

# Strategic Human Resource Management and Employee Creativity: The Role of Leadership Style and Knowledge Management Capacity

Sarah Talal Saleem<sup>1</sup> Ahmad Adeel<sup>2\*</sup>

1.College of Public Administration, Huazhong University of Science and Technology, Wuhan, 430074, China

2.School of management, Huazhong University of Science and Technology, Wuhan, 430074, China

## Abstract

In this study we explored the relationship between strategic human resource management practices and creativity of the employees. Using multisource data gathering technique, we collected data from 382 employees and their respective 68 supervisors working at ministry of migration and displacement Baghdad-Iraq. We built on the theoretical framework based on employee–organizational relationship theories, specifically, organizational support theory, and leadership theory. We found that strategic human resource management practices affect the employees' potential to produce creative ideas at organizations directly or indirectly through knowledge acquisition, knowledge sharing, and knowledge application. We also found that leadership styles affect the relationship between strategic human resource management practices and creativity of the employees. The results of this study provided new insight among strategic human resource management practice, knowledge management capacity, knowledge application, creativity of employees, transactional leadership, transformational leadership style, and the interaction of leadership styles with human resource management practices for creativity of employees. Research implications and future research directions are also discussed in this research.

**Keywords:** Strategic human resource practices, knowledge management capacity, employee creativity, transactional leadership, transformational leadership

## INTRODUCTION

Strategic human resource management literature recognizes that contemporary organizations strive to create competitive advantage through creativity in this dynamic market space (Subramaniam & Youndt, 2005). Organizations which rely more on creativity are more successful as they respond to their changing environment more efficiently with their creative outputs (Montes et al., 2004). Creativity at organizations is heavily dependent on individual's knowledge base and knowledge process (Amabile, 1996). According to this view, knowledge base and individual competencies are also valuable assets of the firms (Collins & Clark, 2003; Wright et al., 2001). Organizational researchers also recognized the importance of leadership style which can affect the subordinates in different ways like performance, commitment, loyalty, creativity (Amabile, Schatzel, Moneta, & Kramer, 2004; Amabile, Schazel, & Moneta, 2004; Bock et al., 2008; Tierney & Farmer, 2002). Specifically performance related outcome like creativity are affected by specific leadership style at organizations (Amabile, Schatzel, Moneta, & Kramer, 2004). Leadership styles can also effect inter employee relations like cooperating behavior, inter employee trust, inter employee knowledge sharing, and inter employee conflicts (Tierney & Farmer, 2002).

Human resource management practices are the vital means by which organizations can shape, influence, promote, or hinder skills, attitudes, and behaviors for achievement of organizational goal (Collins & Clark, 2003). Human resource practices have been linked with organization level outcomes like productivity, financial performance, and flexibility (e.g. Ichniowski et al., 1997; Collins & Clark, 2003), but understanding the role of human resource practices for individual employee creativity is needed (Laursen & Foss, 2003). Accordingly, through this study, we attempts to explore the relationships between strategic human resource management practice for employee creativity at organizations using knowledge management perspectives. We will also examine role of leadership style for the relationship between strategic human resource practices and employee creativity at organizations.

To explore the link between strategic human resource management practices and individual employee creativity we provided theoretical framework based on employee–organizational relationship theories (e.g., Shore & Barksdale, 1998; Tsui, Pearce, Porter, & Tripoli, 1997), specifically, Organizational support theory (Eisenberger et al., 1990) and leadership theory (e.g., Bass & Avolio, 1994; Shamir et al., 1993). Organizational support theory predicts that organization level support practices can have greater impact on employees' perception about organization and can lead them in acting ways to recompense the outcome of the employees (Eisenberger, Armeli, Rexwinkel, Lynch, & Rhoades, 2001). Also leadership theory supports the proposition that leadership style can motivate followers to contribute with higher performance by emphasizing collective support to each other by fostering mutual trust and foster norm of reciprocity in relationships and will lead them to recompense and exchange relationships for higher productivity.

Accordingly, purpose of this paper is twofold, first, to examine the mediating effect of knowledge management capacity between strategic human resource management practices and employee creativity and second, to examine also moderating role of leadership style on the relationship between strategic human resource management practices and employee creativity. By doing so, this research is likely to contribute to literature in several ways, First, the benefits of strategic human resource management practices are less explored area of organizational research (Chen & Huang, 2009), the scant literature which investigated human resource management practices mainly focused on the commitment and performance of the employees (Collins & Clark, 2003; Wright et al., 2001), ignoring the most important outcome of employees: the creativity of employees (Zhang & Bartol, 2010). By investigating the human resource management for creativity of employees, this research is expected to contribute to human resource management literature by adding a potential benefit in form of creativity of employees in the list.

Second, in creativity research, although knowledge has emerged as an important and integral factor of creativity of individuals and teams (Amabile, 1996) but in creativity research most focus of the researchers remained with investigating the factors which are more related with motivational aspects of creativity (Amabile et al., 2014; Shalley & Gilson 2004; Zhou & George, 2003). Therefore, by investigating creativity from knowledge side this research is more likely to contribute to research related to creativity from more knowledge side. Also, in knowledge research, focus of the researchers remained with investigating the knowledge factors independently for the creativity of the employees. Knowledge dimensions have rarely been investigated as a collective construct at organizational level. Although researchers have not totally ignored but most investigations on knowledge research or either on team level or on individual level of analysis. By doing so this research is also likely to contribute to knowledge research as organizational level construct.

Third, leadership role is the most investigated part of management research (e.g. Jo et al., 2014). Most of previous research mainly focused the direct impact of leadership on performance, commitment, and creativity of employees (Amabile, Schatzel, Moneta, & Kramer, 2004; Madjar, Oldham, & Pratt, 2002; Tierney & Farmer, 2002). Although, leadership role remained significant while investigating the direct impact on performance of employees, scant literature has investigated the moderating role of leadership behavior for performance related outcomes (i.e., George & Zhou, 2007; Zhang & Bartol, 2010). Therefore, by investigating the important role leaders play on the relationship between human resource management practices and creativity of employees, this research is likely to contribute to leadership literature by enhancing the list of potential benefits and the impact which leaders may have for performance of the employees.

