An understanding of transformational leadership and its implication on organizational learning: a literature review

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Abstract

Purpose
In current highly unpredictable business environment, Organizational Learning has become one of the major sources of competitive advantage for dynamic organizations (Liao and Wu, 2010). The responsibility of Organizational Learning (OL) lies with leaders. In current organizational context, transformational leadership (TL) has gathered fame, and mostly, organizations emphasized on transformational leaders to gain the required level of organizational performance (Imran et al., 2016). Transformational leadership is an effective and influential leadership style to influence the behaviors and performance of followers (Chan and Mak, 2014).

The purpose of this paper is to review the literature and highlight the understanding of transformational leadership and its implications on organizational learning, with the aim to shed light on further research that can inform and improve practices.

Design/methodology/approach – A review of the literature of journal articles, papers and books addressing the importance of transformational leadership and its implications on organizational learning in organizations.

Findings – The results are clearly representing that transformational leadership has significant positive impact on organizational learning and knowledge management process capability.

Originality/value – After reviewing the importance of organizational learning in the context of competitive advantage and organizational performance, management has to initiate steps to induct transformational leaders and develop knowledge process management culture to encourage a learning environment in organizations.

Introduction
Learning in organizations has become an important research topic as learning must prevail for any firm to become, and then remain, competitive. Companies must be kept on their toes in order to maintain adaptability and flexibility in an ever-changing world. Therefore, organizations operating nowadays must have substantial emphasis on learning. The increasing recognition that learning is an effective means for organizations to be ahead of competitors, has got companies to search for methods to improve the process of organizational learning. Learning has been considered as critical and an underlying success factor that drives knowledge creation, competencies, and adaptation to the changes in the dynamic environment (Loon et al., 2012).

The success of an organization depends on delivering greater performance, innovation and customer value. In an organizational context, learning is basically a social process. Effective communication and knowledge sharing is thus vital. The responsibility of Organizational Learning (OL) is the responsibility of leaders. Transformational leadership is one of the evolving research topics in innovation that many scholars have increasingly paid attention to (Di Benedetto, 2013). Although many leadership theories have been studied extensively, transformational leadership has been the most frequently supported leadership theory over the past two decades (Guay, 2013). In current organizational context, transformational leadership (TL) has gathered fame, and mostly, organizations emphasized on transformational leaders to gain the required level of organizational
performance (Imran et al., 2016). The relationship between transformational leadership and organizational learning was tested in several contexts. Cho (2015) revealed the outcome effects of Organizational Learning.

Organizational learning occurs at four levels: individual, group, organizational, and interorganizational (Senge, 1990a). In order to build a learning organization, managers need to encourage learning at four levels. At the individual level, managers should facilitate the learning of new knowledge, skills and values among the individual employees. Learning will enhance employees’ personal abilities, and this in turn, will help build the organization’s competitive advantage (Loon et al., 2012). At the group-level, managers can encourage learning through teamwork, through sharing knowledge together to solve problems. Group-level or team learning occurs when group members cooperate and learn from one another over time. More recent literature has shifted its focus from the individual to a group of individuals, showing the importance of interactions between people in groups and the associated the social aspects of learning (Atwood et al., 2010). At the organizational level, managers encourage learning through the way they develop the structure and culture of the organization. Organizational structure should be designed to enable communication and cooperation within the entire organization, and this will affect learning among all groups of employees. Similarly, the culture of the organization will improve organizational learning by building a shared vision. The shared vision becomes a common direction for all organizational members to follow. Lastly, at the interorganizational level, managers should recognize the importance of learning from other organizations even competitors.

Throughout this paper, we review the literature about transformational leadership and organizational learning to conclude the relationship between them.

Literature Review
Transformational Leadership

Transformational leadership refers to an innovative style of leadership in which leaders promote individual attention, give empowerment to followers, have intellectual stimulation, exert idealized influence, stimulate growth and use inspirational motivation (Jung et al., 2003; Yukl, 1999). It occurs when a leader inspires or changes his followers to trust the leader and to perform at a higher level to achieve the required organizational goals (Loon et al., 2012). Transformational Leadership is marked as an effective and influential leadership style to influence the behaviors and performance of followers (Chan and Mak, 2014).

Transformational leaders uplift their co-workers and enhance the good of everyone in the organization (Tucker, 2004). Those leaders are visionary having the ability to articulate a vision of the future – one that is broadly shared by the followers. This futuristic vision sets clear the organizational goals and ultimate outcomes which subordinates are required to cooperate together and achieve (Boehnke et al., 2003; Downey et al., 2006). The significance of transformational leadership on followers’ work attitudes and behaviors has been reported positively (e.g. Bartram and Casimir, 2007).

Transformational leaders are able to transform and encourage their followers due to four unique but interrelated behavioral components – idealized influence, individualized consideration, inspirational motivation, and intellectual stimulation (Bass and Avolio,1996; Jung et al., 2003).

According to Loon et al., (2012) each of these five dimensions of transformational leadership is explained. First, Idealized influence attributed as transformational leaders exhibit confidence and embark emotions (such as dignity, integrity, and honor), a sense of selflessness, and respect in their followers. Second, Idealized influence behavior as transformational leaders are goal-oriented and they encourage the completion of work based on a collective sense of beliefs, values, purpose, and mission. Third, transformational leaders have individualized consideration because they recognize the needs of their followers and provide them with personal guidance and development. Fourth, Transformational Leaders have inspirational motivation. They are optimistic, visionary and
passionate about work. Fifth, Intellectual stimulation. Transformational leaders encourage innovation and creative problem solving techniques. Of those five dimensions, only two dimensions – individualized consideration and idealized influence behavior – were found to be the significant predictors (Loon et al., 2012).

