

Leadership Styles and Knowledge Management Strategy in Malaysian SMEs

Sivachandran Narayanan

Putra Business School, 43400 UPM Serdang, Selangor, Malaysia

E-mail: sivachandran.phd14@grad.putrabs.edu.my

Devika Nadarajah (Corresponding Author)

Putra Business School, 43400 UPM Serdang, Selangor, Malaysia

E-mail: devika@putrabs.edu.my

Sultan Adal Mehmood

Putra Business School, 43400 UPM Serdang, Selangor, Malaysia

E-mail: adilrao01@gmail.com

Nur Farhana Abdullah

Putra Business School, 43400 UPM Serdang, Selangor, Malaysia

E-mail: nurfarhana.phd16@grad.putrabs.edu.my

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Abstract

This conceptual paper aims to explore the link between leadership styles and SMEs' knowledge management strategy. While previous studies have explored different leadership styles' impacts on knowledge management strategy, they have not illuminated 'why' a specific style is more effective. Therefore, this paper fills the gap in the literature by

answering two questions: (1) What leadership style is apt to promote knowledge management strategy within SMEs? and (2) Why is the particular leadership style appropriate in SMEs? This paper reviews research related transformational, transactional, servant, paternalistic, facilitative and collaborative leadership, and concludes that transformational leadership is imperative for Malaysian SMEs' knowledge management. The key implications of this paper are: (1) it sheds light on leadership and knowledge management in SMEs in particular, and (2) it posits transformational leadership as the most appropriate style for knowledge management strategy in Malaysian SMEs.

Keywords: Leadership styles, transformational leadership, knowledge management strategy, SMEs

1. Introduction

Knowledge management (KM) plays a significant role in economic growth in the current business world, specifically in a dynamically competitive environment involving both large corporations and small and medium enterprises (SMEs).

Knowledge is a unique resource, which distinguishes it from physical products. Managing knowledge is thus imperative for value creation in firms (Merat and Bo, 2013). The knowledge-based view perceives organizations as repositories of knowledge that are accountable for knowledge creation (Grant, 1996; Nonaka, 1994), while according to Grant and Baden-Fuller (2004), the competitive advantage of a firm is driven by its ability to exploit knowledge by integrating employees' tacit knowledge which is embedded in their minds.

Although individual employees are responsible for developing knowledge, it is the organization, through leadership, that plays a key role in disseminating and applying knowledge. Therefore, having the right leader in an organization is paramount to achieving the various elements of knowledge management. While previous studies have explored 'what' leadership styles influence KM strategy, research has failed to adequately explain 'why' a particular leadership style is crucial to KM strategy, specifically in SMEs. Thus, this conceptual paper contributes to the literature by exploring the theoretical links between six distinctive styles of leadership (transformational leadership, transactional leadership, servant leadership, paternalistic leadership, facilitative leadership, and collaborative leadership) and KM strategy in SMEs.

2. Literature Review

The leadership theories delineate that leaders provide a vision, mission, motivation, system, and structure at all levels of an organization. It is based on the idea that to achieve visualized goals, leaders' managerial practices must be structured well. In short, leaders must align and influence others to achieve desired objectives within formal hierarchical organizational frameworks, which includes leaders' facilitation of the conversion of knowledge into competitive advantages (Bryant, 2003). Consistent with this, the knowledge-based view

(KBV), derived from the resource-based view (RBV), suggests that managing knowledge is vital for firms' competitive advantages (Grant, 1996).

The theories of transformational leadership and transactional leadership have laid the foundation for the understanding of leaders' impact on the cultivation of knowledge (Bryant, 2003). However, as the world progresses from the industrial era to the knowledge era which is driven by globalization, technology, and digitalization, new challenges emerge for organizations (Barkema et al., 2002; Schneider, 2002). As such, rather than simplifying and streamlining structures, it is imperative for firms to strategize and adapt to the standards of the new age. In conjunction with this, firms, particularly SMEs, must explore and practice leadership styles that best manage and transform knowledge into competitive advantages. Notably, SME owners or leaders are significant in creating and driving knowledge management as they do so independently rather than through their employees (Wee and Chua, 2013). Thus, SMEs should nurture the most useful leadership styles for KM. The following sections discuss KM and different leadership styles.