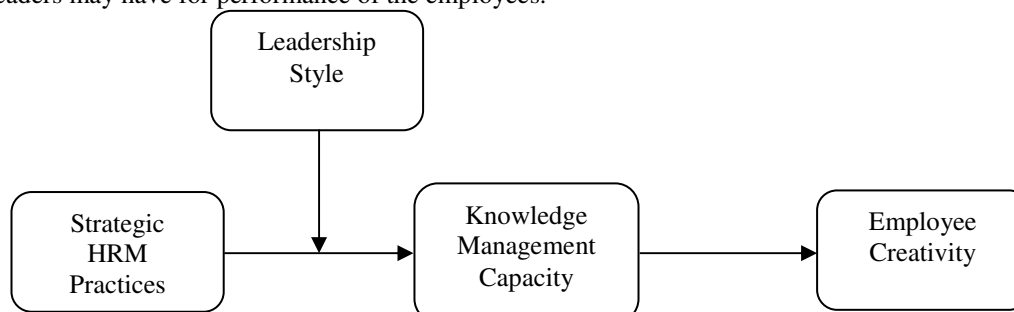


Fig.1. Research Model

## LITERATURE REVIEW AND HYPOTHESIS STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES AND CREATIVITY OF EMPLOYEES

Strategic human resource management practices are of great concern and are given more attention for development of competitive advantage through creativity in contemporary dynamic environment and knowledge based economies (George & Zhou, 2007; Zhang & Bartol, 2010). Creativity of employees is base for organizational creativity (Shalley & Gilson 2004) which is the production of novel and useful ideas by individuals (Amabile, 1996). Creativity process includes use of existing knowledge with existing base to produce new ways of thinking and exploring new horizons for old problems (Amabile, 1996). There are three components of employee creativity, which are domain knowledge, creativity relevant knowledge, and motivation (Subramaniam & Youndt, 2005). Knowledge of employee is central and prime premise in creativity process (Subramaniam & Youndt, 2005). Creativity of individuals and groups is affected by the valuable knowledge resources of the organization (Spender, 1996). Knowledge is a unique resource helps organizations to create their identity and value in contemporary competitive environment (Hansen, 1999; Wright et al., 2001) such that they discover and enhance their unique competencies to explore their potential to provide novel and useful ideas (Hansen, 1999; Wright et al., 2001).

Organizations sometimes need to change, develop, and improve new policies and practices for effectiveness in this competitive market place, in these stages of organizational change, organizations need the motivation and human capital of their organization to produce more novel and useful ideas, produce more innovative outputs, and explore new opportunities (Scarborough, 2003). These policies and practices directly or indirectly influence their behavior, attitude, and capacities towards their abilities to achieve organizational goals (Collins & Clark, 2003) and also provide the necessary environment and condition for the employees to develop innovative activities, and also explore opportunities to implement these ideas (Scarborough, 2003; Laursen & Foss, 2003). For these, organizations use some of their strategic human resources management practices like staffing, training, participation, performance appraisal, and compensation to motivate employees to share more knowledge and engage in activities to produce more novel and useful ideas to achieve organizational goals (Laursen & Foss, 2003). Therefore, in this study our focus will remain with these five strategic human resource management practices and the critical these would play in affecting the individual motivation for creativity of employees at organizations.

When organizations need to foster creativity of their employees they most often observe conflict among employees (Atuahene-Gima, 1996) because the creative development process at organizations also foster a rigid, risk avoidance, and less uncertain environment which may negatively affect this creative process (Atuahene-Gima, 1996). Therefore, organizations need more flexible, risk takers, independent thinkers, divergent thinking behaviors, motivated, and open to failures individuals (Madsen & Ulhøi, 2005). Therefore, organizations emphasize more on these characteristics in staffing phase of organizational strategic human resource management cycle. Therefore, when organizations take innovative staffing strategies for recruiting the staff then it will bring more dynamic, divergent thinkers, innovative, and more open staff members to the organizations (Atuahene-Gima, 1996). Thus, effective staffing will help organizations to produce more dynamic and critical sources for new organizational ideas for organizational creative inventory (Madsen & Ulhøi, 2005).

Similar to staffing, training would also affect the employees' behavior, thinking, knowledge, and divergent thinking (Jaw & Liu, 2003). Organizations design their training programs to foster creativity of their employees, through creative process engagement, developing new knowledge and skills, enhancing innovative capabilities which employees may need to provide novel and useful ideas to their work environment (Mumford, 2000). Developing individual employee through training is actually developing organization from its base. Organizations develop their expertise, competitive position, knowledge base, social capital, knowledge capital by providing training to their employees which can develop divergent thinking and engagement in creativity relevant process (Weisberg, 2006). Traditional view of management about training programs was to see it as a cost a sunk cost but in contemporary era training cost is seen as assets development cost for organizations. Organizations provide trainings to all of its employees' at all organizational levels in order to develop the proper sense of potentially inexhaustible source of creative behavior (Torraco & Swanson, 1995).

These training programs will not bring forth desirable results without motivation of employees to engage in activities which develop their skills about producing creative ideas at organizations, and in absence of involvement and motivation these programs will be a failure (Hurley & Hult, 1998). Therefore, organizations sometimes need to foster the creativity of their employees for training by involvement, and participation by allowing them and assigning them to solve problems which may involve critical thinking, divergent thinking, decision making, cognitive use of their abilities, and allow them to make decisions by enhancing the number of alternatives for a required problem (Glynn, 1996). Therefore, with high level of participation in training programs would create an condition which may encourage employees to acquire and exchange knowledge for development of their creative process engagement which in turn enhance their capabilities to produce creative outputs (Jiménez-Jiménez & Sanz-Valle, 2005; Tsai, 2002).

Additionally, due to the indispensable nature of creativity for organizations, the transparent performance appraisal system would measure and measure creativity of employees and also motive employees to engage in more creative process engagement to produce more creative ideas (Jaw & Liu, 2003). Similarly, recognition of employees' creativity at all levels with compensation would also encourage employees to engage in activities which may foster more creative solutions to the problems at organizations (Mumford, 2000). Concluding all of the above thoughts we can say that organizations can use strategic human resource management practices to influence employees' behavior to engage in creative process engagement to produce creativity which may add value to organizational creative inventory and achieve better creative output by employees. Therefore, we expect here that strategic human resource management practice will affect the creativity of employees. Formally:

**Hypothesis 1: Strategic human resource practices relate positively to creativity of employees.**

#### **STRATEGIC HUMAN RESOURCE PRACTICES AND KNOWLEDGE MANAGEMENT CAPACITY**

Organizations set, identify, and exert practices which favor themselves to improve innovative performance of their employees (Ericsson & Charness, 1997). Knowledge base of individuals is one of the most valuable resources which an organization can have (Wright et al., 2001; Collins & Clark, 2003). Organizations which can

manage knowledge and expertise of their employees can create more competitive advantage and their distinctive position in marketplace (Scarborough, 2003). But, in large and ego networks due to lack of trust and self interest, employees willingly or sometimes unwillingly see it difficult to share knowledge and expertise reside in them for mutual learning and benefits (Currie & Kerrin, 2003; Hayes & Walsham, 2000). Therefore, it is vital for the organizations to practice policies which could harvest knowledge exchange activities. Human resource management practices are the basic approach for the organizations to harvest and foster knowledge for employees in need (Scarborough & Carter, 2000). Some human resource management practices like staffing, training, participation, performance evaluation, and incentive compensation are found to be linked with improved employees' commitment, increasing performance, willingness to share knowledge, their motivation, and lowering turnover (Guthrie, 2001).

