The Analysis of Knowledge Management Implementation and Relationship-oriented Leadership Behavior in Developing Organizations’ Human Capital

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Abstract: Leadership capability development through the application of knowledge management concepts as human capital in an organization is required to achieve a sustainable competitive advantage. This article was aimed at analyzing whether or not knowledge management can be a theoretical framework in developing leadership capability as a human capital in an organization. This research was conducted in literature study approach. It was done by systematically investigating the basic theory and contemporary result findings. The results of the analysis indicated that, although the organization has a focus on enhancing human capital capability, leaders have the potential to influence perceptions of the human capital benefits of its employees. Employees have the greatest potential to gain these benefits through their inclusion in the process of applying knowledge management, developing organizational culture and encouraging communication among employees. The implications of this analysis are that human resource managers should intensively carry out training for managers to develop their leadership behaviors, as these behaviors will contribute to improving human capital whereby an organization can achieve competitive advantage. The analysis contributes to the development of leadership literature to enrich the concept of leadership behavior as a variable that can increase human capital in an organization.

1 INTRODUCTION

Researchers have concentrated on changing the paradigm from human resources into human capital within the company in order to maintain a competitive advantage (Bontis, N. and Fitz-enz, 2004; McGregor et al.; McGregor, J., Tweed, D. And Pech, R). Human capital is a "combination of knowledge, skill, innovation, and ability of individual employees of a company in accomplishing the task at hand" by Bontis (Bontis, N. 2001). Human capital development practices can be done either internally or externally, such as staffing, training, performance appraisal, and rewards (Snell, S.A. and Dean, J.W. Jr., 1992). Universally, this kind of development model is taken into account as an investment for human capital development so that companies can increase their economic added value. Drucker, P.F. (2002) describes the development of human capital as "sine qua non of a competition in an economy of knowledge".

The research that has been done in many companies to link leadership behavior, knowledge management and human capital is still relatively limited. Studies aimed at exploring the role of leadership behaviors on individual employee performance and organizational performance through acquisition of knowledge, knowledge creation, knowledge exploitation have been undertaken by(Bryant, S.E. 2003; Politis, J.D., 2002). Although the results of Smith's research, (1998); Darroch, (2003) shows there is a relationship between knowledge management and human capital, but the influence of knowledge management on human capital development is still not widely taken into account. The main focus of this paper is to establish a framework for organizing relevant literature to support the relationship between leadership behavior, knowledge management and the benefits of human capital.
2 LEADERSHIP BEHAVIOR

Leadership is generally defined as the use of influence to encourage participation in achieving predetermined goals (Yukl, 2006). The leadership process involves the personality and behavior of the leader, the follower's perception of the leader and the context within which the interaction takes place (Antonakis et al., 2004). The concept of leadership is more focused on the relationship between leaders and followers. Leaders must structure or restructure the situation, perceptions, and expectations of their group members (Bass, & Stogdill’s, 1990).

The importance of organizational leadership development programs in organizations is strategic, since the results of the research show that there is a relationship between leadership and organizational performance (Aragon-Correa et al., 2007; Lowe et al., 1996). Leaders are the central focus in an organization because it is they who set a clear vision in mobilizing followers to realize the organization vision and mission. Stogdill in Bass (1985) defines leadership as "an interaction between group members". In line with that opinion, Yukl (2006) says that leadership is a process in which an individual influences other group members to achieve organizational goals. Cartwright and Zander in Kleiner (1987) developed a functional approach to leadership. They observed that leadership behaviors is a result of the performance of two functions, namely the goal achievement (task) and maintenance (relationship) function.

Although each leadership behavior has its own advantages and disadvantages, in practice, the relationship-oriented behavior attracts a lot of attention within the organization because it contributes to corporate innovation, organizational learning, and the skills and creativity of workers (De Jong and Den Hartog, 2007; Aragon-Correa et al., 2007). Leadership behavior that performs this maintenance function is more beneficial for the development of human capital in the organization. Researchers define leadership behaviors as influencing, motivating, or intellectual stimulation for individuals within the organization (Bass, 1985; Nemanich, and Keller, 2007). In addition some researchers mention that two main things influence of idealized and inspirational motivation are the charisma (Kark et al., 2003; Avolio et al., 1999). The idealized influence implies that the leader is a figure who is respected, trustworthy and admired. This suggests that the behavioral characteristics of leaders determine the vision and how to deliver them to be achieved along with their followers (Bass, 1999; Bass et al., 2003). Inspirational motivation describes how leaders encourage their employees to achieve their vision through creating an individual spirit and team spirit (Bass et al., 2003). Intellectual stimulation explains how leaders promote the innovative and creative skills of his employees in solving problems in innovative ways without criticizing the employees for their mistakes (Bass, 1999; Bass et al., 2003). While individual considerations emphasize the role of mentor of leaders in terms of developing employee potential, focusing on employees' needs for achievement and growth and developing employee opportunities for learning (Bass;; Bass et al., 2003; Bass and Riggio, 2006).