2.1 Small and Medium Enterprises in Malaysia

The significant contribution of SMEs to economic development and employment is undeniably essential for almost all nations throughout the whole world.

In Malaysia, SMEs support the development of the Malaysian economy by being steering forces of the nation's progress towards industrialization (Saleh and Ndubisi, 2006). SMEs are now key drivers of growth as Malaysia heads towards becoming a developed and knowledge-based country.

Further, as per Malaysia's Tenth Plan, purported 'knowledge SMEs' have considerable tasks to carry out for the advancement of innovation in Malaysian firms. SMEs offer substantial contributions to the manufacturing sector in developing economies as well, as they are involved in 90 to 95 percent of all industrial ventures (Valaei, Rezaei and Emami, 2016). SMEs thus potentially impact the growth and innovation of Malaysia (Ibrahim and Heng, 2015).

Therefore, the transformation of SMEs is crucial to support Malaysia's strategies to become a high-income developed nation on par with first world countries. It is essential for SMEs to radically shift into higher gear in this sophisticated knowledge-based economy and achieve global recognition (Durst and Edvardsson, 2012).

2.2 Knowledge Management

The knowledge-based view articulates that a firm is considered a repository of knowledge, and the competitive advantage of a firm is ultimately earned through its ability to exploit and explore knowledge (Grant, 1996; Spender, 1996; Nonaka et al., 2000).

The construct of knowledge management strategy is explained through a number of dimensions or processes. According to previous studies, the dimensions of knowledge

management strategy are human orientation and system orientation (Choi and Lee, 2002; Cohen and Olsen, 2014), codification and personalization (Hansen, Nohria and Tierney, 1999), knowledge absorption and knowledge exploitation (Roxas, Battisti and Deakins, 2013) and construction, embodiment and deployment (Wei, Choy and Chew, 2011). These KM strategy dimensions are generally recognized as parts of a process involving different sets of knowledge functions (Wei et al., 2011; Wu and Chen, 2014). Table 1 presents the sub-processes of KM strategy.

Table 1. KM Strategy and Sub-processes

Study	KM Strategy	Sub-Processes
Choi and Lee (2002)	System Orientation	<ul style="list-style-type: none"> • Codification Knowledge • Storing knowledge
	Human Orientation	<ul style="list-style-type: none"> • Acquiring Knowledge • Sharing Knowledge
Cohen and Olsen, 2014		
Hansen, Nohria and Tierney (1999)	Codification	<ul style="list-style-type: none"> • Storing Knowledge
	Personalization	<ul style="list-style-type: none"> • Sharing Knowledge • Transferring Knowledge
Roxas, Battisti and Deakins (2013)	Absorption	<ul style="list-style-type: none"> • Identification Knowledge • Acquisition Knowledge
	Exploitation	<ul style="list-style-type: none"> • Utilization Knowledge • Assimilation Knowledge • Transformation Knowledge
Wei, Choy and Chew (2011)	Construction	<ul style="list-style-type: none"> • Generating Knowledge • Creating Knowledge
	Embodiment	<ul style="list-style-type: none"> • Documenting and Codifying individuals' Knowledge
	Deployment	<ul style="list-style-type: none"> • Disseminating Knowledge

Individual employees' tacit knowledge is vital in the increasingly turbulent environment of the global marketplace. It is difficult to transfer the tacit knowledge of an individual employee; it necessitates the management of knowledge (Kiessling et al., 2009), which principally integrates the specialized knowledge of a group of employees and entities of an organization (Grant, 1996). In fact, the learning process commences at the individual level and expands through a firm's routines and social contexts (Nonaka and Takeuchi, 1995). It

ultimately spreads throughout the firm when knowledge is managed efficiently (Gold, Malhotra and Segars, 2001).

The literature has revealed the nature of humans as knowledge holders, because humans are natural amalgamations of subjective feelings such as fellowship, belief in goodness, compassion, loyalty, truth and magnificence (Kogut and Zander, 1996). Merat and Bo (2013) added that, in this regard, every individual plays a crucial role in producing their reality. Human emotions thus affect the ability of a team of knowledge workers to exploit their members' knowledge to influence their team performance (Kayes, 2004). Indeed, it is difficult to extract the valuable knowledge (tacit specialist knowledge) held by employees, implying that knowledge workers are essential players in firms, especially in knowledge-based firms that view knowledge as their principal resource. This has expanded the focus on the role of human resources and human aspects of an organization, including the role of leadership. Thus, this perspective intensifies the importance of leadership for KM in a firm (Merat and Bo, 2013).