Organizations foster inter employee knowledge skill development for mutual benefit through the strategic human resource practices, these strategic human resource practices provide skills, confidence, resources, and opportunities to develop and manage their knowledge needed for employees' human capital and organizational effective performance (Wright et al., 2001; Collins & Clark, 2003). Staffing system of the organization can help organizations to select and assign knowledgeable, skillful, and competent individuals to any assigned task. Staffing is an initial phase in selection process of employees which may help organizations to select suitable candidate with ability to acquire, share, and apply knowledge at work. This can also help organizations to develop an overall work force which rely more on knowledge and its exchange for mutual benefits. Newly recruited employees share more knowledge, seek more guidance, and make use of this new shared knowledge (Currie & Kerrin, 2003). Therefore, staffing can help organization to select more suitable candidate which may be more willing to acquire, share, and apply knowledge. Employees then use these knowledge sources, integrating different knowledge sources, stimulating knowledge exchange, and acquiring from diverse knowledge resources to produce creative ideas (Scarborough, 2003).

Employee training would also affect capacity of the employees to produce more knowledge and affect the development of knowledge management capacity. Organizations provide trainings to all of its employees irrespective of their hierarchical level. These internal and external knowledge development trainings enhance abilities of employees to involve in knowledge exchange activities and develop their expertise (Jaw & Liu, 2003). These diverse training exposures enable employees to take benefit from these diverse knowledge resources, broaden their insight, learn more knowledge, and equip more diverse cognitive knowledge resources (Nonaka & Takeuchi, 1995). These developmental training programs encourage employees to share what they uniquely know, exchange tacit knowledge, expertise, and experiences, acquire knowledge from others in the same manner and apply and utilize this new knowledge at work. Therefore, training programs are considered more crucial for development of knowledge management capacity of the organizations (Argote et al., 2003).

Participation, an important strategic management practice which may motivate employees to involve in knowledge acquisition, knowledge sharing, and knowledge application, may contribute to development of knowledge management capacity. Individuals with higher abilities, skills, expertise, and task responsibilities would allow greater rate of self-regulation and self-determination to complete their work responsibilities (Nonaka & Takeuchi, 1995). Allocating more responsibilities, autonomy and participation in their routine work cognitive choosing from alternative would enhance their motivation, performance and commitment towards some task (Glynn, 1996). When employees see more avenues to provide their feedback and input at organizations, they determine more opportunities to provide inputs, richness, depth, and breadth of knowledge exchange which in turn bring more ideas in their minds (Andrews & Kacmar, 2001; Grant, 1996), thus facilitating the development of new organizational knowledge base.

Performance appraisals and compensation are important and second level strategic human resource management practices which the organizations use to motivate their employees to perform desirable task as and when needed by organizations. These basic level organizational tools help them to achieve organizational objectives (Collins & Clark, 2003; Scarborough, 2003). Performance appraisal as a tool is used by organizations to set the direction of employees, set required behavior of the employees, by allowing them to behave as needed by organizations for reinforcement of some kind of desired behavior of employees (Collins & Clark, 2003). Similarly, organizations can also use compensation as a tool to reward desired behavior. Researcher found that compensation is a more powerful motivator as compared to any other to change the behavior of employees as and when needed by organizations. Rewarding risk taking, divergent thinking, and helping for knowledge exchange activities (Argote et al., 2003). Compensation management may motivate employees to put more efforts in knowledge activities by intrinsically motivating them to acquire, contribute, exchange, and apply developed knowledge (Scarborough, 2003; Collins & Clark, 2003). Therefore, we expect here that human resource management practices will positively affect knowledge management capacity. Formally:

**Hypothesis 2: Strategic human resource practices relate positively to knowledge management capacity.**



## **MEDIATING ROLE OF KNOWLEDGE MANAGEMENT CAPACITY**

Summarizing the above discussion on strategic human resource practices, knowledge management practices, and creativity of employees, the researchers created a mediation model. The next hypotheses link the relationship among strategic human resource management practices, knowledge management capacity, and creativity at organizations. The first hypothesis suggests that strategic human resource management practices of the organization affect employee creativity through knowledge management capacity. In other words, organizations can setup strategic human resource management practices which can foster level of knowledge acquisition, sharing, and application, which in turn, enhance and promotes employee creativity through this knowledge enhanced capacity. Thus, it is suggested here that knowledge management capacity of the organizations plays a vital role and mediates the relationships between strategic human resource management practices and individual creativity at organizations. Staffing, training, participation, performance appraisal, and compensation independently and jointly affect the knowledge management capacity by affecting knowledge acquisition, knowledge sharing, and knowledge application. Furthermore, through these enhanced knowledge related capacities, individuals involved generate more novel and useful ideas to their surroundings. Formally:

**Hypothesis 3: Knowledge management capacity mediates the positive relationship between strategic human resource practices and creativity of the employees.**

## **MODERATING ROLE OF LEADERSHIP STYLES**

Leaders' specific behaviors have been found to influence the attitude and numerous specific leadership styles and their influence on creativity of the employees (Amabile, Schatzel, Moneta, & Kramer, 2004; Amabile, Schazal, & Moneta, 2004; George & Zhou, 2007; Shalley & Gilson, 2004). Researchers found that leadership differ in their style while managing people at work. These leadership styles affect the commitment, performance, and creativity of employees in various ways (Amabile, Schatzel, Moneta, & Kramer, 2004; Amabile, Schazal, & Moneta, 2004; Bock et al., 2008).

Transformational leaders influence the behavior of employees for creativity by affecting their self-management and self-motivation (Pearce & Sims, 2002). Transformational leadership styles also develop the dyadic level trust between a supervisor and the subordinate which motivates subordinates for self management and self-determination for their creativity. It also allows them to willingly accept the vulnerability due to the positive expectations of the supervisor. Transformational leaders are good at developing trust among the employees, which in turn help them to motivate for self management (Kirkpatrick & Locke, 1996). Conversely, transactional leaders motivate employees by providing proper feedback, proper guidance, and clear goals to work on.

Transformational leaders' influence their subordinates by different ways and can affect motivation of their members to cooperate and participate in different activities. Intellectual stimulation is the behavior through which leaders encourage subordinates to speak up, reframe the issue, think critically, question others, and challenge others thinking (Sosik, 1997). This type of behavior also promotes conflicts in point of view on different issues and is base for most of creative work at organizations (Zhou & George, 2003). However, this behavior also increases confidence of the subordinates that may encourage employees to take risk, which is also related with creativity at organizations (Amabile, 1996; Zhou & George, 2003). Leadership styles can foster employee creativity by enhancing motivation and knowledge sharing among employees (Amabile, 1996; Amabile, Schatzel, Moneta, & Kramer, 2004; Amabile, Schazal, & Moneta, 2004). Specifically we can say that transactional leaders clarify to their subordinates that what is expected from them, encourages clear and successful communication, and clear reward participations by explaining and discussion. So contributions of the subordinates for cooperating behaviors, such as contribution, questioning, clarification, and assessment of each subordinate for improved and enhanced creativity at organizations (Eisenberger, Armeli, & Pretz, 1998).

