A THEORETICAL MODEL OF LEADERSHIP STYLES (TRANSFORMATIONAL AND TRANSACTIONAL) INFLUENCE ON INNOVATIVE WORK BEHAVIOR AND EMPLOYEE PERFORMANCE: TESTING THE ROLE OF KNOWLEDGE SHARING AND ORGANIZATIONAL LEARNING AS MEDIATION VARIABLES

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Abstract – This study aims to propose a model for examining and exploring the influence of leadership styles (transformational and transactional) on innovative work behavior and employee performance. This study also tests the roles of knowledge sharing and organizational learning as mediation variables in the association between leadership styles (transformational and transactional), innovative work behavior and employee performance. This study employs qualitative analytic review to the previous empirical findings. The results show that leadership styles (transformational and transactional) affect innovative work behavior and employee performance. Also, knowledge sharing and organizational learning become the mediation variables in the association between leadership styles (transformational and transactional), innovative work behavior and employee performance.

Keywords: Transformational Leadership, Transactional Leadership, Knowledge Sharing, Organizational Learning, Innovative Work Behavior, Employee Performance

1. Introduction

Small and medium enterprises (SMEs), which have only operated within specific national boundaries, are now starting to internationalize by making changes to existing business models or developing something new (Amit & Zott, 2010). During the internationalization process, changing the business model is undoubtedly one of SMEs' main transformation stages (Ahokangas, Juntunen, & Myllykoski, 2014; Child & Hsieh, 2014). Therefore, leaders in SMEs play a vital role in encouraging, developing, and managing this transformation (Chesbrough & Rosenbloom, 2002; Foss & Saebi, 2016) to be able to make the best decisions, encourage follower involvement, and provide autonomy for the achievement of organizational performance and productivity (Aini, 2018; Effendi & Pribadi, 2021; Martin, Liao, & Campbell, 2013; Muenjohn, Ishikawa, Muenjohn, Memon, & Ting, 2021; Pancasila, Haryono, & Sulistyo, 2020).

Modern leadership theory has always been based on contingency and situation principles (Fiedler & Garcia, 1987; Hersey & Blanchard, 1988; Johnson, Blanchard, & Hersey, 2007), which state that depending on the location, followers, circumstances, and tasks, the style of leadership must be more adaptable. According to Gupta, MacMillan, and Surie (2004), the two major duties of leadership are communicating the vision as well as involving subordinates and other interested parties in achieving that vision.

In an unpredictable and dynamic world, Colovic (2021) sees leadership as an organizational adaptability and innovation vector. Martin et al. (2013) identify a style of leadership as the behavior of leader to encourage making a decision, engagement of follower, as well as autonomy of follower. These three behavioral characteristics manifest a leadership style, which is very effective to be applied in SMEs. However, according to Martin et al. (2013), leadership styles of transactional and transformational, showing the inspirational as well as transactional associations between leaders and subordinates and the system of reward that accompanies these relationships, become very significant for increasing the efficiency and productivity of profit-oriented organizations. Researchers have proven that leadership styles (transactional and transformational) had a significant effect on improving employee innovation and performance (Gemeda & Lee, 2020; Jermsittiparsert, 2020; Muenjohn et al., 2021; Pawirosumarto, Sarjana, & Gunawan, 2017; Shen, 2021). On the other hand, contradictory results were also found that the leadership style (transformational and transactional) had a partial effect (Abu Nasra & Arar, 2020; Asrar-
ul-Haq & Kuchinke, 2016; Darawong, 2020; Fadillah et al., 2020; Limsiia & Ogunlana, 2008; Rowold & Rohmann, 2009; Vigoda-Gadot, 2007) and even negative effect on improving employee innovation and performance (Islam, ur Rehman, & Ahmed, 2013). Therefore, referring to the opinion of Martin et al. (2013), this study attempts to identify as well as explore the role of leadership styles (transformational and transactional) in encouraging and improving innovative work behavior and employee performance mediated by knowledge sharing and organizational learning.