2.3 Leadership or Management?

It is crucial to not just understand but also differentiate the concepts of leadership and management, since some scholars view leadership as a part of management. The relationship between leadership and management varies across researchers, as some believe both disciplines to be different while some perceive them to be one and the same. Kouzes and Posner (2002) distinguished both disciplines, stating that management is related to analytical activity focusing on objectives whereas leadership is related to creative activities and visions. Mladkova (2012) also emphasized that both leadership and management are different disciplines. She added that everyday management needs a leadership approach to have a greater impact, particularly when collaborating with knowledge workers.

Leadership is viewed as “the ability to influence the behavior of others to align their goals with the leader” (Liu and Fang, 2006). In relation to the role of leadership in KM initiatives, Singh (2008) indicated that if leaders set an example for others in the organization, they have an immediate influence on KM processes. Similarly, Skyrme and Amidon (1997) found that leaders who demonstrate a culture of openness to feedback and who use effective communication with employees are perceived by employees as leaders who are supportive of KM.

Similarly, Anantatmula (2008) asserted the vital role of leadership to develop and manage knowledge in firms. This is because promoting innovation via KM requires a collaborative culture as well as participation from members in decision-making processes. Leadership creates vision, and thereby provides a strategic direction for innovation efforts. Leaders also build relationships among employees that enhance both cooperation and resource exchange (Day, 2001). The relationship between a learning environment and KM effectiveness is therefore influenced by effective leadership (Singh, 2008).

Hence, organizations can leverage leadership to enhance their creative capability and sustain

their competitive advantage in a dynamic environment. For SMEs in particular, choosing the right leadership style is imperative for KM. In this context, transformational leadership has been found to be useful to stimulate creativity and radical changes, as it creates an atmosphere that enhances followers' performance beyond individual self-interest (Donate and Sánchez de Pablo, 2015). For this reason, this paper addresses transformational leadership as an important driver of KM strategy in SMEs. Nevertheless, the effect of other leadership styles (i.e. transactional, servant, paternal, facilitative, and collaborative) on KM should also be examined in various settings. Thus, the central questions explored in this paper are:

- i. What leadership style is apt to promote KM strategy within SMEs?
- ii. Why is the particular leadership style appropriate in SMEs?

Table 2 delineates the summary of previous studies on leadership styles and KM. The following section discusses the specific leadership styles.

Table 2. Summary of Leadership Styles and KM

Author(s)/ Year	KMP									Leadership Styles				
	KMP/ Implementation/ Strategy	Acquisition	Conversion/ Dissemination	Application/ Use	Protection/ Storage	Sharing	Transfer	Creation	Dissemination	Transformational	Transactional	Knowledge Leadership	Organizational Leadership	Other
Yin, Ma, Yu, Jia and Liao (2019)						×				×				
Mishra and Pandey (2019)						×				×	×			×
AlShamsi and Ajmal (2019)						×							×	
Le and Lei (2019)						×				×				
Saide, Indrajit, Trialih, Ramadhani and Najamuddin (2019)	×													×
Bertoldi, Giachino, Rossotto and Bitbol-Saba (2018)	×											×		

Author(s)/ Year	KMP/ Implementation/ Strategy	KMP								Leadership Styles				
		Acquisition	Conversion/ Dissemination	Application/ Use	Protection/ Storage	Sharing	Transfer	Creation	Dissemination	Transformational	Transactional	Knowledge Leadership	Organizational Leadership	Other
Lee, Jang and Lee (2018)						×								×
Jahmani, Fadiya, Abubakar and Elrehail (2018)	×													×
Al Dari, Jabeen and Papastathopoulos (2018)						×						×		
Valaei, Nikhashemi, Javan (2017)		×	×	×	×					×				
AlShamsi and Ajmal (2018)						×						×		
Xiao, Zhang and Ordoñez de Pablos (2017)						×				×				
Imran, Ilyas, Aslam and Ubaid-Ur-Rahman (2016)		×	×	×						×				
Masa'deh, Obeidat and Tarhini (2016)						×				×	×			
Choi, Kim, Ullah and Kang (2016)						×				×				
Chu (2016)	×											×		
Bradshaw, Chebbi & Otsel (2015)						×				×	×			
Donate and. Sánchez de Pablo (2015)				×	×		×	×				×		
Birasnav (2014)		×		×			×			×				
Gelard, Boroumand and Mohammadi (2014)				×	×		×	×		×				
Lee, Lee and Park (2014)						×								×
Yang, Huang & Hsu (2014)		×		×	×	×						×		
Ramachandran, Chong and Wong (2013)	×												×	
Birasnav, Albufalasa and Bader (2013)		×		×			×			×				

