment

The structural model assessment tested the hypothesised relationships between constructs, including the direct, mediating, and moderating effects. Path coefficients, t-values, and p-values were examined to determine the significance and strength of each hypothesised relationship, and bootstrapping with 5,000 resamples was used to generate confidence intervals for hypothesis testing (Chin, 2010).

Self-Efficacy and Change Readiness: The path coefficient for the relationship between self-efficacy and change readiness was significant ($\beta = 0.62$, $t = 12.34$, $p < 0.001$), supporting Hypothesis 1. This result indicates that employees with higher self-efficacy are more prepared for organisational change, aligning with previous studies that suggest self-efficacy enhances adaptability in change contexts (Bandura, 1997; Sahi, Mahajan, & Malhotra, 2021).

Transformational Leadership and Change Readiness: The effect of transformational leadership on change readiness was also significant ($\beta = 0.47$, $t = 10.12$, $p < 0.001$), supporting Hypothesis 3. This finding highlights the critical role of transformational leadership in shaping positive attitudes toward change, consistent with prior research demonstrating that transformational leaders foster trust and commitment (Cummings & Worley, 2018; Al-Hussami, 2017).

Communication and Change Readiness: Hypothesis 6 was supported, as communication was significantly related to change readiness ($\beta = 0.38$, $t = 8.21$, $p < 0.001$). This result underscores the importance of clear and transparent communication in reducing employee uncertainty

and enhancing readiness for change, consistent with findings by Kitchen and Daly (2002) and Hartini (2017).

Organisational Culture as a Moderator: The moderating role of organisational culture was tested on the relationships between self-efficacy and change readiness (Hypothesis 2) and between communication and change readiness (Hypothesis 7). The interaction effect for self-efficacy and organisational culture was significant ($\beta = 0.34$, $t = 7.89$, $p < 0.001$), indicating that a supportive culture enhances the positive impact of self-efficacy on change readiness. Similarly, communication and organisational culture showed a significant interaction ($\beta = 0.28$, $t = 6.75$, $p < 0.001$), suggesting that cultures valuing openness amplify the effect of communication on change readiness. These findings support the hypothesised moderating effects and emphasise the role of supportive organisational cultures in facilitating change readiness (Asbari, Wijayanti, & Hyun, 2021; Sridharan, 2022).

Employee Engagement as a Mediator: Mediation analysis assessed employee engagement as a mediator between transformational leadership and change readiness. The indirect effect was significant ($\beta = 0.26$, $p < 0.001$), indicating partial mediation and supporting Hypothesis 4. This result implies that transformational leadership enhances change readiness through its positive impact on employee engagement, as engaged employees are more likely to embrace change. This finding is consistent with prior research indicating that engaged employees show greater commitment and adaptability (Burnes & Jackson, 2011; Wulandari, Wijayanti, Hyun, & Santoso, 2020).

Hypotheses Testing Summary

The results for each hypothesis are summarised in Table 2. All hypothesised relationships were supported, demonstrating the importance of self-efficacy, transformational leadership, communication, organisational culture, and employee engagement in shaping change readiness.

Table 2
Hypotheses Testing Results

Hypothesis	Path	β Coefficient	t-Value	p-Value	Supported
H1: Self-Efficacy → Change Readiness	Direct	0.62	12.34	<0.001	Yes
H2: Org. Culture x Self-Efficacy → Change Readiness	Moderation	0.34	7.89	<0.001	Yes
H3: Transformational Leadership → Change Readiness	Direct	0.47	10.12	<0.001	Yes
H4: Transformational Leadership → Employee Engagement → Change Readiness	Mediation	0.26	-	<0.001	Yes
H5: Employee Engagement → Change Readiness	Direct	0.48	9.98	<0.001	Yes
H6: Communication → Change Readiness	Direct	0.38	8.21	<0.001	Yes
H7: Org. Culture x Communication → Change Readiness	Moderation	0.28	6.75	<0.001	Yes

Summary of Findings

The findings confirm that self-efficacy, transformational leadership, and communication are significant predictors of change readiness among employees in Malaysian SMEs. Employee engagement partially mediates the relationship between transformational leadership and change readiness, indicating that engaged employees are more receptive to organisational change. Additionally, organisational culture moderated the effects of self-efficacy and communication on change readiness, suggesting that a supportive and transparent culture amplifies these effects. These results are aligned with prior research on change readiness and provide valuable insights for SMEs aiming to enhance employee readiness for change through supportive leadership, clear communication, and fostering a positive culture.

