Knowledge Leadership vs.
Knowledge Management:
The Malaysian Bankers’ View

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ABSTRACT
This study seeks to explore the Human Resource Managers’ perceptions on knowledge management and to determine whether these perceptions are influenced by their leadership style (either transformational or transactional). The qualitative method used in this study draws upon interviews, observations, and analysis of document content to gather data. This triangulated approach helped to ensure validity. Constant comparison method is used for data analysis. Ten Human Resource Managers in ten Malaysian local commercial banks are selected as sample for the study. To determine Human Resource Managers’ leadership style preference, the Multifactor Leadership Questionnaire is administered. The questionnaire is found not useful in light of the finding that participants view it socially and politically undesirable to be identified as a transactional leader. Two groups emerge from this research, which are apparently differentiated by their knowledge on knowledge management practice, application, and familiarity with the literature. These two groups, the ‘Beginner’ and the ‘Professional’, generally hold opposite and conflicting view concerning the adoption of knowledge management practice, barrier in its use, and perception on their company’s technological readiness, budgetary support, and management sponsorship. Examines Human Resource Managers’ perceptions on knowledge management and how leadership styles could influence their perceptions of knowledge management, which in turn represents a critical step toward enabling banks to more effectively manage organizational knowledge in order to achieve a sustainable competitive advantage in the 21st century Knowledge Age.

INTRODUCTION
More than two decades of research suggests that a fundamental paradigm shift has occurred in the global business community as it has transitioned from the Industrial Age to the Knowledge Age (Davenport & Prusak, 1998; Drucker, 1995; Malhotra, 2001). Current research concerning the role of knowledge management in the 21st century companies indicates that knowledge management is increasingly becoming a core competency that organizations ought to understand, implement, and use in order to be competitive and sustainable in this present millennium. As a result, organizational leaders recognize the new and rapidly changing operational demands that accompany business in this new era. An organization’s ability to identify, capture and deploy its knowledge capital effectively could directly influence the organizational growth, profit and survival.

The roles and responsibilities of the 21st century organizational leaders are central themes in the knowledge management literature. Authors writing about leadership in the Knowledge Age (Bennis, Spreitzer & Cummings, 2001; Davenport & Prusak, 1998; Liebowitz, 2000) assert that Industrial Age leadership, characterized by bureaucratic, routines, and ordered processes, are obsolete and, in fact, is a barrier to becoming a knowledge-oriented organization. Today, many knowledge-oriented companies have created executive level management positions tasked with driving cultural change toward nurturing knowledge cultures. The two such positions are namely the Chief Knowledge Officer and the Chief Learning Officer. In many organizations, the roles and responsibilities of these officers are evolving and remain undefined. As organizational leaders strive to become or remain competitive in the global knowledge marketplace, there remains a fundamental question concerning the relevance, influence, and the impact of these executive positions on achieving cultural change, instituting knowledge management practice, and providing the knowledge leadership necessary to usher organizations from the Information Age into the Knowledge Age.

As a result, organizational leaders frequently turn to resident Human Resource Manager to lead cultural change and provide the leadership necessary to adopt and use knowledge management practice. Organizationally, the Human Resource Managers represent a reasonable choice to facilitate cultural change and provides leadership in relation to the implementation of knowledge management initiative. They are perhaps most knowledgeable about their organization’s corporate culture as well as the workforce’s competency and skill. They are also frequently trained in managing change and expected to play the role of change agent.

Unfortunately, many Human Resource Managers are ill equipped to successfully engage, implement, and sustain knowledge management initiatives. Years of working in bureaucratic roles and performing administrative tasks may have limited their own and others’ perceptions of the roles they can play in the organization’s growth and success. They are often lack in the business knowledge and professional acumen, thus, limiting their ability to contribute as a full business partners (Berger & Sikora, 1994).

Examining Human Resource Managers’ perceptions of knowledge management represents a critical step toward understanding their potential ability to execute knowledge management practice. It can enables organizations to more effectively manage organizational knowledge, which in turn, could help them achieve sustainable competitive advantage in the 21st century Knowledge Age.

The following questions are posed in this paper:

1. What are the Human Resource Managers’ perceptions of knowledge management?
2. How do the Human Resource Managers, identified as transformational or transactional leaders, perceive the knowledge management?
3. What are the transformational and transactional Human Resource Managers’ perceptions of knowledge management and the influence of their leadership styles on those perceptions affect their adoption and the use of knowledge management practice?
This paper is organized into five short sections. In the first section, these authors introduce knowledge management and knowledge leadership in organizations. We proceed with reviewing the literature relevant to knowledge leadership followed by research method in the third section. The fourth section is presenting the research findings, and finally we embark on general discussion on the study as a whole.