Author(s)/ Year	KMP									Leadership Styles				
	KMP/ Implementation/ Strategy	Acquisition	Conversion/ Dissemination	Application/ Use	Protection/ Storage	Sharing	Transfer	Creation	Dissemination	Transformational	Transactional	Knowledge Leadership	Organizational Leadership	Other
Noruzzy, Dalfard, Azhdari, Nazari-Shirkouhi and Rezazadeh (2013)	✗									✗				
Analoui, Doloriert and Sambrook (2013)				✗	✗	✗		✗	✗	✗	✗			✗
Song, Kolb, Lee, Kim (2012)								✗		✗				
Williams (2012)	✗												✗	
Pinho, Rego and Pina e Cunha (2012)		✗				✗	✗	✗					✗	
Birasnav, Rangnekar and Dalpati (2011)	✗									✗				
Nguyen and Mohamed (2011)	✗									✗	✗			
Xue, Bradley and Liang (2011)						✗								✗
Handzic (2011)	✗												✗	
Tung and Chang (2011)						✗								✗
Jayasingam, Ansari and Jantan (2010)		✗		✗					✗					✗
Anantatmula and Kanungo (2010)	✗												✗	
Garrity (2010)	✗													✗

2.3.1 Transformational Leadership

Bass (1999) defined transformational leadership as “a process by which leaders inspire their followers to perform at a higher level than expected and to potentially exceed the followers’ own self interests for a high-level of shared vision”.

An early conceptualization of transformational leadership theory identified three elements of transformational leaders that influence followers: (a) charisma, (b) individualized consideration, and (c) intellectual stimulation because the scholars in their literature often highlighted charismatic leadership as combined idealized influence and inspirational motivation behaviors (Avolio, Bass, & Jung, 1999). After a series of studies by Bass and

Avolio (1993) and Birasnav et al. (2011), transformational leadership was redefined into four elements, namely: (a) individualized consideration, (b) idealized influence, (c) intellectual stimulation, and (d) inspirational motivation. Individualized consideration places leaders as mentors for their followers who treat each employee differently and provide equal opportunities to all employees. Idealized influence views leaders as role models who develop a vision for firms and follow ethical principles in supporting employees to work efficiently and participate in risk-taking activities in turbulent atmospheres (Nemanich and Keller, 2007). Meanwhile, leaders' intellectual stimulation involves the cultivation of employees' intelligence to analyze and solve work problems in new and creative ways instead of using traditional techniques. Finally, inspirational motivation pertains how leaders motivate and inspire their workers to achieve desired organizational objectives (Bass and Riggio, 2006). With these elements, transformational leadership changes individuals from being self-interested to focusing on organizational interests (Theodore, 2013). It also emphasizes the satisfaction of basic employee needs to inspire followers to improve their work practices and work environment, so that the organization may perform beyond expectations (Ghasabeh, Soosay and Reaiche, 2015).

2.3.2 Transactional Leadership

According to Bono and Judge (2004), transactional leadership is a procedure aimed to control and monitors the workforce through rational or economic means. Transactional leaders also guide their followers to achieve established goals by clarifying the latter's roles and task requirements (Robbins and Judge, 2013). This leadership style consists of three dimensions: (a) contingent rewards, (b) management by exception-active, and (c) management by exception-passive (Bono and Judge, 2004). Contingent rewards essentially illustrate the exchange of resources, whereby leaders offer tangible and intangible rewards to subordinates in return for their performance. Management by exception-active involves monitoring subordinates' performance as well as correcting their actions when required. On the contrary, management by exception-passive involves leaders taking a passive approach, intervening only when a major problem occurs (Bono and Judge, 2004).

