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## Transformational Leadership: Implementing a Cultural Approach in Organizations

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# **Transformational Leadership: Implementing a Cultural Approach in Organizations**

## **Abstract**

*This study provides support for the positive impact of transformational leadership on knowledge management. This article reveals that transformational leaders contribute to knowledge management by acting as effective change agents through better management of firms' internal resources (i.e., organizational culture). In terms of mediating effects, this article shows that organizational culture is important in the relationship between transformational leadership and knowledge management. The study also shows that transformational leaders not only directly impact knowledge management but, more specifically, foster a more effective culture, which positively contributes to the effectiveness of knowledge management.*

## **Introduction**

This study expands the leadership literature by incorporating a knowledge management perspective and will provide additional insights into current theories and research in the area. Firstly, this research adopts transformational leadership and applies it within the knowledge management paradigm, and investigates if transformational leadership can affect firms' internal resources (i.e., organizational culture) to facilitate knowledge management in organizations.

Further, this study develops an integrated model including the organizational factor that mediates the relationship between transformational leadership and knowledge management. Hence, the findings from the current study have implications for top executives to enhance knowledge management with more effective leadership. Specifically, this study will investigate knowledge management as a result of transformational leadership.

Researchers have failed to portray how transformational leaders can act as change agents who affect internal resources to facilitate knowledge management within organizations. This perspective has remained unexplored. The literature lacks a coherent view of these inter-related topics.

## **The Link between Knowledge Management (KM) and Leadership**

Knowledge is an important driving force for business success and is related to effective leadership. Knowledge management implementation in firms is determined by a set of critical success factors, one of which is the strategic dimension of leadership (See *Table 1*). Leaders can develop conducive organizational climates that foster collaboration and organizational learning in which knowledge is shared and exploited. Therefore, if leaders do not adequately support knowledge dissemination and creation through various mechanisms such as rewards or recognition for employees who create new ideas or share their knowledge with others, knowledge management cannot be successful.

Besides the significance of leadership in KM effectiveness, another key factor to consider is organizational culture that can play a critical role in the success of knowledge

management. Effective leaders can move ahead of their organizations and develop knowledge management through making cultural changes to share and utilize knowledge within organizations. *Table 1* indicates that various authors have established the critical role that leaders play to achieve the best climate and for implementing knowledge management and learning activities in the organization. The participation of people in leadership activities is inextricable from knowledge management practices (Merat & Bo, 2013). This success is dependent upon a well-formulated mission, vision, and strategy, led by effective leaders who inculcate a culture of trust and transparency of knowledge sharing within organizations.

**Table 1: Critical Success Factors for Knowledge Management Implementation (adapted from Mas-Machuca, 2014; p.100)**

Source	Publication	Critical Success Factors
Skyrme & Amidon (1997)	<i>The Knowledge Agenda</i>	<b>Knowledge leadership</b> Creating a knowledge-sharing culture Well-developed technology infrastructure Strong link to a business imperative Compelling vision and architecture Systematic organizational knowledge processes Continuous learning
Trussler (1999)	<i>The Rules of the Game</i>	Appropriate infrastructure <b>Leadership and strategy (management commitment)</b> Creating motivation to share Finding the right people and data Culture Technology (network) Availability to collaborators (transferring) Training and learning
Liebowitz (1999)	<i>Key Ingredients to the Success of an Organization's Knowledge Management Strategy</i>	<b>KM strategy with senior leadership support and active involvement</b> A CKO or equivalent and a knowledge management infrastructure Knowledge ontologies and knowledge repositories Knowledge systems and tools Incentives to encourage knowledge sharing Building a supportive culture
APQC (1999)	<i>Knowledge Management: Executive Summary, Consortium Benchmarking Study/Best Practice Report</i>	<b>Leadership</b> Culture Technology Strategy Measurement
Holsapple & Joshi (2000)	<i>An Investigation of Factors that Influence the Management of Knowledge in Organizations</i>	<b>Leadership</b> Coordination Control Measurement
Wong (2005)	<i>Critical Success Factors for Implementing Knowledge Management in Small and Medium Enterprises</i>	<b>Management leadership and support</b> Culture IT Strategy and purpose

