

# TRANSFORMATIONAL LEADERSHIP STYLE AND KNOWLEDGE MANAGEMENT IN THE PRIVATE SECTOR FIRMS

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## ABSTRACT

*The sustainable competitive advantage of a firm relies on how well the resources of the firm are managed. The leadership role plays an important role in this regard. The modern organizations are such that they are knowledge based; the relevant and actionable knowledge is available and scattered around throughout the organization among the employees; it needs to be distributed to the whole of the organization. Leaders are the one who are able to influence others and who possess managerial authority. Leadership is the ability to influence a group toward the achievement of goals. Leaders are the one who directs, oversees, communicates and motivates the most valuable resource of an organization that is the human resource that is from different biographies and environment. This study is conducted among one hundred people working in different private sector firms in the Kingdom of Bahrain to find out the relationship between Transformational Leadership Style and Knowledge Management by conducting a survey. The data calculated was analysed using correlation and regression models of statistical tools. The results of the survey showed a significant relationship between the leadership style in knowledge management. The transformational leaders who are generally charismatic and motivate employees by inspiring them, consider them individually, and stimulate their intellectual needs are highly influential among their employees and can lead the work force towards the organizational goals. The firm continues to be successful one provided if the resources are fully utilized and this study identified a positive relation between the leadership style and the knowledge management.*

**Keywords:** *knowledge management, transformational leaders, charismatic, motivation, tacit and explicit knowledge*

## Introduction:

The degree of risk and uncertainty of the business is higher in the present day environment due to the high competition, openness to global market and rapid advancement of technology more specifically in the field of information and communication technology. Also the effective knowledge management is needed since the economies are transforming into knowledge based economies. To manage and race these changes and continue to be competent and successful is a real challenge and threat to the business. "The continuing advancement and refinement of computing technologies, transportation, and communications in ways unimagined just a few years ago continue to accelerate the rate of environmental and competitive changes that drive business in the 21st century, Nold (2009)." The existing conditions in the business environment raise a need for studying about the

relationship between the leadership style in knowledge management, innovativeness and overall performance of an organization. This study aims at finding out the "Transformational Leadership Style and Knowledge Management in the Private Sector Firms".

Leaders are the one who are capable of influencing others and who possess managerial authority. Leadership style is an important part of being a successful manager and the one who makes it possible to reach the goals of an organization.

Knowledge management is a process of identifying, capturing, and leveraging the collective knowledge in an organization to help it compete (Von Krogh, 1998).

"Grant (1996) suggested that knowledge is the most significant resource that a firm possesses. If knowledge is the most significant resource then a firm's ability to learn faster than competitors represents a significant competitive

advantage.” According to Heinrichs & Lim (2005), organizations learn and create new knowledge through the experiences of other organizations and individuals therefore, accelerating the rate of organizational learning and knowledge creation represents a significant competitive advantage as organizations learn and create new knowledge by accumulating and processing experiences of individuals and other organizations.”

The knowledge is found in every individual in the organization and is wide spread in the organization. The individuals who form the part of human resources are with different biographies that includes differences in their educational levels, experience, skills and capabilities, interests and approach that can be relevant and useful in the organizational environment in solving the problem and adding value to the firm as well as for its success. Knowledge management is concerned about how organizations track, measure, share and make use of intangible assets such as an employee’s ability of problem solving or being creative – is increasingly important in a knowledge based society.

Transformational leadership relates to a procedure by which passionate changes in objectives and strategic goals of organization are extended (Barling et al., 2000). Many researches has revealed that the Transformational leaders are the leaders who are more capable of influencing their followers by making them realize their potential and lead them to be more committed and involved in the process of achieving the organizational goals. Shamir et al (1993), has stated that Transformational leaders are able to influence, both, Organizational Commitments of their followers by increasing their natural values, and reaching goals and missions of organization.

The transformational leadership theory suggests that the leaders who are charismatic and motivate employees by inspiring them, consider them individually, and stimulate their intellectual needs are transformational leaders. Transformational leadership style has five dimensions or factors included that are: Idealized Influence (attributed), Idealized Influence (behavioral), Inspirational Motivation, Intellectual Stimulation, and Individualized Consideration. Knowledge management can be defined as how an organisation continuously collects, shares, analyses the various resources in the form of human skills, information or technical know-how etc., to benefit the firm. Seng, Zannes, and Pace (2002) developed five distinct steps in the process of managing knowledge: Capturing knowledge, Storing knowledge, Processing knowledge, Sharing knowledge, and Using knowledge. Solving problems to advance the objectives of the organization.