Leadership primarily utilized the transactional style until the late 1970s, concentrating on a managerial reward-punishment approach. However, this approach later shifted to the transformational style (Vandenabeele, 2014) due to certain limitations of transactional leadership. Transactional leadership does not consider the complexity and diversity of intelligence, passion, and task difficulty among employees. Transactional leaders also depend on a one-way approach, which hinders creativity or new knowledge creation from the ideas of others or themselves. Further, this leadership style leads to frustration, insecurity, and dissatisfaction among subordinates because leaders focus only on the task and not on subordinates' well-being (Odumeru and Ogbonna, 2013).

2.3.3 Servant Leadership

Robert K. Greenleaf initiated the theory of servant leadership in the time of modern

organizational theory, and stated that “the servant-leader is servant first” (Correia de Sousa and van Dierendonck, 2010). According to van Dierendonck (2011), there is no unanimity in the definition of servant leadership. He added that previous works on servant leadership have used different models with up to 44 characteristics, which can be grouped into six key elements: Interpersonal Acceptance, Humility, Authenticity, Empowering and Developing People, Stewardship, and Providing Direction. Greenleaf has underscored that a key aspect of servant leadership is “going beyond one’s self interest” (van Dierendonck, 2011). As such, servant leadership is perhaps of pertinence to the current era as it adds the element of social responsibility to leadership (Graham, 1991). Contrary to other leadership theories, it also unequivocally accentuates the needs of followers. Despite the fact that influence is commonly considered the key feature of leadership, servant leadership stands apart from other leadership theories by transforming the focal point of this influence into the idea of service from the leader to the follower (van Dierendonck, 2011).

Overall, the personal development of followers is the fundamental aspiration of this leadership style. Servant leaders create and seek opportunities to help and develop their followers because they are genuinely concerned about the wellbeing of their followers as opposed to the wellbeing of their organization, the latter being the ultimate goal of other leadership styles (Stone, Russell and Patterson, 2004).

Van Dierendonck (2011) noted that the four components of transformational leadership (individualized consideration, idealized influence, intellectual stimulation, and inspirational motivation) are complementary and comparable to servant leadership definitions as they indicate a similar concern for the development of followers. However, the idealized influence element of transformational leadership raises the question of for what and for whom followers grow. Further, according to Birasnav (2014), the individualized consideration element transforms leaders into mentors for their followers who support them by providing equal opportunity and care to every follower. This ultimately differentiates servant leadership and transformational leadership, such that transformational leaders focus on the organization (Graham, 1991) by paying attention to the personal development of followers so they perform better for the organization’s advantage. In short, the objective of transformational leadership is to achieve high performance through employees’ wellbeing (Bass, 1990).

2.3.4 Paternalistic Leadership

Paternalistic leadership is defined as “a style that combines strong discipline and authority with fatherly benevolence” (Farh and Cheng, 2000, p.91). It is divided into three components: (a) authoritarianism, (b) morality and (c) benevolence (Chen et al., 2014; Pellegrini and Scandura, 2008). Authoritarianism refers to leaders’ behavior that demands compliance, obedience and respect as well as behavior that exhibits authority and control over followers (Cheng et al., 2004; Farh and Cheng, 2000). Morality is portrayed by leaders who do not exploit their sovereignty for personal benefit, and who exhibit unselfish and upstanding personal qualities (Chen et al., 2014; Pellegrini and Scandura, 2008). Benevolence involves a leader’s individualized and comprehensive concern for their follower’s welfare (Wang and

Cheng, 2010). Specifically, leaders regulate their employees through rules, responsibilities, rewards and punishments, and subsequently show benevolence when followers obey them (Cheng et al., 2014).

Transformational leadership is distinct from paternalistic leadership. According to Bass and Bass (2009), the key inspirational technique of transformational leadership is the development of followers into leaders. Transformational leaders also communicate a vision, engage followers, intellectually challenge followers, and positively motivate followers at an emotional level (Bass and Avolio, 1993). Conversely, paternalistic leaders do not engage followers, communicate with followers, or delegate their vision since followers are expected to obey their leaders' decisions without hesitation (Pellegrini, Scandura, and Jayaraman, 2010). Therefore, paternalistic leaders play a 'father' role by guaranteeing the protection and wellbeing of their employees in exchange for conformity and loyalty (Pellegrini and Scandura, 2008).