Therefore, these types of behaviors are expected to enhance cooperating, risk taking, and questioning behaviors (Sosik, 1997). Also, in this way employees can point out weakness in thinking of others and ultimately overall creative thinking and problem solving can be improved. Transactional leaders also influence their subordinate in different ways. They affect thinking, motivation, participation, and cooperating behavior of their subordinated by giving a clear view of goals and proving proper feedback and recognition (Bass & Avolio, 1994). Specifically, they explain their subordinates that what is expected from them at this stage and what is need of the time. They discuss different ideas, a feeling of satisfaction, and course credits. They can also enhance and built expectations to increase efforts of their subordinates for higher accomplishments by enhancing extrinsic motivation for higher creativity of their subordinates (Eisenberger, Armeli, & Pretz, 1998). In sum, both of transactional and transformational leadership styles promotes participation, cooperating, and motivational aspects of employees and enhance overall employee's creativity at organizations. So, we expect here that transformational leadership positively, however, transactional leadership negatively moderate the relationship between strategic human resource practices and creativity of employees. Formally:

**Hypothesis 4: Transformational leadership positively moderates the relationship between strategic human resource practices and creativity of employees and transactional leadership negatively moderates the relationship between strategic human resource practices and creativity of employees.**

## **METHODOLOGY**

### **SAMPLE AND DATA COLLECTION**

Data was collected from ministry of migration and displacement Baghdad-Iraq. Ministry of migration and displacement Baghdad-Iraq is a government based organization with more formal structure. Based on functional responsibilities of the employees, the organization has turned its structure to more team based structure. Each and every team or work unit has a designated formal team supervisor for smooth functioning of the assigned task and formal duties. With approval from higher management, 437 employees and their respective managers were initially sent survey questionnaire for this study from the employees in the city of Baghdad. Respondents were asked to provide data for demographic variables, personal information, knowledge management capacity, leadership style, and employee creativity. However, strategic human resources management practices were measured by the actual practices of the ministry of migration and displacement of Iraq. likert type scales were used to collect data from the respondents by temporally dividing data collection process into different points in time. Using quantitative methods we analyzed our data and proposed hypotheses with simple regression model technique (OLS regression). Proposed mediated model was analyzed using IBM-SPSS 21.0 whose structure specifically support OLS regression models.

Before we start our data collection process, we obtained formal approval from the higher management of the organization. Employee provided their response for some of the measures and data from their respective managers to measure the creativity of the employees was also collected. Data for HRM practices was obtained from the HR Executive of the organization. All other measures were self reporting. All the data was obtained on likert-type scales for all of the measures of this study. Data was also collected for different demographic variables as the control variables of this study. Personal sources of power were found predictors of creativity of employees (Zhou & George, 2003; Zhou & George, 2001), therefore, both demographic variables and experience of employees in the firm were used as control variables in this study. Purpose of this study discussed with higher management of the organization, one of the authors is also full time employee of the organization. Data collection process formally started after obtaining formal approval from the director of administration and the director of human resource management.

Web-based approach was used to collect data from employees and their respective supervisors. HR department tagged questionnaire to employees for their self reporting measures and their respective supervisors for creativity of the employees. After 3 week a reminders was sent to all of the employees for completing the questionnaire tagged with their ids by HR department of the organization. Issue of common method biasness in collecting data from the employees of an organization also considered while designing this research. To mitigate the chances of common method biasness data was collected from different sources for independent, dependent, moderating, and mediating variables. Knowledge management capacity of the organization was also measured on self reporting measure of the employees.

Initially 437 employees and their respective 68 supervisors were tagged for their response. 421 employees and their respective 68 supervisors completed survey with a response rate of 96% and 100% respectively. After deleting cases with missing values and mismatched data our final sample of employees and their formal supervisors yielded a final sample of 382 employees and 68 of their supervisors with a final response rate of 87 % and 100 % respectively. It is also important to mention here that employees of the organization were already aware of the significance of data collection process and its importance for the organization. This ministry organization was already using their web portal for feedback of their employees on different HR and policy related issues of the organizations. Therefore, employees were already aware of the procedure of completing the questionnaire for the organization. Additionally, we also explained purpose of our investigation to all of the respondents in the first email.

In our final sample of employees which was considered qualified and was used in all of the analyses of this study, 23.6 % were women and 76.4 were men with an average age of 38.78 years; average of total experience of working with current organization was 7.53 years; 47.5% held a bachelor degree and 52.5% were master degree holders. Although not used in any of the analyses of this investigation, we also collected data for demographic variables of the respective supervisor. In this sample there were less women and more men with a percentage of 12.32 % and 87.68 respectively, average age of the supervisors was 43.43 years, supervisors were more educated than subordinates with an average education years of 18.76 % bachelor degree holders and 81.24 % master degree holders, and current working experience of the supervisors were also on the higher side with an experience of 9.31 years while working with current organization.

To deal with missing value case in analyses part, we used maximum likelihood method. This method of dealing with missing values is more robust than other techniques available as an alternatives like pair wise and

list wise deletion, or replacement and imputation methods available (Bollen & Curran, 2006; Little & Rubin, 2002). In order to maintain secrecy of response from the employees, we assigned dummy codes to employees, their respective supervisors, and their respective work unit for identification and secrecy of individuals' response. After deleting cases with missing values and mismatched data our final sample of employees and their formal supervisors yielded a final sample of 382 employees and 68 of their supervisors with a final response rate of 87 % and 100 % respectively.

## MEASURES

**Strategic human resource management practices:** Drawing upon previous research on strategic human resource management practices (e.g., Youndt et al., 1996; Collins & Clark, 2003; MacDuffie, 1995; Tannenbaum & Dupree-Bruno, 1994), we adapted five aspects, including staffing, training, participation, performance appraisal, and compensation, to develop a sixteen item scale.

**Knowledge management capacity:** Knowledge management capacity scale consists of eight items to indicate the extent to which knowledge is acquired, shared, and applied to represent the extent of knowledge management capacity of the organizations. Sample item for knowledge acquisition is "Knowledge was obtained from employees", Sample item for knowledge sharing is "Knowledge was shared between supervisors and Subordinates", and Sample item for knowledge application is "Effectively managing knowledge into practical use." ( $\alpha = .97$ ).

**Individual Creativity:** In field studies supervisors' ratings are most commonly used for measuring individual creativity (Zhou & George, 2003; Zhou & George, 2001). We used 3- items short version of measuring creativity of employees (Janssen, 2001). Sample item is "How often does this employee creating new ideas for improvements" ( $\alpha = .96$ ).

