

# Transformational Leader in Action of Energizing Absorptive Capacity through Organizational Routines and Capabilities

Palin Phoocharoon

**Abstract**—Organization's competitiveness for long-term prosperity rest in their ability to absorb, transfers, and exploits knowledge. This is particularly relevant for transformational leader, who responsible to derive and generate their core competence by managing the existing knowledge and the flow of external knowledge within their global networks. Drawing on a network perspective on organizational learning, I suggest that organizational unit can be more energetics to absorb and exploit knowledge for better performance if leader fundamentally understand and be able to design an appropriate learning process of leading and managing the knowledge base. Building on the research of micro-level origins, organizational routines and capabilities have played an important role in the organizational competitiveness heterogeneity. But it has not been received attention adequately analyzed with the absorptive capacity. This paper is an attempt to outline a research agenda for advancing understanding of absorptive capabilities.

**Index Terms**—Absorptive capacity, transformational leadership, creative process engagement, organizational routines and capacities.

## I. INTRODUCTION

Absorptive capacity has emerged as central constructs in the fields of innovation management research. Absorptive capacity is a firm's ability to value, acquire, assimilate, transform, and commercially exploit new external knowledge through the learning process [1], [2]. However, in prior research, researchers have paid attention to the antecedents and effects of absorptive capacity. The study that examines organizational design and action at the individual level has remained in the black box, particularly the interactions of the individuals, and the complementarity in the microfoundations learning processes of organizational routines and capabilities [3].

Extending Cohen and Levinthal's original concept that an organization's absorptive capacity will depend on the absorptive capacities of its individual members and investment in the development of its constituent [1]. This article provides other alternative by designing and examining organizational routines and capabilities of learning process in the micro-level origins of embedded organizational learning intensity through transformational leader. Contributing to the lack of our understanding is the fact that even though the literature on absorptive capacity is substantial [4], [5],

especially, research on absorptive capacity and transformational leader is comparable scarce. Although, we accept that absorptive capacity represent a prominent organizational capability, integrating existing knowledge and external knowledge is comprehensively limited largely to whether the enactment on this ability was successful or not. Thus, the organizational configurations within which absorptive capacity emerges and factors driving this emergence, remain understudied [6].

The study aims at enriching our understanding of absorptive capacity process by investigating how transformational leader can energize organizational absorptive capacity through his leadership characteristics and behaviors. Transformational leadership influences the fundamental attitudes and assumptions of an organization's members, creating a moral reasoning to attain the firm goal. The concept of leadership has drawn heightened attention from scholar and others. In particular, the emphasis has been on transformational leadership [7]. For the past decades, transformational leadership has been studied intensively by leadership researchers [8]. Especially, transformational leader is currently continues to be the most widely interested leadership theory on moving forward [9], [10].

Transformational leader was the most active and effective form of leadership, in which leaders are closely engaged with their subordinate on promoting creativity and leading change [11]. However, the substantial enhancement of long-term competitiveness through creativity and innovation, to date, a few studies have focused on an understanding of how transformational leader can promote effective organizational routine and capabilities to recognize via guiding employee to perceive organizational value of creativity to shift toward innovation. Although transformational leadership research has focused on the inspirational and visionary messages that leader deliver to followers, scholars have recognized that leaders can also influence creativity through micro-level origins [12]. Accordingly, this paper comprehensively examines how transformational leaders can engage subordinate to enrich organizational routines and capacities to promote organizational absorptive capacity.

In building a model linking transformational leader and absorptive capacity, I further drew on microfoundations of routines and capabilities literature and creativity literature to posit mediating mechanisms with high potential to examine the relationship between transformational leader and absorptive capacity. Organizational routines and capabilities have appeared as organizational learning constructs in micro-level origins and also have been linked to the development of knowledge-based emphasis in creating

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P. Phoocharoon is with the Graduate School of Business Administration, National Institute of Development Administration (NIDA), Bangkok, BKK 10240 Thailand (e-mail: palin@nida.ac.th, dr.palin@gmail.com).

competitiveness through creativity [13]. While scholars focused their study in understanding organizational routines and capabilities, the underlying micro-level origins of these constructs on absorptive capacity have not received adequate attention. Abell, Felin, and Foss state that while many researchers understand the progress of knowledge as the basis of competitiveness and be able to identify the organization knowledge development, noticeably missing from research attention have been examined the level of human interactions that are the primary source of knowledge development and knowledge transfer [14].