		Measurement Organizational infrastructure Processes and activities Motivational aids Resources Training and education Human resources management
Hung et al. (2005)	<i>Critical Factors in Adopting a Knowledge Management System for the Pharmaceutical Industry</i>	A trusting and open organizational culture <b>Senior management leadership and commitment</b> Employee involvement Employee training Trustworthy teamwork Employee empowerment Information systems infrastructure Performance measurement Benchmarking Knowledge structure
Yeh et al. (2006)	<i>Knowledge Management Enablers: A Case Study</i>	<b>Strategy and leadership</b> Corporate culture People Information technology Content quality Collaboration Communication Formalization Budgetary support
Migdadi (2009)	<i>Knowledge Management Enablers and Outcomes in the Small-and-Medium Sized Enterprises</i>	<b>Management leadership and support</b> Culture IT Strategy and purpose Measurement Organizational infrastructure Processes and activities Motivational aids Resources Training and education Human resource management

## Theoretical Basis for Transformational Leadership and Knowledge Management

### **Social Capital View**

The social capital view is an appropriate theory to be integrated in this article to indicate the important role of transformational leadership in facilitating relationships and interactions as a driver of enhanced knowledge management. Bourdieu (1977) coined the term “social capital,” and subsequently various authors (Coleman 1988; 1990; Lomas 1998; Putnam 1993; 2000; Rose 2000; Carpiano, 2006) have extended the literature in the area. Social capital inheres in numerous earlier concepts associated with social and economic sciences (such as social capability and civic virtue), and to some extent is driven from political theorists (such as Alexis de Tocqueville and James Madison) who have focused on the importance of pluralism and federalism in developing democratic societies (Gordon, 2002). In Coleman’s (1988) view, organizations need to improve four categories of capital to succeed in business. The four categories include financial, biophysical, human and social capital. Social capital stresses the critical role of

relationships (McEvily & Marcus, 2005; Washington, 2008; Ostrom 2009; Mustafa & Chen 2010; Light & Dana, 2013) in influencing behaviors (Washington 2008). Based on this view, social capital is different from human capital, where human capital focuses on individual behavior and knowledge. Social capital emphasizes relationships and assets created by these relationships (Coleman, 1988; Burt, 1992; Gordon, 2002). Following this approach, Burt (1997) defines human capital as an individual quality, and highlights social capital as a quality that appears in interactions. Similarly, Putnam (1993, cited in Foley & O'Connor, 2013, p. 278) argues that social capital is “a set of horizontal associations between people consisting of networks.” It is apparent that relationships and interactions are a form of capital that can be “productive, making possible the achievement of certain ends that would not be attainable in its absence” (Coleman, 1990, p. 304). From these statements, it is argued that an employee has colleagues and friends (i.e. human capital) who provide further opportunities and information for the employee. In this context, the social capital view sheds light on the development of these relationships within organizations to aggregate human capital into social capital so as to provide further information and opportunities for all members, and subsequently create valuable resources for an organization as a whole.

Coleman (1988; 1990) and Putnam (1993; 2000) have provided significant contributions to the development of this view. Coleman (1981) conducted empirical research using a sample of more than 58000 students in catholic, private and public high schools. This research provided evidence that pupils from both private and catholic high schools were more successful compared to students in public schools. Another study by Hoffer (1985) provided similar results, illustrating that students in catholic schools had the lowest dropout rate. Coleman (1987), in describing this strong correlation between catholic schools and students' achievements, argues that a higher degree of social capital emerged in religious communities of catholic schools, and this plays a particularly important role in propelling students' achievements and reducing dropout rates. Based on this view, Coleman (1988; 1990) views social capital as those resources found in social structures and relationships, and it increases the chance of success in a community. Accordingly, he posits that “a group whose members manifest trustworthiness and place extensive trust in one another will be able to accomplish more than a comparable group lacking that trustworthiness and trust” (Coleman, 1990, p.304). Coleman (1988; 1990) seems to take an outcome-oriented approach toward social capital and elucidates this form of social capital as a product of investment in interactions and collective actions, which in turn improve the effectiveness of communities.