**Leadership Style:** Transactional leadership style is measured using a five-items, five point likert type scale (Bass & Avolio, 1996). Sample items are "My group leader made clear what he expected of us" and "My group leader expressed satisfaction when we did a good job" ( $\alpha = .91$ ). Transformational leadership style is measured using thirteen-items, five point likert type scale (Bass & Avolio, 1996). Sample items are "My group leader helped us to develop an appreciation for each other's ideas", "My group leader encouraged us to rethink our ideas", and "My group leader encouraged us to look forward to new possibilities". ( $\alpha = .87$ )

## RESULTS

Table 1 shows the mean, standard deviation, and correlation among all the study variables and Table 2 shows the regression results. Both moderation and mediation were tested using IBM-SPSS 21.0 whose structure specifically support OLS regression models. We grand mean centered all the variables of this study before putting them further into any type of analysis (Hofmann & Gavin, 1998). The correlation in table 1 shows that individual creativity is positively related with education ( $r = 0.342, p < .01$ ), knowledge acquisition ( $r = 0.221, p < .01$ ), knowledge sharing ( $r = 0.097, p < .05$ ), training ( $r = 0.112, p < .05$ ), participation ( $r = 0.021, p < .01$ ), compensation ( $r = 0.032, p < .05$ ), and SHRMP ( $r = 0.287, p < .05$ ). Regression results with standardized coefficients are shown in table 2, chi square test and R-squared test also performed and significance of coefficients also examined.

In our final qualified sample of employees,, 23.6 % were women and 76.4 were men with an average age of 38.78 years; average of total experience of working with current organization was 7.53 years; 47.5% held a bachelor degree and 52.5% were master degree holders. As shown in table 1 model 1, we used a simple model to test the dimensions of strategic human resource management practices on individual creativity of employees, we found significant coefficient for the direct effect of Staffing ( $\beta = 0.437, p \leq .05$ ), participation ( $\beta = 0.234, p \leq .01$ ), and performance appraisal ( $\beta = 0.065, p \leq .05$ ). Among control variables, only education showed significance coefficient ( $\beta = 0.240, p \leq .05$ ). However, training and compensation of strategic human resource management practices were not significant with creativity of employees. The results of model 1 provided partial support to hypothesis 1 of our study that strategic human resource management practices are positively related with individual creativity of employees.

In model 2, we again used simple model to test the impact of strategic human resources management practices on knowledge management capacity as a single construct as explained above. We found significant coefficients for Staffing ( $\beta = 0.065, p \leq .05$ ), participation ( $\beta = 0.123, p \leq .05$ ), and performance appraisal ( $\beta = 0.112, p \leq .01$ ). However, similar to model 1, training and compensation dimensions of strategic human resources management practices were also not significant with single construct of knowledge management capacity. Among the control variables of this study gender ( $\beta = 0.108, p \leq .05$ ) and education ( $\beta = 0.284, p \leq .05$ ) were significant with single construct of knowledge management capacity. Results of model 2 provided partial support to hypothesis 2 of our study.

Table 1.Means, Standard Deviation, and Correlation among study variables

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Gender	0.53	0.21														
2. Education	2.54	0.64	-0.022													
3. Current Org. Experience	7.53	3.12	0.134*	-0.041												
4. Knowledge acquisition	5.21	1.26	0.181**	-0.241	0.213**											
5. Knowledge sharing	5.17	0.52	0.164	-0.167	0.267**	0.203**										
6. Knowledge application	4.98	0.67	0.234	0.022**	0.274**	0.214**	0.107*									
7. Staffing	5.45	0.22	0.213	0.124**	-0.160	0.024	-0.145	0.314**								
8. Training	4.54	1.12	-0.023	0.160	-0.050*	-0.197	-	-0.232*	-0.173							
9. Participation	5.26	0.72	-0.045*	0.304*	-0.025*	-0.107	-	0.192*	-	0.302**	0.367*	0.019				
10. Performance appraisal	5.76	1.18	0.035	0.382*	0.215	0.017*	0.132*	0.193*	0.391*	0.472*	0.195*	0.121**				
11. Compensation Individual Creativity	4.88	1.41	0.041	0.089	0.062	0.121	0.234	0.139	0.316*	0.231	0.287	0.043*	0.032*			
12. Individual Creativity	3.45	1.12	0.121	0.342**	-0.023	0.221**	0.097*	0.327	0.126	0.112*	0.021**	-0.012	0.032*			
13. Transformational Leadership	2.81	1.30	0.232	0.221	0.098*	-0.271	0.434	0.283**	0.084	0.091*	0.546	0.234**	0.086	0.046*		
14. Transactional Leadership	4.12	1.98	0.098*	0.232**	-0.123	0.122*	0.232	0.234	-0.443	0.078*	0.098**	0.332	0.187*	0.122*	-	0.033
15. SHRMP	3.01	0.87	0.081**	0.022	0.302	-0.261*	-0.287	0.478	0.032	0.305	-0.267*	0.179*	0.076	0.287*	0.245	0.306*

Note: N=382. SE= Standard Error. Gender was coded as 0 = Female, 1 = Male. Age was measured in years. Education was coded as 1= College Graduate, 2 = Bachelor Degree, 3=Master Degree, 4=Doctoral Degree. Current organizational experience was measured in years.

\*p < .05. \*\*p < .01

Table 2. OLS Regression Results

Predictor	Model 1 Individual Creativity		Model 2 Knowledge Management Capacity		Model 3 Individual Creativity		Model 4 Individual Creativity	
	Estimate	SE	Estimate	SE	Estimate	SE	Estimate	SE
<b>Control Variables</b>								
Gender	0.072	0.089	0.108*	0.138	0.070	0.162	0.094	0.106
Education	0.240*	0.104	0.284*	0.359	0.214*	0.190	0.092	0.271
Current Org. Experience	0.034	0.056	-0.030	0.030	0.064	0.130	-0.031	0.033
<b>HR Practices</b>								
Staffing	0.437*	0.106	0.065*	0.017	0.040	0.138	0.061	0.117
Training	0.087	0.012	0.152	0.345	1.128	0.420	0.909	0.036
Participation	0.234**	0.043	0.123*	0.250	0.243	0.301	0.178	0.105
Performance appraisal	0.065*	0.012	0.112**	0.231	0.628	0.703	0.107	0.164
Compensation	0.023	0.164	0.092	0.093	0.217	0.157	0.155*	0.062
SHRMP							-0.321*	0.123
<b>Knowledge Management Capacity</b>								
Knowledge acquisition					0.392*	0.177		
Knowledge sharing					0.023*	0.223		
Knowledge application					0.034**	0.098		
<b>Leadership Style</b>								
Transactional Leadership							0.353*	0.163
Transformational Leadership							-0.437*	0.106
<b>Interaction Effect</b>								
SHRMP Practices	X						-	0.043
Transactional Leadership SHRMP Practices							0.121**	
Transformational Leadership SHRMP Practices							0.165*	0.012
<b>Model Fit</b>								
$\Delta \chi^2 (\Delta df)$	22.87(7)**		21.43(6)**		43.76(5)**		43.87(3)**	
$R^2$	0.020		0.033		0.023		0.025	

Note: N=382. SE= Standard Error. Gender was coded as 0 = Female, 1 = Male. Age was measured in years. Education was coded as 1= College Graduate, 2 = Bachelor Degree, 3=Master Degree, 4=Doctoral Degree. Total Job Experience and Member's Team Tenure was measured in years.

