

# The Effect of Leadership Behaviour on Knowledge Management Practices at the PT Power Plant of East Java

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A leader is a person whose job is to lead, while leadership is a talent or trait that must be possessed by a leader. In the definition above it can be said that the leader has staff or members to lead. The purpose of this study is to test and analyse the influence of transformational leadership and transactional knowledge management on organisational culture as a moderator variable. Of the 180 respondents, 90 perfectly met the criteria, 30 were disabled respondents and 60 were late returning. SPSS software and Multiple Regression Analysis (MRA) statistical analysis techniques were used to test the final sample of 90 respondents. Suitable leadership characteristics for employees at the PT Power Plant of East Java Power Plant include training, educating, improving, influencing, directing and motivating employees to do the best for their customers. Further, leaders should listen to subordinates and emphasise two-way personal communication. One advantage that is not yet utilised proficiently is the knowledge management inherent in an organisation and in its members. Organisations need to see knowledge as a valuable and strategic source for staying competitive, and must explicitly manage their resources and intellectual abilities.

**Key words:** *Knowledge management, leadership and organisational culture.*

## Introduction

PT Power Plant is a company engaged in the distribution of electricity from medium voltage networks, low voltage to customer service, in order to survive in the business environment. In general, PT Power Plants conduct the sale of electricity, connect electricity to customers and distribute additional power facilities that are increasingly in demand by power plant customers. There are two sources of competitive advantage that can be explored from within and outside an organisation. These two sources have different characteristics, with those from outside the

organisation facing difficulties in getting basic material to create a competitive advantage. This is because many organisations are competing to get outside sources and organisational performance from these sources will be easily copied by other institutions. The source from within will provide many advantages as it is difficult to imitate competitors. An advantage found in organisations which is not yet utilised is knowledge. More and more organisations are turning to knowledge management as the key to increase their competence in pursuing Bhatt's competitive advantage (2011).

Knowledge management is used to improve process efficiency, productivity and quality and to achieve innovative products. This subsequently drives the success of an organisation, leading knowledge management to be widely recognised. Empirical identification of knowledge management is a process of improving and gathering or expressing the skills and expertise of employees, which are supported by information technology. According Gladstone (2000), "final knowledge management of improving the learning process, creation and division of meaning in the organisation". As a public sector, leadership must provide direction, ideas and input for all units within the organisation. Avolio et al. (2005) state that leadership in the public sector has the duty to oversee services and must develop practices, for example the existence of employee morale, decreased customer satisfaction and political disruption.

Several previous studies suggested that transformational leadership emphasises characteristics that inspire employees to achieve workplace goals (Jyoti & Manisha, 2015; James et al., 2013; Egbunike & Odum, 2018). Bass (2005) looks at the Burns perspective and introduces leadership models to understand the characteristics of a transformational leader. Transformational leadership is a concept that includes the visionary characteristics of a leader within four dimensions, namely individualised, intellectual stimulation, inspirational motivation and idealised influence. Bass concluded that both leadership and knowledge management have important roles in the organisation. Knowledge management is a concept that originated in the 1990s, which initially served as a process of capturing, distributing and effectively using knowledge. In addition to transformational leadership factors, organisational culture has an important role in implementing knowledge management in organisations. Gladstone (2000) states that previous research shows that both organisational culture and leadership behaviours are widely regarded as the main obstacles in creating and utilising knowledge. Schein (2004) and Tjahjadi and Soewarno (2019) conclude that organisational culture and leadership are like two sides of a coin and suggest that two organisational cultures as layers of concepts, namely characteristics that are visible and invisible. Kreitner et al. (2005) state that there are four functions of organisational culture, namely providing organisational identity to employees, facilitating collective commitment, promoting social system stability and forming behaviours by helping managers feel their existence.

Leadership behaviour that is suitable for employees at the PT Power Plant of East Java involves training and educating; improving, and influencing; directing and motivating employees to do the best for their customers; listening to subordinates, and emphasising personal two-way communication in line with Berry and Parasuraman (1991). Based on the background of the problem described above, the title of this study is the effect of transformational leadership on knowledge management and organisational culture as a moderator variable in the PT Power Plant of East Java. With knowledge management, an organisation can survive and compete in a volatile environment. Knowledge management in employees can be shared with other employees which will therefore construct a positive atmosphere in the organisation.

