

# The Relationship between Leadership Style and Knowledge Management Regarding Mediating Role of Organizational Structure and Social Interaction in the Branches of the Melli Bank in Golestan, Iran

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**Abstract:** The aim of this study was to evaluate the relationship between leadership style and knowledge management regarding mediating role of organizational structure in the branches of the Melli Bank in Golestan, Iran. This study was performed using descriptive / survey and correlational method. The population was the number of 1545 individuals as all the employees of the branches of the Melli Bank in Golestan, Iran, in which 308 individuals were selected as the sample using Kerjesi and Morgan table and sampling method was stratified randomized method. Questionnaire was used for data collection. Structural equation model was used to analyze the data. The results showed that there was significant correlation between leadership style and knowledge management as well as between leadership style and organizational structure and also between organizational structure social interaction and between organizational structure and knowledge management. As well, there was a significant relationship between social interaction and knowledge management.

**Keywords:** Leadership Style, Knowledge Management, Organizational Structure, Social Interaction.

## Introduction

In today's fast-changing global markets, success of any organization does not depend on the data of traditional labor, capital and land, but also a vital source is the workforce's ideas or their knowledge. The study on the field of knowledge management began since the early 1990s and grew very fast and strong with the growth of information technology and the knowledge economy, knowledge management. Today, material capital has no excellence impact on the organizations' progress, but also the thoughts and knowledge of people keep the organization in the competition. Knowledge management is involved in the hidden assets of institutions and organizations including processes such as the creation, gaining, storage, dissemination, sharing and applying knowledge in which the only processes of sharing and applying knowledge were concerned in this study. Leaders are centers of the process of creating cultures, systems and structures that support creation, sharing and promoting knowledge. Transformational and transactional leadership theory promises the grounds of organizational knowledge management. Based on previous researches, the transformational leadership style encourages employees to share knowledge with each other and groups having transformational leadership benefit of the development, creation and sharing of knowledge. In contrast, transactional leaders create systems and structures that lead to an effective sharing of information and knowledge throughout the organization (Scott, 2003). As previous findings have shown, leadership style is related

wit organizational structure. The relationship between transformational leadership style and organizational structure is positive, but transactional leadership style has a negative relationship with organizational structure. This means that the structure in transformational leadership style is recognized as organic structure and much formalization, complexity and centralization is not seen, but transactional leadership style has a mechanical structure that has much formalization, complexity and centralization. Features of idealized influence such as teamwork and participating of staff in organizational decisions give the organization an organic structure and reduce its complexity (Sharifi et al., 2013). On the other hand, the decentralized structure can be a success factor for knowledge management, high concentration inhibits the interaction between members of the organization and reduces the opportunity for personal growth and development, as well as prevents solving problems that arise in the field of knowledge management (Zheng et al., 2010). Chen et al (2010) found out that high formalization imposes several sources of knowledge to generate new products and services on staff, but low formalization makes employees to think more creative in their work, to seek more informational resources and to solve different problems. They believed that flexibility and less emphasis on employment legislation lead to self-openness and the emergence of new ideas and creative behaviors. According to Janz and Prasarnphanich (2003), people can create means of communication and coordination for the exchange of expertise and knowledge in working with each other through sharing information and communicate with each other. Knowledge management requires regular changes of communication within the organization and it may require integrating mechanisms for coordination of activities and technologies within the organization (Grant, 1996). As well, sharing and exchanging knowledge requires a complex social process, and several studies have tried to highlight the importance of social interaction within the organization (Hoegl et al., 2003). Chen and Huang (2007) have shown the importance of social interaction to strengthen the behavior of knowledge management in a research. They believed coordinated behaviors blur the lines between organizational units and support the sharing and use of knowledge within the organization. When members of the organization are involved in the exchange of resources such as information, assistance and guidance associates and solving joint problem, they can collect knowledge about labor issues and their practical solutions (Hoegl et al., 2003). According to previous researches, creating networks of social interaction integrates knowledge seasonably and creates kinds of knowledge (Uzzi and Lancaster, 2003). According to the above mentioned, if the Melli Bank tries to win the first place, it must focus on the proper organizational structure with social interaction that is a prerequisite for creating, sharing and applying knowledge management. To be successful in the field of knowledge management for the Melli Bank, it must have a serious resolve and practical action to overcome obstacles which could be in the human, organizational, cultural, political, technical and technologic areas. What caused a researcher to study a leadership style that overlaps with the field of human and organizational areas was the importance of management support and policies and strategies that every leader needs to perform for maintaining a competitive advantage and development of market share in order to implement knowledge management rightly. Thus, this study was seeking to answer the question of whether there is a significant relationship between leadership style and knowledge management with respect to the mediating role of organizational structure and social interaction in the branches of Melli bank in Golestan, Iran.

