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The effect of business coaching on the performance of small medium enterprises in Malaysia: moderating role of competitive advantage

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ABSTRACT

The attainment and maintenance of high-impact growth are often seen as essential factors for small and medium-sized enterprises' survival and long-term viability (SMEs). Business coaching has the potential to facilitate and guarantee such progress. Nevertheless, numerous leaders in small and medium-sized enterprises fail to allocate sufficient time and resources toward cultivating staff capacities and facilitating substantial growth inside their organizations. Further investigations are warranted in Malaysia to examine the influence of business coaching on the higher performance of SMEs. This study aims to examine the impact of the outcomes of business coaching on the performance of SMEs in Malaysia. Additionally, the study sought to examine the potential moderating influence of competitive advantage on these relationships. Data was collected from the respondents through a survey questionnaire, while the data analysis process was carried out employing structural equation modeling. The study's findings indicate a notable and favorable influence of cultural intelligence, coaching culture, and innovation on the growth and performance of small and SMEs in Malaysia. The study suggests it would benefit leaders of small and medium-sized enterprises in Malaysia to actively promote a coaching culture and foster innovation to achieve enhanced growth and performance outcomes.

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Introduction

Given the ongoing increase of small and medium-sized enterprises in Malaysia, these entities must ensure sustainable organizational growth. According to Razak (2015), a significant proportion of Malaysian enterprises fall into the small and medium-sized category. SMEs accounted for 96.9% of overall establishments in Malaysia in 2023. The services sector has consistently accounted for over 80% of all SMEs (SME Corporation Malaysia, 2024). Malaysia has several national transformation policies, including the National Transformation Programme (NTP), the National Transformation Plan 2050 (TN50), and the National Fourth Industrial Revolution (4IR) (Samsurijan et al., 2024). Collectively, these programs sought to address structural challenges, enhance competitiveness, and ensure sustainable development, aligning with Malaysia's vision 2020 objectives.

Furthermore, it can be argued that Malaysian SMEs have not demonstrated significant achievements, as they have failed to generate the expected impact on economic growth. Malaysian government and small and medium enterprises should organize training seminars for employees of SMEs to provide them with the necessary skills and knowledge to adapt to prospective changes in the service industry effectively. Their findings also indicate that training has a significant role in facilitating the rapid growth of small and medium-sized enterprises.

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Moreover, it is beneficial for the leader to manage entrepreneur-coach relationships the commitment of the entrepreneurs contributes to the success of the entrepreneurial coaching relationship (Mohamed & Karoui Zouaoui, 2021).

According to Khan and Anuar (2018), a significant portion of small and medium-sized businesses face challenges in terms of infrastructure and resources, which hinder their ability to offer comprehensive staff training and coaching programs. The underperformance of numerous small and medium-sized firms in recent years has harmed the Malaysian economy, as highlighted by Wahab et al. (2016). Underperformance diminishes their output, reducing their share in the national economy. These failures have been observed due to subpar company performance and a dynamic business environment (Eniola & Entebang, 2016). In addition, the introduction of disruptive innovation has resulted in a shift in the prevailing mindset in Malaysia (Khazaei & Khazaei, 2016). These enterprises have encountered difficulties in maintaining optimal levels of performance while implementing effective business strategies and delivering goods and services of superior quality (Arshada et al., 2016). Based on the available literature, it is evident that there is a dearth of research conducted on the methodology and artistic aspects of business coaching's impact on the development and efficacy of small and medium enterprises (SMEs) in Malaysia. This study aims to examine the impact of improved Cultural Intelligence, Coaching Culture, and innovation after business coaching on the performance of SMEs in Malaysia. It also investigates the moderating role of competitive advantage in these relationships. Data was collected through a structured survey questionnaire, and structural equation modeling was employed to analyze the findings. The study seeks to answer the following research questions:

1. Does improved cultural intelligence have a significant positive effect on the performance of SMEs?
2. Does coaching culture have a significant positive effect on the performance of SMEs?
3. Does improved innovation usage have a significant positive effect on the performance of SMEs?
4. Does competitive advantage moderate the relationship between improved Cultural Intelligence and the performance of SMEs?
5. Does competitive advantage moderate the relationship between coaching culture and the performance of SMEs?
6. Does competitive advantage moderate the relationship between innovation and the performance of SMEs?

This study aims to examine the impact of the outcomes of business coaching (improved cultural intelligence, coaching culture and innovation) on the performance of SMEs in Malaysia. The specific objectives of this study are:

1. To investigate the influence of improved cultural intelligence on the performance of SMEs.
2. To investigate the influence of coaching culture on the performance of SMEs.
3. To investigate the influence of improved innovation usage on the performance of SMEs.
4. To investigate the moderating effect of competitive advantage on the relationship between improved cultural intelligence and the performance of SMEs.
5. To investigate the moderating effect of competitive advantage on the relationship between coaching culture and the performance of SMEs.
6. To investigate the moderating effect of competitive advantage on the relationship between innovation and the performance of SMEs.

This research contributes significantly to business management by employing the RBV theory and the GROW Model to understand the impact of business coaching on SME growth. It advances the application of these frameworks in business coaching and provides a secondary theoretical contribution by exploring the integration of coaching services. Additionally, this study contributes to academic discourse by proposing a business coaching framework grounded in empirical evidence. The research further enriches the RBV theory by providing empirical evidence of the factors driving SME growth after participating in coaching programs in a developing nation. It also adds a unique perspective to the literature on business coaching within the Malaysian context.

Literature review

SMEs in Malaysia

Small and medium-sized enterprises are the backbone of Malaysia's economy and are essential in driving economic growth, fostering innovation, creating employment, and contributing to exports. SMEs are categorized in Malaysia based on annual sales turnover and number of full-time employees, with thresholds varying by sector (SME Corporation Malaysia, 2024). In terms of breakdown by key economic sectors, the services sector has consistently accounted for more than 80% of all MSMEs throughout the period (SME Corporation Malaysia, 2024). For the latest 2023 MSME profile, the services sector constituted 83.9%, amounting to 924,170 firms. The construction sector remained to be the second largest contributor at 9.3% (102,657 firms). Meanwhile, about 5.4% of MSMEs (59,316 firms) were involved in the manufacturing sector, followed by 1.2% (13,099 firms) in the agriculture sector, with the remaining 0.2% (2,483 firms) in the mining & quarrying sector (SME Corporation Malaysia, 2024). SMEs provide employment opportunities to about 70% of Malaysia's workforce, making them vital for the country's labor market. Malaysian SMEs contribute significantly to Malaysia's export revenues, particularly in manufacturing, agriculture, and professional services (Adam et al., 2021).