LITERATURE REVIEW

Emerging research (Earl & Scott, 1999; Liebowitz, 2000; Saint-Onge, 1999) suggest that, in order for companies to succeed in the 21st century Knowledge Age, they must possess two key organizational components: the knowledge leadership and the knowledge management capabilities. Companies worldwide have responded by creating or re-evaluating their knowledge leadership development programs and knowledge management initiatives (Davenport & Prusak, 1998; Malhotra, 2000). Executive of multinational corporations such as General Electric, Motorola, and Royal Dutch/Shell Oil are investing significant thought leadership and capital resources into tapping the strategic value and harnessing the business potential inherent in these areas (Senge, 1999).

The KPMG’s (2000) survey revealed two key trends related to knowledge leadership. First, respondents acknowledged that knowledge leadership is an important business development activity, and second, corporations prefer to staff knowledge leader positions internally from their existing senior management ranks.

Moreover, Davenport, De Long and Beers (1998) posit that the role of knowledge leadership is to promote a positive cultural orientation toward knowledge acquisition and knowledge sharing; one that values continuous learning, where experience, expertise, and innovation supersede hierarchy. Brown and Duguid (2000) posit that knowledge leadership is an essential element for organizations to perform competitively in the 21st century Knowledge Age.

Many writings about knowledge leadership (Bukowitz & Williams, 1999; Horibe, 1999; Koulouropoulos & Frappauro, 1999; Malhotra, 1998) assert that human resource executives are frequently the best candidates for knowledge leadership positions within their organizations. They possess a broad range of interpersonal and organizational development skills. They enable cultural change, build relationships, and facilitate knowledge transfer. If they have worked within an organization for some time, they are then in the well positioned to introduce and embed knowledge practice enterprise wide. In addition, human resource executives are typically technologically advanced, having selected and implemented sophisticated human resource information systems focused on aligning their organizations’ human, cultural, and structural capital with its business goals (Roberts-Witt, 2001).

On the other hand, recent research (Fatt, 2001; Kulik & Cohen, 1998) indicates that an increasing number of corporations implementing knowledge management initiatives are not reaping the benefits anticipated. Moreover, research conducted by Sveiby (1997) indicates that six out of seven companies investing in knowledge management and knowledge leadership development are doing so on faith, not even trying to measure the return on investment. Most contemporary theorists define leadership style as a complex social process geared to intentionally influence others, facilitate activities, and attain goals within groups and organizations (Bass & Avolio, 1990; Northhouse, 1997; Yukl, 1998). In the past 50 years there have been as many as 65 different classification systems developed to define the dimensions of leadership, including leadership styles (Fleishman et al., 1991). Writers on leadership style acknowledge that the definitions of leadership style are numerous and vary among authors (Bass, 1985; Bass & Avolio, 1990; Yukl, 1998). While many theories of leadership exist, this study focuses on two leadership styles as proposed by Bass (1985); namely, transformational and transactional.

RESEARCH METHOD

The purpose of this study is to explore the Human Resource Managers’ perceptions of knowledge management and to determine if these perceptions are influenced by their leadership style (transformational or transactional). The criterion for participation in the study is being a human resource manager with expertise in one or more of the following disciplines: generalist, training and development, organizational effectiveness, staffing or employee relations, and responsible for creating, implementing, and leading corporate strategies related to human, cultural, and structural capital. Ten Human Resource Manager in ten Malaysian local commercial banks are interviewed.

Data collection method included interviews, observations, and analysis of document content. Guided interviews are the primary source of data collection. Ten 1-hour interviews are conducted. Observations, by which the researcher observed daily work, are conducted concurrently with the interviews (as site visits and facility tours). Ten observations are conducted which last approximately for 1 hour. Document content analysis includes corporate strategic plans, action memos, and e-mails focused on knowledge management-related initiatives and activities. This triangulation of methods served to validate the study’s findings.

The research occurred over a 6-month period. The study reports findings in a descriptive narrative form in order to communicate a holistic picture of the topic being studied (Miles & Huberman, 1994). The constant comparison analysis method is used (Merriam, 1998). The researchers constantly reviewed the data, searching for new and evolving categories and themes in order to identify, understand, and report the findings. The Multi-Factor Leadership Questionnaire is used to determine the transformational and transactional leadership styles.

FINDINGS

Question 1
What are the Human Resource Managers’ perceptions of knowledge management?

