

Transformational Leadership & Knowledge Management Impact on Organization Performance: A Systematic Review

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Abstract

A leader is a frontrunner who will bring an organization to sail to its desires. In wearing out its functions a leader will normally use the management style/version this is believed to be the most perfect to support his achievement. Transformational leadership is leadership that gives freedom to the enterprise to offer thoughts for the progress of the employer, lets subordinates to see troubles from special views, enables adaptation to the converting environment, and improves the effectiveness of Human aid control in numerous sectors of the business enterprise. The influence of transformational management on organizational overall performance through expertise control has been studied in various research. This journal is the end result of systematic opinions from several journals on the influence of transformational management and information control on organizational overall performance. From the consequences of the literature search, five journals related to transformational leadership and know-how management's effect on organizational overall performance had been determined. The consequences of the systematic evaluation show that the transformational management fashion and information management have a positive influence on enterprise performance, both at once and in a roundabout way.

Keywords: Company Performance, Leadership Style, Organizational Performance, Systematic Review, Transformational Leadership

1. Introduction

The increasingly more complex aggressive state of affairs, and such dynamic modifications, encourage each business enterprise for you to move quickly, creatively, and innovatively, for sustainability supported by means of exact organizational overall performance. that is inseparable from the function of the leader, therefore setting the maximum appropriate leaders will become the most crucial element for the organization these days. Leaders are very instrumental in motivating and assisting their personnel to be aggressive and feature a high commitment to the achievement of the dreams and targets of the organization, by means of the use of a powerful management style. The chief is in the middle of a change in a set pastime [1] which in this attitude is closely related to the studying system and knowledge of the enterprise. Organizational understanding is the potential of businesses to observe the price of new understanding, assimilate it, and practice it for



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commercial [2] functions, this dynamic capability influences the organization's capacity to create and disseminate the know-how had to build other organizational abilities (organizational studying, innovation) that offer the premise for the corporation to attain the overall performance that nice.

Organizational performance as the result or output of an organization, whereas define company performance as everything that refers to the achievement of organizational goals. The core purpose of this paper is to systematically review the background of the transformational leadership of the organization [3] [4]. Bass & Avolio, 2000 in defining Transformational leadership is leadership that understands the common interests of its followers and helps them to achieve the collective goals of the organization [5] [6] [7]. Whereas, define the transformational Leader as a leader who can create a network of communication and trust, so that the process of sharing knowledge between the leader and his followers in a two-way manner can go well. Each leader may have a transactional and transformational style, which can be used simultaneously with a composition that is adapted according to the situation and conditions that exist in an organization [8] [9] [10]. Samad, 2012 cited Salim 2020 explained that transforaminal leadership affects organizational performance, and several studies conducted empirically between transformational leadership and organizational performance have proven to have a positive correlation [11].

2. Literature Review

2.1 Analysis Method

Leadership is the driving force of any organization, but its functions and capabilities are becoming increasingly complex. It is described by the characteristics of the leader, qualities, and behavior. Leadership is the moral and intellectual ability to visualize and work for what is best for the company and its employees. Good management and effective leadership help to develop teamwork, and integration of individuals and group goals [12]. Concludes that leadership is closely related to the theory of social identity, where the emergence of leadership is when a person matches the identity of the group as a whole. The development of the group from time to time is followed by the development of the prototype of the group, a person appears as a leader in the group when they become most like the prototype of the group [13] [14].

A person's behavior in an attempt to influence others is a factor that forms a leadership style. This includes directive behavior and supportive behavior. Directive behavior helps group members achieve goals by providing direction, setting goals and evaluation methods, setting schedules, defining roles, and showing how goals should be achieved. Directive behavior makes it clear, often with one-way communication, what to do, how to do it, and who is responsible for doing it. Supportive behavior helps group members feel good about themselves, their co-workers, and the situation. Supportive behavior involves two-way communication and responses that indicate social and emotional support to others. Examples of supportive behavior include asking for feedback, problem-solving, compliments, sharing information about yourself, and listening. Supportive behavior is mostly work-related. Concluded that leadership style has tremendous benefits for organizational performance Duggan, conveys the subject of Leadership style that has an impact on the organization by influencing employee morale, productivity, and speed in decision-making, and metrics. Successful leaders carefully analyze problems, assess the skill level of subordinates, consider alternatives, and make informed choices. By choosing the most appropriate leadership style for the situation, an effective leader makes a lasting impac [15] [16] [17]t.