Unlike Coleman (1988; 1990), Putnam (1993) presents his twenty-year longitudinal findings on social capital in which he illustrates that participation in group-associated activities can internalize reciprocity to enhance trust among participants. In fact, he concentrates on the characteristics of communities and argues that social capital is a by-product of trust in these communities. Subsequently, Putnam (2000) developed a new approach to social capital that takes a group perspective to social capital. Putman (2000) highlights that how groups and societies are entities that build social capital as by-products of cooperation and participation. However, there have also been some criticisms of this approach. Several researchers (such as Newton, 1999; Uslaner, 2001) have critiqued Putman's (2000) central hypothesis, and argue that people do not engage in networks to generate trust. Indeed, these authors argue that people participate in creditable groups and communities to interact with others, but trust correlates with other factors such as equality or inequality in societies. As a result, it can be argued that

although Putnam's (2000) approach has been challenged for its fundamental assumption, but Putnam (2000) goes further and understands social capital as a result of trust in communities and social organizations that leads to mutual benefits, and thus, this approach advances the social capital view through extending it to not only for individuals but also groups and societies.

Adler (2002) illustrates how social capital could be defined using three approaches. The first highlights the critical role of social networks in developing relationships with other actors in order to enhance the performance of individuals and groups. Following this approach, Wacquant and Bourdieu (1992) depict social capital as those resources accessible through possessing social networks and mutual and institutionalized relationships among actors. In the same way, Portes (1998) defines social capital as actors' capabilities in securing benefits received by joining in social networks. Social capital is a resource accessible through social networks. The second view evaluates social capital as a result of "collective actors' internal characteristics" (Adler 2002, p. 21), and focuses on the importance of internal structures in improving cohesiveness to achieve goals. In light of this argument, social capital could be defined as "the existence of a certain set of informal values or norms shared among members of a group that permit cooperation among them" (Fukuyama, 1995, p. 378). Finally, the third approach embraces both enhanced individual performance and succeeding individual resources views, and argues that the relationships between an employee and other people are external to the employee and internal to the firm. Following this, Nahapiet and Ghoshal (1998, p. 243) describe social capital as "the sum of the actual and potential resources embedded within, available though, and derived from the network of relationships possessed by an individual or social unit. Social capital thus comprises both the network and assets that may be mobilized through that network." From these definitions, it can be seen that the social capital view is therefore based on two main aspects: social networks and collective actors' internal characteristics such as trust-based relationships. To help understand the relationship between social capital and knowledge management, it is useful to consider that Polanyi (1966) who shows that knowledge emerges in social interactions, and that a necessary precursor to create knowledge is to have relationships. Following this approach, various authors (Kostova & Roth, 2002; Lang, 2004; Inkpen & Tsang, 2005; Li 2005; Smedlund, 2008; Wasko & Faraj, 2005; Yang & Farn, 2009; Chang & Chuang, 2011; Rostila, 2011; Dijk, Hendriks, & Romo-Leroux, 2016) have highlighted social capital as an important facilitator of knowledge. Indeed, some describe a firm "as a social community specializing in the speed and efficiency in the creation and transfer of knowledge" (Kogut & Zander, 1996, p. 503). Nonaka and Takeuchi (1995) propose socialization as an essential requirement of knowledge creation by which knowledge is actually created in the act of sharing tacit knowledge. Trust-based relationships, therefore, are important social capital that seeks to inspire organizational members to share tacit knowledge to generate new ideas. Going a step further, social networks are also central to social capital that lead to communities of practice that are "relatively tight-knit groups of people who know each other and work together directly" (Brown & Duguid, 2000, p. 143). Mabery, Gibbs-Scharf, and Bara (2013) say that communities of practice members frequently solve technical problems and share their ideas and knowledge. This frequent contact and keenness to share existing practice and knowledge in solving daily technical problems, in turn, enhances shared understandings among members. In this way, studies (Cook & Yanow, 1993; Snyder, 1996; Wenger, 1998; Holste & Fields, 2010; Rutten, Blaas-Franken & Martin, 2016) acknowledge that sharing best practices and experiences is relevant to creating both shared understanding of problems and trust-based relationships among employees.



Therefore, we can say that trust-based relationships and social networks positively contribute to knowledge work, and facilitate knowledge management. Managers in organizations need to consider social capital to enhance knowledge management in their organizations.