1.1 Research Objectives

The following are the study's objectives:

1. Examining and analyzing the influence of leadership styles (transformational and transactional) on employee innovative work behavior
2. Examining and analyzing the influence of leadership styles (transformational and transactional) on employee performance
3. Examining and analyzing the influence of leadership styles (transformational and transactional) on knowledge sharing
4. Examining and analyzing the influence of leadership styles (transformational and transactional) on organizational learning
5. Examining and analyzing the influence of knowledge sharing on employee innovative work behavior
6. Examining and investigating the influence of knowledge sharing on employee performance
7. Examining and investigating the influence of organizational learning on employee innovative work behavior
8. Examining and analyzing the influence of organizational learning on employee performance

1.2 Research Benefits

The primary benefits expected in the implementation of this research are as follows:

1. Theoretically, this study can significantly contribute to scientific development, especially concerning the association of leadership styles (transformational and transactional) in encouraging as well as improving employee innovative work behavior and performance mediated by knowledge sharing and organizational learning.
2. Practically, this research can positively contribute to organizational development, where practitioners can apply leadership styles (transformational and transactional) and realize knowledge sharing as well as organizational learning to improve employee’s innovative work behavior and performance in organizations.

1.3 Research contribution to the science development

This study's results are expected to contribute to the development of science, especially those related to human resource management, mainly in the study of leadership styles (transformational and transactional) to encourage high knowledge sharing and organizational learning, which in turn can improve employees’ innovative work behavior and performance in the organization sustainably. Furthermore, this study's results can also contribute to related parties such as academics for the development of human resource management theory and practitioners, especially related parties, namely the stone mill company sector, to be a meaningful input in human resource management, particularly for its employees. The implementation of this study’s results is expected to contribute findings that can improve performance and self-belonging among employees.

2. Literature Review and Hypotheses Development

2.1 Employee Performance

Employee performance is the term most commonly used by academics and practitioners in various organizations. However, in general, the definition of performance is about the success of a job performed by employees, whether related to jobs clearly described or not included in their formal job descriptions (Demerouti, Cropanzano, Bakker, & Leiter, 2010).
Kim (2014) has described various ways to conceptualize performance, from overall performance to organizational citizenship behavior. In this study, employee performance is conceptualized as the work achievement that employees have done in carrying out their official roles and duties to encourage organizational achievement (Demerouti et al., 2010).

### 2.2 Innovative Work Behavior

In the global economy, innovative work behavior is a decisive element for the competitiveness and survival of an organization (Raylov, 2014). It is one of the personal motivating behaviors of employees (Shih & Sustanto, 2011), significantly contributing to organizational success (Afsar, 2016).

All behaviors of employee aimed at introducing as well as applying new thinking, procedures, processes, and products into related job are referred to as innovative work behavior (De Spiegeelaere, Van Gyes, De Witte, Niesen, & Van Hootegem, 2014). Innovative work behavior is divided into four stages, according to (J. De Jong & Den Hartog, 2010; P. De Jong & Den Hartog, 2007): formation, investigation, grasping, and implementation of idea, leading to the creation of new products.

The employees’ innovative work greatly contributes to and influences the organization’s success (Pandey, Gupta, & Gupta, 2019). Innovation requires a variety of individual behaviors (Scott & Bruce, 1994); innovative individuals are not only limited to idea generation (X. Zhang & Bartol, 2010) but also promotion and implementation of these ideas into work (Janssen, 2000).

### 2.3 Leadership Styles

The practice of enabling and persuading followers to achieve shared goals is known as leadership (Yukl, 2010, 2012). It is crucial to encourage the effective functioning of the organization (Gemeda & Lee, 2020). Although the concept of leadership style varies widely, it still has the same substantially same goal, where leaders seek to motivate their followers (Hater & Bass, 1988). Leadership effectiveness is highly dependent on factors of contextual, for instance style, traits, as well as behavior (Derue, Nahrgang, Wellman, & Humphrey, 2011; Van Dierendonck & Nuijten, 2011).