### **Materials and Methods**

The research method was descriptive and correlational. The population was the number of 1545 individuals as all the employees of the branches of the Melli Bank in Golestan, Iran, in which 339 individuals were selected randomly as a sample and based on the Morgan table. In the implementation of the project, it was described in detail how to response to the test for participants after introductory remarks about the gauges and the purpose of the test. About the ethical considerations, after obtaining the consent of the people and informing them the necessary knowledge, they were assured that the information would be used only in this research and be protected from any abuse. The questionnaires were used to measure the research's variables are as follows. In this study, a standard questionnaire of "Bass and Olive" has been used to assess the leadership style variable, this questionnaire had 32 questions. A standard questionnaire of "Chen and Huang" has been used to collect data of knowledge management variable, this had 5 questions. A standard questionnaire of "Chen and Huang" has been used to measure organizational structure variable, this one had 8 questions and it was used a 7-question standard questionnaire of "Chen and Huang" to measure the social interaction variable (Chen & Huang, 2007). The two methods of content validity and construct validity have been used to ensure the validity of the questionnaires; for this purpose, the questionnaires have been taken to the professors and advisors and other professionals and experts to review the contents of questionnaires and the original questionnaires were set after considering the recommendations. Also, after the approval of the professors and experts, the confirmatory factor analysis was used to check the validity. The index of all variables was more than 0.7. To evaluate the reliability, the questionnaires were given to 30 individuals

of the sample and the reliability of the questionnaire was calculated using Cronbach's alpha method; the results are shown in table 1.

**Table 1.** Cronbach's alpha coefficient for research variables

Variable	Number of questions	Cronbach's alpha coefficient
Leadership style	32	0.844
Knowledge management	5	0.859
Organizational structure	8	0.885
Social interaction	7	0.724

Structural equation modeling was used to analyze the data.

## Results

Descriptive statistics of research variables are presented in Table 2.

**Table 2.** Descriptive statistics of research variables.

Variable	Symbols	N	Minimum	Maximum	Mean		Std. Deviation	Variance
		Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
Leadership style	LS	308	1.38	4.33	3.956	0.052	0.76935	0.592
Idealized influence	II	308	1.38	4.13	3.413	0.085	0.75556	0.571
Inspirational motivation	IM	308	1.50	5.00	3.108	0.088	0.79326	0.629
Intellectual stimulation	IS	308	1.00	4.60	3.293	0.082	0.83462	0.697
Individualized consideration	IC	308	1.00	4.50	3.587	0.071	0.92291	0.852
Contingent rewards	CR	308	1.00	4.75	3.141	0.071	0.91405	0.835
Management by exception (active)	MEa	308	1.00	4.75	3.652	0.077	0.99052	0.981
Management by exception (passive)	MEp	308	1.57	4.75	3.750	0.079	1.01968	1.040
Knowledge management	KM	308	1.00	5.00	3.682	0.042	0.73482	0.540
Knowledge sharing	KS	308	1.00	5.00	3.499	0.038	0.66392	0.441
Knowledge applying	KA	308	1.00	5.00	3.348	0.057	0.74249	0.551
Organizational structure	OS	308	2.00	4.63	3.874	0.046	0.60268	0.363
Formalization	F	308	1.20	4.00	3.011	0.091	1.07367	1.153
Integration	I	308	1.70	4.83	3.337	0.095	0.96393	0.929
Centralization	C	308	2.00	4.60	3.315	0.086	0.98259	0.965
Social interaction	SI	308	1.25	4.75	3.337	0.051	0.66099	0.437
Trust	T	308	1.83	4.42	3.315	0.055	0.71323	0.509
Communication	C	308	2.33	4.33	3.032	0.039	1.00477	1.01
Coordination	Co	308	1.67	4.60	3.587	0.091	0.96393	0.929

The results are presented in Table 3. According to the findings, it can be said that the path coefficient of the relationship between leadership style and knowledge management was 0.531. T-statistic for this coefficient was 3.061 and its value was obtained higher than significance threshold 1.96. Therefore, it can be said that there was a

significant relationship between leadership style and knowledge management. The path coefficient of the relationship between leadership style and organizational structure was 0.672. T-statistic for this coefficient was 4.684 and its value was obtained higher than significance threshold 1.96. That means there was a significant relationship between leadership style and organizational structure. As well, the path coefficient of the relationship between organizational structure and social interaction was 0.723. T-statistic for this coefficient was 5.243 and its value was obtained higher than significance threshold 1.96. So, there was a significant relationship between organizational structure and social interaction. The path coefficient of the relationship between organizational structure and knowledge management was 0.652. T-statistic for this coefficient was 5.121 and its value was obtained higher than significance threshold 1.96. Hence, it can be said that there was a significant relationship between organizational structure and knowledge management. Also, the path coefficient of the relationship between social interaction and knowledge management was 0.536. T-statistic for this coefficient was 4.524 and its value was obtained higher than significance threshold 1.96. So, it can be said that there was a significant relationship between social interaction and knowledge management.

