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## Article

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## MANAGEMENT | RESEARCH ARTICLE

# Transactional leadership and organizational creativity: Examining the mediating role of knowledge sharing behavior

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**Abstract:** This study examines the role of transactional leadership in creating the organizational creativity through knowledge sharing behavior between employees and leaders. The study explores the contingent reward as for knowledge sharing for organizational creativity in organization, because many studies have been conducted for encouraging the knowledge sharing through contingent reward system. But this study explores whether contingent reward system through transactional behavior creates organizational creativity. So the data were collected from telecom sector. The total distribution was 360 and questionnaire was collected from 308 but usable questionnaires were 300. For data analysis the CFA and SEM tests were applied. The results showed that transactional leadership and knowledge sharing have positive relationship with creativity, and knowledge sharing is mediating the role between transactional leader and organizational creativity. The theoretical framework will be used for future research of this paper to foster the extrinsic reward as exchange for knowledge sharing and creativity.

### ABOUT THE AUTHORS

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### PUBLIC INTEREST STATEMENT

Some of the international agencies have put Pakistan among top emerging economies and expect the country will grow rapidly during the days ahead. Therefore, good leadership is essential to the numerous groups and organizations, to businesses and even to governments. However, we explain leadership in organizational perspective, which introduces organizational creativity and facilitate sharing of ideas, knowledge etc. This paper explains transactional leadership style, knowledge sharing, and organizational creativity. Transactional behavior of leadership is likely to manage large corporations, or lead international projects that require rules and regulations to complete objectives on time. Therefore, this research may apply to small projects because these projects are vital to emerging economies. Transactional leadership has formal authority, and positions of responsibility in an organization and by then focuses on results, and measures success on rewards system of organization and responsible for managing individual performance and facilitating group performance in organization.

**Subjects: Leadership; Human Resource Development; Organizational Change**

**Keywords: transactional leadership; knowledge sharing behavior; organizational creativity**

### 1. Introduction

The leadership styles enjoyed more attention in 1970s, creativity in 2000s and currently knowledge sharing behavior between employees and leaders is the central theme of this research, but the question needs to be answered, are leaders prepared to share knowledge for organizational creativity in organizations? Yes, transformational behavior of leadership is the leading theme in previous research (Bass & Riggio, 2006) and transactional behavior leadership style is largely ignored for innovation and creativity but the meta analyses have strongly predicted the transactional leadership for employees motivation, leader effectiveness and satisfaction (Judge & Piccolo, 2004). The transactional leadership style played an active role in strategic leadership for organizational effectiveness. In today's organizations, the transactional leadership is universal than any other supportive leadership behavior (Waldman, Rammirez, House, & Puranam, 2001), so this study is being extended for existing leadership literature for the role of transactional leadership in organizational creativity through knowledge sharing.

People generate new ideas, new ways of problem-solving, negotiate, communicate, collaborate, and oftentimes these are distributed in organization and transformed into shared practices and routines. For this purpose an important determinant of an organization is considered because the behaviors may affect the components (innovation, ideation, and problem-solving) of creativity (Amabile, 1983). Thus organizational leaders need to be creative and manage such climate in organization which promotes creativity and innovation (Osborne, 1998). The leaders of an organization develop the creative ideas lead to innovative services and products (Yuan & Woodman, 2010) and it may gain the competitive advantage over others.

Amabile (1996) has defined creativity in workplace as the process where employees in the organization generate ideas to create, improve, or modify the organizational products, procedures, or policies. The leaders may instantly settle on new ideas, locate the specific goals, initiatives for innovation from subordinates, so leadership style was underlined as the most important factor of individual influence for innovation (Harborne & John, 2003). Bello, Lohtia, and Sangtani (2004) argued that firm innovation through market orientation to be recognized essentially and widely for the organization to growth and survive. Creativity brings innovation which is an important factor for the organizational competition and success (Woodman, Sawyer, & Griffin, 1993). The current economy showed an importance of knowledge which Hargadon (1998) called as knowledge broker firms and Robertson (2002) called as knowledge map. In organizational success the continuous knowledge management may play an auspicious role in problem-solving, maintaining, applying, and locating the knowledge (Alavi & Leidner, 2001). So without the contribution of employees, organizations are not able to bring creativity in the organization (Lahti & Beyerlein, 2000). If employees have knowledge, that is more beneficial than the stored data of the organization's information system. As the study of Bock, Zmud, Kim, and Lee (2005) explored, knowledge sharing as the main process needs to be supported by all of the organizational units.