2.3.5 Facilitative Leadership

Facilitative leadership behavior illustrates the extent to which a leader is approachable, democratic, and friendly towards his or her followers (House and Dessler, 1974). According to Sarin and McDermott (2003), facilitative leadership comprises two elements: (a) consideration and (b) participation. Consideration refers to leaders' concern for the wellbeing of team members, whereas participation refers to leaders' encouragement of their followers to take part in the decision making process and to collaborate for the creation of new ideas. Facilitative leaders challenge team members and support their opinions and ideas (Sarin et al., 2003). They also serve as mentors and coaches to encourage, empower and build their followers. According to Amy (2008), to gain competitive advantages, leaders should learn collaboration, networking, interpersonal influence skills, and empathy. Consistent with this, scholars perceive facilitative leadership to be effective in inducing transformation in complex circumstances.

Facilitative leadership is not a new idea; it generally explains the responsibility of leaders to create positive working relationships among employees (Fryer, 2012). Pirola-Merlo et al. (2002) argued that facilitative leadership is fundamentally related to the transformational leadership style, which also promotes a positive working environment for team members. In addition, Hirst et al. (2004) articulated that facilitative leadership has a similar approach as transformational leadership in terms of supporting ideas and opinions as well as encouraging respect and productive conflict resolution. Besides that, Watt (2009) claimed that the facilitative leadership theory is adapted from the transformational leadership theory, as both empower followers to encounter challenges emerging from internal or external turbulent environments.

2.3.6 Collaborative Leadership

Collaborative leadership involves equipping and connecting an entire group of members by: (a) structuring productive processes for cooperation, (b) organizing suitable stakeholders and

(c) encouraging and supporting stakeholders' interactions (Archer and Cameron, 2009). As collaborative leaders work through partnerships, alliances and networks, they safeguard the primary interests and processes of each stakeholder group through shared leadership as opposed to unilateral action on their part.

Ardoin et al. (2014) stated that collaborative leadership promotes a less hierarchical and more egalitarian approach to influence followers. Consequently, these leaders practice open processes, shared decision making, and joint problem solving to engage people. They also encourage creativity and innovative problem solving. Collaborative leadership is thus not limited by a unidirectional flow of influence on followers because it works in a less formalized environment (Fletcher and Kaufer, 2003). This leadership style shifts leaders' characteristics to their practices, i.e. from 'who leaders are' to 'what leaders do'. Archer and Cameron (2009) outlined that to implement collaborative leadership in firms, three criteria should be fulfilled: (1) the ability to rapidly structure new coalitions, even with organizations that have been historically disliked or distrusted; (2) the ability to restore broken relationships with stakeholders; and (3) the ability to rectify inevitable conflicts.

Ardoin et al. (2014) posited that the attributes of transformational and collaborative leadership are similar because both styles emphasize a 'shared goals' orientation. Collaborative leadership also encourages bidirectional learning, consistent with transformational leadership that employs inspiration, intellectual stimulation, and charisma to promote communication and establish organizational learning (Conger, 1999).

Table 3 shows the summary of leadership styles discussed in the sections above.

Table 3. Summary of Leadership Styles

Transformational Leadership	Transactional Leadership	Servant Leadership	Paternalistic Leadership	Facilitative Leadership	Collaborative Leadership
Transformational leaders ready to discuss with employees about plans before execution.	Transactional leaders do not feel easy to discuss with employees about plans.	Servant leadership emphasizes increased service to others, including employees, customers, and community, as the chief priority.	The leader assumes the role of the parent, the father who knows best.	Believe in the principles of collaboration and participation.	Collaborative leaders work through alliances, coalitions and partnerships.
Employees complete goal through superior principles and ethics.	Leader set rewards and punishments for employees to accomplish the goal.	Holistic approach to work that encourages a sense of community and shared	Look after, nurture, guide, protect, and behave generally like a father would	Possess and use high-level interpersonal skills like active listening,	Focuses on the mutual influence among members of a less hierarchical, more egalitarian