**Table 3.** Results of direct relationship and significant coefficients between variables

Hypothesis	Symbols	Path coefficient	Absolute t-statistics
Leadership style → knowledge management	LS→KM	0.531	3.061
Leadership style → organizational structure	LS→OS	0.672	4.684
Organizational structure → social interaction	OS→SI	0.723	5.243
Organizational structure → knowledge management	OS→KM	0.652	5.121
Social interaction → knowledge management	SI→KM	0.536	4.524

### Discussion and Conclusion

The aim of this study was to investigate the relationship between leadership style and knowledge management regarding mediating role of organizational structure and social interaction in the branches of Melli bank in Golestan, Iran. Results showed that there was a significant positive relationship between leadership style and knowledge management. It is expected that applying the transformational and transactional leadership styles by managers in dealing with their employees will increase sharing and use of knowledge. This finding confirms the role of interpersonal and intergroup interactions in the sharing and use of knowledge, because one of the main ways of sharing knowledge is formal and informal interactions between members of the organization. As well, the interactions between people and the exchange of knowledge and experience are also effective on the creation of new knowledge especially tacit knowledge. In this regard, a leader who notes the development of communicational networks has provided the perfect backdrop for sharing and applying knowledge. On the other hand, the transformational leadership can help the practices of knowledge management with creating a collaborative, based on trust and supportive environment, because the sharing and use of knowledge needs friendly climate, open and close interactions and trust in the goodwill of colleagues and members of the organization. This result is consistent with the findings of Yazdani et al. (2015), Gelard et al. (2014), Mousavi et al. (2014), Huang et al. (2009), Politis (2008), Singh (2008), Bryant (2006), Crawford (2005). Results of these studies showed that leadership styles along with collaborative behavior, mutual trust and respect for the ideas and feelings of subordinates had significant direct relationship with sharing and applying knowledge. It can be said that the right leadership style for knowledge management in the organization is a style that gets individuals enough freedom, authority and responsibility to earn experiences about the reality and to have innovation, and to understand what happens when carrying out their duties. In other words, creation, sharing and use of knowledge is effective in organizations that give freedom to people to think and act about what they do. Based on the findings, there was a significant positive correlation between leadership style and organizational structure. Incongruity between leadership style and organizational structure follows negative consequences. Selection and appointment of managers with leadership style, appropriate to the organizational structure of the units in which they operate cause the success and organizational effectiveness. The results of this hypothesis were consistent with the findings of Yazdani et al (2015), Forooghi-asl (2001). The results of this study also confirmed the existence of a positive relationship between leadership style and organizational structure. As previous findings have shown, leadership style is related with organizational structure. The relationship between transformational leadership style and organizational structure is positive, but there is a negative relationship between transactional leadership style and organizational structure. This means that the structure in transformational leadership style is recognized as organic structure and much formalization, complexity and centralization is not seen, but transactional leadership style has a mechanical structure that has much formalization, complexity and

centralization. Features of idealized influence such as teamwork and participating of staff in organizational decisions give the organization an organic structure and reduce its complexity. Based on the findings, there was a significant positive relationship between organizational structure and social interaction. As expected, social interaction between members of organization is more desirable when the organizational structure has less formalization, less centralization and more integration. This finding was compatible with the results of Yazdani et al. (2015), Mahmoud-salehi et al. (2012), Chen et al. (2010), Chen and Huang (2007). The results of this study showed that a flexible organizational structure can be precipitating and determining factors of the interactions between individuals. So one of the goals of this research was to determine and offer a kind of organizational structure that can have a maximum matching with social interaction of employees by identifying certain degree of magnitude. Hence in order to develop and strengthen social interactions among employees, managers of the organization should pay enough attention to re-engineering of the organization's structure or to change in the structure and movement from the tough and inflexible mechanical organizations towards flexible organic organizations as well as to the planning and strategic objectives of it for organizational structure. According to the findings, there was a positive and significant relationship between organizational structure and knowledge management. Based on previous researches, whatever a structure is less centralized, informal and coherent, it has more meaningful relationship with knowledge management. Similarly, although incomplete or inconclusive findings about the relationship between organizational structure and knowledge management, a decentralized structure facilitates success of knowledge management; the structure of the organization can affect knowledge management processes by forming the patterns and frequency of communication among members of the organization and determining the location of decision-making, and also affect the efficiency and effectiveness of the implementation of new ideas. These findings were consistent with the results of Yazdani et al. (2015), Farashi and Reshadatjou (2014), Mazbanpour (2013), Khanalipour (2013), Abbasi (2013), Pirayesh and Ghaempanah (2013), Eslami (2013), Sabhani (2012), Mahmoud-salehi et al. (2012), Karbasi-yazdi (2011), Rahmanseresht (2011), Chen et al. (2010), Chen and Huang (2007). The results of these researches showed that the organizational structure is positively related to knowledge management. Given that organizations are now going to the knowledge structures, the organic structure and flexibility should replace the mechanical structure, because the success of knowledge management depends on cooperation and association of members. Skill requires team and collective work and is based on consistency and avoidance of hegemony and dominance; such consequences never ripen in hierarchical structures. According to the research findings, it is suggested managers to take action to reduce long hierarchy. Therefore for this purpose, organization rules and regulations must be clear and explicitly formulated and designed to conduct social interaction between staff easily. It should also be noted that the hierarchy should be carried out in order to facilitate access of administrative staff to each other and minimize administrative correspondence and workflows and business processes to meet the demands of customers.

### **Conflict of interest**

The authors declare no conflict of interest

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