Barth (2003) detailed several distinctive personal knowledge management tools. The framework that Barth details provides perhaps the most effective and developed comprehensive categorization of personal knowledge management tools included: accessing, evaluating, organizing, analyzing, conveying, collaborating, and securing.

### **Tacit and Explicit Knowledge:**

Explicit knowledge can be stored as an intellectual property or data. This can be recorded digitally in documents, records, patents and other intellectual property artifacts. Explicit knowledge is representational and can be manipulated. The available data can be converted into information and information to knowledge which describes a value continuum of explicit knowledge. The business processes of KM tries in enhancing this continuum of value. Explicit knowledge can be given as steps of learning and can be gained through the retrieval storage system of information.

Tacit knowledge that is intangible, that comes from best practices, experience, and wisdom. This cannot be exchanged through words, recorded as a document or as an intellectual property. This exists within the individuals and teams. It comes from the human minds and cannot be stored as a material asset. However, it expresses in the formal network as the responsibility of individuals (productivity, innovation and initiative), and teamwork (communication, coordination and collaboration).

The transfer of tacit knowledge is very difficult because of its intangibility and lack of awareness by the person who possess the knowledge. The example of tacit knowledge is the ability to ride a bicycle or to make a continental cuisine, etc. It is hard to communicate and deeply rooted in action, commitment, and involvement (Nonaka 1994).

Personal qualities of the leader are undoubtedly important but are unlikely to be sufficient in themselves for the emergence and exercise of leadership. Furthermore, the manner in which these qualities translate into behavior and group interaction is likely to be culturally specific and thus depend on a whole host of factors, such as the nature of the leader, followers, task, organizational structure, national and corporate cultures, etc.

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

Lang (2001) provided further substance when arguing that human relationships within an organization are crucial for knowledge creation, sharing, and utilization. Lang expressed. The real task of knowledge management is to connect people to people to enable them to share what expertise and knowledge they have at the moment.

The leader plays an important role of managing the process of knowledge management that includes creation, communication, application of explicit and tacit knowledge from different individuals of the organization and exploiting it for the benefit of the organization. This process is an ongoing continuous process on which the goal of the firm is embedded. Successful Knowledge Management process adds value to the business.

### **Research Methodology:**

The research methodology used in this study to identify how for the organizational leaders in Bahrain are following transformational leadership in knowledge management to realize high level performance. The methodology used would help in finding out the about how transformational

leadership is related to knowledge management, innovativeness, and overall performance. Also would help better understanding that and would serve as guide for applying it in organization.

The present study is based on survey method. An interview schedule is used as a tool in conducting a questionnaire survey to gather the required data. Secondary data for the study have been collected from the related books, journals and the websites.

**Population of the study:**

The Kingdom of Bahrain, has established itself as the undisputed financial center and knowledge-based services and trading hub of the Arabian Gulf region. Bahrain's progressive efforts and economic growth are reflected in its social and economic diversity.

Among the GCC nations, Bahrain keeps in record of easy accessibility as a service centre to other GCC (Gulf Cooperation Council) markets (especially Saudi Arabia), that gives the advantages of cultural neutrality, language, physical proximity, availability of skilled labour, low operating costs and favourable legal environment.

Bahrain economy is a diversified economy with lesser oil resources to compared to its GCC counter parts. Therefore the country has always tried to diversify its business activity in various fields that includes financial to trading business. Bahrain is considered to be a flexible open commercial environment for both regional and foreign business. This is because of the result of Bahrain's excellent transport and communication infrastructure. This makes Bahrain an efficient trade hub of GCC but also more competent in the global market. Bahrain is ahead of many of its neighbouring countries in terms of financial services, transport and communication, logistics, tourism and other businesses. Strategically located in the heart of the Gulf, Bahrain is the gateway to the region with easy access to the larger economies like Kuwait, Saudi Arabia and Iran.

This research study focuses on private sector firms in the Kingdom of Bahrain that plays a major role in contributing to the GDP of the economy. The major portion of the GDP of the country is contributed and helps the economy to maintain a surplus balance of payments by overcoming the deficiencies.

**Sample and Sampling Design of the Study:**

The population for the present study is decided using convenience random sampling. The subjects of this research will involve the employees of various private sector firms. This includes employees at different levels of management of the selected respondents of the study. The general information such as the age of the organization, employee size and capital invested is also taken into account to test the hypothesis of the research. One hundred twenty questionnaires were given to the respondents and 95 people have responded that accounts to a response rate of 76%.

Transformational leadership style is the independent variable and the dependent variables are knowledge management, innovativeness and organizational performance for this research.