Social capital, trust-based relationships, and communities of practices are linked to transformational leadership. Transformational leadership theory argues that major changes depend on changing attitudes and assumptions at the individual and group levels. Transformational leadership theory also highlights the importance of employees' attitudes and values in achieving organizational goals, and highlights how effective organizational change is a product of developing relationships. Transformational leadership firstly fosters people and then moves them beyond self-interests by linking the individual interests to the collective interests (Bass & Steidlmeier, 1999; Gillespie & Mann, 2004; Krishnan, 2005; Garcia-Morales, et al., 2012). Transformational leaders, therefore, aggregate human capital as social capital to implement change to create valuable new resources for the organization as a whole. A strong alignment exists between transformational leadership theory and social capital view. In Pemberton, Mavin and Stalker's (2007, p. 67) view, communities of practice are groups of like-minded people whose interconnectedness requires a form of leadership in which "the freedom to explore new ideas and set its own agenda, free from the shackles of organizational missives, has been achieved by the commitment of its members and facilitated by a coordinator acting as a leader for the purposes of organizing meetings."

Transformational leadership theory is applicable to communities of practice as an ingredient of social networks. Transformational leadership also facilitates knowledge sharing through applying intellectual stimulation that enhances knowledge sharing. Based on this view, Coakes and Smith, (2007) posit that transformational leadership theory is an appropriate leadership theory for contributing to communities of practice through developing innovative workplaces in which organizational knowledge is shared by encouraging participation in social networks. Similarly, Braga (2002, p. 16) maintains that transformational leaders are effective networkers who provide "a flow of ideas, questions and assumptions" within organizations. In encouraging flows of ideas and social capital, a transformational leader becomes a role model (Braga, 2002; Stone, Russell & Patterson, 2004; Webb, 2007; Alexander & Hardy, 2014; Henker, Stonnntag, & Unger, 2015) for followers, stimulating followers to develop trust-based relationships that create and diffuse knowledge. Therefore, it could be established that transformational leadership theory is highly engaged with the social capital view. This review indicates transformational leaders as social architects who enhance knowledge management by developing the organizations' social capital.

In the next section of the article, I highlight the links between transformational leadership and knowledge management, using Lee and Kim's (2001) framework. Considering the practical perspective undertaken by Lee and Kim (2001), their knowledge management framework surmises the pertinent processes that are relevant for transformational leaders, given that such leaders steer the strategic direction of organizations, empowering people and making them more responsive to market changes.

### **Transformational Leadership and Knowledge Management**

Transformational leaders enhance innovation and new idea generation through intellectual stimulation. The empirical study by Sosik (1997) affirms this point and describes the critical role that transformational leaders play in developing new ideas.

Further, the idealized influence aspect of transformational leadership is important in developing relationships. In doing this, transformational leaders act as social architects who instill trust in organizations through clarifying their own and followers' roles. It can be argued that transformational leadership can enhance knowledge acquisition and transfer. Similarly, researchers (such as Politis, 2002; Nemanich & Keller, 2007) have reported that transformational leaders facilitate the process of knowledge acquisition from external sources. Transformational leaders, therefore, enhance knowledge acquisition through intellectual stimulation that facilitates knowledge transfer and simultaneously explores more innovative solutions for organizational problems. Based on the literature, it can be argued that transformational leadership positively impacts on this knowledge management.

In addition, transformational leaders improve knowledge integration through intellectual stimulation that facilitates knowledge sharing. Transformational leaders also positively impact on knowledge integration through idealized influence, which enhances dynamic relationships among employees and departments within companies. These leaders use idealized influence to develop trust and form the capacity among employees to develop higher functioning relationships. Liu and Phillips (2011) explored the impacts of transformational leadership on knowledge sharing, and argue that having a transformational leader enhances knowledge sharing.

Transformational leaders improve networking with external sources through idealized influence, which focuses on developing relationships. Further, leaders can inspire organizational members to network with more successful companies by using the aspect of inspirational motivation. In doing this, these leaders draw an inspiring view of future and then motivate employees to develop relationships with external environments to identify new opportunities. This study, therefore, proposes that transformational leadership positively affects knowledge management (accumulating, integrating, and reconfiguring knowledge).

