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# Impact of Transformational and Transactional Leadership on Knowledge Sharing: The Moderating Role of Collectivistic Culture Orientation

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## Abstract

This study aims to examine the impact of transformational and transactional leadership on knowledge sharing. Two hundred and ten postgraduate students become the respondents of the study. Data are analyzed using multiple regression with SPSS software. The results indicate that transformational leadership significantly affects knowledge sharing. In conclusion, in contrast to the expectation, transactional leadership does not affect knowledge sharing. Collectivistic culture orientation further did not moderate the relationship between transformational leadership and knowledge sharing.

**Keywords:** Transformational, Leadership, Collectivistic, Culture, Orientation.

# Impacto del liderazgo transformacional y transaccional en el intercambio de conocimientos

## Resumen

Este estudio tiene como objetivo examinar el impacto del liderazgo transformacional y transaccional en el intercambio de conocimientos. Dosecientos diez estudiantes de posgrado se convierten en los encuestados del estudio. Los datos se analizan mediante regresión múltiple con el software SPSS. Los resultados indican que el liderazgo transformacional afecta significativamente el intercambio de conocimientos. En conclusión, en contraste con la expectativa, el liderazgo transaccional no afecta el intercambio de conocimientos. La orientación hacia la cultura colectivista no moderó aún más la relación entre el liderazgo transformacional y el intercambio de conocimientos.

**Palabras clave:** transformacional, liderazgo, colectivismo, cultura, orientación.

## 1. INTRODUCTION

Nowadays organizations operate in a turbulent environment to treat their sustainability. To respond to such a challenge, organizations should focus on other resources than tangible ones. A resource-based view postulates that an organization is a series of resources completing each other to gain organizational goals. Organizational resources involve tangible and intangible resources. Tangible resources can be technology, machine, financial capital, and raw materials, while intangible resources can be human resource experience, organizational

culture, and organizational knowledge. For a knowledge-based perspective, knowledge is viewed as one of the crucial resources of an organization that may contribute to organizational sustainability.

Knowledge constitutes experience collection, values, information, certain view, and approach built systematically by giving a framework to evaluate the benefit of new experience and information. Knowledge is one of the intangible resources is viewed as an organizational strategic asset. Organizational capability to acquire, integrate, store, distribute and implement the knowledge will support an organization to achieve its competitive advantage. Shortly, competitive advantage will be determined by knowledge workers owned by the organization.

Discussing organizational knowledge, it will deal with knowledge management. KM is a management function being responsible for the regular selection, implementation, and evaluation of knowledge strategy to create a conducive environment to improve organizational performance. Knowledge sharing (KS) is one of the important elements of KM. KS is a series of activities conducted by employees in disseminating relevant information to other employees within an organization. KS also constitutes a social-culture interaction among knowledge, activities, skill, and experience of employees in all organizational units. The success of the implementation will depend on the value, attitude, and behavior of employees toward KS.

KS constitutes a promoting individual learning process, which in turn, gives a contribution to the organizational performance. KS

triggers an organization to acquire and implement the required knowledge efficiently and effectively in gaining its sustainable competitive advantage. The importance of the process of knowledge creation as critically organizational success has led an organization to prioritize KS as an important task to realize.

More than the latest decade, the topic of leadership and knowledge has attracted researchers and practitioners. Organizational knowledge is a unique assumption product resulting from a new experience, solutions to organizational problems, and internal and external sustainability. A leader constitutes initiator of the process of knowledge creation and plays an important role in KM. Leaders have a central role in processing organizational KM. Leaders give vision, motivation, system, and structure in all levels of organization that facilitates the conversion of knowledge to the competitive advantage (AKBAR, UDIN, WAHYUDI & DJASTUTI, 2018; AHMAD & AHMAD, 2018). Managing knowledge needs awareness of organizational leaders in all levels to manage three key processes, namely to create, to share and to exploit knowledge.

The theory of transformational and transactional leadership gives the foundation to understand how a leader affects nurturing knowledge. BASS (1985) stated that researchers should continually develop transformational leadership theory and exploit the role of the leadership in converting knowledge to the gaining of organizational competitive advantage. Many elements of transformational leadership (TL) are suitable for KM. Employees will be more productive when

freedom to create and to share new ideas is assured. Meanwhile, TL gives inspiration to the subordinates to gain their performance beyond the standard, transactional leadership gives aspiration to the employees to achieve their performance fixed. According to BASS (1985), all leaders would show the characteristics of both transformational and transactional leadership. A leader individually tends to play one of the styles, exceeding the other. Both are needed to effectively manage knowledge.