Rowold and Rohmann (2009) state that leadership styles (transformational and transactional) are the most popular and widely studied by academics. Transformational leadership generally focuses on achieving organizational goals by motivating employees to move beyond their personal interests (Bass & Avolio, 1990; Stone, Russell, & Patterson, 2004). Leaders that are transformational seek to change followers' expectations to achieve a higher organizational vision (Arnold, 2017; Aryee, Walumbwa, Zhou, & Hartnell, 2012).

Mentoring followers to foster innovation, optimism, creativity, and passion for work is a key role of transformational leaders (Rafferty & Griffin, 2004; Salter, Green, Duncan, Berre, & Torti, 2010; Sarros, Luca, Densten, & Santora, 2014; Suhana, Udin, Suharnomo, & Mas‘ud, 2019). As transformative leaders demonstrate genuine concern for their followers by means of individual regard as well as intellectual stimulation (Barling, Slater, & Kelloway, 2000), followers deem it necessary to participate in the job (Astuty & Udin, 2020; Bakker, Albrecht, & Leiter, 2011). Besides, transformational leaders also encourage employee behavior and attitudes to raise moral thinking to a higher degree (Kusumaningrum, Haryono, & Handari, 2020; Sivanathan & Fekken, 2002; Yukl, 2012), which in turn increases their engagement in the workplace (Bakker et al., 2011). Employees are also inspired by the leaders to invent and express their expertise with their coworkers, resulting sustained success of organization (Edú-Valsanía, Moriano, & Molero, 2016).

Transactional leadership involves an exchange process (between leader and followers) that results in high adherence to the leader's demands; however, on the other hand, there is no hope of creating enthusiasm and commitment from followers (Trottier, Van Wart, & Wang, 2008). Transactional leadership includes two things: contingent reward and management-by-exception.

Moreover, transactional leaders focus on high expectations and recognize characteristics of achievement effectively (Thahira, Tjahjono, & Susanto, 2020). Transactional leaders encourage employees to exert effort and generate higher performance (Bass & Riggio, 2006; Ejere & Ugochukwu, 2013; Judge & Piccolo, 2004). Gemeda...
and Lee (2020), Khan, Aslam, and Riaz (2012) have proven a positive association between transactional leadership and employee innovative work behavior and performance.

2.4 Knowledge Sharing

Knowledge sharing is a collection of behaviors entailing communicating relevant facts and information in order to work with others in generating concepts as well as applying new procedures (J. Zhang, 2017). The activities of knowledge sharing can lead to the development of work guidelines, which contribute to the renewal of knowledge and expertise (Meylasari & Qamari, 2017; Qamari, Dewayani, & Ferdinand, 2019). The knowledge sharing process is divided into two phases: the first is possessing explicit and tacit knowledge, and the second is participating and engaging in knowledge sharing (Sheng, Hartmann, Chen, & Chen, 2015). Tacit knowledge is difficult to communicate to others since it is complicated, subjective, and spontaneous, accumulated through practice, experience, and collaborative observation (Magnier-Watanabe & Benton, 2017; Maravilhas & Martins, 2019). Conversely, explicit knowledge includes objective information and knowledge and can be explained in detail (Rogers, Révész, & Rebuschat, 2016).

Knowledge sharing differs between exchange of knowledge (sharing of knowledge and seeking for knowledge) and transfer of knowledge (sources of knowledge are shared, as are the learning and application of knowledge by receivers), according to Goh and Sandhu (2014). Besides, knowledge sharing is a two-way process that entails exchanging and acquiring information. According to researchers, knowledge sharing was found to be favorably linked with individual innovative work behavior (Kuo, Kuo, & Ho, 2014; Li-Ying, Paunova, & Egerod, 2016; Wahyudi, Udin, Yuniawan, & Rahardja, 2019; Widyani, Sarmawa, & Dewi, 2017; Yuniawan & Udin, 2020).

