LEADER–MEMBER EXCHANGE (LMX) AND CREATIVE WORK INVOLVEMENT: THE IMPORTANCE OF KNOWLEDGE SHARING

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ABSTRACT

Leadership is important for nurturing employee creativity. Although how leaders can influence employee creativity is somehow unclear, previous studies show that leadership can enhance employees' willingness to share knowledge. This study examines how leader-member exchange (LMX) affects employees' creative work involvement through knowledge sharing. Data (n=385) was collected utilizing a questionnaire in insurance companies in northeast of Iran. Results shows that there are both direct and indirect (through knowledge sharing) relationships between LMX and creative work involvement. These results concede the importance of LMX and knowledge sharing for promoting employees' creative work involvement.

Keywords: Creative Work Involvement, Knowledge Sharing, Leader-Member Exchange

INTRODUCTION

Global companies are exposed to rapid changes. They need employees who pursue new opportunities and constantly improve their work environment (Rank *et al.*, 2004; Unsworth, 2001). Particularly, in a knowledge–based economy, organizations face rising needs to not only increase productivity but also creativity among their workers. The speed at which technologies change, as well as globalization and increasing competition, domestically and internationally, puts pressures on companies to be first-to-market, quick at solving problems and developing new groups of individuals who are able to work together (Amabile, 1988; cited in Atwater and Carmeli, 2009; Mumford *et al.*, 2002). Leaders play an important role in directing the workers towards creativity (Mumford *et al.*, 2002; Tierney, 2008; Rosing *et al.*, 2011).

Researchers have shown the significance of knowledge sharing between workers, (Chowdhury, 2005) in order to improve the capacity of an organization to innovate and produce quality solutions (Daellenbach and Davenport, 2004). High quality leader-member exchange (LMX) relationships may also elevate knowledge sharing. LMX theory asserts that high quality leader-member relationships should motivate subordinates to commit to groups' and leaders' goals (Graen and Uhl-Bien, 1995). For example, if an employee perceives that a leader treats him/her justly and looks out for his/her best interests, he/she will tend to help the leader with accomplishing the leader's goals (Graen and Uhl-Bien, 1995). The perceived fairness can promote greater feelings of trust which also motivates knowledge sharing (Chowdhary, 2005; Lin *et al.*, 2009). Knowledge is the component of creativity and innovation in organizations and empowers workers to create and deliver value to the organization (Wang and Noe, 2010). Hence, organizational leaders carefully notice the need to facilitate knowledge creation and sharing processes to promote creativity and innovation among workers (Collins and Smith, 2006).

Although previous research has examined the antecedents and consequences of ob involvement (Atwater and Carmeli, 2009), relatively little is known about involvement in creative work, i.e., the extent to which an employee engages his or her time, effort, and resources in creative processes (Atwater and Carmeli, 2009). Creative work involvement is known as a critical factor of creative performance and innovation (Volmer *et al.*, 2012; Ohly *et al.*, 2006). Furthermore, it is important to understand employees' perceptions of creative work involvement (Atwater and Carmeli, 2009; Carmeli and Schaubroeck, 2007; Kark and Carmeli, 2009). Focusing on creative work involvement, this research tries to suggest a new agenda for improving creativity at the workplace by developing a model depicting the mechanism of effects of leadership on creativity.

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Moreover, this study attempts to examine the role of leader-member exchange relationships in facilitating knowledge sharing and promoting creativity to employees in organizations.

Literature Review

Leader-Member Exchange Quality

Based on leader-member exchange (LMX) theory, leadership is a process focusing on the "relationship between a leader and followers" (Fisk and Friesen, 2012). Byrne (1971) showed the positive influence of shared attitudes, opinions, and beliefs between leaders and followers on their relationships. Following this paradigm, Danserea *et al.*, (1975) introduced "vertical dyad linkage theory" to describe the leader-follower relationship. Danserea *et al.*'s (2000) findings indicated that "leaders fostered differentiated dyadic exchanges with individual followers based upon similarities and differences" (cited in Barbuto and Gifford, 2012).

In its infancy, LMX research categorized the relationship leaders could have with their followers into two groups: the in-group and out-group, more recently referred to as high-quality and low-quality exchange, respectively (Fisk and Friesen, 2012). Research on leader-member exchange (LMX) has shown the value of high-quality leader-member relationships in organizations (Grean and Uhl-Bien, 1995).

High-quality exchange relationship requires both parties to accept their mutual interests and agree to pursue shared superordinate goals. High-quality exchanges include partnering between colleagues, in which individuals step further than formal organizational roles to achieve desired goals (Graen and Uhl-Bien, 1995 cited in Fisk and Friesen, 2012). In low-quality relationships, leaders and followers closely obey their respective organizational roles while trust, respect, and feeling of obligations between members and leaders are near to the ground (Barbuto and Gifford, 2012).