3 KNOWLEDGE MANAGEMENT

Knowledge management is the subject of business, industry and education circles. The process by which organizations create, organize and share knowledge (knowledge management) becomes a source of sustainable competitive advantage (Hatch and Dyer, 2004).

The ability of an organization to build an environment that can facilitate KM as a strategic asset, is a big corporate challenge. The KM process, as a step that will help the organization build knowledge as a strategic source, will drive the effectiveness and performance of the organization (Bharadwaj, et al, 2015).

Therefore, companies need to make enormous efforts in creating new knowledge among employees so that they can develop their organizational knowledge. Serban et al. (2002) describes knowledge management as all about using the systematic and organized thinking power of an organization to achieve efficiency, ensuring competitive advantage, and spurring innovation. In essence, the knowledge management framework is the creation of knowledge. Davenport and Prusak (1998) describes knowledge as a fusion of experience constructed in terms of value, contextual information, insights that provide a framework for evaluating and incorporating new experiences and information. Nonaka and Takeuchi (1995) argue that the process of creating organization knowledge occurs because of the interaction between tacit knowledge and explicit knowledge through the socialization, externalization, combination, and internalization process.
What follows describes the SECI Model (socialization, externalization, combination, internalization).

3.1 Socialization

One of the socialization processes among human resources in the organization is done through face-to-face meetings (meetings, discussions, and monthly meetings). In the knowledge management system to be developed, collaboration features like email, discussion, electronic, communities of practice allow the exchange of tacit knowledge (information, experience and skill) that a person possesses so that the organization is able to learn and generate new, creative and innovative ideas.

3.2 Externalization

Support for this externalization process can be provided by documenting the meeting minutes (explicit form of knowledge created at the time of the meeting) into electronic form for later publication to those who concerned. Bringing in experts will provide new knowledge within the organization that can be learned, developed, and utilized to improve knowledge / resource competencies.

3.3 Combinations

The process of converting knowledge through combinations is to combine different explicit knowledge to be compiled into a knowledge management system. The media for this process can be through discussion forums, organizational databases, and the internet to obtain external sources. Enterprise portal features such as the knowledge organization system that has functions for categorizing information (taxonomy), searching, etc. are helpful in this process.

3.4 Internalization

All documented data, information and knowledge can be read by others. In this process the increase in human resource knowledge takes place.

Knowledge management is part of a responsible management function for the selection, implementation and evaluation of internal and external knowledge aimed at creating an environment to support organizational performance improvement (Maier, 2005).

Apart from the capabilities of the knowledge process (Lindsey, 2002) also emphasizes that the effectiveness or success of knowledge management will depend on the knowledge infrastructure capabilities of an organization. Supporting the importance of knowledge infrastructure, Davenport and Prusak (1998) identified from 31 knowledge management projects that developed a knowledge-friendly culture and introduced knowledge transfer channels. Although taking into account knowledge as a crucial factor behind sustainable competitive advantage and overall organizational success, it must be recognized that knowledge issues are closely tied to organizational culture (Davenport and Prusak, 1998). Because culture has no exact conventionalized meaning. Specifically, Miron et al. (2004) defines organizational culture as a belief and value shared by members of the same organization, which influence their behavior. Culture, therefore, is not in the minds of individual employees, but rather between the minds of groups of employees within the organization, whose symbols and meanings are expressed publicly through the interaction of working groups (Alvesson, 2002). In addition, culture also stands out in organizations through artifacts, language in the form of jokes and metaphors, patterns of behavior in the form of rituals and ceremonies, behavior norms, heroes, symbols, symbolic and historical acts (Brown, 1995). Organizational culture is very important in utilizing KM, because it has been regarded as an effective facilitator.

The picture below reflects the interconnected SECI thus forming an ongoing knowledge management for an organization.
4 HUMAN CAPITAL

Intellectual capital contributes to the development of human capital. While social capital as a component of human capital contribute in the development of intellectual capital. According to Nahapiet and Ghosal (1998), social capital is a number of actual and potential resources that are embedded within, and derived from a network of relationships owned by a person or social unit. Human capital can take the form of employee knowledge, skills, capabilities, commitments, know-how and ideas and employee health, which adds economic value to the organization (Becker, 1975; Skandia, 1998; Sullivan, 1999; Ulrich et al., 1999; and Bart,2001) defines human capital as collective knowledge, education, skills, attitudes and experience of employees in an organization. Investments in human capital will have high value when employees benefit enormously from the development process (Wayne et al., 1999). Benefit human capital is a high return on individual investment, increased compensation, becoming a future leader, opportunities to participate in major projects and improvements in status and authority (Ulrich et al., 1999; Harley, 1999; Bontis and Fitz-enz, 2004; Motley,2017).

