



## When feelings obscure reason: The impact of leaders' explicit and emotional knowledge transfer on shareholder reactions

Petra A. Nylund <sup>a,\*</sup>, Jonathan D. Raelin <sup>b,1</sup>

<sup>a</sup> Faculty of Business and Communication, Universitat de Vic, Sagrada Família, 7, 08500 Vic, Spain

<sup>b</sup> School of Business, The George Washington University, 2201 G Street, NW, Washington, D.C. 20052, USA

### ARTICLE INFO

#### Article history:

Received 3 April 2014

Received in revised form 9 June 2015

Accepted 10 June 2015

Available online 30 June 2015

Editor: Janaki Gooty

#### Keywords:

Emotional displays

Knowledge transfer

Leadership

Event study

### ABSTRACT

Emotions are an area of research commanding increasing scholarly attention in the field of leadership; yet, a focus on the cognitive processing of leaders has potentially obscured the impact that their emotions can have on shareholder reactions. Accordingly, this study contributes to extant theory by introducing the concept of emotional knowledge transfer, i.e., the emotional signals used for transmission and receipt of knowledge. Testable hypotheses are derived that explore the relationship between leader emotional and explicit knowledge transfer and shareholder reactions. A short-term event study is conducted across a sample of recorded CEO interviews and analyzed using random-effects regressions. Findings indicate that leaders' explicit and emotional knowledge transfer impact shareholder reactions negatively, and that leaders try to align emotional knowledge transfer with the explicit message they intend to convey.

© 2015 Elsevier Inc. All rights reserved.

### Introduction

The role of emotions in leadership is an area receiving increasing scholarly attention (Gooty, Connelly, Griffith, & Gupta, 2010). Emotions are fundamental influences on perception and action (Weiner, 1985), and the ability to read individual emotional signals is a fundamental element of communication (Connelly & Ruark, 2010), as emphasized by the increasing popularity of emotional intelligence in the leadership literature (Koning & Van Kleef, 2015). As emotions convey individual thoughts, opinions, and attitudes, their expression is a critical source of knowledge for leaders (Eberly & Fong, 2013).

While a knowledge lens has been used to study emotional mechanisms in leadership (e.g., Lord & Shondrick, 2011; Naidoo, Kohari, Lord, & DuBois, 2010), this lens has not been illuminated by integrating the theory of knowledge transfer to enhance process clarity (Von Krogh, Nonaka, & Rechsteiner, 2012). The importance of knowledge transfer in leadership is stressed by Coff (1999, 2003, 2010), who finds that it has a significant impact on shareholder reactions. Knowledge transfer is the combined processes of transmission and receipt of knowledge (Grant, 1996). However, knowledge transfer is largely described as an intellectually controlled, rational process where the sender and receiver act depending on their assessment of the perceived benefits of conveyed knowledge (Gupta & Govindarajan, 2000; Szulanski, 1996). Consequently, we argue that current approaches ignore the seminal important emotional aspect of knowledge transfer (Gooty et al., 2010; Hoffman & Lord, 2013).

Knowledge often cannot be conveyed verbally, and is therefore transmitted through actions or displays of emotion (Polanyi, 1966). Examples of the emotional component of knowledge includes the display of not only overt emotions such as happiness and anger, but

\* Corresponding author. Tel.: +34 685 637 996.

E-mail addresses: [petra.nylund@uvic.cat](mailto:petra.nylund@uvic.cat) (P.A. Nylund), [jonraelin@yahoo.com](mailto:jonraelin@yahoo.com) (J.D. Raelin).

<sup>1</sup> Tel.: +1 202 994 7375.

also intuitive knowledge such as having a good feeling about something or feeling nervous without knowing why. Individuals' knowledge of a situation thus derives from processing explicit expressions, actions triggered, and emotional representations of the situation into a coherent whole. Ideally, a leader strives to align emotional knowledge transfer with the verbally transmitted knowledge. For example, a leader or manager expressing the possibility of the closure of his firm will likely support this message with the emotional expression of sadness. In so doing, potentially complicated knowledge is conveyed as part of a coherent message with both cognitive and emotional elements reinforcing each other.