LMX and Creative Work Involvement

One of the most influential promoters of creativity at work is leaders (Mumford *et al.*, 2002; Rosing *et al.*, 2011). Previous studies have investigated the impact of leaders on creativity; for instance, studies on leader and follower traits (Tierney *et al.*, 1999), transformational leadership (e.g. Jaussi and Dionne, 2003; Jung *et al.*, 2003), benevolent leadership (Wang and Cheng, 2010), empowering leadership (Zhang and Bartol, 2010), and the relationship between a relational leader-member exchange (LMX) and creativity (e.g. Atwater and Carmeli, 2009; Volmer *et al.*, 2012; Scott and Bruce, 1994; Tierney *et al.*, 1999). Considering the leader-member relationship as a dyadic relationship which forms over time by negotiations, LMX theory differentiate itself from other leadership approaches (Volmer *et al.*, 2012).

Based on theories, researchers have specified a number of reasons for a positive LMX- creativity relationship. For instance, high-quality relationships enforce more creativity compared to low-quality relationships because employees are more concentrated on challenging and difficult tasks. In addition, in high-quality relationships, employees take higher risks; receive more task-elated recognition, support, and appreciation (Tierney, 2008; Tierney *et al.*, 1999).

Moreover, researchers have suggested that LMX is beneficial for innovation because enjoying a good LMX relationship is accompanied by encouraging climate perceptions. High-quality LMX encourages a social climate which motivates a creative work involvement (Scott and Bruce, 1994; Kark and Carmeli, 2009).

Employees enjoy a high-quality LMX relationship, and to reciprocate engage in open and creative work processes (Ilies *et al.*, 2007).

While previous studies (i.e. Volmer *et al.*, 2012) examined the relationship between LMX and creative work involvement in high-technology firms in Germany, this study examines this relationship in a less knowledge intensive context (Insurance industry).

Hypothesis 1: The quality of leader-member exchange (LMX) is positively correlated with creative work involvement.

Mediating the Role of Knowledge Sharing

Knowledge sharing is referred to as activities aimed at transferring or disseminating knowledge from one person or group to another (Lee, 2001). It must be noted that the terms knowledge sharing and information sharing have been used interchangeably in previous studies (Wang and Noe, 2010). However,

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in this study, those (implicit or tacit) work experiences were examined that were shared and exchanged between employees in the work place.

Firms do not always manage knowledge resources effectively (Carmeli et al., 2011). Coakes et al., (2008) noted that employees were reluctant to share their knowledge with their colleges, epically when knowledge possession is part of an individuals' professional profile. Despite research efforts to examine organizational and social reasons as well as individual factors that foster or inhibit knowledge sharing (Bock et al., 2005; Jarvenpaa and Staples, 2000; Lu et al., 2006), there is little knowledge about the mechanisms by which leadership may facilitate employee knowledge sharing (Nonaka and Toyama, 2005; Carmeli et al., 2011), in particular by cultivating a social context in which employees share knowledge (Carmeli et al., 2011). One of these social contexts is leadership member exchange quality. Sluss and Ashforth (2008) revealed that relational identification between two people (such as leader and followers) might extend to other types of identifications such as organizational identification. Also, research evidence indicates that the best unique predictor of knowledge sharing, when compared to personality, tenure, team incentives, or goal commitment, is empowering leadership (Srrastava, 2001 cited in Carmeli et al., 2011). Connelly and Kelloway (2003) found that employees' perceptions about management's support for knowledge sharing were positively related to knowledge sharing. Recent studies have shown that high-quality work relationships can promote learning and knowledge creation processes (Carmeli et al., 2009; Collins and Smith, 2006). Thus, it can be said that high quality leadermember exchange relationships may help promote knowledge sharing.

Hypothesis 2: Leader-member exchange is positively associated with knowledge sharing.

Scarbrough and Swan (2001) argue that globalization and post industrialism caused the growth of KM. As a result, it is one of the managerial responses to the consequence of globalization and post industrialism. These responses include the growth of knowledge, worker occupations, and technological advances created by ICT. Also, Kluge *et al.*, (2001) argue that the value of knowledge tends to destroy quickly over time so companies need to speed up innovation and escalate creativity and learning. Furthermore, an important and major factor that influences creativity and effective application of the creative cognition processes is knowledge or expertise (Vincent *et al.*, 2002; Weisberg, 1999). In other words, cognitive models of creativity suggest that information search and acquisition are important to creativity (Mumford *et al.*, 1991).

For knowledge management, some scholars examined the role of knowledge and information sharing and creativity have found that both internal and external knowledge sharing led to enhance of creativity and innovation (Damapour, 1991; Hulsheger *et al.*, 2009). For example, Ancona and Caldwell (1992) found that knowledge sharing with external sources was related to improve team innovation. In a longitudinal study of five organizations, Monge *et al.*, (1992) found that the level of communication in the organization and amount of information, which included knowledge sharing, were the best predictors of innovation over time. Carmeli *et al.*, (2013) noted that knowledge sharing could improve employee creative performance. From what has been discussed above, the focus of our research is examination of knowledge sharing effect on creative work involvement from internal and external sources.

Hypothesis 3: Knowledge sharing is positively associated with creative work involvement.