This research is an attempt to extend absorptive capacity on organizational learning and innovation by examining the leadership capability on creative process engagement, which posit to connect transformational leadership with organizational routines and capabilities and absorptive capacity. Creative process engagement is defined as employee involvement in creativity-relevant methods or processes, including 1) problem identification, 2) information searching and encoding, and 3) idea and alternative generation [15], [16]. Creativity can be used to describe both an outcome and a process of absorptive capacity, in this article creative process engagement refer to the process occur by transformational leader on employee engagement to increase absorptive capacity.

In addition, this paper proposed the design of mediating variable, perceived organizational value for creativity. Perceived valuing of creativity is a key component of and organizational environment that supports the development of creativity [17]. Transformational leader are predicted on the notion that individuals differ considerably in their ability to understand and utilize emotional stimuli in productive way [18]. Therefore, one should argue that designing creative process engagement to enhance organizational routines and capabilities to foster absorptive capacity under the action of leader through organizational learning process. However, Organizational capabilities aims at absorbing external knowledge are strictly linked to managerial structures, systems, and social relations. The relationship among these organizational mechanisms associated with combinative capabilities and dimensions of absorptive capacity are still unclear. Therefore, this research suggests specific organizational mechanisms as a common feature of combinative capabilities to examine how they influence absorptive capacity. In sum, the dynamic nature of the proposed model attempt to provide a deeper discussion to enhance absorptive capacity.

## II. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### A. Transformational Leader and Creative Process Engagement

Recent research indicates that the different forms of leadership are related to employee learning orientation toward innovation [19]-[21]. Studies also have provided evidence for a positive relationship between supportive leader and creativity, and a negative relationship between controlling leadership and employee creativity [19], [22], [23]. Current

researches have extended in an attempt to foster creativity and innovation through strategic adaptation. One of the approach focuses on the influence of the leader behaviors on followers' value and aspirations, activate their higher-order needs, and motivate them to transcend their own self-interests to organizational development [24], [25]. These transformational processes rely on the charismatic behaviors and the impact of transactional forms of leader behavior on follower, because "followers feel trust and respect toward the leader and they are motivated to do more than they are expected to do" [25].

Surprisingly lacking research attention is a leadership approach with considerable promise of influencing employee innovation, particularly on designing and adapting the process innovation. Empirically the evidence from multinational corporations that leaders can effects employee creativity, many researchers have argued for closer look at leadership styles that might fundamentally address the creative work originally [26], [27]. Some studies have provided such complicated structure and blur-defined problems for which novel and useful solutions are far from obvious [16]-[26]. As a result, structure and process cannot improve from predefined origin. Thus, this study is an attempt to encourage employee motivation to overcome and solve these problems by redesigning and creating learning process (see Fig. 1).

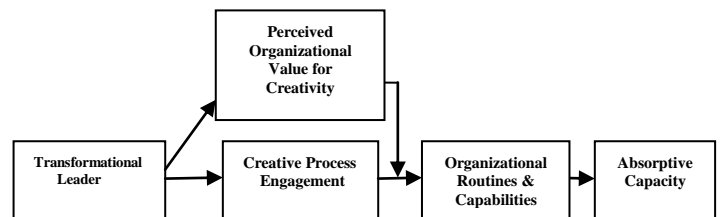


Fig. 1. Learning process.

According to recent research conceptualization, transformational leader involves articulating a vision of the future, fostering group-oriented work, setting high expectations, challenging followers' thinking, supporting followers' individual needs, and acting as a role model, highlighting the significant of improvement in progress that performance will be high through the process innovation [28]. The combination of transformational leader on delegating employee to transform to new well design process platform should be taken into important action.

Transformational leader can define as the initiator of designing suitable process that enables organization to delineate itself with external and internal change. Engaging employee in design and creative activities ensure a promising direction on achieving better outcomes. Creative process engagement defines as employee involvement or engagement in creativity relevant cognitive processes, including 1) problem identification, 2) information searching and encoding, and 3) idea and alternative generation [15], [16]. Thus, leader who engage more frequently in transformational leadership behavior are often found to have high-quality of creating process engagement through employee's willingness to engage in a creative process. Thus, I purpose the following:

**Proposition 1:** The greater transformational leader is positively related to the greater creative process engagement.

### *B. Transformational Leader and Perceived Organizational Value for Creativity*

For more than two decades, scholars have paid more attention to transformational leadership, which is currently the most acknowledge leadership paradigm [29]. Transformational leadership has been focused by leadership researchers in recent years [4], [18], [30], and many of these studies have been connected with the idea of creativity [11], [31]. However, none of this research has been linked with the effective of leader communication skill with subordinate to ensure that they clearly understood and perceived organizational value for creativity. The extent to which employee perceived the organization value for creativity will increase the awareness of recognition of new knowledge, particularly at the initial stage of absorptive capacity. In addition, previous research on learning and innovation provides empirical evidence for the crucial factor that a firm often blocks or screens out value knowledge because they are bounded by rigid capabilities and path-dependent managerial cognition [5], [32].