Employees feel the benefits of human capital when they have the potential to give more return in the sense of contributing to the creation of intellectual capital for their investments (Bontis & Fitz-enz, 2004). Taking into account an employee as one of the future leaders is a benefit from human capital because it has great potential to move vertically into an influential position (Ulrich et al., 1999). These future leaders demonstrate their better performance in certain responsibilities and activities related to their work. Employees also benefit from their human capital as their authority and status increase.

5 RELATION-BASED LEADERSHIP AND HUMAN CAPITAL BENEFIT

Within the organization, relations-oriented leader behaviors can stimulate employees' abilities, provide vision, personally acknowledge employees and consider individual employees by Rafferty and Griffin, (2004). Therefore leaders and followers mutually increase their level of morality and motivation to one another (Burns, 1978). Leaders who have the characteristics of influence, always have more willingness to engage in work activities, take risks and hence they are more influential,
effective and willing to trust their employees (Bass and Bass & Stogdill’s, 1990; Bass and Riggio, 2006). These leaders create trust by giving autonomy and decision-making to their employees to do their job and therefore they promote innovative behavior as well as self-efficacy of their employees (Scott and Bruce, 1994; Conger and Kanungo, 1988).

On the other hand, empowerment or enhancement of intrinsic motivation will improve employee’s creative performance (Speritzer, 1995). Associated with the benefits of human capital perceived by employees, it indicates that empowerment helps employees to gain authority within their organizations (London, 1993 and Harley, 1999). Phillips (2005) in his analysis, takes into account the innovative behavior and creativity of employees as a human capital parameter because these attributes can increase the effectiveness of human capital in the form of return on investment such as new products or process development, patents and copyrights. Similarly Podsakoff et al. (1996) in his research found that of 1539 employees who express more trust to their leaders felt more ability, experience and knowledge.

Leaders who possess inspirational motivational characteristics increase the capability of achieving employee goals or performance in order to achieve a predetermined vision Nemanich and Keller (2007). On the other hand, leaders who behave in relationship orientation can create individual and team spirit among employees as they demonstrate enthusiasm and optimism in employees through coaching, encouraging and supporting. As a result, they are able to improve employee performance in conducting work activities and generate high return on investment for employees (Yukl, 2006; Boerner et al., 2007). Leaders who intellectually stimulate employees will encourage them to solve task-oriented problems in new and different ways and hence leaders force employees in challenging the beliefs and values that exist within the organization (Yukl, 2006). Thus, leaders encourage the growth of employee professionalism in order to benefit human capital (Turner et al., 2005).

In addition, leaders must prepare their employees who possess human capital value in order to have the opportunity to participate in various activities that contribute to achieving competitive advantage (Schepers et al., 2005). Based on the various arguments presented in relation to the relationship-oriented leadership behaviors on the employee’s human capital benefits, we propose that:

P1: Leadership-oriented relationships significantly support employees to feel the benefits of human capital in the life of the organization.

6 THE ROLE OF RELATIONSHIP-ORIENTED LEADERSHIP IN KNOWLEDGE MANAGEMENT PROCESSES

Although researchers such as Politis (2002) and Bryant (2003) have examined the role of relationship-oriented leadership towards knowledge management, its impact on human capital development of employees is still quite scarce in the literature. According to Filius et al. (1996), knowledge was gained through participation in professional networks, interaction with customers and competitors, research and development. Establishing relationships with professional networks is a social capital owned by an individual employee (Friedman and Krackhardt, 1997). Through such networks, employees communicate with suppliers, customers and competitors. Coleman (1988) describes that social capital is an essential element for the creation of human capital. In addition, Lin and Huang (2005) found that employees involved in creating human capital have received high and positive appreciation from their leaders. In this context, relationship-oriented leaders support the promotion of employees through the creation of human capital among employees and, as a result, influence their income growth. A study of 239 employees by Politis (Politis, J.D. 2002) suggests that relationship-oriented leadership behaviors, particularly the dimensions of charisma and intellectual stimulation, have a positive relationship with acquiring knowledge, but individual considerations have a negative relationship with knowledge acquisition.

