IMPACT OF TRANSFORMATIONAL LEADERSHIP ON SUPPLY CHAIN AMBIDEXTERITY: THE MEDIATING ROLE OF ORGANIZATIONAL LEARNING

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ABSTRACT

This paper examines the impact of transformational leadership on organizational learning and supply chain ambidexterity. We propose that organizational learning behaviors fully mediate the relationship between transformational leadership and supply chain ambidexterity.

Keywords: Transformational leadership, organizational leadership, supply chain ambidexterity

INTRODUCTION

Firms need to strike the right balance between exploration and exploitation to avoid the competency trap and the failure trap (Levinthal & March, 1993). Exploitation involves reducing operational redundancies and leveraging supply chain technology while exploration involves pursuing new chain solutions and exploring new opportunities (Kristal, Huang, & Roth, 2010). Achieving the twin, but apparently conflicting goals of exploration and exploitation at the same time is called supply chain ambidexterity (Kristal, et al., 2010). Employees’ ability to pursue exploration and exploitation practices depends not only on top management support (Gibson & Birkinshaw, 2004; Nemanich & Vera, 2009; Volberda, Baden-Fuller, & van den Bosch, 2001), but also on employees’ capability (Grant, 2012). Therefore, the focus should be on enhancing the employees’ ability and their perception of the task importance, which advances their learning orientation (Kim, 1998).

Researches have examined how organizational learning supports the overall goal of the organization (G Tomas M. Hult & Ferrell, 1997). Because organizational performance depends on collective learning by employees, an important research question is how can top management leadership foster a learning environment to enhance organizational performance? This paper focuses on answering two key research questions, which are 1) how can transformational leadership support organizational learning and supply chain ambidexterity; and, 2) how does organizational learning influences supply chain ambidexterity.

LITERATURE REVIEW

Transformational leadership, organizational learning and supply chain ambidexterity

Transformational leaders have an ability to motivate their follower to perform beyond their in-role job performance (Bass, 1985). As a result, followers exhibit extra-role performance (Podsakoff, MacKenzie, Moorman, & Fetter, 1990). Transformational leaders are able to do so by inspiring their followers with their vision, demonstrating a model for followers to follow, and
setting high performance expectation. In the supply chain setting, studies have examined the role of transformational leadership on organizational performance (Defee, Theodore, & Esper, 2010). The result demonstrated that transformational leaders influence information availability, foster informal communication, and encourage holistic performance. Another study examined the impact of transformational leaders on the relationship between a) buyers and suppliers, and b) internal users and buyers (G. Tomas M. Hult, Ferrell, Hurley, & Giunipero, 2000). Hult’s et al. (2000) result demonstrated that because the supply chain process involves value addition at each level, the presence of strong leadership at all level is important.

Organizational learning is “collective learning by members of the organization” (Yukl, 2009, p. 1). Individual learning is comprised of learning the skill to perform jobs, and understanding the conceptual outcome of implied knowledge (Kim, 1998). Individuals who have these skills can then transmit their knowledge to the organization, which results in an addition to the repository of organizational memory. According to Hult (1998) learning can further be categorized into four categories – team orientation, system orientation, learning orientation and memory orientation. In supply chain setting, organizational learning is studied from different perspective - knowledge supply chains (Cha, Pingry, & Thatcher, 2008); and, intra-organizational learning, also known as learning that takes place as a result of collaboration between various companies (Knoppen, Christiaanse, & Huysman, 2010).

Ambidexterity is the ability to pursue two different tasks concurrently with equal ease. When a supply chain of an organization is ambidextrous, firms are able to execute exploitation and exploration at the same time (Kristal, et al., 2010). Kristal, et al. (2010, p. 415) operationalize exploitation as “the set of practice that refine and extend existing skills and resources,” and exploration as “practices that develop new supply chain solutions.” In supply chain setting, researchers have studied the impact of organization’s relationship with the distributors on organization’s exploitation and exploration activities (Hernández-Espallardo, Sánchez-Pérez, & Segovia-López, 2011).

**HYPOTHESIS DEVELOPMENT**

Transformational leaders encouraging their employees not only enhance their performance (Ramus & Steger, 2000), but also arouse their need to contribute to the group level through group cohesiveness (Bass, 1985), idea sharing and measurable and clear goals. Moreover, such encouragement will also improve employees’ cognitive ability (Zagorsek, Dimovski, & Skerlaj, 2009), knowledge acquisition and dissemination (Simonin & Özsomer, 2009) and cross functional team work. Similarly, recognition involves a leader-member exchange relationship. Leaders envision outcomes, identify employees’ roles in achieving that outcome, and provide benefit or support to employee in exchange for outcomes (Bass, 1985). Leaders can also enhance employee learning ability through modeling behavior. Leaders who “do” rather than “tell” are better able to demonstrate effective performance behavior through behavioral rehearsals, which include both negative, as well as positive reinforcements. They can make use of past videos, demonstrating how previous tasks were accomplished (Taylor, Russ-Eft, & Chan, 2005). Employees who receive encouragement, recognition, and assimilate more knowledge through modeling behavior will have more in their repository to disseminate during cross-functional teamwork, and during knowledge sharing.

**H1:** Transformational leadership positively influences organizational learning.
In small and medium enterprises abilities of top management to synchronize social and task processes, to manage joint decisions, and to encourage quality information exchange are what makes SMEs ambidextrous (Lubatkin, Simsek, Ling, & Veiga, 2006). In larger firms, top management reconciles the trade-off between exploration and exploitation practices by working holistically with all the members of an organization (Volberda, et al., 2001). Therefore, leaders play critical role in orienting organization towards ambidexterity.

**H2: Transformational leadership positively influence supply chain ambidexterity**

Do leaders solely enable organizations to be ambidextrous or are there other factors explaining the relationship? In order to make best use of internal resources and to adapt to the turbulent external environment (Benner & Tushman, 2003), organizations not only require leadership support but also capable employees to link new knowledge with the current competence of a firm (Danneels, 2002). When all of the members of organizations collectively learn new skills, a new approach to accomplishing the task institutionalizes within the organization (McKee, 1992). These individuals are more likely to exploit internal resources and explore external opportunities.

**H3: Organizational learning mediates the relationship between transformational leadership and organization ambidexterity**

**CONCLUSION**

Organizational learning is pivotal for employees to perform exploration and exploitation practices. Therefore, leaders should focus on enhancing employees’ capability. Specifically, employees’ capability is enhanced when they collaborate with a team, share information within and across various business units, recognize the importance of the task they are doing, and understand the overall sourcing process. Leaders who are transformational should encourage their employees and lead by example.
REFERENCES