## **Theoretical Basis for the Organizational Factor** ***Resource-based View and Knowledge-based View***

Penrose (1959) provides an early contribution to what is known as the resource-based view of the firm. She asserts that organizations are comprised of a bundle of heterogeneously distributed resources that create a unique firm. She also argues that these internal resources reflect the degree to which a firm can expand, and the growth pathway it takes. Barney (2002), however, views a firm's internal resources as "assets and capabilities that improve firms' competitiveness in unique ways that are difficult to copy. It is critical in this view that internal resources should be rare and difficult for other firms to imitate to enhance competitiveness (Wernerfelt, 1984; Prahalad & Hamel, 1990; Barney, 1991; Cardinal, Alessandri, & Turner, 2001; Clulow, Barry & Gerstman, 2007; Bakar & Ahmed, 2010; Darcy et al., 2014). The resource based view points to causal ambiguity and social complexity as strategic resources. While causal ambiguity is defined as multiple interpretations that lead to uncertainty and confusion, it also leads potentially to idiosyncratic and inimitable understandings and unique knowledge (Powell, Lovallo, & Caingal, 2006), social complexity refers to "the extent to which resources are embedded in multiple organizational members and the relationships among them" (Reus, 2004, p.27). An extension of this view is the knowledge-based view of the firm emerged in which a firm's capability to create and use knowledge are the most crucial factors in a sustainable competitive advantage (Zheng, Yang & McLean, 2010). A firm's knowledge capabilities, therefore, allow it to improve its performance (Liebeskind, 1996;



Grant & Baden-Fuller, 2004; Darroch, 2005; Wu & Chen, 2014). How does causal ambiguity unlock tacit knowledge embedded in employee relationships? and how does it drive performance? Social capital, social relations, trust and social complexity are all features that are relevant to knowledge management and leadership. In the next section, as an extension of this discussion, I consider organizational culture.

## **Organizational Culture**

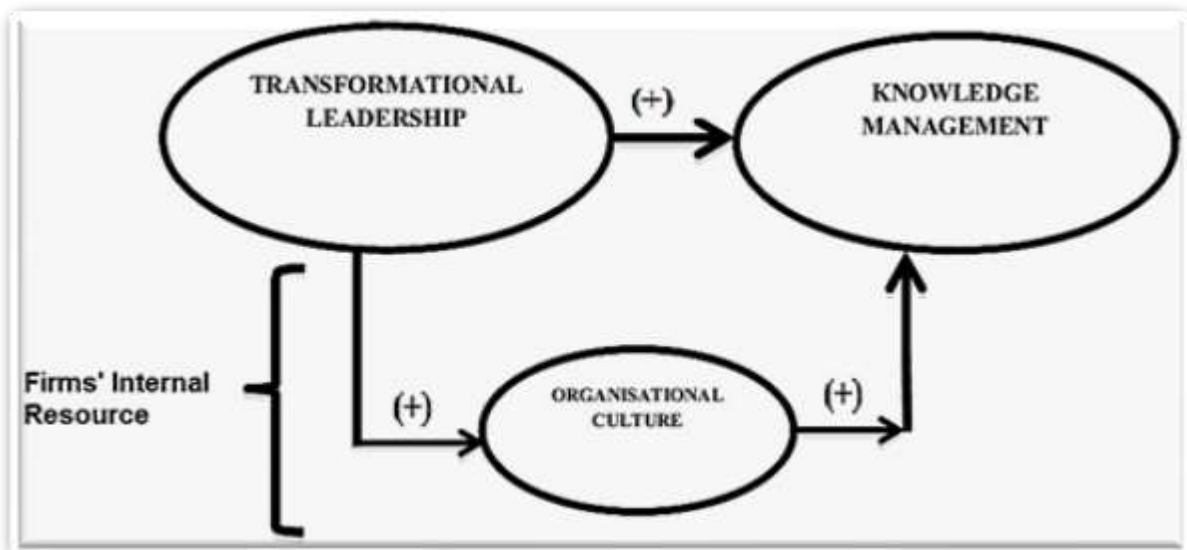
Schein (1984, p.37) defines organizational culture as a “pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.” Additionally, organizational culture includes shared behaviors, values, beliefs, perceptions and symbols held by the members of an organization as a whole, or even organizational units and other social groups within organizations (Smircich, 1983; Ouchi & Wilkins, 1985; Ogbonna & Harris, 2002; Scott, 2003; Van Den Berg & Wilderom, 2004). Furthermore, O’Reilly and Chatman (1996) understand organizational culture as what is important and appropriate Balogun and Jenkins (2003) argue that there is a link between the knowledge-based view of the firm and organizational culture. The shared assumptions and values are acquired by learning from others, and subsequently, organizational culture is a form of valuable and inimitable knowledge as the most strategic factor of competitive advantage, and an internal resource positively impacts on competitive advantage and performance.