Business coaching in Malaysia

Business coaching can be a structured, goal-oriented process designed to unlock an organization's or individual's potential and enhance performance (Shaw & Linnecar, 2007). It may assist organizations in managing heterogeneous teams, hence improving collaboration and productivity (Tsai & Barr, 2021). It can be hypothesized that through cultivating cultural intelligence and creativity, coaching can enable Malaysian SMEs to compete in ASEAN and beyond, in accordance with national objectives such as Industry4WRD and digital economy policies. Moreover, Malaysian policies promote SME development via initiatives such as the Digitalization Grant, while business coaching further supports these efforts by improving leadership skills. Coaching-driven innovation can align with global trends in environmental sustainability, a pressing issue for Malaysian SMEs aiming to sell to environmentally conscious countries. It can serve as a catalyst for developing cultural intelligence (CQ) and fostering innovation by providing tools, strategies, and support for navigating complex challenges and leveraging opportunities. Thus, this study aimed to examine the impact of improved Cultural Intelligence, Coaching Culture, and innovation usage after business coaching on the performance of SMEs in Malaysia.

Effect of improved cultural intelligence development on the performance of SMEs

According to Couch and Rose (2020), the implementation of business coaching programs that prioritize the development of cultural intelligence (CQ) has been found to significantly improve the communication skills of employees while interacting with persons from diverse cultural backgrounds (Iqbal et al., 2019). Enhanced communication capabilities have the potential to foster more robust interactions with overseas clients, partners, and customers, hence yielding amplified sales and market growth (Couch & Rose, 2020). Besides, SMEs with elevated levels of cultural intelligence might be more proficiently prepared to venture into novel international markets. Companies can modify their products, services, and marketing methods to align with local populations' cultural tastes and habits. This adaptability is essential for achieving success in international economic endeavors.

According to Kadam et al. (2019), the development of cultural intelligence (CQ) promotes the cultivation of cultural awareness and respect in small and medium-sized enterprises. Employees develop a heightened awareness of diverse cultural norms and values, hence facilitating the prevention of cultural misunderstandings and disputes (Goodman, 2012). This phenomenon can result in enhanced interpersonal connections and an enhanced public perception. CQ development urges employees to adopt such inclusive practices and has the potential to foster innovation and creativity within the organizational context, hence facilitating the emergence of novel products or services and enhancing problem-solving capabilities (Azevedo & Shane, 2019). Thus, employees are more effectively equipped to collaborate with colleagues from varied cultural backgrounds, resulting in heightened team cohesion and cultural

intelligence (Azevedo & Shane, 2019). Efficient dispute-resolution strategies are crucial for fostering a cohesive work environment and mitigating disruptions to cultural intelligence.

Therefore, the cultivation of cultural intelligence (CQ) via business coaching has the potential to greatly augment the performance of small and medium-sized enterprises. This program provides employees and leaders with the necessary skills, knowledge, and attitudes to succeed in a corporate environment that is both varied and global. It aims to enhance cross-cultural communication, stimulate creativity, improve customer relations, and contribute to long-term growth. The present study hypothesizes that the enhancement of Cultural Intelligence via business coaching has the potential to yield substantial benefits for SMEs functioning within a diversified and globalized corporate landscape. As a result, the researcher developed and aimed to test the following hypothesis:

H₁: Improved cultural intelligence as a result of business coaching has a significant positive effect on the performance of SMEs.

Effect of coaching culture development on the performance of SMEs

According to Nez-Cacho Utrilla et al. (2015), business coaching provides individuals with the essential skills required to thrive in a dynamic organizational setting. A coaching culture is characterized by the integration of coaching as a fundamental element of leadership and employee development within an organizational setting (Pullen & Crane, 2011; Tareq et al., 2017). The present study aims to examine the impact of coaching culture development on the performance of small and medium-sized enterprises. Implementing a coaching culture within organizations enables leaders and employees to enhance their coaching abilities, increasing their overall effectiveness as coaches (Clutterbuck et al., 2016; Park et al., 2020). Consequently, this phenomenon results in enhanced decision-making processes, increased levels of employee engagement, and improved overall management practices within the organizational context. When employees receive coaching and support in their professional growth, they tend to exhibit higher levels of engagement and motivation (Knowles, 2022). This phenomenon has the potential to result in enhanced Cultural Intelligence, elevated levels of Coaching Culture, and decreased employee turnover, all of which have a beneficial influence on the performance of small and medium-sized enterprises.

Besides, in a corporate environment that fosters a coaching culture, employees are more inclined to experience a sense of appreciation and assistance. This measure has the potential to mitigate employee turnover and the consequent expenses related to hiring and training, therefore fostering stability and expansion within small and medium-sized enterprises (Knowles, 2022). The implementation of a coaching culture inside an organization can facilitate the identification and cultivation of prospective leaders, hence facilitating a seamless transfer of leadership roles and upholding consistency in the company's overall performance (Fountaine et al., 2021). Small and medium-sized enterprises that have implemented a coaching culture tend to exhibit more adaptability and responsiveness in the face of shifts and fluctuations within the business environment. Coaching facilitates the development of enhanced flexibility among employees and leaders, so empowering the business to effectively capitalize on emerging opportunities and effectively navigate obstacles (Anderson, 2017). Consequently, the establishment of a coaching culture has the potential to yield numerous advantageous outcomes for the performance of enterprises (Hawkins, 2012). The aforementioned factors, namely leadership, employee engagement, skill development, communication, and problem-solving, collectively contribute to the long-term growth and achievement of organizations within the current competitive business environment. Thus, the researcher formulated and attempted to test the following hypothesis:

H₂: Coaching culture has a significant positive effect on the performance of SMEs.

