

## Chapter 5

# Appropriate Leadership Style in Knowledge Management System (KMS) Building

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### ABSTRACT

*Building up a knowledge management system is a commonly arising challenge in managing organizations. Leaders need to change their leadership style in order for their organization to be successful, in accordance with the requirements of building and operating a knowledge management system. The aim of this chapter is to sketch the necessity of the change and the right leaders' behavior. The author shows the relationships residing in the background of the elements that are in close connection with the suitable leadership style: EQ, competence, organizational culture, trust, communication, and employees' commitment and satisfaction. During this chapter readers will be led logically across the connections of the above-mentioned elements and, at the end, a figure summarizing the connections closes the chapter.*

### INTRODUCTION

For a long time, the knowledge management literature has been examining the creation, retention, transfer, and utilization of knowledge capital in order to ensure the competitiveness of the organization. The question of how and to whom organizational knowledge may be linked, and how this type of knowledge may be transferred, has also been the focus of researchers for a long time.

The professional literature (Argote & Ingram, 2000) defines knowledge transfer as the spreading of knowledge among individuals and groups within an organization, and this pursuit forms the basis of corporate competitiveness. At the same time, organizations have to face numerous tasks and difficulties when knowledge transfers take place among employees – especially when a new task is to be learned (Letmathe, Schweitzer, & Zielinsk, 2011).

The methods for transferring knowledge, which is the most critical step in the building and operating of a knowledge management system, must fit with the corporate and national culture; otherwise the whole process may fail. From the point of view of knowledge management, the most important elements

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of an organizational culture are trust, communication, and learning. An unsuitable organizational culture hinders knowledge sharing/transfer (DeLong & Lee, 2007). One of the most difficult managerial tasks is to decide whether the culture is suitable for attaining and receiving the necessary new knowledge.

According to Davenport and Prusak (2001), effective knowledge transfer within a company is mostly hindered by the lack of trust between management and employees. One of the reasons for this mistrust is the power distance between management and their workers; as a result, employees often do not see their leaders as partners in their work (Bakacsi et al., 2000). This often causes employees to try to retain their knowledge monopoly, and, consequently, their status (Fehér, 2002; Bögel, 2005). In many cases, this hinders the proper transfer of knowledge within the company.

What is required from managers/leaders? How should they think and behave? How should they change in order to build a knowledge management system grounded in a successful change in the organizational culture? Which culture and leadership style will support collaboration on behalf of the operation of a knowledge management system, and especially knowledge sharing? The limits of this chapter do not allow us to discuss all the preconditions and activities; therefore, the author stresses only two important factors: leadership style expectations and the leader's behavior.

The chapter highlights the most important requirements that form the bases of economic conditions nowadays. Top management is required to realize the activities of knowledge preservation, knowledge utilization, and to create a learning organizational culture in order to operate a KM system.

What kind of leadership, behavior, attitude, and motivation are needed to reach these goals?

## **BACKGROUND**

### **Connection between Knowledge Management and Leadership**

Research results have verified (Bencsik, 2005) that people perform at their maximum if their commitment is high, if they feel the task is their own. This helps employees to reach individual goals beyond the organizational ones. For this to be a reality, a background organizational culture is needed (learning organization) that is based on confidence, helpfulness, trust, and attention.

On the basis of all these, successful competitiveness can be continuously upheld only by the development of affection and by the leaders' and employees' commitment. In order to achieve this, ensuring the flexibility of company operations is essential, and within the organization a motivational atmosphere should dominate that aligns the creativity of workers with the production of qualitative products and services. Consequently it is plainly conceivable that human attitudes influence the qualitative and quantitative properties of work; namely, the management of human resources is one of the basic pillars of successful company operations.

If a company wants to be successful in operating its KM system, managers have to endeavor to change leadership style. For example, they have to clearly know employees' demands, because if they are attentive to these demands and endeavor to satisfy them, managers will get back more initiative, commitment, and good work from their employees (Peale, 1997).

To create a picture of an organization that is acceptable to the market, its rivals, and the outside world, it is worth thinking over an idea expressed by the leader of Volvo, the car company: So that a business should appear to be well-managed to the outside world, first, the inside of the organization has to be put in order (Carlstedt, 1997).

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