Do Leaders Really Matter in Knowledge Management Practices? Case of Serbian Companies

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ABSTRACT

The purpose of this study is to explore whether the leadership change consequently imposes further changes in knowledge management (KM) practices, as well as to reveal which KM practices are affected by this strategic change. Namely, a theorized ten-fold conceptualization of KM practices has been tested on a sample of 101 Serbian companies employing more than 100 employees each. The main findings demonstrate that leadership changes affect some elements of KM leadership, HRM practices in recruitment, training and development, and compensation. Furthermore, findings depict that leadership changes have a profound influence on knowledge-friendly organizational culture and knowledge sharing between mid-level management and employees. Finally, the results show that the leadership change in Serbian companies affects sales growth rate. The companies that experienced this change had negative sales growth rate contrary to the companies without this strategic change.

KEYWORDS

Change, Knowledge Management Practices, Knowledge Management, Leader/Managing Director, Leadership, Serbia, Survey

1. INTRODUCTION

Over the past 20 years, knowledge management (KM) has attracted attention of academic and business communities (Hussinki et al., 2017). KM issues have become of a great interest as value creation has shifted from tangible production factors, such as financial and physical capital, to intangible resources, such as knowledge (see Penrose, 1959; Kogut & Zander, 1992; Grant, 1996). KM deals with the processes and practices that enable efficient and effective management of knowledge resources (Alavi & Leidner, 2001; Chen and Fong, 2015; Hussinki et al., 2017). KM practice is the implementation of knowledge management concept (Inkinen & Kianto, 2014), and presents a set of deliberate organizational and managerial initiatives aimed to boost knowledge processes (Nguyen & Mohamed, 2011), and improve efficiency and effectiveness of organizational knowledge resources (Andreeva & Kianto 2012; Inkinen & Kianto, 2014).

While literature suggests that leadership and KM have been linked (Koh et al., 2005; Nguyen & Mohamed, 2011; Okunoye & Karsten, 2002), most studies have focused on the influence of different leadership styles on KM processes (Sarin & Mcdermott, 2003; Singh, 2008). Although findings allude to the critical role of leaders in building and maintaining KM strategy and environment that facilitates effective KM processes (Kavanagh & Ashkanasy, 2006; Schein, 2004; Nguyen & Mohamed, 2011;
Holsapple & Singh, 2001), empirical evidence on how specifically the change of a leader affects different KM practices has been scarce.

To address this research gap, this study specifically focuses on the role of a leader in KM practices. The main objectives are to explore whether the leadership change (in terms of changing CEO/managing director) affects KM practices, as well as to identify KM practices that are specifically affected by this organizational change. Leadership change is supposed to result in a ripple effect of organizational changes. We believe that this change produces further effects in KM practices and organizational performance. In a systematic review of empirical literature on KM practices and organizational performance, Inkinen (2016) confirmed that KM practices most often facilitate positive organizational outcomes. Thus, we have decided to additionally examine whether leadership change affects important organizational outcomes such as sales growth. More specifically, our research questions are how this strategic change manifests itself on different dimensions of KM practices and sales growth.

Although previous studies have categorized KM practices into several key areas (Hesig, 2009; Inkinen, 2016; Donate & Guadamillas, 2011; Andreeva & Kianto, 2012; Anand et al., 2015), they have reached no consensus concerning the respective areas. This study follows the most recent and overarching ten-part categorization of KM practices (Inkinen et al., 2015; Hussinki et al., 2017) based on well-known knowledge theories (Kogut & Zander, 1992; Grant, 1996), and incorporates new ideas in order to update the categorization to represent contemporary business organizations (Hussinki et al., 2017). These ten KM practices are supervisory work, strategic KM, knowledge protection, learning mechanisms, IT practices, organizing work and four HRM practices dealing with recruitment, training and development, performance appraisal and compensation practices.

Serbia has a transitional economy undergoing privatization and reform of the public and banking sectors (Dreca, 2012; Šabić et al., 2012; Veselinovic, 2014,). In order to foster the development of knowledge-based economy, Serbia needs more empirical information related to major drivers of economic growth in the knowledge era. Most of the studies in the business context of Serbia have been concentrated on knowledge-based resources – intellectual capital (IC), exploring either the relationship between IC and organizational performance, or IC reporting (Bontis et al., 2013; Cabrilo, 2005; Cabrilo, 2015; Cabrilo and Grubic-Nesic, 2010; Dzenopoljac et al., 2016; Janosevic et al., 2013; Kontic and Cabrilo, 2009). However, authors are not aware of any previous studies specifically focused on KM practices in the Serbian business environment of Serbia.

Therefore, this study will make two main contributions. From theoretical perspective, we combine KM and leadership literature in order to shed more lights on how leadership change affects KM practices and some aspects of companies’ performance. Filling in gaps that exist in both KM and leadership research fields, this study contributes to the literature. Moreover, our results have meaningful managerial implications in the context of transitional business. Our findings help boards and new leaders in Serbian companies to predict effects caused by a leader’s transition and to develop a plan of actions in KM practices that must be taken before, during, and after a leadership change, so that the risk inherent in a leader change transition could be carefully managed.

The paper is divided into five sections including this “Introduction” that gives a relevant theoretical background, and identifies a research gap drawing special attention to the purpose of the paper. The Section 2 discusses KM practices and the role of the leadership in KM practices, and highlights studies that fit our research design. The Section 3 presents the research method and data analysis. The findings are discussed in the Section 4. Finally, conclusions, theoretical and managerial implications of the study are set out, and research limitations are provided.
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