The effect of improved innovation usage on the performance of SMEs

Business coaching may empower individuals and organizations to unlock their potential, enabling creative problem-solving, adaptability, and forward-thinking. Innovation is defined as the generation and application of new ideas, products, or new technologies (Scandiffio et al., 2024). Innovation

usage refers to the degree to which new ideas, processes, products, or technologies are adopted, implemented, and effectively utilized within an organization to enhance its operations, competitiveness, and overall performance. It encompasses not just the creation of innovative solutions but also their practical application and integration into daily business practices (Tsambou & Tagang Tene, 2024).

According to the findings of Wahab et al. (2020), it was determined that there is a beneficial relationship between innovation and small and medium-sized enterprises. The utilization of accelerators plays a crucial role in facilitating the growth of SMEs by enabling them to realize their capabilities fully. The writers also emphasized the role of innovation in enhancing the performance and competitive advantage of small and medium-sized enterprises. In addition to increasing organizational performance, innovation has the capacity to augment the value of assets. Ultimately, the achievement of organizational success is directly correlated with the performance outcomes of small and medium-sized enterprises. The significance of innovation is paramount for enterprises, as it encompasses the entirety of the firm's operations and influences its conduct in order to foster the creation of value, gain a competitive edge, and enhance company performance. The study conducted by Singh and Hanafi (2020) aimed to assess the influence of innovation capability on the performance of SMEs in Malaysia. The researchers noted that innovation has a significant impact on the performance, commercial growth, and sustainability of businesses. According to the authors, it was also asserted that the provision of staff training contributes to the enhancement of creativity, a critical factor in facilitating corporate expansion. According to the findings of Mustafa and Yaakub (2018), the adoption of innovation by SMEs has been found to contribute to the development of dynamic capacities, ultimately leading to enhanced market capabilities. The authors also found that small and medium-sized enterprises should adopt innovation since it enhances corporate performance and commercial value.

According to Rahim et al. (2019), the failure of SMEs in Malaysia can be attributed to their limited utilization of innovative methodologies. The significance of innovation in guaranteeing sustainability and establishing a competitive advantage was underscored. According to the authors, it is imperative for small and medium-sized enterprises to possess a comprehensive understanding of their business environment and strategically cultivate suitable innovations in order to effectively leverage market risks. Furthermore, the research conducted by Islam and Wahab (2021) revealed that small and medium-sized enterprises can attain sustained commercial success by implementing strategic innovation approaches that align with their fundamental organizational strategy. According to the findings of Roša and Lace (2021), the practice of business coaching has the capacity to empower leaders and employees to recognize and capitalize on novel tools within the market. This realization gives rise to a necessity for the cultivation of novel competencies, which subsequently leads to the emergence of innovation. Additionally, the authors posited that the practice of business coaching facilitates purposeful exchanges of knowledge, both incoming and outgoing, which subsequently contribute to the development of novel technologies and various manifestations of open innovation.

Furthermore, Gomes de Carvalho et al. (2021) observed that the presence of innovation within organizations is of utmost importance, as it facilitates the cultivation of creativity and fosters collaborative efforts, ultimately leading to improved overall performance. The use of innovative practices within organizations fosters ongoing growth, resulting in a reduction of losses and an enhancement of overall corporate performance. According to the aforementioned studies, innovation has a crucial role in influencing the performance of small and medium-sized enterprises. The correlation between heightened creativity and subsequent growth, as well as the development of Cultural Intelligence, holds true for Small and Medium Enterprises. Consequently, the allocation of resources toward technological, non-technological, and open innovation is necessary in order to attain the requisite magnitude of economic expansion. The present study provides empirical evidence that highlights the significance of innovation in fostering the growth of small and medium-sized enterprises. Therefore, the researcher formulated and aimed to evaluate the subsequent hypothesis:

H₃: Improved innovation usage after business coaching has a significant positive effect on the performance of SMEs.

The moderating effect of competitive advantage on SME performance

The concept of competitive advantage pertains to the unique qualities possessed by a corporation that provides it with a competitive edge over other organizations operating within the same market (Kiyabo & Isaga, 2019). According to English and Hoffmann (2018), increasing globalization and rapid changes in technology cause SMEs to face more significant challenges when operating in turbulent markets than their larger competitors. According to Rua et al. (2018), small and medium-sized enterprises are consistently affected by potential hazards, leading to their heightened concern for their long-term survival and competitiveness. The presence of a competitive advantage in small and medium-sized enterprises also cultivates an environment that promotes innovation. This enables SMEs to acquire the necessary capabilities to effectively address both market obstacles and possibilities (Kiyabo & Isaga, 2019). Furthermore, enhanced innovation can be characterized as the capacity of an organization to recognize, procure, and execute concepts and activities that arise in diverse manifestations (such as distribution channels, internal cultures, management and administrative systems, advertising methods-segments, and processes, products, and services) in a manner that is both original and superior.

Khurram et al. (2019) assert that small and medium-sized enterprises that possess a consistent competitive advantage depend on a combination of human, cultural, and financial resources. According to Ndlovu-Hlatshwayo and Msimango-Galawe (2023), the utilization of business coaching can effectively support the development of cultural intelligence goals and the evaluation of progress over a specific timeframe. This enables small and medium enterprises to effectively assess the impact of cultural intelligence improvement on their operational efficiency and competitiveness.