Researchers have suggested that LMX is beneficial for innovation including creativity, because enjoying a good LMX relationship is accompanied by encouraging climate perceptions (Scott and Bruce, 1994, cited in volmer *et al.*, 2012). The experience of an encouraging social climate is important for employees' creative work involvement (Kark and Carmeli, 2009). Moreover, leader supportive behavior is a key factor to developing and shaping a context for knowledge sharing, which in turn natures capacities for creative work (Carmeli *et al.*, 2013). Leaders in organizations shape a context of cooperation and structure the process of knowledge sharing that helps overcome resistance to knowledge sharing (Bartlett and Ghoshal, 1986; Vonkrogh, 2003).

Leaders help to build, maintain, and facilitate a specific physical time and space context in which the participants interact and create new meanings, Thus, enabling the creation of new knowledge, which is vital for creativity and innovation (Nonaka and Toyama, 2005; Nonaka *et al.*, 2000). Therefore, we

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suggest that by facilitating knowledge sharing within and outside the organizations, leader-member exchange is a key to cultivating the employees' creative work involvement.

Hypothesis 4: Knowledge sharing mediate the relationship between leader-member exchange and creative work involvement.

CONCLUSION

Summary and Conclusions

We sought whether relationship quality in terms of leader-member exchange was associated with creative work involvement, and whether knowledge sharing mediates this relationship. Our findings show that LMX was positively related with creative work involvement. Furthermore, LMX was positively related to knowledge sharing, and knowledge sharing was positively related to creative work involvement. Also, and most importantly, our results yielded support for our assumed effect of mediating role of knowledge sharing. Thus, knowledge sharing mediated the relationship between LMX and creative work involvement relationship (Atwater and Carmeli, 2009; Tierney, 2008; Kark and Carmeli, 2009). For example, the findings of Volmer *et al.*, (2012) indicated that the high quality of supervisor-employee relationships (i.e. Leader-member exchange; LMX) fosters creativity at work. Moreover, Carmeli and Schaubroeck (2007) confirmed that the perceived expectation of the leader could influence individuals' creative involvement at work. As a result, high quality connections at work could be relevant for work and job involvement (Kark and Carmeli, 2009; Ilies *et al.*, 2007).

On the other hand, this study addressed Nonaka and Toyama's (2005) emphasis on the importance of leadership in motivating people to share knowledge in organizations. Moreover, research evidence shows that management support (Connelly and Kelloway, 2003) and empowering leadership (Srivastara, 2001 cited in Carmeli *et al.*, 2013) are important to enable knowledge sharing. Furthermore, recent studies also showed that in order to shape a behavioral context in which members share information, collaborate and enact joint decision-making processes, leader expectations, and supportive behaviors are key factors (Carmeli *et al.*, 2013). Therefore, leaders in organizations are in positions to help overcome the fear of knowledge sharing among employees by enforcing a context of cooperation and structure. As a result, leaders who build positive relationships with followers are able to foster employees' willingness to share knowledge with other members in the workplace.

Furthermore, knowledge sharing is important in contributing to employees' creative work involvement. The findings of this study lend further support to theories of knowledge management and creativity, which have noted the importance of dissemination of knowledge between parties (Vincent *et al.*, 2002; Muford *et al.*, 1991; Hulsheger *et al.*, 2009). This process is fundamental for cultivating capacities to creative work involvement. In addition, the findings provide useful information about the mediating role of knowledge sharing between LMX and creative work involvement relationship.

Leaders can encourage knowledge sharing in their organizations, in still perceptions among employees about the merits of sharing knowledge with others inside and outside the organization as well as facilitate employee knowledge sharing behaviors and creativity (Carmeli *et al.*, 2013; Nonaka and Toyama, 2005). Thus, LMX and knowledge sharing are both important contributors to creative work involvement.

The study selected employees in Insurance Companies situated in northeast of Iran as research subjects. Accordingly, the research findings only apply to these companies and cannot be extended to other companies in different industries. Another limitation of this study was the questionnaire distribution. All questionnaires were self-reported, which may have contributed toward the common method bias. In this study, knowledge sharing functioned as a mediator; other researchers may investigate other possible variables as mediator.

The results of this study lead to a number of avenues for future research. First, leaders can use different tactics and behaviors to encourage the workforce. Certainly, there are other facets of leadership that foster creative activities (e.g. openness). Hence, one fruitful avenue for future research may be to identify a construct of creative leadership. Furthermore, we considered employee perceptions of LMX as an

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important mechanism for encouraging creative activities. However, future research should examine other dimensions of leader-member relationships that have the potential to encourage creativity. Moreover, in this study, we investigated the mediating role of knowledge sharing which played a significant role in the LMX- creative work involvement relationship; other possible potential moderators, such as motivational orientations and feedback or collaboration structures should be investigated in future research.

Organizations constantly seek ways to facilitate and enhance creative, innovative behaviors among their employees.

Therefore, this work contributes to research on leadership, knowledge sharing, and creative work involvement. We sought to better understand the role of relationship quality between leader and employees in facilitating knowledge sharing within the organization, and whether these processes further enhance employees' creative work involvement. Our study showed that leader-member knowledge sharing; cultivate the creative work involvement of individuals in the workplace.

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