\*p < .05. \*\*p < .01

We then constructed a mediated model by introducing knowledge management capacity dimensions as mediators on the relationship between strategic human resource management practices and creativity of



employees. We followed steps of Baron and Kenny's (1986) procedure to analyze the mediation effect of knowledge management capacity between strategic human resources management practices and creativity of employees. As outlined by these researchers, there are three conditions which need to be satisfied in order to confirm mediation of a variable. First, the independent variable should be significant with dependent variable. Second, the independent variable should also be significant with mediating variable. Third, in first equation, with the introduction of mediating variable, coefficient for mediating variable should be significant to confirm the mediation. Further, to confirm full or partial mediation of mediating variable between independent and dependent variables we need to check the coefficient of independent variable in presence of mediating variable, if independent variable reduce its magnitude or become non significant then it is a full mediation and if independent variable remain significant then it is a partial mediation.

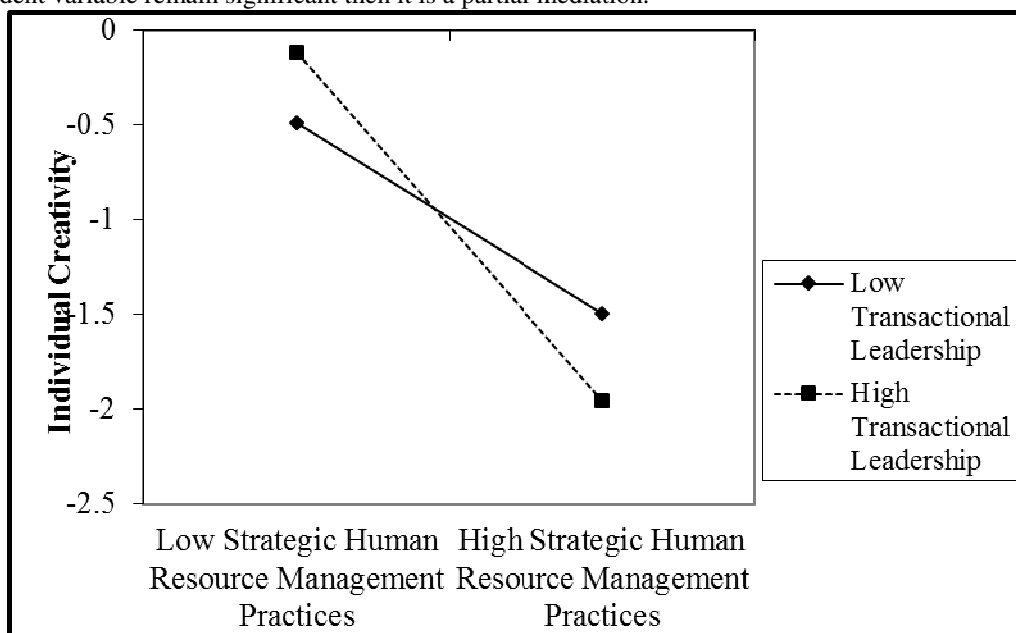


Fig.2. Interaction between strategic human resource practices and transactional leadership

We then checked the mediation on knowledge management capacity dimension on the relationship between strategic human resource management practices and creativity of employees. we found that, in presence of knowledge management practices dimensions, knowledge acquisition, knowledge sharing, and knowledge application, dimensions of strategic human resources management practices become non-significant, indicating a full mediation for the knowledge management capacity dimensions on the relationship between strategic human resource management practices and individual creativity. The significant coefficients of knowledge management capacity dimensions are Knowledge acquisition ( $\beta = 0.392, p \leq .05$ ), Knowledge sharing ( $\beta = 0.023, p \leq .05$ ), and Knowledge application ( $\beta = 0.034, p \leq .01$ ). But we only examined the path from strategic human resource management practices to individual creativity which were significant in test of model one only. Therefore, from the results of model 3 and model 1 we can predict that all three dimensions of strategic human resource management capacity fully mediate the relationship between Staffing, participation, and performance appraisal, and individual creativity of employees. Results in model 3 provided partial support to hypothesis 3 of our study.

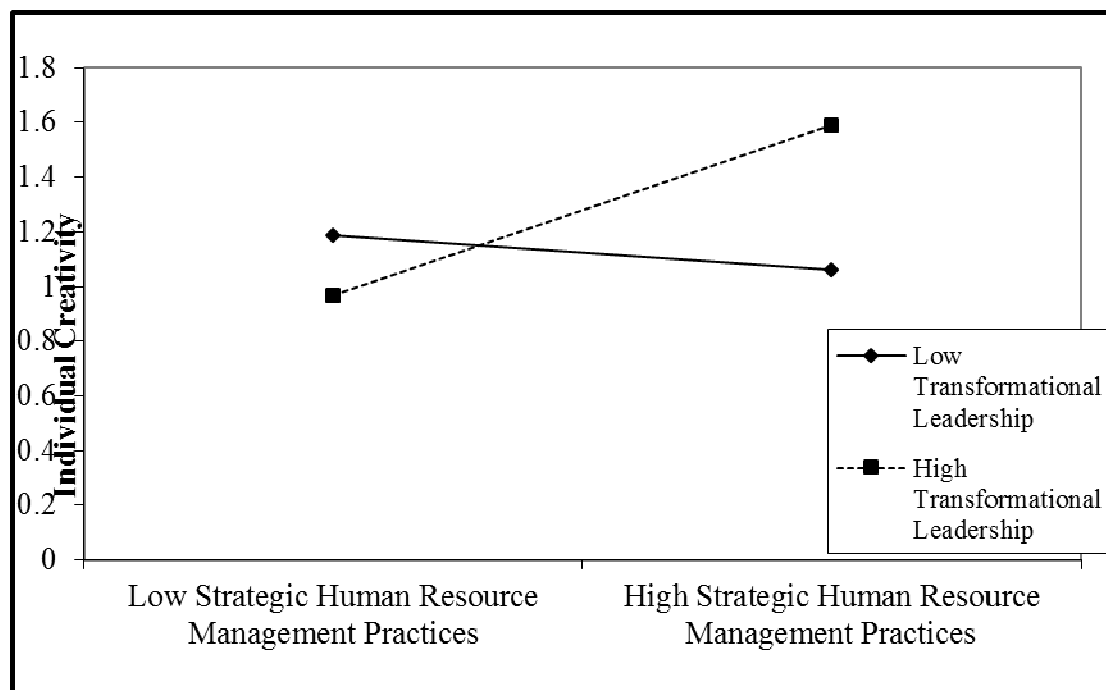


Fig.3. Interaction between strategic human resource practices and transformational leadership

Finally, in model 4 we created a moderation model by introducing two interaction terms of transformational leadership and transactional leadership on the relationship between single construct of strategic human resource management practices and individual creativity of employees. We found that transactional leadership style was negatively ( $\beta = -0.121, p \leq .01$ ), however, transformational leadership style was positively ( $\beta = 0.165, p \leq .05$ ) moderating the relationship between a single construct of strategic human resource management practices and individual creativity of employees. These moderation effects are also shown in figure 2 and figure 3. The plot of interaction effect in figure 2 explained that in case of presence of transactional leadership both high and low the relationship between single construct of strategic human resources management practices and employees' creativity is negatively moderated.