Therefore, leadership, rather than having a direct effect on creativity, has a strong effect at the initial stage of creativity, which is absorptive capacity. Transformational leadership has been defined as influencing followers by “broadening and elevating followers’ goals and providing them with confidence to perform beyond the expectations specified in the implicit or explicit exchange agreement” [33]. Bass (1985) has theorized that transformational leadership comprises four dimensions: intellectual stimulation, individualized consideration, idealized influence, and inspirational stimulation [7]. All these capabilities relate directly to enhancing employee to perceive organizational value for creativity and be able to overcome the difficulty of recognizing the value of new knowledge. Hence, applying a micro-level origins design through the transformational leader can predict the level of employee perceiving organizational value for creativity. Therefore, I predict:

**Proposition 2:** Transformational leadership is positively related to perceived organizational value for creativity.

### *C. Creative Process Engagement and Organizational Routines and Capabilities*

Although there are conceptual and empirical reasons to expect that transformational leader will be more prone to creative process engagement, by definition, leaves an organization with considerable latitude to foster absorptive capacity. However, transformational leader can actively encouragement by articulating the need to creative and innovative outcomes, spelling out the organization values, calling attention to define the effectiveness of engaging in individual, processes, and structure likely to promote innovative outcomes. Microfoundations of routines and capabilities are proposed to enrich the linkage between transformational leader and absorptive capacity. To proceed further discussion of the microfoundations of routines and capabilities, this research highlight the basic definitions and

the linkage of these constructs.

It’s conceptually accepted that routines are ‘repetitive, recognizable patterns of interdependent actions, carried out by multiple actors’ [34]. Furthermore, routines are explicitly collective rather than individual-level phenonema [35], [36]. the emphasis is placed on the interactions rather than individuals that are interacting [37]. Theoretically, organizational routines have ostensive as well as performative aspects. The ostensive aspect captures the traditional view of routines as structure or the ‘abstract idea of routine’ whereas the performative involves the enactment of routine in time and space [34]. The interaction of the ostensive and performative aspects of organizational routines informs our understanding of change and collective outcomes [34].

In addition to the construct of organizational routines, an organizational capability is a ‘high level routine (or collection of routines) that, together with it implementing input flows, confers upon an organization’s management a set of decision options of producing significant outputs of a particular type’. This definition involves perceiving, recognizing, learning, experiencing through resources, and routines as input to innovative capabilities. Organizational routines can also complement capabilities whereas inputs as experience and resources may contribute to capabilities. Capabilities themselves are associated with putting resources (and other inputs) into action [38], [39]. This research attempt to foster innovation of an organization via dynamic capability which involves the capacity of organization to purposefully create, extend or modify a firm product or service innovation and also modify the process of generating and delivering a product or service comprehensively.

Theoretically, organizational routines and capabilities are closely linked, these construct vary in multiple dimensions. For example, organizational routines and capabilities develop in different manifestation and focus on different phenomena. One implication of this heterogeneity is that many aspects of routines and capacities require further examination. Thus, discussion of hierarchies of organizational routines and capabilities and creative process engagement lend understanding to one source of these different. Explaining basic operational on routines and capabilities building requires substantial analysis of microfoundations.

Recent theory and research have demonstrated that microfoundations of organizational routines and capabilities can be clustered into three categories 1) individuals, 2) processes and interactions, and 3) structure. All these categories are embedded in nested and temporal (and even causal) hierarchy [13]. In addition, each categories have an influence on organizational routines and capabilities, particularly its interaction. As a result, different interactions within and among categories form a second set of effects that contribute to collective phenomena of unique organizational routines and capabilities. Detailing of interaction effects explicitly and implicitly within and across each category however introduces an additional layer of executing. To the extent that enacting processes within organizations requires individual action underneath the process and social structure of an organization. This research devotes specific attention to

the role of interaction effects on how creative process engagement may effects organizational routines and capabilities on creating innovation.