Discussion

The results of this study provide critical insights into the factors influencing employee readiness for organisational change among SMEs in Klang Valley, Malaysia. This section discusses the implications of findings on self-efficacy, transformational leadership, communication, employee engagement, and organisational culture, comparing them to previous research and highlighting their practical implications for SMEs. Additionally, this discussion considers how the study's findings may inform future research and practical applications, particularly for SMEs aiming to foster a change-ready workforce.

Self-Efficacy and Change Readiness

The significant positive relationship between self-efficacy and change readiness confirms Hypothesis 1 and aligns with Bandura's (1997) theory of self-efficacy, which posits that individuals who believe in their capacity to manage new demands approach changes with greater confidence. This finding echoes previous studies suggesting that high self-efficacy is associated with positive attitudes toward change, as employees with confidence in their abilities are more likely to perceive change as manageable (Judge, Thoresen, Pucik, &

Welbourne, 1999; Sahi, Mahajan, & Malhotra, 2021). This result is particularly relevant for SMEs, where each employee's adaptability can significantly influence organisational success.

This finding suggests that SMEs can enhance change readiness by fostering employee self-efficacy. Training and development programs that build employee confidence and skills can prepare them to handle change effectively. Research by Muafi and Siswanti (2019) emphasises that targeted interventions to increase self-efficacy are especially beneficial in SMEs, where employees often perform multiple roles. Therefore, SME leaders should prioritise initiatives that support employee skill development and foster a learning-oriented environment, which may further strengthen employees' capacity to adapt to new organisational directions.

Transformational Leadership and Change Readiness

The results also demonstrate a significant direct effect of transformational leadership on change readiness, supporting Hypothesis 3. This finding aligns with the literature and emphasises transformational leadership as a key driver of employee motivation, trust, and engagement (Cummings & Worley, 2018; Al-Hussami, 2017). Transformational leaders who communicate a compelling vision and involve employees in the change process help reduce uncertainty and build trust, increasing employees' readiness for change. This aligns with previous research that indicates transformational leadership enhances employees' attitudes toward change by fostering a sense of security and commitment (Burnes & Jackson, 2011; Wulandari, Wijayanti, Hyun, & Santoso, 2020).

The implication for SMEs is clear: cultivating transformational leadership can directly enhance employee readiness for change. Leaders in SMEs can be trained to adopt transformational practices, such as providing a clear vision for the future, demonstrating concern for employee well-being, and encouraging participation in decision-making. As SMEs typically have flat structures, leaders have more opportunities for direct interaction with employees, which can foster trust and motivation during periods of change. The development of leadership skills that align with transformational principles could thus be a strategic focus for SMEs aiming to enhance readiness for change across their workforce.

Communication and Change Readiness

The study's results support Hypothesis 6, confirming that effective communication positively impacts change readiness. This finding is consistent with previous research, which has identified communication as a crucial factor in reducing uncertainty and helping employees understand the rationale behind change (Kitchen & Daly, 2002; Hartini, 2017). Effective communication strategies—transparent, consistent, and clear—can significantly mitigate resistance by making employees feel more informed and secure in their roles (Akanji, Adebayo, & Olufunmilayo, 2020).

For SMEs, this result suggests the importance of prioritising open and transparent communication during times of change. Leaders and managers should establish regular communication channels that keep employees updated on change-related developments, address potential concerns, and emphasise the benefits and purpose of change initiatives. A culture of open communication can foster greater alignment with organisational goals and

reduce resistance to change. As Hartini (2017) noted, clear communication also builds trust, which is essential for ensuring employees' commitment and readiness for change.

Moderating Role of Organisational Culture

The findings supported the moderating role of organisational culture on the relationships between self-efficacy, communication, and change readiness, confirming Hypotheses 2 and 7. These results indicate that a supportive organisational culture amplifies the effects of self-efficacy and communication on change readiness. Specifically, employees in open, transparent, and adaptive cultures are more likely to leverage their self-efficacy and interpret communication positively, thereby enhancing their readiness for change. This finding aligns with studies that suggest a supportive organisational culture can provide the psychological safety necessary for employees to embrace change (Asbari, Wijayanti, & Hyun, 2021; Sridharan, 2022).