Also, results of plot on interaction in figure 3 shows that in presence of high transformational leadership, strategic human resources management practices are positively related with creativity of employees, however, in presence of low transformational leadership, strategic human resources management practices are negatively related with creativity of employees. Results in model 4 provided full support to hypothesis 4 of the model that transactional and transformational leadership both moderate the relationship between strategic human resource management practices and individual creativity. Overall, our results confirmed that strategic human resources practices are partially related with individual creativity of employees and with knowledge management capacity of the organizations, all three dimensions of knowledge management capacity fully mediate the relationship between strategic human resource management practices and individual creativity, and transactional and transformational leadership both moderated the relationship between strategic human resources management practices and individual creativity.

## DISCUSSION

Good HR policies are always affective and can put an organization into some advantageous position in this competitive dynamic environment. Creativity of employees is always seen as an effective tool for an organization. Specifically creativity of individual employees is important as all creative things originate in minds of individuals. In this research we specifically focused on these two important aspects of organizational life. We investigated how strategic human resource policies are related with creativity of employees which has both practical contribution as well as theoretical advancement in the literature. Contemporary researchers of management focused on the contextual factors which can foster or impedes creativity of employees. In line with this contemporary trend in creativity research, we focused how factors controlled and managed by organizations are related with creativity of employees. We also investigated the underlying mechanism which link strategic human resources management practices with creativity of employees.

Contemporary organizations also need to foster knowledge among their employees and need that their employees properly acquire knowledge, share knowledge, and apply knowledge at work. In this research we also focused on the underlying mechanism of knowledge management capacity of an organization. The direct effect

of strategic human resource management practices on creativity of employees and the indirect effect through the mechanism of knowledge management capacity also investigated in this research. Additionally, effects of leadership style also investigated here. Immediate supervisors demonstrate different type of leadership behavior which can promote or impede creativity of employees. Transactional and transformational are two important leadership styles which can be observed at organizations. We also investigated the effects of these leadership styles on the relationship between strategic human resource management and creativity of employees.

We examined the relationship among the strategic human resources management practices, knowledge management capacity, individual creativity of employees, and leadership styles. Our results indicate that strategic human resource management practices positively relate with individual creativity of employees. We also found an indirect path from the knowledge management capacity indicating that there is direct and indirect path from strategic human resource management practices and individual creativity through knowledge management capacity. The findings also provided support for the full mediation model for the indirect relationship between strategic human resource management practices and individual creativity of employees. We also found that the transformational leadership and transactional leadership both moderated the relationship between strategic human resource management practices and individual creativity of employees.

Transactional leadership style negatively, however, transformational leadership style positively moderated the relationship between strategic human resources management practices and individual creativity of employees. Strategic human resource management practices positively affected creativity of employees by fostering knowledge acquisition, knowledge sharing, and knowledge application. Our findings indicated critical role of strategic human resource management practices in fostering knowledge acquisition, knowledge sharing, and knowledge application which in turn are related with creativity of employees. Interaction effect of leadership style on the relationship between strategic human resource management practices and creativity of employees also indicated important role of leadership style. The interaction of transformational and transactional leadership style indicate that organizations will not be able to take benefit of their strategic human resource management practices for creativity of the employees if immediate supervisors demonstrate transactional leadership instead of transformational leadership. Transactional leadership negatively moderated the relationship between strategic human resource management practices and individual creativity of employees. Transformational leadership positively moderated the relationship between strategic human resource management practices and individual creativity of employees.

## **THEORETICAL IMPLICATIONS**

Strategic human resource management affects employees' performance directly or indirectly through some underlying mechanism (Chen & Huang, 2009). We made several theoretical contributions with results of our study. Results of our study indicated that strategic human resource management practices directly affect creativity of employees. We also found that knowledge management capacity of the organization is also affected by strategic human resource management practices which in turn are related with creativity of employees. The findings of our results supported the direct and indirect effect of strategic human resource management practices on creativity of employees and also for the mediation of knowledge management capacity as proposed by early researchers (Chen & Huang, 2009).

First, the benefits of strategic human resource management practices are empirically investigated and proved in this research. These strategic human resource management practices affected the knowledge management capacity of the organization which in turn affects the creativity of employees. More specifically strategic human resource management practices affect the capacity of an organization to acquire knowledge, share knowledge, and apply knowledge for creativity of employees. It seems that employees take benefit from the knowledge resources of the organization for their creativity. Knowledge is an integral part of creativity (Amabile, 1988, 1996) if this resource available to the employees then they can make use of knowledge to produce creative output. Formal, informal, tacit, and explicit knowledge are some of the knowledge resources available in organizations (Bartol et al., 2009). Management and management scholars are investigating the factors which can foster knowledge acquisition, knowledge sharing, and knowledge application (Bartol et al., 2009), which can put an organization into some advantageous position in this competitive work environment.

We found that strategic human resource management practices affect creativity of employees by affecting knowledge management capacity. The capacity through which employees of the organization acquire, share, and apply knowledge. By doing so we contributed to literature pertaining to knowledge management of the organizations that organizational practices and policies can affect the knowledge management at organizations and even the use of knowledge by employees which they apply to provide novel and useful ideas to their environment.

Second, we also contributed to creativity research by investigating the antecedents of creativity from organization side. Most of creativity research mainly focused on the personal, individual, motivational, knowledge, contextual, and social factors which can affect creativity of employees (Amabile, 1998, 1996, Adeel

& Zhang, 2016). We investigated the factors which are mostly not given proper attention for creativity of employees. Focus of previous research remained with investigating the factors which are either more personal in nature, contextual, or more social in nature. We uniquely modeled, tested, and found support for creativity of employees from organizational perspectives (Amabile, Schazael, & Moneta, 2004; Bock et al., 2008). We investigated that how creativity of employees is affected by organizational ability to manage its human resource management practices and also with the ability to acquire, share, and apply knowledge of its employees. Therefore, by investigating the creativity from organizational side we also made a distinctive contribution to creativity literature.