It is difficult to examine the ‘origins’ of organizational routine and capabilities without reference to the historical and contextual factors that play a prominent role in the operation of organizational routines and capabilities. A process is a sequence of interdependent events. Thus, examining the interactions among individuals and processes within organizations may provide insights into how organizational routines and capabilities emerge effectively. These process-based origins of organizational routines and capabilities are strongly evident in extant and emerging empirical work [40]-[42].

Different types of process-based routines exist depend on more or less designed but vary in their deployment of creative process engagement that involves in creativity-relevant methods and processes. Therefore, on the basis of theoretical arguments and previous studies demonstrating closely linkage between the elements of creative process engagement and organizational routines and capacities, I propose:

**Proposition 3:** The greater creative process engagement is positively associated with organizational routines and capabilities.

#### *D. Moderation of Organizational Routines and Capabilities by Perceived Organizational Value for Creativity*

To increase the effectiveness of organizational routines and capabilities, organization needs to recognize and acquire more external valuable knowledge. Perceived organizational value for creativity can be considered as the catalyst of the interactional processes of organizational routines and capabilities to assimilate, transform, and exploit new knowledge on innovation. The individual employee and employee’s social context has become a key research question, which however has not been intensively tested in previous research. This research examine whether the application of individual awareness on perceived organizational value for creativity yield a better contribution to the mechanism by which enables organization to enhance productive organizational routines and capabilities.

Recent research call for studying microfoundations particularly on ‘entrepreneurial management’ to understand how sensing and seizing opportunities arise, the role of individuals is crucial to understand organizational routines and capabilities [37]. As the organization is an aggregation of individuals that compose them, individual capacities greatly affect the behavior, creativity, innovation, evolution and performance of organizations [43], [44]. However, individuals in organizations serve as microfoundation of organizational routines and capabilities in various ways. This research focus on individual-level components on cognition of perceiving organizational value for creativity, which is one of many important components of understanding collective phenomena of organizational routines and capabilities.

Behavioral theory emphasizes that individuals make choices that are more or less intention to recognize and

acquire valuable external knowledge. Moreover, individuals bring human capital such as skills, knowledge, experience, cognitive capacities to the organization. Designing appropriate variation in these dimensions can influence organizational routines and capabilities that arise from individual member of an organizational and their interaction.

This research further draw on a sense-making perspective and individual decision to focus their interest in recognizing the value of external knowledge, preceded by perceived organizational policy and strategy on competitiveness through creativity and innovation. Perceived valuing of creativity is a key component of an organizational environment that supports the development of creativity [17]. Recent research supports the notion that “the constraint on ability to judge the new knowledge can stem not only form the cognitive and ability bound on search and expectation formation but also from the use of the values of key stakeholders as evaluation criteria” [45]. Thus, I expect that when individual perceived organizational value for creativity can modifies the extent of creative process engagement on organizational routines and capabilities. Therefore, I propose:

**Proposition 4:** Perceived organizational value for creativity strengthens the positive relationship between creative process engagement and organizational routines and capabilities.

#### *E. Organizational Routines and Capabilities and Absorptive Capacity*

In recent years researchers have used absorptive capacity in explaining organizational heterogeneity. Absorptive capacity is one of the most important constructs to emerge in the field of management [46], technology management [47], innovation [48], intraorganizational transfer knowledge [49] and business performance [50]. The rapid development of absorptive capacity literature stream is due in part to the unique perspective that the construct and also its linkage with other popular areas of organizational research and practice. As Cohen and Bacdayan note that “Fortune favors the prepared” [51]. It support absorptive capacity literature’s growth substantially and does not diminish the construct’s fundamental value.

Absorptive capacity refers to an organizational learning fundamental process through the ability to recognize, acquire, assimilate, transfer, and exploit new develop knowledge. All of these dimensions encompass not only the ability to imitate other firms’ products or processes but also the ability to transform via assimilation of firm’s knowledge and new valuable external knowledge and be able to exploit commercially. Thus, developing and enhancing absorptive capacity is critical to firm’s competitiveness and survival because absorptive capacity can reinforce, complement, and redefine the organization innovation management [2]. Whereas, the large number and broad range of paper using this construct, it also raise important concerns about the state of the absorptive capacity literature stream. Thus, there is a need to assess more on what our collective understanding of absorptive capacity, particularly, to ensure that it is being at the contemporary point in time. Therefore, further

assessment is required and important. This research is an effort to study specify on organizational routines and capabilities assumptions that underlie organizational learning through absorptive capacity.