Courageous risk-taking behaviors that characterize relationship-oriented leaders often invite successes and failures during the implementation of high-value programs (Hater, and Bass, 1988). In this case, these leaders introduce corporate innovation through employee innovative behavior in the form of creating and managing information and knowledge by Aragon-Correa et al., (Aragon-Correa, J.A., Garcia-Morales, V.J. and Cordon Pozo, E 2007). In addition, Crawford (2005) based on research conducted on 1046 respondents, found that, relationship-oriented
leadership behavior has a positive correlation with the creation of documents. Thus, these leaders support employees to achieve the benefits of human capital through knowledge ownership.

This shows that relationship-oriented leaders create new ideas and support employees to create and apply these ideas into new products and process development. Thus, increased employee performance has a positive relationship with the application of relationship-oriented leadership behaviors (Podsakoff et al., 1996; Bass et al., 2003). However, the results of the Sahertian (2011) study, found different results from previous studies.

According to Filius et al. (1996), an organization applies knowledge in the form of the use of knowledge to improve its products or services. Linking knowledge applications with innovation, the relationship-oriented behavior of a leader insists on supporting the implementation of knowledge that impacts organizational innovation (Yahya, and Goh, 1996; Crawford, 2005).

Significantly, organizations are engaged in implementing the process of creating organizational knowledge to achieve and sustain a competitive advantage. Therefore, implementing knowledge management processes within the organization will ultimately improve employee knowledge. If knowledge is perceived as a component of human capital to improve employee knowledge, it affects the human capital benefits of the employees.

P2: Relationship-oriented leadership engages in the process of knowledge management in the organization, and through that process leaders can increase the employee’s human capital benefits.

7 DISCUSSION

Many organizations concentrate on the process of developing human capital. The reason is that human capital contributes to the creation of intellectual capital within the organization through the achievement of competitive advantage by Bontis and Fitz-enz, (2004). Therefore, the organization does a lot of effort in finding possible ways to increase the accumulated contribution of human capital in improving the organization's financial performance. In the literature review that the authors discusses is to analyze the role of knowledge management and relationship-oriented leadership behaviors in developing the benefits of human capital perceived by employees. Specifically, knowledge management is seen as two dimensions as proposed (Lindsey, 2002) that includes the ability to process knowledge and knowledge infrastructure skills. This knowledge management process has a greater impact on employee performance because it affects the daily activities of employees. The perceived benefits of human capital analyzed in this study have great potential in contributing to leadership literacy, knowledge management and human capital management.

Although the results of the study show a relationship between leadership and human capital (Edmondson, 1996), the relationship-oriented leadership significance in creating human capital benefits is more focused on individual employee skills, innovative behavior, increased salaries and their status (Rafferty and Griffin, 2004; Scott and Bruce, 1994; Wayne et al., 1999). Therefore, more attention should be given to developing organizational human capital through support for human capital development of employees. In this case, organizations should instruct their managers to develop relationship-oriented leadership behaviors.

This training will force leaders to ensure the human capital development process to increase employees potential in maintaining their competitive advantage. Therefore, it is necessary to make recommendations from the results of empirical studies on the importance of relationships between relationship-oriented leadership and the perceived benefits of human capital.

The results of research on the relationship between relationship-oriented leadership with knowledge management have been extensively carried out (Politis, J.D. 2002; Bryant, 2003; Crawford, 2005). This article links relationship-oriented leadership and knowledge management with the benefits of human capital. Therefore, it is necessary that the future research see the contribution of the relationship between the three factors in the organization. In this case, to conduct further empirical studies, the concept developed by Filius et al. (1996) can be used to measure knowledge management processes.

In the future, the in-depth study can be expanded by focusing on other leadership behaviors other than relationship-oriented behavior. Empirically, intense research on the impact of leadership behaviors on perceived human capital benefits can support organizations to find the best way to implement leadership behaviors to improve organizational financial performance.

It is also worth to examine the benefits of human capital viewed from demographic aspects (gender, age, education and others) as well as related to the relationship between the ability to process
knowledge, such as the process of acquiring knowledge, the ability to structure knowledge, such as culture of organizational culture and communication as proposed (Park et al., 2004; Al-Alawi et al., 2007; Connelly and Kelloway, Lai and Lee, 2007). This article focuses more on relationship-oriented behavior as proposed by Bass and Avolio (1995). Therefore, it is necessary to conduct further study by involving other leadership behaviors.

8 CONCLUSIONS

The complexity and dynamics of organizations today require significant leadership skills. Efforts to develop human capital with knowledge management support encourage effective leaders to create differences within the organization. However, in order for the organization to develop their leadership abilities, the maintenance of the elements of human capital and knowledge management becomes of strategic value. Successful organizations in the modern era (the twenty-first century) are leader-supported organizations that not only have the knowledge, skills and ability to operate organizations effectively, but also have the ability to build relationships by empowering human capital and understanding knowledge management in order to realize their vision and goals.

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