Various findings showed that transformational and transactional leadership significantly affect KS. The findings of BRADSHAW, CHEBBI & OZTEL (2015) indicated that three dimensions of TL (i.e., idealized influence, intellectual stimulation, and individualized consideration) affect KS. The result of BASS (1985) showed the same findings that transformational affect KS. Meanwhile, for transactional leadership, the dimension of contingent reward significantly affects KS.

TL has been studied in various object settings. The argument of existing classical theory in the literature indicated that leadership is an effective type of leadership in many different objects with various outcomes of leadership. Therefore, research findings showed that theoretical development recently led to the contingent approach between leadership and KS. One of the factors affecting research findings is context and national culture is one of the important contexts. The indication is in line with the suggestion of BASS (1985)

that there will be leadership adaptation when implemented in a different context.

One of the national culture dimensions that are relevant to TL is collectivistic culture orientation (CCO). According to BASS (1985), CCO is the most suitable dimension applied in cross-cultural literature. Research findings of AGARWAL, DECARLO & VYAS (1999) showed that CCO significantly affects the relationship between leadership style and organizational/individual performance. Therefore, this study aims to investigate the effect of TL on KS moderated by CCO. This study is strengthened by the findings of BASS (1985) that culture is an important moderator of leadership behavior and KS. The current research also responds to the suggestion ALLAMEH (2015) about TL and KS.

## **2. HYPOTHESES DEVELOPMENT**

TL focuses on the improvement of knowledge-supportive culture. ALLAMEH (2015) showed that TL had a significant effect on KS. ALLAMEH (2015) examined the relationship between leadership behavior and KS on professional service firms in Taiwan and America. The results showed that TL behavior as a significant predictor of internal KS. ALLAMEH (2015) also found that TL had a significant effect on KS. Moreover, BRADSHAW ET AL. (2015) found empirical evidence that three of TL behaviors (i.e., idealized influence,

individualized consideration, and intellectual stimulation) significantly affect KS.

The effect of transactional leadership on KS activity has been studied by some researchers. The findings of BASS & AVOLIO (1994) indicated that contingent reward leadership significantly affects KS. ALLAMEH (2015) performed that the leadership behavior of contingent reward had a positive correlation to internal and external KS. ALLAMEH (2015) also found empirical evidence that the relationship between contingent reward leadership and KS was significant.

Other research findings supporting that transactional leadership such as contingent reward affected KS internally and externally. ANALOUI, DOLORIERT & SAMBROOK (2013) stated that transactional leadership was positively and significantly related to many processes of KM covering KS and dissemination. The findings were consistent with the result of ALLAMEH (2015) related to the relationships between transactional leadership and KS. Transactional leadership may use the contingent reward to motivate employees to share their knowledge. Therefore,

H1: TL significantly affects KS

H2: Transactional leadership significantly affects KS



### **3. METHODOLOGY**

The samples of this study are postgraduate students of the private university in Indonesia. Three hundred questionnaires are distributed to the respondents. Out of 300 respondents, 210 are returned and can be analyzed. The profile background of respondents includes 39 teachers, 11 state-owned companies, 95 government officers and 65 private sectors. Data are analyzed using multiple regressions with SPSS software.

### **4. RESULTS AND DISCUSSION**

Based on the validity test to the items of TL, transactional leadership, CCO and KS, it is known that all items are valid. A significant value is less than 0.05 and the correlation value is above 0.5. For the reliability test, it is known that Cronbach's Alpha's values of each research variables are above 0.7. It is concluded that all questionnaire items are reliable. Based on F testing, it indicates that significant value is  $0.000 < 0.05$ . It indicates the model fits. The determination coefficient value is 22.6%, it means that the independent variables are capable to explain the dependent variable about 22.6%.

For hypotheses testing, it shows that TL significantly affects KS. It is known from the value significant  $0.000 < 0.05$ . Meanwhile, transactional leadership does not affect KS ( $0.927 > 0.05$ ). For the

moderating variable, CCO does not moderate the relationship between TL and KS.

This study found that TL has a significant effect on KS. This finding strengthens the literature of TL and reinforces the theory building of TL to applicable in all kinds of organizations, across nations and cultures. Several types of research about TL and KS are conducted by ALLAMEH (2015) that the potential effect of TL on KS is especially related to the focus on the leadership on values and norms of the organization. KS is positively dealt with followers' attitude and organizational values and norms. The leadership will create a work environment supporting followers to share knowledge. Moreover, it is found that intrinsic motivation was more effective than extrinsic motivation (reward) to motivate followers.