In the contemporary research literatures on organization an on business strategy, organizational routines and capabilities is realized ti be a distinct modality of organizational action, not merely the joint result of individuals making choices that maximize self-interest. Reactive routines and capabilities would merely be a reflect of stable requirements of the environment within which individuals would be optimizing their behavior. When the environment changed, behavior would quickly follow [52]. The central assertion is that the distinctiveness of organizational routines and capabilities mode of action stems from its being grounded in an ensemble of individual psychological processes that may be refer to absorptive capacity. This is the relationship of organizational routines and capabilities action to absorptive capacity [53]. Therefore, this affirms that organizational routines and capabilities is a distinctive mode of organizational action, and the examination of 'micro-level origins' directs us to closer observation of the underlying individual, processes, and structure that enhance absorptive capacity.

The objective of this study is to address organizational routines and capabilities and absorptive capacity and to contribute to existing literature. This research advance absorptive capacity by extending and empirically validating the conceptual distinction between potential and realized absorptive capacity [54]. Potential absorptive capacity, which includes knowledge acquisition and assimilation, captures efforts expended in identifying and acquiring new external knowledge and in assimilating knowledge obtained from external sources [54]. Realized absorptive capacity, which includes knowledge transformation and exploitation, encompasses deriving new insights and consequences from the combination of existing and newly acquired knowledge, and incorporating transformed knowledge into operations [54].

This research contribution focuses on the linkage between creative design of combinative capabilities and absorptive capacity. Previous research states that common features of combinative capabilities involve organizational mechanism that each influence absorptive capacity in specific way [38]-[55]. Recent researches have not been gained into how organizational mechanism differently affect the acquisition and assimilation (i.e., potential absorptive capacity), and the transformation and exploitation (i.e., realized absorptive capacity) of new external knowledge. However, this study reveals how organizational mechanism which is combinative capabilities, particularly, organizational routines and capabilities matter and further affect absorptive capacity.

Therefore, designing micro-level components underlying routines and capabilities: individuals, social processes, and structure, energize organizational mechanism to foster firm's ability to recognize valuable external knowledge, acquire, assimilate, transform, and exploit new knowledge through absorptive capacity process. Thus, I propose the following:

**Proposition 5:** The greater organizational routines and capabilities is positively associated with the greater absorptive capacity.

### III. DISCUSSION AND CONCLUSION

This study contributes to research on transformational leadership, creative process engagement, perceived organizational value for creativity, and organizational routines and capabilities on enhancing absorptive capacity in several ways. Most importantly, the study is an attempt to examine and to reveal that organizational mechanisms associated, particularly, the design of creative process engagement in associated with combinative capabilities under transformational leadership may increase organizational absorptive capacity. The present study contributes to scholars' understanding as to how certain organization are able to recognize, acquire, assimilate, transform and exploit new knowledge to initiate innovation. Overall, this research seek to indicates that transformational leader primarily enhance organizational mechanism through individual employee and excellent communication to promote innovation via the design of creative process that engage employee in recognizing and value new external knowledge and integrate with firm's stock of knowledge. However, these organizational mechanisms can energize organizational learning through the microfoundations of organizational routines and capabilities in three categories of micro-level component: individuals, social processes, and structure.

Focusing specific attention on individual actions and their repetition overtime, bridge micro-level actions and patterns of action to macro-level dynamics of routine. In this research, the proposed model redefining the organizational learning process that can be initiated by transformational leader to shape the dynamics of organizational routines and capabilities. This approach provides insight into the processes and interaction activities that produce sequences of actions as well as the structure and context in which different sequences of learning action are produced. This paper features a novel combination of leadership literature and organizational routines and capabilities on offering a window into how routines and capabilities are constituted by artefacts, heterogeneous actors, and their interactions and intention to create innovation through absorptive capacity.

The specific objective of this article is to open up the black boxes underlying absorptive capacity. And, how to embed organizational mechanism, particularly, combinative mechanism capacity in organizational processes that can be able to direct an organization toward enabling organizational change and evolution. Future studies may incorporate different levels of analyses to investigate these capabilities on how to enable an organization to reconfigure its resource base and adapt to new competitive condition in order to achieve the sustainable competitiveness.

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**Palin Phoocharoon** is an associate professor of management and the head of Management Department at NIDA Business School, National Institute of Development Administration (NIDA). He received his Ph.D. in human resource management from University of Illinois at Chicago. His research focuses on leadership, creativity, motivation, and innovation.