This study explores the relationship between transactional leadership and organizational creativity in knowledge sharing context. Our understanding of management of innovations comes from sketches, with few methodical studies. Despite a research on transactional leadership, knowledge sharing and organizational creativity, a literature review shows merely little proportion of leadership studies have been investigated in transactional leadership or context; while a number of studies have been conducted about the broader theories of leadership, such as transformational leadership theory, democratic, charismatic etc. (Shin & Zhou, 2003; Wang & Zhu, 2011) or little isolated behaviors of leaders.

The study purposes to investigate the effect of transactional leadership on organizational creativity of employees as mediated by the employee's knowledge sharing behavior. The objectives of the study were; to launch the hypothetical model for the explanation of transactional leadership and organizational creativity; to find out the causal relationship among the variables which affects the employee's organizational creativity level; to investigate the goodness of fit between the variables by using the actual data collected.

## 2. Literature review

### 2.1. Transactional leadership and organizational creativity

The creation of new valuable products (Innovation), ideas (Ideation), services, or procedures (Problem-solving) working together by individuals in a complex social system is called organizational creativity (Amabile, 1998, Oldham & Cummings, 1996; Woodman et al., 1993).

The transactional leadership behavior constructs the foundation for specifying expectations, negotiating contracts, clarifying responsibilities and providing the rewards and recognitions to achieve the set objectives and expected performance between leaders and followers (Bass, 1985). The transactional leadership style satisfies the need of followers in the form of recognition or exchange or rewards after reaching the agreed task objectives and goals achieving the expectations of leaders (Bass, 1997; Podsakoff, MacKenzie, Moorman, & Fetter, 1990). This kind of leadership style emphasizes on swap or exchange among leaders and employees. The leaders having transactional behavior may foster the commitment of employees to new ideation by having the tangible recognition or rewards for thriving initiatives and the development of new ideas, thus the value is communicated directly to the followers about leader attachment in the program participation. To understand the organization focused ideation importance to the followers, the transactional behavior leader may be good in explaining about the target to reach. This will make the followers realize the importance of self-efficacy when they achieve the goals. The study of Jansen, Vera, and Crossan (2009) states that, transactional leadership style is suitable for followers' motivation to contribute and participate in the organizational ideation programs. The transactional leadership behavior drives for excellence and efficient to encourage the followers to an ideation program, such kind of programs encourage the suggestions from employees for improving the existing firm services, procedures or products etc. Additionally, in institutionalized setting the leader having transactional behavior may be appropriate for ideation programs, where instead of managing old ideas, new ideas are managed by focusing on efficiency and standardization most effective in refining, reinforcing, or getting the benefits of the current routines and memory assets of firms (Vera & Crossan, 2004, p. 231); so like transformational behavior leaders, the transactional leadership can affect the creativity ideation with the help of employee's ideation programs. A study has departed from habitual investigation of creativity and assumes the organizational environment may influence the frequency and level of creative behaviors; hence anyone can generate a creative idea that is useful for organization (Amabile, Conti, Coon, Lazenby, & Herron, 1996) and initiate the vision for organizational creativity, which comprises the supervisory encouragement in workplace creativity; this supports the employees and communicate clear objectives and goals to create such environment; where workers experience minimum fear of criticism and are able to make supportive suggestions for the organizational functions and several empirical studies focused the importance of leadership style in creating the encouraging environment for employee's creativity by supportive (recognition and rewards) supervision (Oldham & Cummings, 1996) and consistency of supervision by supervisors with employees was found in different studies of Amabile, Schatzel, Moneta, and Kramer (2004); Redmond, Mumford, and Teach (1993); and Yong's (1994).

The leader's task-oriented behavior was perceived for subordinate's expertise and skills in tasks aid eventual task accomplishment (Amabile et al., 2004). The sharing knowledge behavior having recognitions and rewards and transactional leadership style may be appropriate for bringing a deeper understanding for organizational creativity, because the componential theory of creativity (Amabile, 1983) explains the individual's relevant domain expertise, creative thinking expertise or

skills and task motivation. The study of Mumford, Scott, Gaddis, and Strange (2002) found that crucial variable for creativity and innovation is the leadership behavior in organization, so the dynamic interaction must be produced between leadership style and creativity for encouraging, supporting, and energizing the behaviors and perceptions of employees. On the basis of literature review, it has to be hypothesized the following;

**Hypothesis 1:** Transactional leadership behavior is an indicator of creativity in several complex antecedent configuration for organizational creativity.

