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## The impact of Transformational and Authentic leadership on innovation in higher education: The contingent role of knowledge sharing



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#### ABSTRACT

The aim of this study is to investigate the effect of two leadership styles – Transformational and Authentic leadership on process and product innovation in higher education institutions in Jordan. We also examine how the effect of these leadership styles fluctuates based on the extent to which knowledge sharing is prevailing norm in an institution. We examine our suggested model in higher education institutions in the north of Jordan and utilize structural equation modeling (SEM) techniques for data analysis. Findings reveal that Transformational leadership and Knowledge sharing have a positive impact on the innovativeness of higher education institutions in Jordan. On the other hand, Authentic leadership does not show any support for innovativeness in the higher education sector in a non-western country like Jordan. In addition, knowledge sharing norms significantly moderate the effect of Transformational leadership but exhibited no moderating influence on the effect of Authentic leadership.

#### 1. Introduction

The higher education sector is plagued by numerous amount of challenges including technological development and political issues as well as novel and non-traditional demands on education sectors worldwide, all of which make the higher education sector an attractive area for research (Mathew, 2010). With increased pressure from globalization, changing funding structures in higher education, and changing supply of and demand for higher education, many higher education institutions around the world strive for survival and seek for competitive advantages through innovations (Brown, 2008; OECD, 2009; Brennan, 2008; Gibbs and Barnett, 2014; Gaspar and Mabic, 2015). Factors affecting innovation in higher education institutions have thus always represented a vital area of concern in the field of organizational studies (Meek et al., 2009). Typically, extant literature is of the general position that successful innovative practices in organizations build on the interplay among several individual and institutional factors (Hoidn and Kärkkäinen, 2014; Silver, 1999; Zhu, 2015).

In particular, prior research on higher education has highlighted the prominent role played by both leadership and knowledge sharing practices (Li et al., 2014; von Krogh et al., 2012). Proper leadership has the potential to promote organizational innovation by motivating employees and fostering a conducive atmosphere for the development of their creative and innovative skills which

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eventually lead to enhanced innovation capabilities and superior competitive advantages for the organization (Li et al., 2014; Srivastava et al., 2006; Xue et al., 2011; Yang, 2007). Despite the variety of theories debating what the proper leadership style for noticeable innovations in an organization should be, prior research has emphasized the importance of Transformational leadership (TL) to do so (Lin, 2014; Masa'deh et al., 2016; Rawung et al., 2015b). Transformational Leadership styles focus on teamwork, motivation and collaboration with employees at different levels to ascertain the desired change in an organization (Bass and Riggio, 2006; Leithwood and Sleegers, 2006). Transformational leaders set objectives and incentives to drive their subordinates to higher performance levels while maintaining opportunities for professional and personal growth for each employee (Bass and Avolio, 2013; Gumusluoglu and Ilsev, 2009). While innovations require significant changes in an organization, TL styles appear to be the most effective style for promoting innovations in many organizations (Gumusluoglu and Ilsev, 2009; Howell and Avolio, 1993; Khalili, 2016; Nijstad et al., 2014). Along with TL, knowledge-sharing practices have a major effect on an organization's innovative capabilities (Lin, 2007; Ritala et al., 2015; Wang and Wang, 2012). Obviously, innovation and creativity themselves are the outcomes of information and knowledge that are available about a given area of focus (Lee et al., 2015; Ritala et al., 2015). Therefore, sharing and exchanging information among employees would increase innovation and creativity in an organization.

However, while prior research has advanced our knowledge of the factors affecting innovation in higher education institutions, it is important to highlight several noteworthy gaps in the literature before reaching any solid conclusions. First of all, most studies within prior research limit the effective leadership styles to TL neglecting new approaches to leadership (Al-Husseini and Elbeltagi, 2016). Recently, Authentic leadership (AL) has received considerable attention among leadership scholars who claim that it is highly beneficial to organizations and lead to desirable outcomes (Luthans et al., 2006; Walumbwa et al., 2008). Authentic Leadership approach suggests that leaders build their legitimacy on ethical foundations, respect, and honest relationships with their followers. Normally, AL promotes openness and encourages building trust between leaders and subordinates, which are highly necessary for innovation and creativity (Walumbwa et al., 2008). While its influence on innovation seems feasible, AL receives little attention in prior research, particular within the higher education literature. Secondly, prior research has overlooked the interaction and the interplay between leadership styles and knowledge sharing. It has been suggested that an effective leadership is contingent upon the characteristics of subordinates and the context under which leadership styles operate (Gardner et al., 2011). Knowledge sharing exists in organizations in the form of embedded culture and norms that may facilitate the efforts of transformational and authentic leaders towards achieving strategic changes, outcomes, and innovations.

In this research paper, we contribute to the existing literature by clarifying the aforementioned voids. We do so as follows. First, we suggest the effect of Authentic Leadership alongside Transformational Leadership on innovation in higher education. This would provide new insight into several approaches for effective leadership that are deemed important for innovation in higher education. Second, we introduce the interaction effect between the two styles of leadership and knowledge sharing. This would reveal hitherto unknown relationships which should provide for actionable reference points for both practitioners and academicians.

#### 2. Background and hypotheses development

In recent decades, both creativity and innovation have become serious skills for achieving success in developing and developed economies. Innovation also has been recognized as a sure path to increase the productivity of organizations and increase economic development. At the aggregate level, innovation is a product of the national innovation systems which comprises a set of participating actors (government, regulatory firms, research institutes, universities, financial institutions bodies, etc.), their activities and their interaction. Innovation in higher education institutions plays a vital role and contributes significantly to the innovation of all subsystems in a country. Higher education institutions are a vital zone for the production, dissemination and transfer of economically productive knowledge, technology and innovation in today's knowledge economy (Naidoo, 2010). As higher education institutions are in close connection to other institutional spheres, such as businesses, industry, government and non-government agencies, innovation at higher education institutions can affect all aspects of innovation in a society at large. Innovation in higher education can be obviously manifested in the central functions of higher education as offering education and undertaking research which include the entire spectrum of activities directed to knowledge creation, transmission and transfer. Innovation in higher education institutions refers to their ability to produce and implement a new or provocatively enhanced process, product, or organizational method which has a considerable effect on the activities of a higher education institution and or its stakeholders such as students, communities and firms (Brennan et al., 2014).

With increased challenges facing higher education institution globally including increased pressures from globalization, lack of funds, and the demand and supply fluctuation for higher education services, many higher education institutions around the world strive for survival and seek for competitive advantages through innovations (Brown, 2008; OECD, 2009; Brennan, 2008; Gibbs and Barnett, 2014; Gaspar and Mabic, 2015). As innovation becomes vital to the wellbeing of a country and to the survival of higher education institutions, prior research has identified several individual and institutional factors affecting innovations in higher education institutions including leadership styles and knowledge sharing (Hoidn and Kärkkäinen, 2014; Silver, 1999; Zhu, 2015). Leadership styles has been recognized as one of the most important aspects affecting innovations since leaders effectively play prominent role in ideas production, goals setting, and creation a culture for innovation.

In the middle of 1970, Burns (1978) developed the notion of transformational-transactional leadership theories to describe political leaders. Bass (1985) classifies and distinguishes these two types including transactional and TL. He suggests that leaders following the transactional style commonly consider how to marginally maintain and improve the quality and quantity of performance, how to decrease resistance to change, how to substitute one goal for another, and how to implement decisions. Meanwhile, leaders following the transformational style mostly attempt to achieve goals and implement changes by successfully raising

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