Two groups emerged from this research: The Beginner and The Professional. They are differentiated by the knowledge they possess about knowledge management, what do they understand in its applications, and their familiarity with the available literature.

1. Knowledge possess on knowledge management. Members of the Beginner Group know only a little to nothing about knowledge management. The interview indicates that respondents are unfamiliar with knowledge management practice and are unaware of its application. However, several of those interviewed speculate on the sources they would use to gain knowledge about the topic. These findings are supported by the absence of knowledge management related activities and materials discovered during the on site visits and tours. In contrast, members of the Professional Group are fairly knowledgeable about knowledge management. Respondents yield numerous examples of ways in which their organisation use knowledge management to improve communication and collaboration, to increase productivity, and to become more competitive within the industries.

2. Understanding the knowledge management applications. Members of the Beginner Group demonstrate little understanding of use of knowledge management practice. In several instances, participants equate knowledge management with Human Resources Information Systems (HRIS). On the other hand, members of the Professional Group demonstrate fairly well informed understanding and use of knowledge management application. Knowledge is associated with competition, engaged in continuous learning activity, and understands the relationship between data and knowledge, as well as the relative importance of each to their business needs.

3. Knowledge about sources to gain knowledge about knowledge management. Members of the Beginner Group are unaware of and do not use knowledge management-related information sources. However, participants do speculate on the sources they might access to learn more about knowledge management. In contrast, members of the Professional Group are fairly knowl-
edgeable about information sources to look for knowledge management. They cite knowledge management industry “contacts and networks,” Internet sites, knowledge management conferences and seminars, and an array of literature including books, magazines, industry trade papers, and expert newsletters.

4. **Barriers related to adopting and using knowledge management.**

Members of the Beginner Group expressed three core barriers. These are the limited resources, the fear of financial loss from investing in knowledge management, and the fear of losing competitive position in the marketplace as a result of using knowledge management. But members of the Professional Group take up these barriers as business challenges and opportunities for growth, rather than as limiting factors to the bank success.

**Question 2**

*How do the Human Resource Managers, identified as transformational or transactional leaders, perceive the knowledge management?*

All participants identify themselves as transformational, thus eliminating the possibility of differentiating participants’ leadership style. Discussion on their responses among all the participants, these authors learnt that they believed it is not socially desirable to self-select either as a transactional leader or to promote transactional values. The MLQ instrument is not sufficiently rigorous to differentiate between the two leadership styles among these groups.

**Question 3**

*What are the transformational and transactional Human Resource Managers’ perceptions of knowledge management and do the influence of their leadership styles on those perception affect their adoption and use of knowledge management practice? Although leadership style is eliminated as a variable during the course of the study, four main findings yield pertaining to the adoption and use of knowledge management practice:*

1. **Cultural receptivity to adopting and using knowledge management.**

   Members of the Beginner Group subdivide themselves into two groups. First, those who believe that their banks would be receptive to knowledge management and second, those who believe that their bank would not be receptive to knowledge management. Members of the Professional Group indicated their receptivity to adopting and using knowledge management.

2. **Bank Knowledge Leaders and Individual Knowledge Leaders.**

   Two subgroups of knowledge leaders emerged within the Professional Group. These are the Bank Knowledge Leaders and the Individual Knowledge Leaders.

3. **Technological readiness and capability to execute knowledge management practice.**

   The Beginner Group’s banks had a relatively low state of technological readiness or capability to execute knowledge management practices compared with the Professional Group’s banks.

4. **Technology budgets and management support.**

   The Beginner Group indicates that their management team develop the bank’s technology budgets and exercise caution when purchasing technology. The Professional Group similarly indicates that their management also exercise caution when making technology purchase; however, the technology budgeting and purchasing process is accomplished through the collaboration of business unit leaders and information technology professionals.

**DISCUSSION AND CONCLUSION**

There is little to no empirical research to date concerning the degree of understanding that Human Resource Managers have regarding knowledge management. This is not surprising since the field is in its incipient stage of development (Davenport & Prusak, 1998; Liebowitz, 2000; Malhotra, 1998). The emergence of two groups, the Beginner and the Professional, establish an initial baseline for the evaluation of Human Resource Manager’s competency and skill in this area.

The Professional Group possess a well-developed understanding of knowledge management resources; they held proactive attitudes, and take actions regarding knowledge management. Given the complex, change-filled global business environment in which many corporate executives operate (Bennis et al., 2001; Dixon, 2000; Malhotra, 2001), searching out and evaluating new knowledge management websites and publications is a top priority for this group.