Transformational leaders enhance interactions and dialogue to link subordinates’ individual-interests to collective-interests (Bass & Steidlmeier, 1999). In this way, transformational leaders can positively contribute to enhancing collaboration by idealized influence that develops relationships with subordinates. The social capital view connects to transformational leaders as the facilitators of trust-based relationships. Based on this, several researchers (such as Podsakoff et al., 1990) argue that transformational leadership engenders trust, thereby showing, simultaneously, concern for both organizations’ needs and followers’ interests. In particular, a transformational leader shows his or her concern through individualized consideration, which focuses on identifying employees’ individual needs. It is also argued that transformational leaders are leaders that improve trust in order to enhance the commitment of their subordinates and mobilize their support toward the leadership’s vision for change. Furthermore, transformational leadership provides freedom for followers to investigate new ideas and knowledge. Accordingly, transformational leaders can develop learning cultures through intellectual stimulation that facilitates knowledge sharing and new idea generation. Following this approach, Dix (2013, p.79) postulates that “if an organization wants to have a culture oriented towards learning, then transformational leadership is a very viable choice.” A review of the current literature, it is identified that the existing empirical studies (Darling, 1990; Vera & Crossan, 2004) have, thus, transformational leadership as an important facilitator of collaboration, trust, and learning.

To analyze the relationship between corporate culture and knowledge, Lee and Choi (2003) argue that organizational culture has three important dimensions; collaboration, trust, and learning. Collaboration refers to the degree to which employees are willing to help and support each other, and their interactions are strongly based on coactivity, social interactions and open dialogue that can, in turn, build a climate of openness for individuals within organizations. Collaboration is a critical factor in developing access to knowledge (Grant & Baden-Fuller, 1995; Grant & Baden-Fuller, 2004), and so, too, is (Ruggles, 1998; O’Dell & Grayson, 1999; Sveiby & Simons, 2002). In fact, this cultural

aspect enhances a shared understanding of the problems among employees, which is a necessary precursor to creating new ideas and knowledge (Fahey & Prusak, 1998; Leonard & Sensiper, 1998). In addition, Trust is defined as those relations based on reciprocal faith in relation to employees' performance to exhibit positive behaviors and intentions. The social capital view sheds light on transformational leadership as enabling trust-based relationships, and subsequently assumes that these kinds of relationships are ideal for sharing tacit knowledge. Lines et al. (2005) argue that leaders' ability to create knowledge and develop a more innovative climate is a product of employees' trust in their leaders' decisions. Several authors (Nahapiet & Ghoshal, 1998; Rowley, 2002; Wagner, 2003) also argue that high trust environments positively impact the tendencies of people to share their knowledge. Based on this view, Sveiby and Simons (2002) state that both cultural dimensions of collaboration and trust promote knowledge management within organizations. In addition, learning refers to the extent to which organizations encourage learning and extent to which employees are actively involved in developing formal and informal learning opportunities. A learning culture can, in turn, facilitate knowledge management through embedding organizational knowledge in employees and enabling people to create new knowledge and develop more innovative ideas to problems. Based on this review of the literature, a theoretical framework is depicted as *Figure 1*.

**Figure 1: Theoretical Framework**



### **Conclusion and Recommendations**

The first purpose of this study was to explore how transformational leadership impacts knowledge management effectiveness. The study showed that transformational leadership positively contributes to knowledge management. In addition, this study aimed to identify the effects of transformational leadership on organizational culture, and to understand how this organizational resource mediates the relationship between transformational leadership and knowledge management. This study indicated that transformational leaders tend to act as change agents, who affect organizational culture. I found that leaders who exhibit a high level of transformational leadership facilitate trust and creating a learning culture. This study also suggested that culture has a major effect on knowledge management.

Furthermore, this study employed the social capital view, the resource-based and knowledge-based views, and examined the influence of transformational leadership on

organizational culture, which can mediate the relationship between transformational leadership and knowledge management. In so doing, this study has opened up a new avenue of inquiry to investigate interactions between transformational leadership and knowledge management. To explore the potential interactions between transformational leadership and knowledge management, future research could attempt to incorporate other theories and models that may have relevance for example Cameron and Quinn's (1999) organizational culture model and Patterson et al.'s (2005) organizational climate model. Moreover, since organizational climate is closely related to organizational culture (Wallace et al., 1999), future research should explore how climate is influenced by transformational leadership to improve knowledge management effectiveness.

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