While knowledge transfer can be explicit and intellectually controlled, it can also be rooted in emotion. Positive emotions, such as love, joy, and surprise, are related to events that satisfy the goals of an individual, whereas negative emotions, including anger, sadness, and fear, are engendered by events that harm these goals (Frijda, 1988; Shaver, Schwartz, Kirson, & O'Connor, 1987). To address how emotional knowledge is conveyed, we present the concept of emotional knowledge transfer; defined as the verbal, nonverbal, and tonal emotional signals used for transmission and receipt of knowledge between individuals both inside and outside the firm. As explored below, emotional knowledge transfer is more difficult to control than its explicit counterpart (Gross & Levenson, 1997), making shareholders more likely to use the emotions conveyed by leaders and managers to shape future decisions (Dinh et al., 2014; Weiner, 1985). The model of explicit and emotional knowledge transfer is depicted in Fig. 1.

The relationship between knowledge transfer and shareholder reactions has been captured in a variety of contexts by Coff (1999, 2003, 2010) who has shown that shareholders are often comforted by increased CEO knowledge sharing and/or act opportunistically to this information. While the value of emotions on knowledge transfer is of fundamental importance to shareholder reactions, as shown in the above model, its relationship must be located in the broader knowledge transfer and emotions in organizations literatures. As a result, we begin the paper with a section exploring knowledge transfer and a section exploring emotions in organizations. From there, we reveal how the concept of emotional knowledge transfer can enhance literatures and have a fundamental impact on shareholder reactions. Throughout this discussion, we derive a variety of hypotheses that are subsequently tested. In our methodology section we present a short-term event study. Event studies enable us to understand the causal effects of leadership on the outcomes of leadership processes (Hoffman & Lord, 2013). The data on explicit and emotional knowledge transfer during recorded interviews with leaders are related to data on shareholder reactions through a regression analysis. Finally, we discuss the implications of the study's findings on theory and practice before outlining directions for future research and drawing conclusions.

## Types of knowledge transfer

A recent line of leadership research emphasizes the importance of an embedded, embodied view of knowledge (Fisher & Robbins, *in press*; Giessner & Schubert, 2007; Naidoo et al., 2010). This view depicts knowledge as being generated in complex, dynamic systems such as the brain, body, and environment (Lord & Shondrick, 2011). The embedded, embodied view of knowledge has been used to study emotional processes (Naidoo et al., 2010), but the cognitive focus places limitations on the knowledge system since the context is embodied in interpersonal interactions rather than in individual cognition (Nonaka & Toyama, 2005). We intend to go beyond the cognitive theories that dominate research on leadership and knowledge (Dinh et al., 2014; Epitropaki, Sy, Martin, Tram-Quon, & Topakas, 2013) by examining the salient link between emotions, knowledge processes, and leadership (Von Krogh et al., 2012).

Whereas information is a flow of messages or meanings which might add to, restructure, or change knowledge (Machlup, 1983), knowledge is created and organized by the very flow of information, anchored to the commitment and beliefs of its holder (Nonaka, 1994). A conception of knowledge flows builds on Penrose's (1959) notion of knowledge as the skilled process of leveraging resources. Therefore, generating such knowledge flows can be conceptualized as a key leadership process. Knowledge transfer is defined as the combined processes of transmitting and receiving knowledge within or between firms (Grant, 1996). Thus, two principal levels of analysis can be discerned in knowledge transfer research; one at the inter-organizational level focusing on structural and organizational processes, and one at the intra-organizational level concerning the underlying abilities of the respective individuals to emit and absorb knowledge (Easterby-Smith, Lyles, & Tsang, 2008; Felin & Hesterley, 2007).

## Hypothesized Model

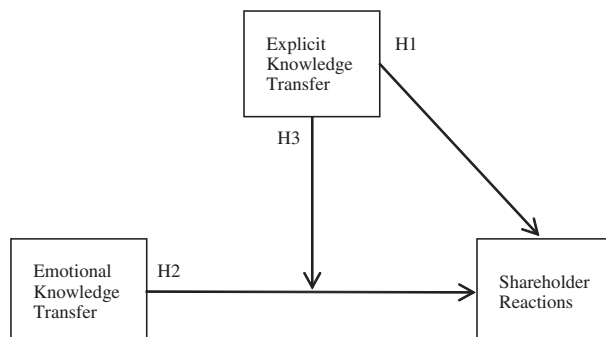


Fig. 1. Hypothesized model.

Download English Version:

<https://daneshyari.com/en/article/887757>

Download Persian Version:

<https://daneshyari.com/article/887757>

[Daneshyari.com](https://daneshyari.com)