In contrast, the Beginner Group is unaware of knowledge management and demonstrates minimal interest. This lack of awareness is surprising, particularly since these Human Resource Managers operate in team based, collaborative, and increasingly knowledge driven working environment. Interestingly, several members of this group resist the idea of engaging knowledge management practice, despite acknowledging that knowledge management may become a key business practice and a competitive differentiator between banks in their industries.

Another key finding of this research is the emergence of barriers to the adoption and the use of knowledge management. Each group perceives and approaches these barriers in significantly different ways. The Beginner Group’s perceptions focuses on the limited resources, the fear of financial loss from investing in knowledge management, and the fear of losing competitive position in the marketplace as a result of adopting and using knowledge management. The Professional Group similarly expresses concern for these barriers as well. However, a key differentiator between these groups is how they manage their fear.

The Beginner Group shows resistance in dealing with these barriers. Their ignorance of knowledge management in its relation to the potential risks, reflects a limiting perspective of bank capability and growth.

Resistance is considered a natural part of change; it represents position to any significant shift in the status quo (Conner, 1993). Organizational resistance is often defined as a multistage process that includes immobilization, denial, anger, bargaining, depression, testing, and acceptance (Argyris, 1999; Conner, 1993; Evans, 1996). While the Beginner Group’s fears are understandable, if required to implement knowledge management within their banks, they would have to engage the stages of organizational resistance, working through their fears, in order to successfully develop and launch knowledge management initiatives. The Beginner Group’s cautious approach to knowledge management could significantly impact bank competitiveness and future market position.

Conversely, the Professional Group treats these barriers as business opportunities and opportunities for growth. While the Beginner Group exhibiting resistance, the Professional Group demonstrate resilience. Organizational resilience can be defined as its ability to absorb large amounts of disruptive change without a significant drop in quality and productivity standards (Conner, 1998). In addition, resilience is frequently characterized by five critical characteristics: positive, focused, flexible, organized, and proactive (Conner, 1998; Wheatley, 1999). The Professional Group’s positive, flexible, and forward-looking attitude enabled them to consider the growth and competitive possibilities inherent in the barriers and manage them proactively. The Professional Group maintained an objective perspective concerning the risks and rewards related to adopting and using knowledge management.

The findings on the ways leadership style affects on how Human Resource Managers (either as transformational or transactional leaders) perceive knowledge management is in tandem with the current literature. Transformational leadership is the most effective leadership style for achieving organizational objectives in the twenty-first century global workplace (Bass & Avolio, 1990; Bennis et al., 2001; Drucker, 1995).

Thus, many banks actively seek to develop transformational thought and practice in their employees. However, the total uniformity of respondents’ response to the MLQ (Bass & Avolio, 2000) is somewhat surprising. All participants identify their leadership style as transformational. Given the consistency and suspect nature of these results, the researcher inquired about participants’ reasons for selecting the transformational leadership style over transactional leadership style.
Respondents reveal that they believe it is not socially desirable to self-identify as a transformational leader or espouse transformational values. In addition, they disclose their belief that in their workplace contexts, operating as a transactional leader might be viewed as professionally and politically incorrect, as their banks are either beginning to or currently promoting values and behaviours associated with transformational leadership.

In addition, respondents state that if they do not espouse transformational leadership values and goals for employees reporting to them, they might not receive the full capacity of cooperation and commitment from them. They believe employees expected more transformational leadership behaviours from their superior.

Interestingly, respondents' statement that transactional relationships exist and are operational; nevertheless, leaders are striving to become transformational in keeping with the direction in which their banks are moving. This shift suggests a 21st century corporate landscape that will be populated by entrepreneurial team-oriented work groups (Bennis, 1994; Fitzgerald & Kirby, 1997; Hesselbein, Goldsmith & Beckhard, 1996).

Transformational leadership requires a significant shift in thinking and behaviour in order to understand and successfully implement practices such as idealized influence, inspirational motivation, intellectual stimulation, and individual consideration (Bass, 1985). Fostering these types of profound changes in leaders often requires a dramatic personal and professional "metanoia" or mind shift for these individuals (Senge, 1990). For leaders not experienced in key transformational activities such as coaching, visioning, and compassion for employees, mastering and implementing them can be a formidable leadership challenge.

While corporations are cultivating this type of profound change in their leadership, the daily transactional business activities still need to be accomplished. Bass and Avolio (1990) post that transactional leadership, which focuses on the operational requirements of completing daily business is a necessary element of transformational leadership. As banks move toward institutionalizing aspects of transformational leadership in their cultures, the operational or transactional side, which is driven by transactional leadership style cannot be overlooked.