Al Mamun et al. (2018) conducted an examination of the sources of competitive advantage in SMEs in Malaysia. According to their statement, entrepreneurial talents are crucial competencies that contribute to the attainment of competitive advantage for organizations. Therefore, the presence of a competitive edge has a substantial influence on the training culture and overall development. According to the authors, the concept of competitive advantage may enable small and medium-sized enterprises to develop essential capabilities that lead to improved and enduring performance. According to Woźniak et al. (2019), the adoption of training techniques facilitates the expansion of SMEs and improves their overall performance. The practice of business coaching facilitates the development of strategic entrepreneurship by enabling small and medium-sized enterprise owners to effectively utilize existing entrepreneurial possibilities in order to enhance their competitive advantage. According to Ardley and Naikar (2021), the implementation of product and procedure enhancement strategies by SMEs can lead to sustained growth. This is achieved through the creation of valuable products that appeal to new customers and maintain the loyalty of existing ones. Based on the statements outlined in the existing literature, the researcher formulated and aimed to examine the following hypotheses:

- H₄:** Competitive advantage moderates the relationship between improved cultural intelligence and the performance of SMEs.
- H₅:** Competitive advantage moderates the relationship between coaching culture and the performance of SMEs.
- H₆:** Competitive advantage moderates the relationship between innovation and the performance of SMEs.

Resource-based view theory

The Resource-Based View (RBV) theory serves as a beneficial conceptual framework for examining the impact of business coaching on corporate performance (Hussain et al., 2024). The Resource-Based View theory emphasizes the notion that a firm's competitive advantage and subsequent performance are contingent upon the possession of distinct and valuable resources and skills. According to the RBV concept, coaching can be regarded as a beneficial resource (Newbert, 2014). This resource encompasses both external coaches and the internal knowledge and skills gained through coaching programs implemented within the organization (Safari & Saleh, 2020). The performance of an organization is influenced by the degree to which it allocates resources toward coaching and distinguishes it from other resources.

The RBV posits that to attain a competitive advantage, resources must possess the attributes of value, rarity, and inimitability (Safari & Saleh, 2020). The potential value of business coaching lies in its capacity to foster the growth of leadership skills, problem-solving capabilities, and various other qualities that have a direct impact on the overall operation of an organization (Razzaque et al., 2024). To sustain a competitive edge, the resource of coaching must possess a level of complexity that renders it difficult for rivals to replicate. This could also entail the utilization of proprietary coaching programs, the cultivation of a distinctive organizational culture that places a high emphasis on coaching, or the establishment of exclusive coaching partnerships with highly skilled coaches.

The GROW model

The GROW model contributes significantly to coaching in personal development (Whitmore, 1992). The GROW model is a widely acknowledged and prevalent coaching framework employed to assist the advancement of individuals in both personal and professional domains (Rahman, 2023). The acronym 'GROW' represents the four key components of the coaching model, namely Goals, Reality, Options, and Will (Whitmore, 1992). The GROW model is employed by coaches to facilitate individuals in a systematic dialogue aimed at enhancing their goal setting, evaluating their present circumstances, examining various alternatives, and formulating a course of action (Farhan & Suratman, 2023). Coaches collaborate with individuals to ascertain and articulate their distinct, unambiguous, and attainable objectives (Whitmore, 1992). The GROW approach is widely recognized for its straightforwardness and efficacy in providing structure to coaching dialogues. This process facilitates individuals in attaining a clear understanding of their goals, comprehending their initial position, examining possible paths for advancement, and formulating a strategic course of action. The utilization of this approach is prevalent in the field of coaching and can be implemented across many settings, encompassing personal growth, career guidance, leadership development, and other related domains (Greif et al., 2022).

Using RBV theory and the Grow Model to examine the impact of business coaching on the growth of small and medium-sized enterprises, this study contributed to the development of this framework and theory in business management research by integrating the impact of business coaching on intangible resources such as innovation and cultural intelligence. Consequently, this study adds to the basis of RBV theory as an effective paradigm for defining the phenomenon of coaching integration by enhancing corporate success. This is the first study to apply the RBV and GROW paradigms to define business coaching, which involves internal company integration, in the context of Malaysian SMEs. Thus, the study fills a gap in our knowledge of how internal resources might be augmented to promote performance while competitive advantage is moderating the relationships. [Figure 1](#) shows the conceptual framework of the study.

Method

The researcher opted for a quantitative methodology for the present investigation. In this study, the researcher employed a survey methodology to collect primary data from a sample of 245 SMEs in Malaysia. Convenience sampling was employed by the researcher in the present investigation. Hence, it was possible for employees of all RichWorks International clients to be selected for data collection. Convenience sampling allowed the researcher to access participants who were more readily available and willing to participate, particularly those already engaged with Richworks' programs. Participants who have received coaching are likely more familiar with the coaching process and its outcomes, enabling them to provide more insightful and reliable responses. The study employed a survey questionnaire to measure the dependent, independent, and control variables. SmartPLS is used to analyze the data through PLS-SEM, which is particularly suitable for exploratory research and complex models with multiple constructs and relationships (Hair et al., 2020). [Table 1](#) shows the number of measurement items used for each study.

The researcher successfully discovered 245 small and medium-sized enterprises that have undergone business coaching provided by RichWorks International. The verbal consent was obtained from all

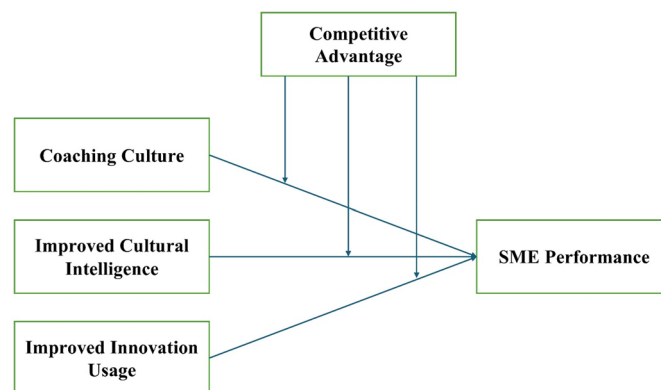


Figure 1. The conceptual framework of the study.

Table 1. Number of survey items and sources.

Variable	Number of survey items	Adapted from
SME Performance	6	Kaplan and Norton (1996)
Cultural Intelligence (CQ)	6	Ang et al. (2007)
Coaching Culture	7	Watkins (2008)
Innovation	8	Jiménez-Jiménez and Sanz-Valle (2011)
Competitive Advantage	6	Xu et al. (2020)

participants prior to their inclusion in the study. The researcher did not require sensitive personal information. Therefore, the respondents agreed that verbal consent was sufficient. The researchers respect their preferences while maintaining ethical standards. Participants were provided detailed information regarding the study's purpose, procedures, potential risks, and benefits. They confirmed their understanding of the study and their willingness to participate. This statement clarifies the ethical considerations taken during the study and affirms the commitment to participant rights and autonomy. This study upholds the standards of ethical conduct in all aspects of the publishing process. Ethical approval for this study/case/case series was obtained from the ethical committee at Asia e University (Approval Number: 38673/53/3, Date: 28/11/2023).