The Multifactor Leadership Questionnaire (MLQ—also known as MLQ 5X short or the standard MLQ) measures a broad range of leadership types from passive leaders, to leaders who give contingent rewards to followers, to leaders who transform their followers into becoming leaders themselves. The MLQ identifies the characteristics of a transformational leader.

Yukl (1994) stated that to measure various aspects of transformational and transactional leadership the most widely used questionnaire is the Multifactor Leadership Questionnaire (MLQ). The current study uses a self-rating instrument that determines leadership style of the person as per his or her own perception. The questionnaire used in current survey is the self-rating questionnaire. The questionnaire uses a 5 point Likert scale that is (1 2 3 4 5) where, 1-Not at all, 2-Once in a while, 3-Sometimes, 4-Fairly often, 5-Frequently.

**Table 1**

		Leadership	KM	Innovativeness	Performance
Leadership	Pearson Correlation	1	.628**	.559**	.699**
	Sig (2-tailed)		.000	.000	.000
	N	95	95	95	95
KM	Pearson Correlation	.628**	1	.729**	.774**
	Sig (2-tailed)	.000		.000	.000
	N	95	95	95	95
Innovativeness	Pearson Correlation	.559**	.729**	1	.749**
	Sig (2-tailed)	.000	.000		.000
	N	95	95	95	95
Performance	Pearson Correlation	.699**	.774**	.749**	1
	Sig (2-tailed)	.000	.000	.000	
	N	95	95	95	95

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The correlation co-efficient of transformational leadership skills to the other variables shows a positive and significant relationship. The results are as shown in Table 1. Transformational Leadership Independent Variable; Knowledge management, Organizational Innovativeness and performance dependent variable

In this research study, it is found that the transformational style of leadership is positively correlated and they are significant in influencing the knowledge management, organizational innovativeness and performance. The results of Pearson's correlation of 0.628 given in Table 1 indicates that there exists a positive relationship between the transformational leadership and knowledge management; the organizational innovativeness and performance is influenced by the leadership style is also significant that is reflected through the result of 0.559 and 0.699 respectively. All the attributes and behavior of the leader plays a major role in influencing his /her subordinates to work for the expected way. Knowledge transformation takes place comfortably when the leader encourages people to do so. This approachable style of

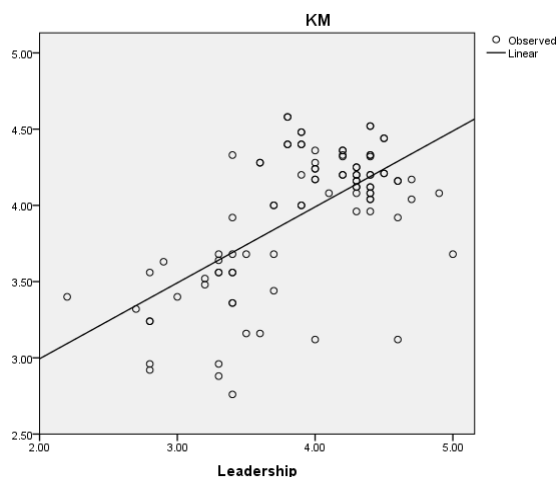
leadership makes people to share knowledge with their colleagues and to use it for the benefit of the organization. The leadership behavior of being a motivator and stimulator is one of the traits of a transformational leader. There is no doubt about that the leaders motivate and influence their employees to be committed or not. The main role of leader is to motivate his employees through inspiration and stimulation; that could result in the increased morale of the employees and self-readiness to perform. This zeal of the employees will result in commitment and involvement towards the organisation. Priority given to individuals' opinions and suggestions, give the employee to learn more about the organization as well as his work, and encourage them to be more confident of their skills and efficiency. This stimulates them to develop more intellectual thoughts and ideas. The consideration to individuals, make them to come forward to share their knowledge and experiences with the leader. There exists a positive correlation between the leadership behavior and the KM practices, innovativeness and organizational performance which is shown in Table 2. The following regression analysis shows that the variables considered for this research is positively and closely related. The transformational leadership style is influential towards the knowledge management practices, innovation and organizational performance. The linear regression model of curve estimation of scatter plot shows that the independent variable transformational leadership style is positively influential to the dependent variable of knowledge management practices, organizational innovativeness and performance. Figure 1 shows the relationship between the variables. Also Table 2 indicates the level of significance of 0.513 between the leadership style and knowledge management.

