Framing the Interaction between Transformational Leadership and Knowledge Management: A Conceptual Framework

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ABSTRACT

This paper highlights the relationship between transformational leadership and knowledge management, and their degree of influence on organisational performance. Based on an extensive review of the literature and using relevant theories, this research establishes the critical role of transformational leadership in shaping organisational factors to stimulate knowledge management processes within companies and proposes a conceptual framework for empirical investigation. This research aims to contribute to the literature by combing the fields of knowledge management and leadership into a single study to associate their links into an integrated framework. It also aims at providing a further exploratory approach into organisational factors that can facilitate transformational leadership as means for knowledge management.

Keywords: transformational leadership, knowledge management, organisational performance, conceptual framework

INTRODUCTION

Over the years, there has been increasing attention towards the knowledge-based economy, since the foundation of many businesses is largely characterised by ‘creating, evaluating, and trading knowledge’ (Hendarman & Tjakraatmadja, 2012, p.36). Based on the existing literature, knowledge management has been highlighted as one consideration of organisational performance (Lee & Choi, 2003; Fugate, Stank & Metzer, 2009). However, it appears that knowledge management can merely be successful if managed by an effective leader. Given this point, various researchers (such as Nemanich & Keller, 2007; Liu & Phillips, 2011) affirm that the term transformational leadership has emerged to describe the inspirational roles that top managers play in enhancing organisational knowledge and ultimately performance. To describe these roles, this paper will focus on Bass’ (1985) four major aspects of transformational leadership: the initial aspect being the idealised influence which emphasises on developing a shared vision, and improving interactions between the leader and its followers. The second aspect, inspirational motivation, reflects the motivation and inspiration in subordinates, and in determining a degree of higher leadership expectations. The intellectual stimulation as a third aspect, is grounded on facilitating knowledge transfer and the creation of new ideas to derive new solutions, and, finally, the individual consideration, which is based on recognising members’ learning needs and in empowering them.
Zheng, Yang and McLean (2010) illustrate knowledge management as a contextual aspect and affected by various factors including the above mentioned points. In addition, the current literature also highlights the role of transformational leadership in shaping organisational factors aiming to facilitate this organisational knowledge. Therefore, it appears that all these factors have some form of relationships; yet there is no evidence of an integrated approach to discern the contextual factors that affect both transformational leadership and knowledge management. Exploring these factors and their impacts can provide practical implications for top managers to assess current organisational factors and to enhance organisational outcomes accordingly. This cross-disciplinary and systematic approach can also provide more technical viewpoints for researchers to distinguish the importance of transformational leadership in shaping organisational factors and in developing organisational knowledge. To fill this gap in the literature, this paper reviews the current literature and presents a conceptual framework that incorporates the organisational factors as mediating the interaction of transformational leadership and knowledge management, which ultimately supports overall firm performance.

THEORETICAL UNDERPINNING

Social capital theory

Social capital theory emphasises the importance of interactions (Ostrom 2009; Mustafa & Chen 2010; Light & Dana 2013) in affecting behaviours and subsequently creating valuable resources (Gordon 2002). To define social capital, Alder (2002) takes an approach whereby social capital comprises two main aspects: social networks and trust-based relationships. Pemberton, Mavin and Stalker (2007, p.67) uncover communities of practice as an ingredient of social networks, and argue that these like-minded people with interconnectedness highly requires a leadership form, where senior managers can instil the ‘freedom to explore new ideas’. It is evident that transformational leadership provides this freedom of intellectual stimulation, which enhances knowledge sharing and workplace learning. This form of leadership also improves trust-based relationships among subordinates by embracing a role model (Braga, 2002) who is trusted by employees (Webb, 2007). In terms of knowledge management, trust-based relationships motivate employees to share their knowledge with others. Moreover, as
Gordon (2002) establishes, the members in communities of practice frequently share their knowledge to solve technical problems. It can be argued that the sharing of ideas promotes learning among them. Hence, the social capital view provides a foundation for the association between transformational leadership and knowledge management.