**Organizational Learning**

Currently, Organizational Learning has transformed into a very broader concept that includes learning through others’ experience (Imran et al., 2016). Research shows that it stems through observation and its effective interpretation. Moreover, analysis showed that Transformational Learning is more focused to Organizational Learning as compared with transactional leadership. Moreover, Organizational Learning is a route that guarantees constant progress and future sustainability (Bass, 2003). According to López et al. (2005), organizational learning is defined as “a dynamic process of creation, acquisition and integration of knowledge aimed at the development of resources and capabilities that contribute to better organizational performance.”

Organizational learning can be defined as the organizational processes that acquire, share, develop, utilize, and store knowledge for a much improved and sustainable organizational performance (Sattayaraksa and Boon-itt, 2016). According to Huber (1991), organizational learning has four organizational processes: knowledge acquisition, information distribution, information interpretation, and organizational memory. First, knowledge acquisition is the process by which knowledge is gained or collected by a learner. Second, information distribution represents the process by which information from different sources is shared and as a result leads to new information or better understanding. Third, Information interpretation is defined as the process by which distributed information is given one or more commonly understood interpretations (Huber, 1991). Fourth, Organizational memory is the method by which knowledge is stored to be used and applied in the future.

Organizational learning can bring many benefits to a company: innovation, flexibility, staff commitment, etc. However, it cannot guarantee success by itself (West and Burnes, 2000).

**Transformational Leadership and Organizational Learning**

Research scholars have explained the importance of Organizational Learning toward effective causing change, introducing transformation, raising innovative ability, strategy formation and execution, problem-solving, organizational renewal and revival, gaining competitive advantage and performance outcomes (Imran et al., 2016). Leaders are able to create change by taking part in emphasizing growth processes that allow change to build through the organization and be part of it. Successful leaders are able to tap into the commitment of their colleagues to shape a common and evolving future (Atwood et al., 2010).

Transformational leadership creates a persuasive vision, offers clear goals, provides support and encourages followers to work (Chan and Mak, 2014). Having change as a central part of transformational leadership makes this type of leadership more relevant to situations and the unpredictable challenges faced by businesses today (Bass et al., 2003), hence, transformational leadership may be more appropriate in initiating followers to change and transform through job-related learning.

Various studies have proven that leaders or managers who practice and apply greater transformational leadership behaviors achieve greater employee effort, performance, and overall organizational effectiveness (Loon et al., 2012). Specifically, studies have found significant relationship between transformational leadership organizational change (Eisenberg et al., 1999). Transformational leadership behaviors were found to be a major predictor resulting in knowledge sharing and organizational learning in Chen and Barnes’ (2006) study. Finally, Popper and Lipshitz (2000) suggest that leadership can influence the forms of thinking, motivation, and behaviors that
enhance the learning of personnel in an organization. Consequently, this will lead to enhance organizational learning.

RQ1: Does applying transformational leadership lead to effective organizational learning?

Based on Imran et al., 2016 there is a direct relationship between Transformational Leadership and Organizational Learning as it was found that there is significant positive effect of TL on OL.

As predicted by Sattayaraksa and Boon-itt (2016), CEO transformational leadership was strongly and positively associated with organizational learning. Concluding that CEO transformational leadership influences the organizational processes that acquire and manage its information and knowledge for a better organizational performance.

Knowledge management process capability, transformational leadership and organizational learning

“Knowledge Management Process Capability (KMPC) refers to the ability of a firm to create, adapt, disseminate, retain and apply new or existing knowledge to gain competitive advantage and innovative-ability of firm” (Gold and Malhotra, 2001; Ju et al., 2006; Liao et al., 2008).

It was found that knowledge processes are also the bases for Organizational Learning mechanisms for better performance (Imran et al., 2016). Some recent studies have developed arguments of liking mechanisms regarding Organizational Learning in context with KMPC (Hall, 2005; Lam et al., 2014; Thomas and Vohra, 2015).

RQ2: Does applying knowledge management processes lead to effective organizational learning?

If an organization has better processes to obtain and store new knowledge, it will ultimately boost the overall learning level of that organization. It was argued that creativity and learning is dependent on efficient knowledge processes (Imran et al, 2016).

Discussion and Conclusion

Apparently, any organization in today’s business world would go obsolete without constant learning. This effective learning process can only happen through enablers which turn out to be the leaders of the organization. Leadership provides awareness and feedback to followers and helps them to determine their own learning goals. Organizational learning plays a major role in business success and transformational leadership can enhance learning. It was concluded that if the desire of an organization is a learning orientation, then transformational leadership would be the type of leadership needed in the organization. Through adopting the dimensions and characteristics of transformational leaders, organizational learning will become an attainable goal. Organizational learning can bring many benefits to a company but does not guarantee success. Therefore, as with many other components of organizational life, what we can say of organizational learning is that it can play a vital and necessary role in building competitiveness but by itself it is not sufficient to guarantee success

Only then, can an organization be ahead of competitors and act sustainably in the current dynamic environment. Finally, the current study has emphasized the importance of transformational leadership and concluded that it acts as a predictor for organizational learning.

Limitations and Future Research

The generalizability of the findings is limited. Thus, future research may choose to collect data from different contexts such as other countries having different culture, norms and values. To further explore transformational leadership theory in different industries would be of great benefit to compare the results between manufacturing and service industries.

References