2.2 Transformational Leadership

Transformational Leadership is defined as a leadership approach that causes changes in individuals and social systems. In its ideal form, it creates valuable and positive changes in followers with the ultimate goal of developing followers into leaders. Established in its original form, transformational leadership increases the motivation, morale, and performance of followers through various mechanisms. This includes connecting the followers' sense of identity and self with the organization's mission and collective identity; being a role model for followers who inspire them; challenging followers to take greater ownership of their work, and

understanding the strengths and weaknesses of followers, so that leaders can align followers with tasks that optimize their performance first introducing the concept of leadership transformation in his descriptive research on political leaders, but this term is now also used in organizational psychology. According to Burns, leadership transformation is the process by which "leaders and followers help each other to advance to a higher level of morality and motivation". Burns relates to the difficulty of distinguishing between management and leadership and states that the difference lies in characteristics and behaviors. He established two concepts: "transformation leadership" and "transactional leadership". According to Burns, the transformation approach creates significant changes in the lives of people and organizations [18]. It redesigns perceptions and values and changes employee expectations and aspirations. In contrast to the transactional approach, this approach is not based on the relationship of "give and take", but on the personality, traits, and ability of the leader to make changes through examples, the articulation of energizing visions, and challenging goals. Transforming leaders are idealized in the sense that they are moral role models in working for the benefit of the team, organization, and/or community. Burns theorizes that transformation and transactional leadership are mutually exclusive styles. Transactional leaders usually do not seek to change the culture in the organization but they work within the existing culture while transformational leaders can try to change the culture of the organization.

Another researcher, Bernard M. Bass, extended Burns' (1978) work by explaining the psychological mechanisms underlying transformation and transactional leadership; Bass also uses the term "transformational" instead of "transforming". Bass adds an early concept of Burns (1978) to help explain how transformational leadership can be measured, as well as how it affects followers' motivation and performance. The extent to which a transformational leader is, measured first, in terms of his influence on the followers. The followers of such a leader feel trust, admiration, loyalty, and respect for the leader and because of the qualities of the transformational leader are willing to work harder than originally expected. This result occurs because transformational leaders offer followers something more than just working for one's benefit; they give followers an inspiring mission and vision and give them an identity. The leader transforms and motivates his followers through his ideal influence (formerly referred to as charisma), intellectual stimulation, and individual consideration. In addition, this leader encourages his followers to find new and unique ways to challenge the status quo and change the environment to support success. Finally, in contrast to Burns, Bass suggests that leadership can simultaneously display transformational and transactional leadership [19].

Now 30 years of research and several meta-analyses have shown that transformational and transactional leadership positively predicts a variety of performance outcomes including individual, group, and organizational level variables [20].

2.3 Knowledge Management

Transformational leaders in practice are inseparable from the application of human resource management and organizational learning practices [21], while also concentrating on the development of an organizational culture that supports knowledge, including 1. Tacit knowledge – knowledge that is incomparable, valuable, underutilized, not articulated, and based on the brains of employees; 2. Explicit knowledge – knowledge that is distributable, easy to handle, documentable, and can be stored [22]. By transforming this type of knowledge into another form of knowledge, which is valuable, impersonate, and cannot be transferred to another company, it will explore the organizational knowledge for it, thus it will become a source of continued competitive advantage.

Designing a strategy to properly manage knowledge is important for many organizations due to its significance to achieve organizational results. defines KM as the "management" function responsible for the regular selection, implementation, and evaluation of knowledge strategies aimed at creating an environment that supports working with internal and external knowledge for the organization to improve organizational performance". KM architecture consists of KM processes and KM infrastructure, and the interaction between these two components supports the organization to create an organization of knowledge and improving organizational innovation and consequently, supports the achievement of overall performance. Scholars often define two kinds of KM processes: (1) km tactical processes - by

which employees collect information to solve problems, derive value from the information collected, learn from values, and update the knowledge present in the system; and (2) strategic KM processes — in which organizations formulate KM strategies to assess, create, and maintain [23].