ASMAWI, ZAKARIA, & WEI (2013) stated that TL actively seeks new ideas and creative solutions for followers. Such characteristic supports the KS culture. Through idealized influence, a leader gets respect and trust from followers. Followers will voluntarily do knowledge-sharing practice. While ALLAMEH (2015) proved that intellectual stimulation significantly affects explicit and experimental KS. AL-HUSSEINI & ELBETAGI (2012) also found that that idealized influence affects KS. A leader with such behavior can give added value through creating, sharing and integrating explicit as well as implicit knowledge. A leader can build a trusted-based culture where trust is a key element for KS.

The inspirational motivation leader is enthusiastic and optimistic. The leader inspires followers to engage in organizational vision accomplishment through sharing his vision with the followers. On a different side, an intellectual stimulation leader facilitates new approaches in solving the problems (BASS & RIGGIO, 2012). The condition supports KS to occur. A leader with individualized consideration pays attention to the followers' needs. He motivates followers to share knowledge through good communication. The finding of BRADSHAW ET AL. (2015) supported the previous study. They found that TL dimensions (i.e., idealized influence, intellectual stimulation, and individualized consideration) significantly affect KS. It is also in line with the finding of ALLAMEH (2015).

The other finding of the current study shows that transactional leadership, not like TL, does not affect KS. This is because of the transactional leadership dimensions, such as a contingent reward. It indicated that respondents respond to the item of the questionnaire, the leader always gives special recognition when organizational members meet the target, with a neutral score down amounted 25 %. Meanwhile for item a leader often recognizes the higher performance of followers, respondents respond with neutral response down amounted 22.4 %. The average for respondents in responding items of transactional leadership is 22.2% for neutral down. For items of KS, the average is 17.3% for neutral down. This finding is in line with the study of ALLAMEH (2015) that contingent reward of transactional leadership

did not affect KS. Moreover, ALLAMEH (2015) confirmed that the reward system does not affect KS.

The third finding shows that CCO did not moderate the relationship between TL and KS. The current study could not prove yet the moderating role of CCO to the relationship between TL and KS. Theoretically, TL will grow better in a higher collectivistic culture. The indication is supported by ALLAMEH (2015) that TL will be more effective in a collectivistic culture. TL focuses on group interest beyond individual one. Based on Hofstede dimension, Indonesia has relatively low for individualism, namely 14 of the highest score, 100. It indicates that Indonesia is grouped into a nation with high CCO. Moreover, for GLOBE, Indonesia is classified into group collectivism scoring 4.41 of the highest score, 6. A higher collectivistic society is characterized by group harmony, focus on group interest and group success. The values are in line with one of the substances of TL. Based on the description, it is known that respondents respond to items of the statement group welfare is more important than individual welfare is about 20% for neutral down.

It also happens for the item the success of the group is more important than the success of individual. It is about 15% giving score of neutral down. The worst is for item each member of the organization must pursue his vested interest by considering group purpose that forty-six percent (46%) respond the item for neutral down. Based on the respondent description, it indicates that empirically the finding is not in line with the literature concept.

Organization individuals in high collectivistic culture should respond to the items with a higher score. On another side, national culture initiated by ALLAMEH (2015) is macro in characteristic. For the implementation, according to ALLAMEH (2015), there should be an adaptation of leadership to national culture to give an important implication for future research to be more intense researching the area.

## **5. CONCLUSION**

This study concludes that TL significantly affects KS. This finding supports and strengthens the theory building of TL and knowledge-sharing relationship. The other finding is CCO does not moderate the relationship between TL and KS. It is contradictory to the literature concept of TL and CCO relationships. More researches are necessary to conduct to give more empirical evidence about these relationships.

This study has a managerial implication. The finding can be used by management to build the skill of TL in a leading organization. Outcomes of TL skill to the organization are too much includes performance, commitment, KS, innovation, and passion for work. The limitation of this study should be noted. First, the data are fully derived from the questionnaire. It gives no comprehension description of the respondents determined. It is suggested for future research to use mix method in accessing the data. Second, the study uses CCO as the

moderating variable. According to ALLAMEH (2015), CCO is a national culture level (macro-level). Therefore, it is suggested for future research to use self-control variable to representing the micro-level of the organization.

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