Many organizational development authors (Kotter, 1996; Schein, 1999; Shafritz & Ott, 1992) advocate that these leadership styles must coexist and function for organizational success to occur. Companies emphasizing the use of transformational leadership strategies and tactics for employee development must meet production deadlines, quality standards, and work schedules. Because the transactional requirements of business operations are necessary to meet commitments and drive productivity, they occupy most managers' time. Thus, transformational leadership can be sidelined. Therein lies the difficulty for human resource executives attempting to help managers balance the use of transformational and transactional leadership styles.

Two main themes related to adopting and using knowledge management emerged: cultural receptivity, and the bank's technological readiness and capability to execute knowledge management practices. Cultural receptivity is a defining element within the Beginner and Professional Groups. Participants believe that their bank’s responsiveness to the changing business environment represented a key competitive capability. Authors writing about change (Conner, 1993; Kotter, 1996; Nadler & Shaw, 1995) assert that cultural receptivity is a key component to successful organizational change. Interestingly, within the Beginner Group two subgroups emerged: Human Resource Managers who believe their bank would be receptive to change and those who believe their bank would not be receptive to change. These differing beliefs could prove to be a powerful competitive differentiator between these subgroups. Individual and collective values influence behaviours and determine the priority of business objectives to be executed (Dwyer, 1993). Often an organization’s ability to believe in and commit to a goal plays an important role in deciding whether it will succeed or otherwise (Conger & Associates, 1994). Importantly, each subgroup’s belief in relation to cultural receptivity influence their bank’s values, behaviours and priority for executing business initiatives.

The Professional Group demonstrates their bank’s cultural receptivity to adopting and using knowledge management practices. Respondents provide numerous examples of behaviours indicating their banks were receptive to change. Consistent with the literature (Lamont, 2002; Liebowitz, 2000; Saint-Onge, 1999) within this group two subgroups of knowledge leaders emerged: Bank Knowledge Leaders and Individual Knowledge Leaders.

Bank Knowledge Leaders drive adoption, use, experimentation and expansion of knowledge management practices. Their experience and bank resources influence both the types of applications and research directions the application developers take. Moreover, as leaders they model success, exhibiting the courage and vision necessary to implement this new business discipline in its incipient stage of development and use. Individual Knowledge Leaders similarly reflect the attitudes and practices that support the adoption, use and experimentation with knowledge management. As a group, these knowledge leaders do not possess the bank resources necessary to influence industry or vendor behaviours relative to developing knowledge management applications. Moreover, they do not occupy prominent position that would enable them to make decisions related to taking business risks associated with implementing an evolving business initiative. Knowledge leaders in this group emphasize that bringing awareness and education to their bank about knowledge management practices and how these practices could help achieve business objectives was an important aspect of their leadership. Generally, they believe that they were perceived as their bank’s resident resource concerning knowledge management. As a result, they engage in the role by providing information and guidance whenever possible. In addition, they actively advocated using knowledge management practices within their banks. These findings are in tandem with the current literature (Bass & Avolio, 1990; De Geus, 1998; Kotter, 1996; Kouzes & Posner, 1995) which posits that an individual’s ability to act in the role of educator and advocate enables organizational transformation. The Individual Knowledge Leader and Bank Knowledge Leader groups demonstrate their commitment to bank transformation through their receptivity to change leadership and entrepreneurial spirit.

Another key finding is the Beginner and Professional Groups’ belief that they are or could be technologically ready and capable to execute knowledge management practices. Organizationally, the Beginner Group had a little technological capability in place. Their belief seemed incongruent with their technological reality, while the Professional Group demonstrates technological capability through the presence of knowledge management hardware and software platforms. This is not surprising considering their knowledge leadership and the availability of greater financial resources. This demonstrates a strong link between budget planning in relation to technology spending and senior management’s sponsorship of technology purchasing and use. It is not surprising that the Beginner Group perceives their senior management to be cautious when funding technology is concern. Given this, one would not expect to see spending is made on knowledge management initiatives. The Professional Group similarly perceives that senior management is always cautious about cost incurring technology. However, budgeting and senior management sponsorship for technology purchasing in the Professional Group’s banks seems to be linked to, and influence by several metrics including the maximised usage of the existing technologies to support knowledge management practices, return-on-investment measurement and purchase all what is recommended by the committee on the requirement of technology which comprise of business unit leaders and information technology professionals.

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