In his research states that effective leadership has a significant influence in increasing knowledge, and that leadership style can improve the development of decision-making processes and organizational strategies. As a result, knowledge management has a significant effect on the quality of decision-making, as well as improving the continuous performance of the organization. The leader must be an expert who can inspire, motivate and guide his subordinates, while being able to measure his performance in various conditions, especially through knowledge management strategies. In addition, to become an expert in knowledge management, subordinates must be given sufficient authority and responsibility [24].

2.4 Organization performance

Organizational performance for researchers is considered the main dependent variable since it has to do with the measurement of productivity fundamental for the organization. Organizational performance is the actual result of the organization, which can be measured by reference outputs, goals and objectives that are desired. According to characteristic leadership influences the behavior of subordinates to achieve organizational goals. Therefore, leadership style can improve organizational performance. In order to improve organizational efficiency and effectiveness, a different leadership approach is needed, this is evident where past leadership models will be felt to be inadequate to manage complex organizations at this time.

3. Method

A systematic approach through article review was carried out to identify the correlation between transformational leadership and organizational performance. This systematic review article uses inclusion criteria such as the selection of topics that are included in the research category, namely transformational leadership and organizational performance. Article searches are limited to databases such as Google Scholar, Research Gate, and Science Direct with the keywords transformational leadership and organizational performance published in 2014 – 2022. Articles that meet the inclusion criteria are then collected and systematically examined. Of the 76 articles obtained, there were 15 relevant articles and then 5 relevant articles were selected for this review. From this paper, it is also said that it can be a reference for future research, such as authentic leadership in organizations, and what skills are needed to compete successfully in the digital age.

4. Data Extraction Results

Table 1. Data Extraction

Author & Year	Heading	Purpose	Method	Result
Birasnav (2014)	<i>Knowledge Management and Organizational Performance in the Service Industry: The Role of Transformational Leadership Beyond the Effects of Transactional Leadership</i>	To investigate the association between <i>transformational leadership</i> and <i>organizational performance</i> , as well as investigate the implementation of the <i>knowledge management</i> process as a mechanism for <i>transformational leaders</i>	Quantitative	This study investigates the direct effects of <i>transformational leadership</i> on <i>organizational performance</i> and indirect effects through <i>knowledge management</i> . <i>Transformational leadership</i> can accurately predict <i>organizational performance</i> . It was found that <i>it was transformational leaders</i> contributed significantly to <i>organizational performance</i> . Empirically, there was a partial relationship between <i>transformational leadership</i> and <i>organizational performance</i> .
Nouri, Mousavi & Soltani (2016)	<i>Effect of Transformational Leadership and Knowledge Management Processes on Organizational Innovation in Ardabil University of Medical Sciences</i>	Investigate the effect of transformational leadership and knowledge management on organizational innovation in Ardabil University of Medical Sciences.	Quantitative	<i>Transformational leadership</i> has a positive effect on <i>knowledge management</i> and <i>organizational innovation</i> ; the impact of <i>knowledge management</i> on <i>organizational innovation</i> was shown to be

				<i>positive; and the mediating role of knowledge management was confirmed in the relationship between transformational leadership and organizational innovation</i>
Mahmud Kılıç and Orhan Uludag (2021)	<i>The Effects of Transformational Leadership on Organizational Performance: Testing the Mediating Effects of Knowledge Management</i>	To examine. the relationships between transformational leadership, knowledge creation processes, organizational learning, job satisfaction, knowledge management, and organizational performance. on the Northern Cyprus Security Forces	Quantitative	This study concludes that transformational leadership increases organizational performance through knowledge management; organizational learning has a significant effect on knowledge management; and a significant impact on organizational learning and knowledge creation processes in transformational leadership
Firmansyah & Purwandari (2022)	<i>The Influence of Transformational Leadership on Employees Performance with Knowledge Sharing and Affective Commitment as Moderation</i>		Quantitative	The results showed that transformational leadership is positively related to Knowledge Sharing, Affective Commitment, while knowledge sharing and affective commitment are positively related to employee performance.