### 3. Mediating role of knowledge sharing

#### 3.1. Transactional leadership and knowledge sharing

The leaders play a vital role in managing the organizational knowledge sharing. The monetary rewards and recognitions from transactional leadership encourage knowledge sharing in organization. The leadership styles (Transformational and transactional theory) study found how leaders foster the knowledge in organization (House & Aditya, 1997). For dynamic economy and gain competitive advantage, knowledge sharing is critical in organizations (Foss & Pederson, 2002). In today's competition the staffing for skills, selection for expertise, training for knowledge and abilities are not sufficient (Brown & Duguid, 1991) but must consider the transferring of expertise and knowledge to the needy novices from those who have (Hinds, Patterson, & Pfeffer, 2001). Knowledge sharing within, across teams, and between employees allows the organization for exploitation and capitalization on knowledge-based resources (Cabrera & Cabrera, 2005). The study of Liao (2008) stated the employee's perception for manager's knowledge and expertise and control of rewards for desired behavior to employees' self-reported knowledge sharing was positively related. As agency theory and social exchange theory showed the influence and relationship between management support and knowledge sharing. In the process of coordination the transactional behavior leaders would be the most effective leadership style, so the managers work with employees to establish the rewards, goals, and specific assignments by coordinating support from leaders and employees. As the reward system was introduced to encourage employees for knowledge sharing purpose in several organizations, transactional leadership behavior would be the system that allows knowledge sharing and information to be shared efficiently throughout the organization. Further, the study of Alam, Abdullah, Ishak, and Zain (2009) showed a significant relationship between knowledge sharing and contingent reward system. The study of Yao, Kam, and Chan (2007) found that lack of rewards, incentives, and recognitions have been suggested to be an obstacle for knowledge sharing and recommended for building the sharing culture and facilitation of knowledge sharing (Nelson, Sabatier, & Nelson, 2006). The followers are encouraged by means of leadership to attain the goals of group or organization. As the study of Lu, Leung, and Koch (2006) suggested, the leadership styles significantly effects the choice, motivation, and the ability of knowledge sharing. Knowledge sharing explains discussion and knowledge exchange by using different channels having leaders efficiency of providing the atmosphere and encouragement and rewards to the employees. The structure and system which facilitates the knowledge sharing between employees and leaders could be hypothesized as following;

**Hypothesis 2:** Transactional leadership style is positively associated with knowledge sharing in the organization.

#### 3.2. Knowledge sharing and organizational creativity

The study of Tierney, Farmer, and Graen (1999) states that effective swap relationship between leadership styles and followers with creativity have ratings, invention disclosures and correlation. For new ideas by knowledge sharing, the supervisory support was correlated to organizational creativity indices for inclined employees (Cummings & Oldham, 1997). The creativity performance of followers was high, when the leaders contributed to self-efficacy feelings and construction of problem (Redmond et al., 1993). The study of Stembert and Lubart (1999) states that knowledge sharing supports the creativity. Knowledge sharing was considered as a kind of human rational for

information, which improves the decision-making, learning, human performance at work and problem-solving; thus (Afuah, 1998) creativity and innovation require new knowledge. The study of Woodman et al. (1993) concluded that besides cognitive preferences and personality, the relevant knowledge is important for organizational creativity process. Therefore, on the basis of literature the following hypothesis can be developed;

**Hypothesis 3:** Knowledge sharing has positive influence with organizational creativity in organization.

Transactional leadership has been hypothesized to be significantly and positively related to organizational creativity and knowledge sharing, and knowledge sharing has been hypothesized to be significantly and positively related to organizational creativity; knowledge sharing will likely mediate the transactional leadership-organizational creativity. Thus, it can be hypothesized as follows:

**Hypothesis 4:** knowledge sharing will mediate the relationship between transactional leadership and organizational creativity.