		decision-making power.	behave toward his children-exhibit s concern for the subordinates' general well-being.	questioning, and paraphrasing when interacting with others.	team.
Motivates employees by give priority to group interests first.	Motivates employees by tempting their self interest.	Linked to the emotional well-being of employees.	Tend not to defer to the subordinates' wishes, but instead maintains a sense of hierarchy and expect obedience.	Understand how to build and maintain high performance teams.	Similar in its emphasis on a 'shared goals' orientation.
Works to transform the organizational traditions by implementing new thoughts.	Works surrounded by the organizational traditions.	Going beyond one's self interest	Paternalistic leader "interferes" with the liberty or autonomy of the subordinate without his or her consent.	Excellent communicators who freely share information.	Often involves bidirectional learning, organizational learning to promote intellectual stimulation.
Individualized reflection: Each behavior is intended for each person to convey kindness and support.	Management-b y-exception: continue the status quo; pressure correct actions to recover performance.			Operate without status or rank consciousness. Actively engage in giving and receiving feedback.	
Intellectual stimulation: support new and creative ideas to solve problems.				Train and coach their people, manage conflict and mediate disputes skillfully.	

3. Why Transformational Leadership?

The characteristics of transformational leaders are relevant to knowledge management studies (Bass, 1990; Bass and Avolio, 1993) because organizations foster innovation and creativity through transformational leaders who: (1) stimulate followers' intellectual abilities (i.e. intelligence, knowledge, rationality, and problem solving); (2) encourage followers' organizational learning and skill development by promoting discussions, reviews and open sharing of ideas for knowledge development (Von Krogh, Nonaka and Rechsteiner, 2012); and (3) promote greater organizational goals that engage high-quality knowledge to solve complex and novel tasks (Von Krogh, Nonaka and Rechsteiner, 2012). Therefore, Bradshaw, Chebbi and Oztel (2015) advocate that transformational leadership is the most relevant leadership style for effective knowledge management.

According to Ramadass, Sambasivan and Xavier (2017), although researchers have criticized transformational leadership, this style has several merits. The distinct merits of transformational leadership highlighted by empirical studies are: (1) emphasis on common vision; (2) support of changes; and (3) effectiveness at organizational, industrial and national levels (Lee, 2014). Transformational leadership is proactive and motivates employees to perform beyond expectations (Camps and Rodriguez, 2011). Though individual employees develop knowledge, it is the work environment, through leadership, that plays a significant role in evolving knowledge. Thus, firms would best leverage the diverse elements of knowledge by having the right leader (Birasnav, 2014; Birasnav, 2013). In addition, researchers surmise that organizations would be successful with leaders who are able to influence and motivate their employees to accrue and extend their knowledge to go beyond organization goals (Alsalamy, Behery, and Abdullah, 2014).

Therefore, transformational leadership is the most appropriate leadership approach in the context of the KM of SMEs for three reasons, as explained by Matzler et al. (2008). First, SME entrepreneurs play important leadership roles as top management. SME owners/managers generally decide the vision and direction (idealized influence) of the firm, and are able to communicate their goals with their followers personally (inspiration, individualized consideration). Second, intrinsic motivation is a useful tool in SMEs since they have limited resources and financial leeway (extrinsic motivation). Although financial rewards work to align the actions of the employees, intrinsic motivation from leaders may have greater impacts on employees' knowledge development and sharing. Hurley (2011) also emphasized that an administrative reward system discourages collaboration among employees. Third, leaders should be flexible because of the dynamic environment in which SMEs operate. Thus, flexible leaders (e.g. transformational leaders who reward intellectual curiosity and risk taking) would be effective for SMEs (Matzler et al., 2008). Scholars propose that leadership behavior is vital for SMEs' organizational knowledge and performance (Nguyen and Mohamed, 2011; Obiwuru et al., 2011). Therefore, based on the theoretical discussion above, there is a need to empirically investigate the impact of transformational leadership on KM strategy in SMEs.

4. Conclusion

Managing knowledge is crucial to creating sustainable competitive advantage. Leaders are principal to creating cultures, systems and structures that foster knowledge management and knowledge exploitation (Bryant, 2003). Thus, this conceptual paper sought to review and compare six leadership styles in relation to KM strategy in SMEs. It addresses the gap in previous studies that have solely examined ‘what’ leadership style influences KM strategy but have largely overlooked ‘why’ a particular leadership style is more effective for KM strategy, specifically in SMEs. Based on theoretical justifications, this paper concludes that transformational leadership is most appropriate leadership style to cultivate KM in the context of SMEs.

This paper serves as a foundation for evaluating the impact of leadership styles on KM strategy in SMEs. Therefore, future studies are recommended to empirically verify this paper’s propositions with valid research methods to determine if transformational leadership does indeed promote KM strategy in Malaysian SMEs.

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