				Transformational leadership is not positively related to employee performance. Furthermore, knowledge-sharing mediation and affective commitment can mediate Transformational Leadership relationships to employee performance
Alsuwaidi & Mansor (2022)	<i>The Impact of Transformational Leadership on the Performance of Police the Mediation Role of Knowledge Management</i>	This study aims to identify the significant influence of transformative leadership to the performance of the Dubai police department as well as the role of knowledge management mediation in this relationship.	Quantitative	This research reveals that knowledge management significantly mediates the relationship between transformational leadership and police performance.

5. Result & Discussion

By drawing the common thread of the five articles, it can be concluded that there is a positive influence between transformational leadership and organizational performance directly or indirectly through knowledge management. Knowledge management can be defined as a system that creates, captures, shares, and utilizes knowledge or knowledge for the success of an organization. The knowledge management process can then be separated into three stages, namely acquiring knowledge or knowledge acquisition, disseminating knowledge or knowledge transfer, and applying knowledge or knowledge applications.

Transformational leadership style usually results in better organizational performance than transactional leadership. This can happen because the transformational leadership style encourages innovation and knowledge which then generates benefits for organizational performance.

- **Knowledge Acquisition**

Knowledge can be distinguished according to the source, including knowledge that already exists within the organization and knowledge obtained from outside the organization. The knowledge that is in an organization can be subdivided into explicit

knowledge or knowledge that is known by the entire organization and tacit knowledge or knowledge that is only known by a few people.

- **Knowledge Transfer**

Leaders must have the ability to spread the knowledge that has been gained and then leverage it to improve performance. The process when an organization acquires knowledge and disseminates knowledge to improve organizational performance is referred to as organizational learning. Organizational learning allows the development of new skills and knowledge in five ways: idealized influence, inspirational motivation, individualized consideration, intellectual stimulation, and prosocial behavioral intentions.

Idealized influence describes an organization's ability to build trust and respect for its leaders. According to, the leader must be a role model who can influence people.

Another way suggested is inspirational motivation or the ability of leaders to encourage people to adopt appropriate behaviors by showing enthusiasm and optimism, stimulating cooperation, and emphasizing goals.

Individualized consideration is the leader's ability to include people in the process of organizational transformation by recognizing people's wants, needs, values, and abilities in the right way. This method requires a relatively high level of trust in the leader.

Intellectual stimulation has an important role in the process of organizational transformation. The leader must encourage people to revalue their way of thinking about a problem by using analogies and metaphors.

Prosocial behavioral intention is the behavior when people voluntarily or deliberately help others. This behavior can also be referred to as altruism, which is the act of benefiting others in the absence of interests or personal gain.

- **Knowledge Application**

The application of knowledge supports creativity and inspires new ideas to increase the potential for understanding which can then be applied and form organizational innovation and organizational culture. Organizational innovation can be defined as a new idea and method, or the act of creating a new thing. While the core of organizational culture is the shared values shared by members of the organization. The results of the transformative knowledge management process produce a new culture and innovation that then encourages and improves organizational performance.

5. Conclusion

Transformational leadership has a significant positive relationship with organizational performance, not only directly but also indirectly through knowledge management. By acquiring, disseminating, and utilizing knowledge, transformative leaders can improve financial performance, product market performance, and shareholder returns. Age, gender, and organizational level mediation variables and knowledge management mediation variables reinforce the correlation between transformational leadership and organizational performance. By having the ability to acquire, disseminate, utilize knowledge and produce organizational culture and organizational innovation, transformative leaders can improve organizational performance. Subsequent research can combine quantitative and qualitative methods, as the correlation between the leader and the members of the organization also needs to be considered. The limitation of the five articles is the use of less specific dependent variables. Organizational performance, it includes three things, namely financial performance, product market performance, and shareholder returns. To overcome this problem, further research can use not only financial performance but also non-financial performance as a dependent variable.

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