## 4. Methodology

### 4.1. Participant

The current study was from July to August 2015 in one of the private telecoms in Islamabad and Rawalpindi having a big chain in Pakistan. The questionnaire was accompanied with a covering letter explaining the purpose and providing assurance of confidentiality of the respondents. The total distribution was 360 and response rate was 308 and usable questionnaires were 300.

### 4.2. Measures

#### 4.2.1. Transactional leadership

The transactional leadership was measured by using the 6-items which was developed by Bass and Avolio (1990). The employees were asked about various behaviors related to the leaders. All of the questions were measured on a five-point Likert-type scale ranging from 1 = *Not at all* to 5 = *frequently, if not always*. Sample item to measure the transactional leadership is “I tell others what to do if they want to be rewarded for their work.” Consisting the model as six first-order factors; ( $\chi^2[20] = 32.571, p < .05$ ; standardized root mean square residual [SRMR] = .039; root mean square error of approximation [RMSEA] = .05; Tucker-Lewis index [TLI] = .943; comparative fit index [CFI] = .967).

#### 4.2.2. Knowledge sharing behavior (KSB)

KSB was measured by a scale developed by Bock and Kim (2002) having 6-items and Cummings (2004). The sample item for the measurement of KSB was “There is much I could learn from colleagues in my workgroup.” The range of scale was from 1 = *strongly disagree* to 5 = *strongly agree* on five-point Likert-type scale. The model consist of 6 first-order factors; ( $\chi^2[22] = 53.612, p < .05$ ; SRMR = .040; RMSEA = .069; CFI = .940; TLI = .902).

#### 4.2.3. Organizational creativity

The items modified by Eisenberger and Aselage (2008) for the measurement of Organizational creativity. The total number of items was 6, like “This employee generates creative ideas.” The five-point Likert-type scale was used ranging from 1 = *strongly disagree* to 5 = *strongly agree*. The data were found to be supported for six first-order factors; ( $\chi^2[5] = 7.04; p < .05$ ; SRMR = .014; RMSEA = .037; CFI = .998; TLI = .993).

## 5. Results and data analysis

This section presents the results of the research. The means, standard deviation, alpha, and composite reliabilities values have been shown. The table shows the significant positive correlation among transactional leadership, knowledge sharing, and organizational creativity. The data was free of multicollinearity (Hair, Anderson, Tatham, & Black, 1999). The structural equation modeling was used to estimate the direct and indirect effects by using the Stata. The SEM analysis corrects for unreliability of the measures and information about the direct and indirect paths among multiple constructs.

The data was analyzed by using the Stata 12 version. We checked the median, standard deviation, composite reliability, alpha and correlation for each of variables. These values are shown in Table 1. The structural equation model (SEM) was applied to study the mediation of knowledge sharing behavior between transactional leadership and Organizational creativity. The Maximum Likelihood (ML) method was adopted for covariance while applying the SEM. The root mean squared error of approximation (RMSEA), Chisquare/degree of freedom (DF), Tucker-Lewis Index (TLI), Nonnormed Fit Index (NNFI), and Standard root mean square residual (SRMR) tests were used for data analysis in this study.

### 5.1. Test for common source effects and discriminant validity

A series of CFA (confirmatory factor analysis) were applied to examine the constructs involved in the study. The three factor model (transactional leadership, knowledge sharing behavior, and Organizational creativity) fitted the data well. According to the results, the values are ( $\chi^2[184] = 347.473$ ,  $p < .000$ ; SRMR = .058; RMSEA = .054; CFI = .928; TLI = .901). The two factor (knowledge sharing behavior and Organizational creativity) model gave the poor fit ( $\chi^2[85] = 234.55$ ,  $p < .035$ ; SRMR = .060; SRMEA = .07; CFI = .895; TLI = .870). One factor model gave too poor fit results ( $\chi^2[9] = 77.61$ ,  $p < .00$ ; SRMR = .049; RMSEA = .159; CFI = .920; TLI = .867). The item-test correlation and item-rest correlation was use to test the questionnaire (transactional leadership, knowledge sharing behavior, Organizational creativity) for Cronbach alpha and the value is  $\alpha = .84$ . The individual Cronbach alpha for transactional leadership is .77, knowledge sharing behavior is .75 and for Organizational creativity is .87. The sample by means of quality of the measurement model; the constructs investigate the satisfactory composite reliability (CR) coefficients ranged from .77 to .88 which is higher than the value of benchmark .60 recommended by Ping (2005) of all variables. The correlation results among transactional leadership, knowledge sharing behavior, and Organizational creativity give the preliminary support for the hypotheses 1, 2, and 3, which have been developed for this study by using the standardized path coefficients. The results of CFA and other test values are shown in Table 1.