Results

The study involved the selection and subsequent contact of 430 Managers and Executives from 245 Malaysian SMEs that had previously received business coaching sessions from Richworks International. Upon reviewing the collected replies, a total of 361 complete datasets were obtained for the purpose of analysis. This indicates a response rate of 84%. [Figure 2](#) displays the response rate categorized by gender.

The data depicted in [Figure 2](#) indicates that male participants constituted the largest percentage of respondents, amounting to 58%. In contrast, the proportion of female respondents was 43%. The findings of this study revealed a higher prevalence of business coaching among male individuals in Malaysian small and medium-sized enterprises compared to their female counterparts. The age of the participants is depicted in [Figure 3](#) presented thereafter.

The findings depicted in [Figure 3](#) demonstrate that a majority of the participants in the study, specifically 40%, fell within the age range of 36 to 45 years. This was closely followed by respondents aged between 26 and 35 years, accounting for 36% of the sample. Furthermore, it is worth noting that a significant proportion of the participants in the study, specifically 18%, were between the age range of 46 to 55 years. The remaining participants consisted of individuals belonging to the age groups of 18 to 25 years old (3%) and above 55 years old (3%). The data shown in [Figure 4](#) shows that 41% of respondents hold a bachelor's degree, and 24% of them possess a skills certificate or other forms of qualification. Moreover, it is noteworthy that 2% of the participants in the survey own a Doctor of Philosophy (PhD) degree, while an additional 23% of respondents hold a diploma. An additional 10% of the participants have a master's degree.

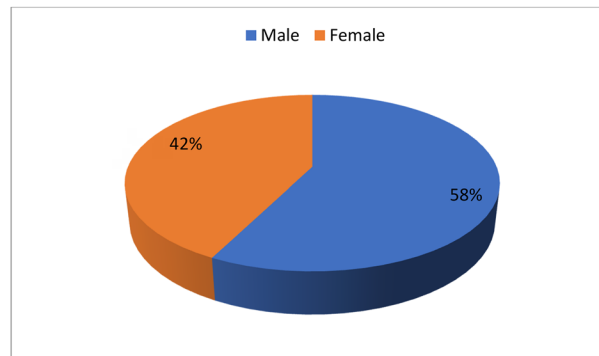


Figure 2. Respondents' gender.

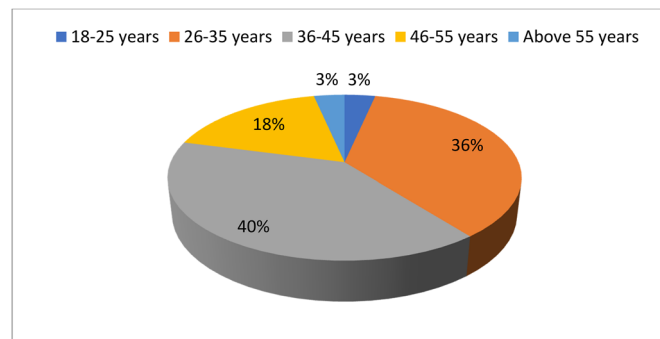


Figure 3. Respondents' age.

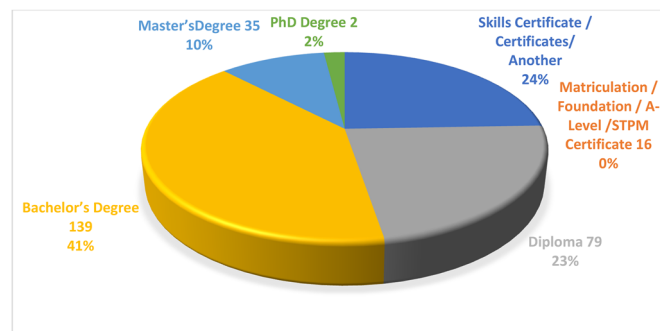


Figure 4. Respondents' highest level of education.

Test of normality

Kurtosis and skewness statistics were utilized to conduct a test for normalcy of data distribution. According to Hair et al. (2020), the critical values often used for testing kurtosis and skewness fall within the range of -2.58 to $+2.58$. The results of the kurtosis and skewness tests indicated that all variables examined in this study exhibited a normal distribution.

Outlier detection

According to Hair et al. (2020), the current investigation employed a graphical technique known as a box plot to identify univariate outliers, while the Mahalanobis D2 metric was utilized to detect multivariate outliers and assess their impact on the research objectives. Consequently, the Mahalanobis distance test detected three univariate outliers, denoted by an asterisk, as seen in Table 2. Consequently, three data points that deviated significantly from the norm were excluded from the analysis conducted in this study.

Multicollinearity

The Variance Inflation Factor (VIF) is a statistical measure that quantifies the extent to which the variance of an estimated regression coefficient is increased as a result of multicollinearity (Hair et al., 2020). In this study, VIF values were all below 5, which is not seen as indicative of a significant degree of multicollinearity (Hair et al., 2020).

Reliability and validity analysis

The researchers employed confirmatory factor analysis (CFA) within the Smart PLS software to assess the reliability and validity of the measurement (Hair et al., 2020). The researcher preserved the components at a value of 0.60 for further investigation in order to ascertain their comprehensive impact on all indicators. As recommended, each construct has internal consistency, as indicated by Cronbach's alpha values over 0.60 (Hair et al., 2020). Furthermore, the composite dependability ratings surpass the threshold of 0.70, as established by Hair et al. (2020). According to the recommendations of researchers, composite reliability is regarded as a more robust measure for assessing dependability (Hair et al., 2020). The average variance extracted (AVE) for each construct exceeded the threshold of 0.5, as reported by Bagozzi et al. (1991), so confirming the presence of convergent validity. The cutoff values of the Dijkstra-Henseler (Rho A) coefficients were all found to be over 0.7, therefore offering additional support for the concept of composite reliability (Hair et al., 2013). The summary of the reliability and validity tests can be seen in Table 3.