2.5 Organizational Learning

Organizational learning is a process by which organizations build (Hindasah & Nuryakin, 2020) and enhance capacity of knowledge through experiences or activities of planned-learning (Carroll & Edmondson, 2002). According to Senge (1997), understanding the links between diverse components of organization, recognizing the significance of leadership, empowering all level workers, and facilitating the learning culture creation are all things that organizational learning can help with.

Kyoung Park, Hoon Song, Won Yoon, and Kim (2014) proved that organizational learning directly and indirectly influenced employees’ innovative work behavior. Besides, organizational learning capabilities and knowledge sharing have been stated as major sources of employees’ innovative behavior because knowledge dissemination serves as a driver and generation of early ideas (Monica Hu, Horng, & Christine Sun, 2009; Wang & Wang, 2012). Jensen (2005) emphasizes the importance of knowledge creation skills in organizational learning by encouraging employees to turn information into new knowledge and useful work insights.

Based on theoretical studies and empirical evidence conducted by previous researchers, this study proposes the following hypotheses:

H1: Transformational leadership has a significant influence on employee performance behavior.
H2: Transformational leadership has a significant influence on employee innovative work behavior.
H3: Transformational leadership has a significant influence on knowledge sharing.
H4: Transformational leadership has a significant influence on organizational learning.
H5: Transactional leadership has a significant influence on employee performance.
H6: Transactional leadership has a significant influence on employee innovative work behavior.
H7: Transactional leadership has a significant influence on knowledge sharing.
H8: Transactional leadership has a significant influence on organizational learning.
H9: Knowledge sharing has a significant influence on employee performance behavior.
H10: Knowledge sharing has a significant influence on employee innovative work behavior.
H11: Organizational learning has a significant influence on employee performance.
H12: Organizational learning has a significant influence on employee innovative work behavior.
H13: Innovative work behavior has a significant influence on employee performance.
3. Research Methods

This study employs a qualitative research design. In this regard, this study reviews and analyzes the previous empirical findings related to the variables proposed in the model. Many previous studies related to the relationship between these variables (see Figure 1) were accessed from https://www.emerald.com/insight/, https://www.sciencedirect.com/, https://www.springer.com/, https://journals.sagepub.com/, https://onlinelibrary.wiley.com/, and https://scholar.google.com/, and then selected, sorted and analyzed to generalize the coherence and unity of discussion.

4. Discussion and Conclusion

Based on the qualitative analytic review to the previous empirical findings, this study shows that transformational and transactional leadership styles significantly influence the employees’ knowledge-sharing behavior. Leaders strive to achieve organizational competitive advantage by facilitating knowledge management within the organization. This helps employees to develop a positive attitude in donating and sharing their knowledge with others in order to achieve innovation and better performance. Leaders also anticipate future situations and plan appropriate alternative strategies to deal with uncertainty by encouraging employees to learn continuously to develop self-competence. Furthermore, leaders drive positive change, energizing employees to continuously innovate, synergize, and collaborate to complete successful performance and achieve the organizational goals.

This study provides and develops insights into a model for examining and exploring the influence of (transformational and transactional) leadership styles on innovative work behavior and employee performance, mediated by knowledge sharing and organizational learning. The model suggests that leadership styles (transformational and transactional) affect innovative work behavior and employee performance. Also, knowledge sharing and organizational learning become the mediation variables in the association between transformational and transactional leadership styles, innovative work behavior, and employee performance in organization.

The limitation should be noted in this study is that it cannot empirically test the relationship proposed in the current model. This indicates that this study cannot provide empirical evidence to confirm the importance of the mediation role of knowledge sharing as well as organizational learning in the linkage between transformational and transactional leadership styles, innovative work behavior and employee performance. Without testing the proposed model empirically and convincingly, this study cannot provide new and alternative models for future research investigation.
References