The correlation value between transactional leadership and knowledge sharing behavior was (.44,  $p < .05$ ); transactional leadership and Organizational creativity was (.25,  $p < .05$ ); knowledge sharing behavior and Organizational creativity was (.19,  $p < .05$ ). Our correlation values among variables are associated significantly.

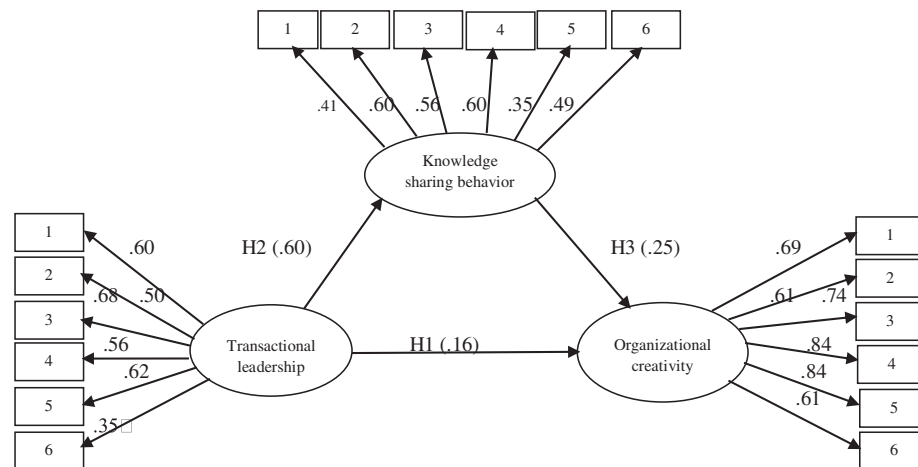
**Table 1. Descriptive statistics and correlation**

	$\alpha$	CR	M	SD	1	2	3	SV
Transactional leadership	.77	.77	2.94	.05	-	-	-	.194
Knowledge sharing behavior	.75	.75	3.14	.04	.44	-	-	.063
Organizational creativity	.87	.88	3.24	.05	.25	.19	-	.037

Notes:  $\alpha$  = Cronbach's  $\alpha$  reliability; M = mean;  $p < .05$  (two tailed); SD = standard deviation; SV = shared variance.

**Figure 1 Structural equation model with standardized coefficient path.**

Note: The numeric numbers (1–6) show the indicators of the variables.



## 6. Hypotheses testing

From the structural equation modeling results the transactional leadership was positively related to Organizational creativity ( $\beta = .16, p < .01$ ). Transactional leadership and knowledge sharing behavior were positively associated with the value of ( $\beta = .64, p < .01$ ). The association between knowledge sharing behavior and Organizational creativity was positive with the value of ( $\beta = .25, p < .01$  see Figure 1). These results give the support for the hypotheses developed 1, 2, and 3. The last hypothesis shows the mediation between transactional leadership and organizational creativity. The bootstrap test was used for mediation process. The calculation of mediation was as, indirect effect of transactional leadership on Organizational creativity (standardized path coefficients of the relationships (Baron & Kenny, 1986). The indirect effect of transactional leadership on Organizational creativity is going to be .16 ( $p < .01$ ) although a small change but mediation exists between the variables, so this provides the support for the mediation hypothesis developed for this study.

## 7. Discussion

This current research investigated the transactional leadership style influence on organizational creativity. Many prior studies have been conducted on different leadership style, but transactional leadership was literally or rarely investigated. The transactional leadership style may effectively coexist in the organization. The present study examined whether and how the transactional leadership was mediated by knowledge sharing. And it has an indirect association with organizational creativity. The results demonstrated that transactional leadership behavior has significant effect on organizational creativity, transactional leadership has significant relationship with knowledge sharing behavior and similarly knowledge sharing has significant relationship with organizational creativity.