To measure the discriminant validity, the present study used the heterotrait-monotrait ratio (HTMT) of correlations, an alternative approach to the examination of cross-loadings and Fornell-Larcker criteria as per the multi-trait multimethod matrix (Henseler et al., 2015).

Henseler et al. (2015) show by means of a simulation study that these approaches do not reliably detect the lack of discriminant validity in common research situations. This study follows their suggested cutoff value of below 0.9 (Refer to Table 4).

Model fit assessment

The examination of the structural model is contingent upon the satisfactory validation of the measurement model. The adjusted R-squared score of SME performance is presented in Table 5, providing

Table 2. Outlier detection test.

Mahalanobis' distance	Probability
29.93548	0.00000
30.02735	0.00000
39.93745	0.00000

Table 3. Test results for reliability and validity.

	Cronbach's Alpha	rho_A	Composite reliability	Average variance extracted (AVE)
Cultural Intelligence (CQ)	0.686	0.996	0.787	0.575
Competitive Advantage	0.843	0.741	0.774	0.615
Coaching Culture (CC)	0.755	0.879	0.794	0.656
Innovation	0.751	0.772	0.718	0.609

Table 4. Discriminant validity - Henseler criterion (HTMT).

	Cultural intelligence (CQ)	Competitive advantage	Coaching culture (CC)	Innovation	SME performance
Cultural Intelligence (CQ)	0.759				
Competitive Advantage	0.041	0.630			
Coaching Culture (CC)	0.011	0.211	0.644		
Innovation	0.361	0.301	0.406	0.385	
SME performance	0.004	0.114	0.079	0.110	0.704

insight into the extent to which the variance in SME performance can be accounted for by the independent factors (Hair et al., 2020). The predictive accuracy of the final model was enhanced, resulting in an improved R² value of 0.705. The model yielded insignificant results for all of the control variables. Hair et al. (2017) found that the incorporation of control variables in the analysis of partial least squares (PLS) has a substantial impact on the observed effects, regardless of their statistical significance.

The Standardized Root Mean Residual (SRMR) is defined as the discrepancy between the observed correlation matrix and the correlation matrix implied by the model, as described by Hair et al. (2020). According to Hair et al. (2020), any score below 0.10 or 0.08 is considered to indicate a favorable level of match. Furthermore, it has been observed that Non-Normal Fit Index (NFI) values exceeding 0.9 indicate a favorable level of fit, as reported by Hair et al. (2020). The findings of the structural equation modeling (SEM) analysis conducted in this study indicate that the standardized root mean square residual (SRMR) value is 0.082, which falls within an acceptable range as suggested by Hair et al. (2020). The model fit indices are presented in Table 6.

Testing hypotheses

Subsequently, the impacts of PLS-SEM bootstrapping on the model were investigated. The results of the path analysis are shown in Table 7.

The results indicated that improved cultural intelligence significantly affects SME performance ($\beta=0.455$, p -value = 0.000). Thus, the first hypothesis is supported. Coaching culture has also a significant influence on SME performance ($\beta=0.394$, p -value = 0.000). Finally, the influence of innovation usage on SME performance was also significant ($\beta=0.231$, p -value = 0.003).

Moderation analysis

This study hypothesized that the moderator variable (competitive advantage) modifies the strength or direction of a model's link between two constructs. The moderation analysis is done by using SmartPLS. Remarkably, the results show that competitive advantage moderates the influences of Cultural Intelligence

Table 5. Test of R square.

	R square	R square adjusted
SME performance	0.705	0.707

Table 6. Model fit indices.

	Saturated model	Estimated model
SRMR	0.082	0.082
d_ULS	0.595	0.595
d_G	0.918	0.918
Chi-Square	17.034	17.034
NFI	0.923	0.923

Table 7. Path coefficients.

	Original sample (O)	Sample mean (M)	Standard deviation	p -values
Improved CQ → SME performance	0.455	0.359	0.067	0.000
Improved CC → SME performance	0.394	0.218	0.102	0.000
Improved Innovation → SME performance	0.231	0.102	0.054	0.003
CA*Innovation → SME performance	0.436	0.435	0.089	0.021
CA*CQ → SME performance	0.403	0.603	0.088	0.000
CA*CC → SME performance	0.102	0.231	0.098	0.437

*CA - Competitive Advantage/CQ – Cultural Intelligence/CC - Coaching Culture.

Table 8. Hypothesis testing summary.

Hypothesis	Result
H1: Improved cultural intelligence has a significant positive effect on the performance of SMEs.	Supported
H2: Coaching culture has a significant positive effect on the performance of SMEs.	Supported
H3: Improved innovation usage after business coaching has a significant positive effect on the performance of SMEs.	Supported
H4: Competitive advantage moderates the relationship between improved Cultural Intelligence and the performance of SMEs.	Supported
H5: Competitive advantage moderates the relationship between Coaching Culture and the performance of SMEs.	Not Supported
H6: Competitive advantage moderates the relationship between innovation and the performance of SMEs.	Supported

(**CA*CO**, $\beta=0.403$, p -value = 0.000) and innovation usage (**CA*Innovation**, $\beta=0.436$, p -value = 0.021). Nevertheless, as reported in the findings of this study, the competitive advantage does not moderate the effects of Coaching Culture and Coaching Culture on SME performance.

Discussion of the results

Table 8 shows the summary of hypothesis testing results.