**Table 2: Model Summary**

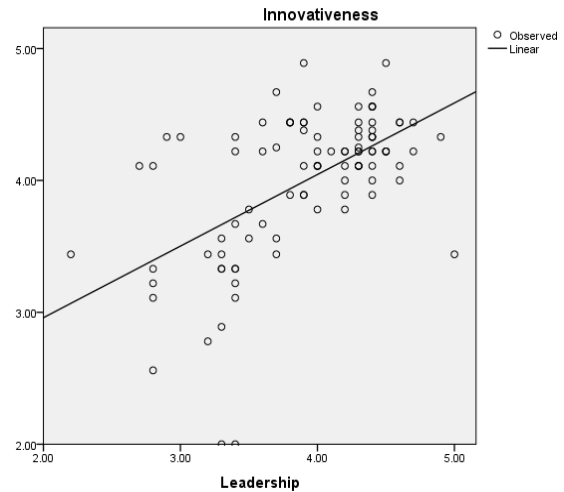
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.716 <sup>a</sup>	.513	.486	.32544

a. Predictors: (Constant), Consideration, Motivation, Stimulation, Attribute, Behavior

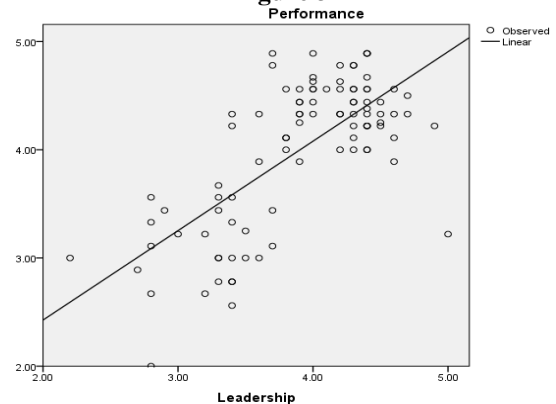
**Figure 1**



**Figure 2**



**Figure 3**



KM is “the management function responsible for regular selection, implementation and evaluation of knowledge strategies that aim at creating an environment to support work with knowledge internal and external to the organization in order to improve organizational performance” (Maier, 2005, p. 433).

While knowledge creation exists at the individual level, its utilization must occur at the organizational and social level (Nevis, DiBella & Gould, 2002; Nonaka, 1994; Nonaka & Takeuchi, 1995). Knowledge management practice and the organization remaining as innovative and improving the performance all are related with the style of leadership. The leadership style followed in an organization ensures the effectiveness of management in various aspects. A leader with charisma and motivation is much influential towards his subordinates.

**Conclusion:**

Challenges are not strange to modern business firms. The firms operate not only in a more competitive environment which is a major external force to firms but also they face other threats of rapid technological advancements, changing economic and legal forces; these demands the firms to focus on identifying new ways of creating value to their firms to minimize the effects of uncertainty.



Human capital or the human resource of the firm needs to be effective in achieving the firm's objectives. Human resource is an asset for the firms that should be well managed to benefit the firm. Knowledge management is one that is related to the human resource of the organization. Knowledge management is managing the available information collectively from every individual in the organization.

A well-established human relationship is important for organisations in creating, sharing and utilizing the knowledge. The creation of human relationship is to connect the individuals of the firm and make them to share their expertise in the work field. This process of knowledge management is in the hands of the leaders who manage human resources of the firms. They need to focus on motivating and stimulating the people to come forward for sharing the knowledge with their colleagues.

The collected data is analyzed using correlation and regression models of statistical methods to identify the relationship between transformational leadership style and knowledge management.

The research study showed a positive and significant relationship between transformational leadership and knowledge management practices, organizational innovativeness and performance growth in the private sector firms in the kingdom of Bahrain. The transformational leaders are the one who can influence their subordinates through their idealized attributes and Motivation. They give importance to individuals and stimulate their employees to be more logical in their approach; also they can enhance their individuality by considering individuals that could help them to be more creativity and innovativeness of employees.

The result of this research study may be different in other regions of gulf nations or in other countries even it may be different in public sector enterprises of the Kingdom of Bahrain. In the light of this study it is suggested, further researches can be conducted in public sector organisations and other types of business that are not covered under this study to further establish the reliability of the study.

The leadership style is influential over the organizational learning, knowledge management, organizational innovation, and organizational performance. The study is intended to find out how leaders can positively influence the followers and motivate them to more involved and committed to their job. The age of the firm, the size and nature of the business, ownership- public or private sector firm, capital invested, etc., could reflect positively on the transformational leadership and knowledge management. This research is aimed at finding out how the characteristics of a firm influences the performance of the business and how far these firms are knowledge based and capable of knowledge management process. Leaders needed to empower all members of the learning organization by developing a shared vision, providing resources, delegating authority, celebrating success, and most important, by being a learning architect.

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