## **Literature Review**

### ***Knowledge Management***

The term knowledge management was first introduced around the beginning of the 1990s, though an initial study of knowledge management was conducted earlier in the mid-1980s. Knowledge management then developed into a science that is widely applied in various companies. Until now there have been several experts who are seriously developing knowledge management. Wiig (1997) argues that “knowledge management is focused on using and controlling the resources to maintain or maintain and take it for use in the best possible way.” Knowledge management can be seen as an explicit and systematic effort to regulate vital knowledge and to process creatively. Individuals and organisational divisions then use and exploit that knowledge for the benefit of the organisation. The requirements are found in individual knowledge which can be expanded throughout each organisation with the right application (Skyrme & Amindon, 1997). Knowledge management is also described as “an effort to systematically and explicitly find out, focus and regulate all knowledge with the aim of optimising and optimally applying expert resources in the organisation.” Further, knowledge management is “the processes by which organisations are able to generate wealth from intellectual assets and knowledge-based assets.” There are eight dimensions of knowledge management, including:

1. Knowledge creation
2. Knowledge sharing
3. Knowledge acquisition
4. Knowledge documentation
5. Knowledge application
6. Knowledge transfer
7. Responsiveness knowledge
8. Knowledge dissemination

### ***Transformational Leadership***

Transformational leadership creates significant changes to both followers and organisations. It creates the ability to direct change in missions, strategies, structures and organisational culture, and can promote products and technological innovations. As cited in Bass and Avolio, Northouse (2001) identifies four transformational leadership behaviours, including:

1. Idealised Influence
2. Inspirational motivation
3. Intellectual Stimulation
4. Individualised Consideration

Daft (2002) and Eliyana and Ma'arif (2019) suggest that leadership is the ability to influence people to achieve goals. This explanation illustrates the intention that the leader involves other people in achieving goals. The following hypothesis can therefore be made for this study:

**H<sub>1</sub>:** Transformational leadership has a significant effect on knowledge management in employees of PT Power Plant distribution in East Java.

### ***Transactional Leadership***

According to Bass (2005), the initial concept of transactional leadership is to explain how the needs of subordinates will be fulfilled in exchange for the role of their leaders, and that leaders can only react if subordinates fail to fulfil the role of their needs. Bass further stated that the relationship between leadership and subordinates is reflected in three things, namely:

1. Leaders know what employees want and explain what they will get if their work is in line with the company's expectations.
2. The leader exchanges the efforts that will be carried out by the employee in return.
3. The leader is responsive to the personal interests of the employee as long as those interests are comparable to the value of the work done by the employee.

Further, according to Bycio et al. (1995), transactional leadership is a leadership style in which a leader focuses his attention on interpersonal transactions between leaders and employees involving exchange relations. The theory of transactional leadership states that the relationship between leaders and subordinates is a transaction if the leaders give something to their subordinates. According to Limsila and Ogunlana (2008), transactional leadership is described as exchanging something valuable between leaders and subordinates, known as a contingent reward. The interventions carried out by leaders in organisational processes are intended to control and correct mistakes that involve interactions between leaders and subordinates.

The transactional leadership style according to Bass et al. (2003) is formed by the following factors: a) Contingent reward, b) Management by Exception (active), and c) Management by Exception (passive). This leads to the following hypothesis:

**H<sub>2</sub>:** Transactional leadership has a significant effect on knowledge management in employees of the PT Power Plant distribution of East Java.

### ***Organisational Culture***

Alberts et al. (2002) suggest that universal definitions of organisational culture are elusive, however this term is usually understood to mean a shared value, trust and presumption which guides and coordinates the behaviours of company workers. Kilman et al. (1986) define corporate culture as “sharing together a philosophy, ideology, values, assumptions, beliefs, expectations, behaviours and norms” that are united in a shared culture. Kreitner (2005) argues that “organisational culture is a form of assumption that is owned and implicitly accepted by the group, and determines how the group feels, thinks and reacts to its diverse environment.” This reflects two important aspects of organisational culture, namely organisational culture delivered to employees through the process of socialisation, and organisational culture affecting employee behaviour in the workplace. Stoner (1996) suggests that organisational culture comprises of a number of important understandings such as norms, values, attitudes and beliefs shared by members of the organisation.” Hofstede et.al. (1990) suggest that there are four organisational culture dimensions, namely:

1. Individualism / Collectivism
2. Power Distance
3. Uncertainty Avoidance
4. Masculine or Feminine

Regarding the function of organisational culture, Kreitner (2005), states that “there are four functions of organisational culture, namely providing organisational identity to employees, facilitating collective commitment, promoting social system stability, forming behaviour by helping managers feel their existence.” Regarding the measurement of organisational culture, there are several elements that reflect organisational culture, where the measurement of each element is based on the opinions of Marcoulides and Heck, as follows:

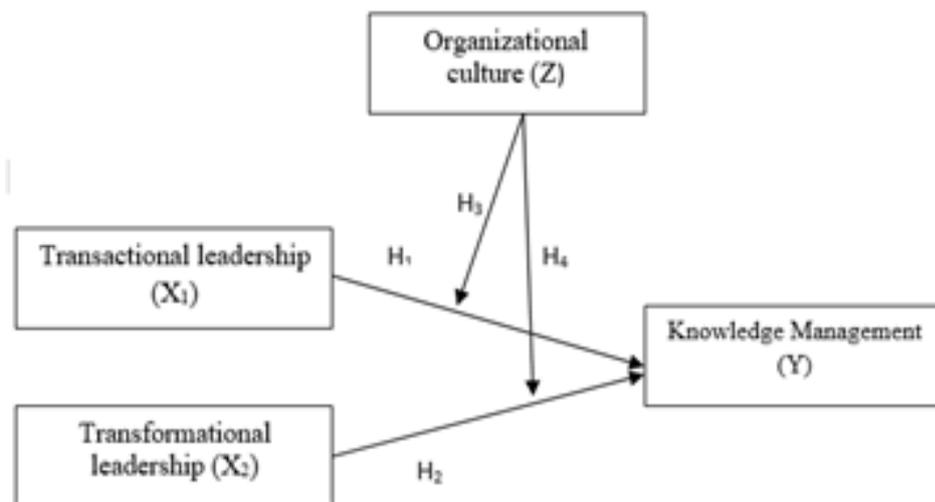
1. Organisational Structure
2. Organisational Value which refers to the principles, ideologies and values adopted by the organisation
3. Organisational Climate
4. Organisational Task
5. Worker Attitude

According to Daft (2001), organisational culture has two important functions, namely internal integration and external adaptation. Internal integration implies that members develop a collective identity and figure out how to work together effectively. External adaptation refers to how the organisation achieves its objectives and relates to outside parties. The next two hypotheses can therefore be made:

**H<sub>3</sub>:** Transformational leadership has a significant effect on knowledge management with organisational culture as a moderator variable in employees of the PT Power Plant distribution of East Java.

**H<sub>4</sub>:** Transactional leadership has a significant effect on knowledge management with organisational culture as a moderator variable in employees of the PT Power Plant distribution of East Java.

**Figure 1.** Theoretical Model



## Research Methodology

This study focuses on knowledge management of employees of the PT Power Plant of East Java. Respondents in this study comprised of 90 employees to which questionnaires were distributed in accordance with predetermined considerations. Of the 180-total population in the sample, 90 respondents perfectly met the criteria, 30 were disabled respondents, and 60 were late returning. Data processing was conducted to influence leadership behaviour on knowledge management practices with organisational culture as a moderator variables, by using SPSS software to simplify the and obtain more accurate results. The data obtained from this study was analysed using the Multiple Regression Analysis (MRA) statistical analysis technique.



Determination coefficient: Adjusted R Square value (R<sup>2</sup>) of 0.420 means that 42% of Y variation can be explained by independent variables X1, Z, and m1. The rest (100% - 42% = 58%) is explained by other reasons outside the model.

To test the conceptual hypotheses, several stages of testing were carried out which covered validity, reliability, assumption tests, tests of multiple linear regression and model analysis tests. From these results, transformational leadership was found to have a strong influence. Knowledge is a very important resource for all businesses Toyama (2015) and is therefore constantly being sought, maintained and developed by many industries (Olapegba et al., 2013). Knowledge must therefore be more carefully managed by organisations that want to survive in competitive globalisation (Wang & Noe, 2010).

## Conclusion

Transactional leadership behaviour has a partially significant effect on knowledge management. This theory was tested with t-count = 6.37 and a significant value of 0.00, which was less than 0.05. Transformational leadership behaviour has a partially significant effect on knowledge management, in which testing revealed t-count = 8.58 with a significant value of 0.00, again less than 0.05. Organisational culture moderates the effect of transactional leadership behaviour, and leadership transformation on knowledge management was tested by MRA with the significant value M1 (Moderate 1) and a significant value of 0.04, which was again smaller than 0.05. MRA that the significant value of M2 (Moderate 2) with a significant value of 0.04 is smaller than 0.05.

Leaders further enhance personal relationships with their subordinates in work relationships by involving and empowering their employees not only in how employees do their work or how effective the group's employees are, but also in the total performance in the organisation. Employees are expected to develop extensive skills in work groups, problem solving and business operations, and must participate in work division management decisions that will provide employee comfort. This can lead to a sense of belonging to the organisational culture which will also improve knowledge management for organisations.

Organisations carry out HR development activities, conduct regular performance evaluations of employees, always give rewards to employees who excel, promote employees who excel and provide security for employees without collateral. These actions must be done by the PT Power Plant of East Java because, based on the results of respondents' assessment of transactional and transformational leadership behaviours, such indicators are able to connect with existing knowledge management. Organisational culture indicators can also connect between transactional and transformational leadership behaviours towards better knowledge management.



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