The knowledge-based view

The knowledge-based view concentrates on embedding knowledge in members and highlights tacit knowledge embedded among human assets as a strategic factor of competitive advantage. Balogun and Jenkins (2003) argue that members’ shared assumptions and values (i.e. culture) equate with tacit knowledge. The firm’s capabilities to create and utilise knowledge are considered as an enabler of sustainable competitive advantage (Zhenget at., 2010). To create knowledge, organisational mechanisms are integral to integrate internal and external sources of knowledge. Herein, it can be seen that the organisational structure can manifest itself as a channel for coordinating intellectual capital within companies. Additionally, the organisational strategy as a pattern to deploy companies’ capabilities and interaction with environmental components, actually specifies how organisations utilise their current knowledge to create new knowledge and ideas. Moreover, the technological facilities encourage human capital to share their idea and develop new solutions on organisational problems. Therefore, from both of the theories, we propose that culture, structure, strategy and technology are internal organisational resources that could improve organisational knowledge and develop competitive advantage.

RESEARCH HYPOTHESES DEVELOPMENT

The role of transformational leadership in supporting knowledge management

Lee and Kim’s (2001) framework on managing knowledge reflects a more strategic and practical perspective, as it is applicable in the context of leading organisations. In Lee and Kim’s (2001) view, knowledge, firstly, is accumulated through generating new ideas from intellectual capital, and acquiring knowledge from environmental factors such as customers. Later on, this knowledge is internally integrated and synthesised to improve the effectiveness of various processes and to produce
higher quality outcomes. Finally, in the knowledge configuration process, knowledge is shared externally with other organisations with the aim of meeting environmental changes.

To demonstrate the role of transformational leadership, the study by Sosik (1997) illustrates how transformational leaders develop new ideas within companies. The idealized influence aspect of transformational leadership is considered as an essential source in improving relationships. Transformational leaders could enhance the amount of knowledge acquired from business partners. Several authors (such as Politis, 2002; Nemanich & Keller, 2007) have reported how these leaders facilitate knowledge acquisition from external sources. In addition, they improve the process of knowledge integration through intellectual stimulation that enables knowledge sharing in the organisation (Liu and Phillips, 2011). These leaders also propel knowledge integration by idealised influence that enhances dynamic relationships in organisations. Furthermore, it is evident that transformational leaders improve networking with external sources by influencing employees to enhance their interactions. These leaders inspire their organisation as a whole to develop networks with more successful companies by setting highly desired expectations for employees. Hence, the following hypothesis is proposed:

**H1: Transformational leadership has a positive association with knowledge management**

**Mediating role of organisational factors**

**Organisational culture**

Transformational leaders facilitate collaboration by using the idealised influence dimension, which develops relationships in organisations. As Podsakoff, Mackenzie, Moorman and Fetter (1990) and Klinsontom (2005) argue, a transformational leader contributes to the cultural aspect of trust, through considering both employees’ individual interests and companies’ essential needs at the same time. It can be seen that transformational leaders identify individual needs of their employees and develop a learning culture by intellectually stimulating them to generate new knowledge and share it with others. On the other hand, collaboration provides a shared understanding about the current issues and problems among employees, which helps to generate new ideas within organisations (Fahey &
Prusak, 1998; Choi, 2002). Additionally, Lines, Selart, Espedal and Johansen (2005) establish that trust towards their leaders’ decisions is a necessary precursor to create new knowledge. Several researchers maintain the critical role of trust which enables the tendencies for sharing knowledge and information with others (Goh, 2002; Wagner 2003). Moreover, it has been argued that ‘the amount of time spent learning is positively related with the amount of knowledge’ (Choi, 2002, p. 52). The empirical studies also support the importance of the three cultural dimensions of collaboration, trust and learning in facilitating knowledge management processes (Choi, 2002; Dyer & Chu, 2003). This leads to the following hypotheses:

**H2:** Culture plays a mediating role in the relationship between transformational leadership and knowledge management

**H2a:** Transformational leadership has a positive association with culture

**H2b:** Culture has a positive association with knowledge management

**Organisational structure**

Transformational leaders apply the intellectual stimulation aspect to develop knowledge sharing and inspire employees to create new ideas and a better environment (Eagly & Carli, 2003). Jarvenpaa and Staples (2000) maintain that the informal structure could facilitate new idea generation to build a more innovative climate within organisations. In addition, transformational leaders implement organisational changes to developing a better situation. Herein, Jung, Wu and Chow (2008) argue that more emphasis on formalised structures can negatively impact on transformational leaders’ ability in exerting these changes. This requires a decentralised structure to enable this idealised influence aspect, which is directed at improving interactions. On the other hand, centralisation impairs the opportunity to develop relationships among members and departments (Tafvelin 2013). In conjunction with the theory, this research establishes that transformational leaders manipulate organisational structures to be more effective. While decentralised structures delegate the power of decision-making to the lower levels and subsequently inspire organisational members to create new ideas and even implement them, centralisation is known to negatively impact interdepartmental communications and inhibit knowledge exchange among them. Other researchers such as Bennett and Gabriel (1999) and Jarvenpaa and Staples (2000) verify that less emphasis on formalisation promotes
interactions and new knowledge generation. Choi, (2002) and Zheng et al., (2010) affirm the negative impacts of centralisation and formalisation on various knowledge management processes such as knowledge acquiring, creating and sharing. Therefore, the following hypotheses are formed:

H3: Structure plays a mediating role in the relationship between transformational leadership and knowledge management
H3a: Transformational leadership has a negative association with structure
H3b: Structure has a negative association with knowledge management

Organisational strategy

According to Bergeron, Raymond and Rivard (2004), strategy embraces four aspects: analysis, pro-activeness, defensiveness, and futurity. Analysis strategy focuses on identifying the best solutions for the organisational problem. A transformational leader applies this strategy to enable intellectual stimulations, which creates more innovative solutions for organisational problems. Futurity emphasises the effectiveness of long-term decisions (Venkatraman, 1989). It can be argued that transformational leaders also employ this kind of strategy to facilitate the effectiveness of idealised influence by developing a vision of adopting more comprehensive information about the future. Furthermore, a defensive strategy can be applied by transformational leaders. This idea can also be justified by taking into account the objectives of this strategy that seek to decrease organisational costs (Venkatraman, 1989). In fact, while transformational leadership focuses on implementing changes, a defensive strategy can be used to modify the current processes to enhance organisational efficiencies. A pro-active strategy identifies the coming opportunities in the business environment (Venkatraman 1989). Herein, a transformational leader needs to adopt this strategy to inspire employees to identify better opportunities in the external environment (Bass & Avolio, 1997). On the other hand, an analysis strategy could enhance the knowledge creation process through identifying new opportunities in order to provide better alternatives for managers to make a more effective decision. Various researchers (such as Cohen & Sproull, 1996; Talke, 2007) indicate that the analysis strategy is highly associated with a company’s capacity to create new knowledge. Moreover, a pro-active strategy could enhance knowledge transfer by developing interactions with the business environment. Furthermore, a futurity strategy can be critical to enhance the knowledge utilisation
process, thereby developing guidelines for future pathways and to determine future trends in the external environment and allocate their resources accordingly. The study by Zheng et al. (2010) illustrates that the strategic aspects of analysis, defensiveness, futurity and pro-activeness improve knowledge generation, sharing and utilisation within organisations. Hence, the following hypotheses are proposed:

H4: Strategy plays a mediating role in the relationship between transformational leadership and knowledge management
H4a: Transformational leadership has a positive association with strategy
H4b: Strategy has a positive association with knowledge management

Technology

From an organisational point of view, technology is often defined as the information and communication technologies (Lee & Choi, 2003). Information technology has been illustrated by two fundamental aspects, including communication technology and decision-aid technology (Hsieh, 2007). While communication technology emphasises the enhancement of interactions (Hsieh, 2007), decision-aid technology develops technological infrastructures to store and retrieve knowledge. It is apparent that communication technologies can assist transformational leaders in influencing employees and further developing interactions within and outside the firm. Also, they use decision-aid technologies to intellectually stimulate new ideas and knowledge in employees. There are empirical studies (such as by Schepers, Wetzels and de Ruyter, 2005; Noseworthy, 1998; Gold, Malhotra and Segars, 2001; Marwick, 2001) that affirm the strategic role of transformational leadership in successfully utilising such technologies to enhance the depth and access to knowledge as well as the integration within organisations. These facilitate a more innovative climate in organisations. In addition, decision-aid technology is also considered as an important facilitator of knowledge creation by developing the required infrastructures to store and retrieve knowledge. Based on this, the following hypotheses are proposed:

H5: Technology plays a mediating role in the relationship between transformational leadership and knowledge management
H5a: Transformational leadership has a positive association with technology
H5b: Technology has a positive association with knowledge management
Linking transformational leadership and knowledge management with performance

Transformational leaders intellectually stimulate their subordinates to improve knowledge sharing. This facilitates innovation and learning, which affect organisational performance. By taking an individual consideration approach, transformational leaders also inspire employees to place extra effort to improve performance. It can be seen that the motivation from transformational leaders inspires productivity and lower costs. Researchers such as Garvin (1988) and Hancott (2005) have reported that this leadership can have impacts on financial and non-financial aspects of performance such as increased sales and improved product quality. Hence, this study hypothesises that:

\[ H6: \text{Transformational leadership has a positive association with organisational performance} \]

In knowledge accumulation, the motivation of employees could result in new ideas and innovative solutions for the organisation. Moreover, knowledge acquisition promotes companies’ abilities in extrapolating customers’ needs and recognising the environmental changes. Knowledge integration could also enhance the quality of products and services through synthesising the acquired knowledge. This can improve other financial and non-financial performance measurements such as customer satisfaction and sales. Additionally, during the knowledge integration process, the learning climate is further enhanced in the organisation. The knowledge reconfiguration process contributes to performance by enabling a company to effectively respond to environmental changes. The studies by Lee and Choi (2003) and Fugate et al. (2009) have illustrated that knowledge management processes positively contribute to financial and non-financial performance such as innovation and sales growth. Therefore, it is hypothesised that:

\[ H7: \text{Knowledge management has a positive association with organisational performance} \]

PROPOSED CONCEPTUAL FRAMEWORK

On the basis of the reviewed literature and the underpinning theory, Figure 2 demonstrates a conceptual model that indicates the relationships between transformational leadership and knowledge management in supporting organisational performance. It also portrays the organisational factors that are hypothesised to play a mediating role in the relationships between transformational leadership and knowledge management.
CONCLUSION AND PROPOSED METHODOLOGY

Transformational leadership plays a critical role in companies by developing organisational knowledge and performance, and manipulates organisational factors to be more effective in this role. We have identified that the existing literature lacks an integrated approach and does not incorporate such variables to some extent. To address this gap, this study adopts the social capital theory and knowledge-based view, to contribute to the body of knowledge and presents a conceptual framework that shows the links between transformational leadership, knowledge management, organisational performance, and various organisational factors that serve as mediators. We also argue that transformational leaders are networkers who enhance organisational knowledge through developing interactions (H1), and manipulate internal resources (i.e. culture, structure, strategy, and technology) to facilitate this role (H2, H3, H4, H5). In addition, we test the impacts of knowledge management on organisational outcomes (H2). Accordingly, in the next stage of this research, an empirical investigation is necessary to measure these hypotheses. Since a study by McAdam and Reid (2001) illustrates that top managers in large organisations have a better understanding on the importance of knowledge management and largely invest in developing their knowledge management systems, this research will be empirically tested using Australian large organisations. To obtain the required data, a quantitative approach will be adopted using an online survey with top and middle managers in large organisations throughout Australia. The acquired data will be analysed using structural equation modelling based on a two-model estimate technique particularly with SPSS and AMOS software. The findings from this study could provide significant contribution to the fields of knowledge management, strategic management as well as human resource management. From a practitioner approach, this study could provide meaningful insights for managers to examine organisational factors and influence them to support knowledge and performance within companies.
Figures

Figure 1: Lee and Kim’s Knowledge Management Model

![Knowledge Management Model](image1)

Figure 2: The Proposed Conceptual Framework

![Conceptual Framework](image2)
REFERENCES