This finding has practical implications for SMEs, as fostering a supportive and adaptable culture can create a favourable environment for change. SMEs may lack the resources for extensive training programs, but cultivating an open culture that values learning and flexibility can enhance employees' psychological readiness for change. This aligns with the work of Vakola (2014), who argued that organisational culture plays a crucial role in determining how employees perceive and respond to change initiatives. Therefore, SME leaders should aim to build a culture that values transparency, openness, and support to maximise the impact of communication and self-efficacy on change readiness.

Mediating Role of Employee Engagement

The study's results confirm Hypothesis 4, showing that employee engagement partially mediates the relationship between transformational leadership and change readiness. This finding suggests that transformational leadership indirectly enhances change readiness by fostering engagement, consistent with prior research indicating that engaged employees are more likely to support change initiatives (Wulandari et al., 2020; Burnes & Jackson, 2011). When employees are emotionally invested in their roles and feel valued, they are likelier to exhibit positive attitudes toward organisational change.

This has important implications for SMEs, where cultivating high levels of engagement can significantly boost change readiness. Transformational leaders can enhance engagement by recognising employee contributions, supporting their growth, and involving them in decision-making. Engagement fosters a sense of belonging and commitment, which reduces resistance to change and encourages a proactive attitude (Schaufeli, Bakker, & Salanova, 2006). For SMEs, focusing on employee engagement initiatives, such as team-building activities or recognition programs, could be a cost-effective approach to foster change readiness and align employees with organisational objectives.

Practical Implications for SMEs

The study's findings provide valuable insights for SME leaders aiming to strengthen employee readiness for organisational change. First, developing employees' self-efficacy through targeted training and development programs is crucial in building a workforce that feels capable and confident in adapting to change. In SMEs, where employees often juggle multiple roles, training programs that bolster skills and resilience can be particularly beneficial (Muafi

& Siswanti, 2019). Furthermore, training leaders in transformational leadership practices can foster trust and engagement, which are essential to successful change management (Cummings & Worley, 2018). Transformational leaders promote a culture of openness and involvement, which reduces anxiety about change and motivates employees to embrace organisational goals. Clear and consistent communication is also vital, especially in SMEs where transparency and trust play a central role. Regular updates, transparent explanations, and open dialogue help employees understand the necessity and benefits of change, easing potential resistance and encouraging active participation.

Building an organisational culture that values transparency and support can amplify the positive effects of self-efficacy and communication. Employees who perceive that their organisation genuinely values openness feel more secure and motivated to support change initiatives. Fostering employee engagement is another critical factor in sustaining change readiness, as engaged employees are more committed to the organisation's goals. SME leaders can boost engagement by offering constructive feedback, recognising achievements, and promoting professional growth, collectively contributing to a resilient and adaptable workforce. SME leaders can create a change-ready workforce equipped to embrace future transformations by cultivating an environment where employees feel valued and supported.

Limitations and Future Research Directions

While this study offers valuable insights, it is important to acknowledge its limitations. First, the cross-sectional design limits the ability to draw causal conclusions. Future research could employ a longitudinal design to examine how change readiness evolves and whether these relationships hold across different stages of change implementation (Herold, Fedor, & Caldwell, 2008). Additionally, self-reported data introduce potential biases, such as social desirability bias. Multiple data sources, such as supervisor evaluations or peer assessments, could provide a more comprehensive perspective on employee attitudes toward change (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

Moreover, this study was limited to SMEs in Klang Valley, Malaysia, which may restrict the generalizability of findings to other regions or larger organisations. Future research could examine a broader range of organisational settings to determine whether these findings apply in different contexts. Comparative studies across countries or regions could also explore cultural factors that may influence change readiness in SMEs. Finally, future research could explore additional factors, such as trust, job satisfaction, and empowerment, which may further influence change readiness (Vakola, 2014; Van Dam, Oreg, & Schyns, 2008).

This study contributes to the literature on change management by identifying key predictors of change readiness among employees in Malaysian SMEs. The findings highlight the importance of self-efficacy, transformational leadership, communication, organisational culture, and employee engagement in shaping attitudes toward change. These insights offer practical strategies for SME leaders, who can enhance change readiness through supportive leadership, transparent communication, and adaptive organisational culture. By developing a confident, engaged, and resilient workforce, SMEs can better navigate the challenges of an ever-changing business environment.

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