Effect of improved innovation usage on the performance

Innovation refers to the systematic process of introducing novel services and goods into the marketplace to gain a competitive advantage. Innovation is creating, developing, and implementing new ideas, methods, products, services, and specialized knowledge regarding digitalization (Amoa-Gyarteng & Dhlwayo, 2024). The results of this study show a significant influence of improved innovation usage after business coaching on SME performance. Consistently, according to Valdez-Juárez et al. (2024), technological and non-technological innovations are key factors that increase financial performance in SMEs. Following the findings of the present study, the research conducted by Alam et al. (2016) examined the impact of innovation and creativity on the expansion of small and medium-sized enterprises in Malaysia. The authors suggested that adopting innovative tools and involving the creation of novel and improved approaches for the delivery of products or services enhances the performance of SMEs. According to Ibrahim et al. (2018), there is evidence to suggest that innovation has a significant role in promoting company growth and fostering competition inside organizations. It optimizes a company's capability to augment organizational capacity while simultaneously sustaining performance growth. The promotion of innovation has a crucial role in fostering the growth and long-term viability of small and medium-sized firms. The impact of technological capability on the performance of SMEs in Malaysia was investigated by Singh and Hanafi (2020). The researchers noted that innovation has a significant impact on the overall success of organizations, the expansion of businesses, and their long-term sustainability. Furthermore, the authors claim that the implementation of employee training programs plays a crucial role in cultivating innovation inside an organization, hence serving as a key driver for corporate growth and expansion. Small and medium-sized enterprises ought to effectively oversee the process of innovation in order to attain elevated levels of business growth (Khazaei, 2020).

Presently, small and medium-sized enterprises are seeing a shift from a technology-driven approach to a market-driven one. This shift is attributed to advancements in client intelligence and the increasing complexity of market demands, which now determine the needs of the market rather than technological considerations. According to Arshad et al. (2018), companies that prioritize market need over technological advancements are more likely to achieve success in meeting customer wants, leading to innovative achievements for reactive producers and manufacturers. Wahab et al. (2020) argue that the adoption of technological advances and innovative approaches can enhance the value of assets and contribute to the success of organizations. This is considered a crucial aspect of corporate strategies for several reasons, including the utilization of efficient production methods, improved market performance, the cultivation of an excellent client reputation, and, ultimately, the attainment of a sustainable competitive advantage. Technological advancements might be based on novel knowledge or technologies, inventive applications, or amalgamations of preexisting knowledge or innovations (Khazaei & Tareq, 2021). Hence,

the achievement of favorable outcomes in the performance of innovative small and medium-sized enterprises necessitates the integration of scientific and technological capabilities alongside commercial opportunities within the organizational framework.

Effect of coaching culture on organizational performance

A coaching culture denotes an organizational atmosphere in which coaching behaviors, practices, and ideas are thoroughly integrated into daily operations, leadership approaches, and employee interactions (Watkins, 2008). It is distinguished by an emphasis on perpetual learning, transparent communication, and advancement across all tiers of the business.

According to Tinelli et al. (2023), building coaching cultures within organizations draws attention to either managers who have received coaching skills training or the prevalence of trained internal coaches within businesses. According to Hawkins (2012), the implementation of a coaching culture can create enormous employee potential and contribute to the advancement of their performance. This study underscores that a coaching culture significantly impacts SME performance, corroborating results from prior studies in this domain. Hence, the government must guarantee adequate training and coaching for employees in small and medium-sized enterprises in Malaysia.

The effect of improved cultural intelligence (CQ) on performance

This study shows that improved cultural intelligence after coaching influences the performance of SMEs. Cultural intelligence pertains to an individual's capacity to comprehend and navigate diverse cultures with efficacy (Azevedo & Shane, 2019). Firms' use and prioritization of cultural intelligence can yield substantial effects on their performance across multiple dimensions. Cultural intelligence is an individual's or organization's capability to understand, adapt, and function effectively across diverse cultural settings. Business coaching enhances this capability by fostering awareness, adaptability, and strategic skills, which subsequently influence the performance of small and medium-sized enterprises. Business coaching equips leaders with frameworks for culturally informed decision-making, such as considering cultural norms, values, and legal systems when making strategic decisions. Reducing the risk of misunderstandings or conflicts, improving the success rate of ventures in diverse markets and enhancing profitability. A study by Mohamed et al. (2024) consistently showed that entrepreneurs can gain valuable insights into the positive impact of receiving coaching, encouraging them to seek and leverage such support.

In the context of a globalized market, it is common for enterprises to actively interact with a wide range of clients, partners, and workers who possess unique cultural backgrounds. Cultural intelligence enables organizations to foster more robust interactions and collaborations via the comprehension and appreciation of the cultural intricacies exhibited by their counterparts (Azevedo & Shane, 2019). This phenomenon has the potential to result in enhanced communication, trust, and collaboration, ultimately augmenting the overall performance of businesses (Chenyang, 2022). A workplace that embraces cultural intelligence fosters an environment that prioritizes inclusivity, diversity, and the cultivation of a sense of belonging among its employees. Consequently, this fosters collaboration, originality, and ingenuity (Azevedo & Shane, 2019). There is a favorable correlation between employees who perceive themselves as valued and understood and their motivation and engagement levels, which in turn have a beneficial impact on the overall success of the organization (Couch & Rose, 2020). According to a study conducted by Lara and Salas-Vallina (2017), it has been found that deficiencies in various domains, including skill-sets, comprehension of work procedures, capabilities, competencies, morale or job motivation, job satisfaction, and stress management, are the main factors contributing to the failure of small and medium-sized enterprises to meet performance criteria. The aforementioned complaints pertain to the inadequate coaching and mentoring provided to staff members of small and medium-sized enterprises. Business coaching is crucial in ensuring the success of small and medium-sized enterprises and mitigating the risk of failure. This is due to its capacity to enhance employee motivation by bolstering their skills and self-assurance (Affendy et al., 2015).

Competitive advantage

The findings suggest that the impact of innovation and Cultural Intelligence on the performance of enterprises is moderated by competitive advantage. The findings of the study suggest that the impact of innovation and Cultural Intelligence on the performance of enterprises is significantly moderated by competitive advantage. The moderating effect of competitive advantage has been extensively examined by several academics who have acknowledged the importance of small and medium-sized enterprises in terms of their contribution to economic performance and their capacity to generate job opportunities (Klingler-Vidra, 2019). According to a study conducted by Saeidi et al. (2019), the key determinant of whether SMEs are able to achieve the creation of distinctive goods lies in their ability to effectively utilize their capacity for producing such goods and their adaptability in adopting new technologies. Small businesses face various challenges that hinder their ability to innovate, including limited internal funding, inadequate managerial capabilities, insufficient labor skills, a lack of experience, and limited market access.