### 7.1. Theoretical implications

This study contributes to theory and practice. This research provides the evidence of leadership transactional behavior importance in creativity of organization. It has been identified that there is no such kind of study investigated the role of transactional leadership style as positive for organizational creativity. The transactional leadership shows positive effect in this study, thus a few number (Kahai, Sosik, & Avolio, 2003) of experimental studies had been found while many studies have been conducted on transformational leadership style only (Gong, Huang, & Farh, 2009; Shin & Zhou, 2003). The data findings of this study is first illustrated among the transactional leadership behavior in terms of motivating employees by contingent rewards for the purpose to create ideas in organization by sharing knowledge. Many studies have highlighted the transactional leadership potential in different context (Vecchio, Justin, & Pearce, 2008). So at least in some contexts, the transactional leadership style might be better for motivating the employees by giving them appropriate rewards, clear direction for accomplishing goals. Based on the findings of Judge and Piccolo (2004), the authors of this study concluded that “business leaders may be better able to tangibly reward followers in exchange for their efforts”.



Furthermore, the contribution of this study to the literature on transactional leadership through knowledge management such as knowledge sharing can play a significant role of leadership style. The leaders having transactional behavior give more attention to goals and achievements by having commitments regarding expectations and rewards with employees on achieving the objectives (Bass, 1985). As discussed in literature most of the organizations are having the transactional leadership behavior, such as telecom sector and software houses. The leaders having commitment with employee about the goals and objectives of the organization. The employees are rewarded, give bonuses and commission on their performance. Besides all these exchanges between employees and leaders, the knowledge management atmosphere has also been created for creativity in the organization.

Finally, this study confirms that, organizational creativity doesn't need reward, expectation and recognition only but also requires the climate of sharing, creation and exploitation of knowledge within and across the organization.

### **7.2. Managerial implications**

Most of the companies are using transactional leadership style as explained earlier. It was explored in this study that transactional leadership style having the knowledge management in organization, is effective because the employees share their knowledge to achieve the desired outcomes of the organization. The research indicates that expected reciprocal relationships toward knowledge sharing has positive impact on favorable attitudes and this was consistently the same as study conducted by Bock et al. (2005) about reciprocal on attitude toward knowledge sharing. It means that the assumptions of employees about the relationship with other organizational members in future will improve the attitude toward sharing of knowledge. Yilmaz and Hunt (2001) examined that employees cooperation tend to exchange and share their knowledge and ideas. The study of Bartol and Srivastava (2002) states, the reward structure that workers do not recognize as contingent or (Kim & Lee, 2006) performance-based may fail to sharing knowledge behavior. The social recognitions rewards are also meaningful than fiscal rewards for creativity (Cabrera & Cabrera, 2002). The knowledge sharing behavior can be promoted by creating the atmosphere of encouraging within organizations (Saleh & Wang, 1993).

This study pushes the understanding of transactional leadership complexities involved in knowledge sharing with organizational creativity. Most of the organizations have transactional leadership behavior and the employees are rewarded through bonuses, commissions, recognitions and non pecuniary rewards. So if knowledge management takes place in organization the creativity will take place in individual, group, and organizational level.

### **7.3. Social implications**

This study has considerable social implications. The key factors of this study, which can foster the creative behaviors in organizations having the knowledge management system carries significant implication for enhancing the organizational creativity and competition and consequently, the social development of organization. First, this study has examined the characteristics of transactional leadership style (supervisory leadership) necessities of the management effectiveness for the people to employ in creative quests. Second, this study has explored a significant association of transactional leadership style (contingent reward) with organizational creativity and knowledge sharing. The organizations having transactional leadership style should encourage leading by examples (management by exception, active & passive), empower and task oriented behavior in organizations.

### **7.4. Strength, limitations, and future research**

For this research, the authors were able to collect the data from supervisors in telecom sector from a large number of sample. Our data are of cross-sectional nature, so the interpretation of the study must be with cautious. We are not going to infer the causality among variables. The generalizability of this study is only to the telecom sector only, so this limitation suggests for future research in

conducting the study in different organizational setting. For this study the data was collected from supervisors to explain their behavior with upper level leaders and lower level of employees. So different organizational level data collection method could be used in future research. Although the leadership style having rewards for employees are fostering the creativity by sharing knowledge, there are other variables that might be discounted, such as, organizational structure, individual personality type, team work, etc. As knowledge sharing was used as a mediator for this study, other mediating mechanisms through leadership style may influence the organizational creativity.

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