Competitive advantage allows enterprises to turn CQ-driven insights into actionable strategies that directly improve performance outcomes. This result is consistent with the RBV framework (Barney, 2001). The competitive advantage arises from unique resources and capabilities, such as innovation and CQ. The RBV framework highlights that these attributes lead to superior performance when strategically leveraged. Enterprises with a competitive advantage, such as unique resources or superior market positioning, can better leverage innovation to enhance performance (Barney, 2001).

In their study, Rua et al. (2018) conducted observations and found that SMEs are consistently confronted with various obstacles, rendering them more susceptible to concerns over the sustainability and competitiveness of their businesses. Moreover, SMEs that possess a competitive advantage cultivate an environment that promotes innovation. This allows them to acquire the capacity to effectively respond to both market difficulties and opportunities (Kiyabo & Isaga, 2019). The presence of an innovative culture provides clients with a wider range of choices, hence enhancing the overall performance of SMEs. According to the findings of English and Hoffmann (2018), innovation has a crucial role in enhancing the competitive advantage of firms and facilitating their ongoing growth. Innovation drives efficiency and effectiveness within organizations, leading to optimized resource utilization, cost reductions, and improved operational processes that can strengthen the organization's position in the market, making it more resilient to competitive pressures and better equipped to seize opportunities in dynamic environments (Susanti et al., 2023).

Conclusion

A significant proportion of SMEs in Malaysia exhibit a deficiency in the requisite knowledge and skills required to fully realize their market potential. Corporate coaching provides employees with the essential skills to thrive in a fast-paced and ever-changing business landscape. Furthermore, the performance of SMEs in Malaysia has been lacking in significance, as they have failed to yield the expected impact on economic development. The study's findings suggest a substantial relationship between the utilization of innovation, the establishment of a coaching culture, the development of cultural intelligence, and the performance of SMEs. The study's findings demonstrate that the impacts of innovation and cultural intelligence on the performance of SMEs are moderated by competitive advantage. This study proposes an expansion of the resource-based model and the Grow model by incorporating specific criteria that a resource must possess to possess the potential to attain a competitive advantage.

Contributions of the study

The study made a valuable contribution to business management research by applying the Resource-Based View theory and the Grow Model to analyze the impact of business coaching on the growth of small and medium-sized enterprises. This research helped advance the understanding and use of these frameworks and theories in the context of business coaching. This study provides a secondary theoretical contribution by examining the integration of coaching services for Richworks

clients. Including a business coaching study conducted in a developing nation like Malaysia is a supplementary contribution to the research's national context. Additionally, this research made a valuable contribution to the current scholarly discourse by introducing a business coaching framework that is substantiated by empirical data. The distinguishing characteristic of this model, in contrast to other models found in the existing literature, is its focus on the managers of SMEs in Malaysia as the primary unit of study. This research makes a valuable contribution by examining these factors from both internal and external perspectives within the framework of the RBV. This study made a theoretical contribution to the RBV theory by presenting empirical evidence on the elements that influence the growth of SMEs following coaching programs. The Grow Model is utilized in this study after actual business coaching, connecting theoretical concepts with practical application and providing insights into coaching interventions for company leaders. This contextual perspective enhances the comprehension of how socio-cultural and economic issues affect the efficacy of coaching interventions. This study enhances the theoretical comprehension of leadership and entrepreneurship by demonstrating how coaching acts as a strategic facilitator of SME growth through the cultivation of essential organizational qualities.

Implications for practitioners

Based on the study's objectives, this study proposed the following recommendations:

1. Malaysian SME owners should undergo business coaching programs to improve the performance of their firms.
2. The Malaysian government should encourage SME owners regarding the benefits of attending business coaching programs.
3. Since SMEs are critical to the growth and success of the Malaysian economy, this study recommends that the government consider public-private partnerships with coaching companies in Malaysia to promote SME growth. partnerships can offer subsidized or government-sponsored coaching programs, enabling SME leaders to enhance their business acumen, leadership skills, and cultural intelligence. Coaching partnerships can introduce SMEs to innovation frameworks, such as digital transformation strategies, enhancing their competitiveness in local and global markets. Government support can alleviate the cost burden for SMEs, ensuring broader access to high-quality coaching services.

The study found that business coaching positively impacts motivation, Cultural Intelligence, Coaching Culture, innovation, and improved business models. These impacts on SMEs promote a competitive advantage, which results in improved performance.

Limitations and recommendations

The findings of this study are solely applicable to individuals who have participated in business coaching programs offered by RichWorks International. Further investigation is warranted to explore the potential advantages of any other training programs on the performance of SMEs. Additional investigation should be undertaken to examine the effects of business coaching on other industries within the framework of various nations. Future research could benefit from a larger and more diverse sample to enhance the generalizability of the findings. Longitudinal studies could provide deeper insights into the long-term impact of business coaching on SME performance. Future studies may consider a more detailed analysis of how different aspects of Cultural Intelligence and coaching culture impact performance.

Ethics statement

The ethical approval was obtained from Asia e University before the commencement of the study. All participants were provided comprehensive information regarding the study's objectives, procedures, potential risks, and benefits. Confidentiality and anonymity of the participants were strictly maintained throughout the study.

Author contributions statement

Dr. Azizan Osman (Corresponding Author) contributed to Conceptualization, Methodology, Writing – Original Draft, and Writing – Review & Editing. Dr. Hamed Khazaei contributed to Formal Analysis, Statistical Analysis, Interpretation of Results, Methodology, Review, Editing and Project Administration. Dr. Thavamaran Kanesan provided Conceptualization, Methodology, Review, Editing and Project Administration throughout the research process. There was no financial support for the project leading to this paper. All authors have read and approved the final work.

Disclosure statement

No potential conflict of interest was reported by the author(s).

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Data availability

Access to the data is restricted, and interested parties may contact the corresponding author for inquiries regarding data access.

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