Third, leadership role remained very significant in creativity research (e.g. Jo et al., 2014). Leadership can affect the performance of employees, commitment of employees and directly creativity of the employees (Amabile, Schatzel, Moneta, & Kramer, 2004; Madjar, Oldham, & Pratt, 2002; Scott & Bruce, 1994; Tierney, Farmer, & Graen, 1999, Tierney & Farmer, 2002). The mediation and moderation of the leadership style for creativity of employees remained the favorite topic in creativity research (i.e., George & Zhou, 2007; Gumusluoglu & Ilsev, 2009; Zhang & Bartol, 2010). But surprisingly leadership role remained limited to direct effect on creativity of employees. The moderation and mediation of leadership style has rarely been investigated in creativity research (i.e., George & Zhou, 2007; Gumusluoglu & Ilsev, 2009; Zhang & Bartol, 2010). We captured this gap and the recent trend in creativity research to investigate the creativity of employees through the mediation of moderation of leadership styles. We investigated the affect which a transactional or transformational leadership can have on the relationship between strategic human resource management practices and creativity of employees. We contributed to leadership literature on creativity which was previously lacking support from the empirical investigations of moderation of leadership styles for creativity of employees. By doing so, we extended previous research on creativity.

## **PRACTICAL IMPLICATIONS**

Studies on employees of real life work environment for creativity of employees are very rare, most of previous research used sample of students for by focusing on knowledge environment, and temporal order investigations of human resource management dimensions for performance and creativity of employees, real life employee investigations are very rare in creativity research (e.g., Vecchio, 2002). Also, in order to understand role of leadership in fostering of hindering creativity of employees, most of previous research used sample of students, or composed group of employees for a shorter period of time in controlled and shorter composed experimental environment (Hogan, Curphy, & Hogan, 1994; Wheelan & Johnston, 1996). Therefore, we still know little about the true relationship between strategic human resource management practices and creativity of employees (Vecchio, 2002).

Therefore, it was practically important to investigate the relationship between strategic human resource management practices and creativity of employees as till date we know little about the impact which strategic human resource management practices has on creativity or employees in real life teams. Also, the underlying mechanism of knowledge management capacity was also not explored previously in any of creativity studies. Thus, the critical role of strategic human resource management practices for creativity of the employees in real life teams and also the underlying mechanism of knowledge acquisition, knowledge sharing, and knowledge application for creativity research was critical to investigate for real life teams.

Because unlike temporarily composed student teams, real life teams have different compositions, they have more autonomy in their relationships, they perform diverse tasks at organizations, they have different coordination settings, they have large life span, and their relationship effects work environment for performance and effectiveness. Investigations of real life employees will also help management scholars and practitioners to understand and investigate the real impact and closely understand the role which knowledge management capacity plays as an underlying mechanism in creativity research.

In real settings, work is often done through the influence of formal leaders (Katz & Kahn, 1978). These formal leaders can affect the performance, commitment and creativity of employees (Amabile, Schatzel, Moneta, & Kramer, 2004; Amabile, Schazael, & Moneta, 2004; Bock et al., 2008; Madjar, Oldham, & Pratt, 2002; Scott & Bruce, 1994; Tierney, Farmer, & Graen, 1999, Tierney & Farmer, 2002). We investigated the impact which leadership style can have on the relationship between strategic human resource management practices and creativity of employees. It was also important to investigate the moderating role which formal leaders play for the creativity of employees as most of leadership research lacks real life investigations of employees with moderating effect of leadership style on creativity of employees (i.e., George & Zhou, 2007; Gumusluoglu & Ilsev, 2009; Zhang & Bartol, 2010).

With our findings we also contributed to management field by contributing the moderation effect which leadership can have for creativity of employees which was lacked in previous research. Also, in previous research, focus remained with one type of leadership behavior for creativity of employees, we investigated most commonly found leadership styles, transformation and transactional in a single study, uniquely modeled, and



contributed to practical aspects of leadership research for creativity of employees.

Our empirical findings revealed that when leaders at organizations demonstrate transactional leadership style it negatively affect the creativity of employees however, when leaders demonstrate transformational leadership style, it positively affect the creativity of employees. Organizations should take this limitation into consideration when developing policies that their effective human resource management policies will not bring required results in form of more creative output of employees when their leaders show transactional leadership style instead of transformational.

Summarizing all of our empirical findings for practical use, strategic human resource management practices can foster creativity of employees directly and indirectly through the underlying mechanism of knowledge acquisition, knowledge sharing, and knowledge application. Leadership style demonstrated by formal leaders may negatively or positively affect creativity of employees fostered by strategic human resource management practices. Therefore organizations should take into consideration these limitations and negative impact which a leadership can have on creativity of their employees. Leadership style can turn good strategic human resource management practices bad for creativity and even turn bad strategic human resource management practices good for creativity of employees. how much employees of an organizations will firmly depend on how much supportive human resource management policies are for creativity and for knowledge management capacity of the organization, and also what kind of leadership style is demonstrated by leaders of that organization.

### **LIMITATIONS AND FUTURE RESEARCH DIRECTION**

If data collected on two measures at same time from same person using same data collection technique then correlation between these two variables can be inflated. To mitigate this validity issue we took two steps, first, on recommendation of (Podsakoff and Organ, 1986: 540), we separated data collection for dependent and independent variables at different points in time. Second, we collected data from different sources (employee, coworkers, and managers) for dependent, independent, mediating, and moderating variables to reduce chance of common method biasness for some measures.

Due to these conservative steps in dealing with data collection, our sample size reduced to from 437 to 382 in our employees' sample which was used in all analyses of this study. In spite of this significant reduction in sample from 100% to 87 %, we still made some theoretical and practical contributions to the management research. Strategic human resource management practices were positively related with creativity of employees. Knowledge management capacity mediated the relationship between strategic human resource management capacity and creativity of employees, and leadership style which may positively or negatively affect the positive relationship between strategic human resource management practices and creativity of employees. But like other investigations, in spite of contributions, this research should also be considered in light of limitations.

First, although we have strong theoretical reason to expect that strategic human resource management practices would precede the creativity of employees and also knowledge management capacity would precede the creativity of employees. But our research design does not allow us to test the temporal order which may exist in study variables. There is also a possibility of reverse causation among these study variables, and also the possibility that under certain circumstances the reverse causation may exist.

The theoretical reason we expect to related strategic human resource manage practices and knowledge management capacity to creativity of employees is that human resource management practices affect the creativity of employees (Amabile, Schazal, & Moneta, 2004). But we cannot directly rule out the possibility of reverse causation. Organizational policies may be affected by performance of the employees (Zhang & Bartol, 2010), therefore, there is a possibility that creativity of employees may lead to development of policies by organizations to support creative output of the employees. Also, there is a possibility that due to the creative output of the employee knowledge management capacity of organizations increase, creativity of employee may affect the knowledge acquisition, knowledge sharing, and knowledge application at organizations which may lead to development of organizational human resources management policies development at organizations.

For firm evidence of causality issue, future research should collect data for the variables by temporally dividing the data collection process into different points in time for independent, dependent, and mediating variables, more specifically for knowledge management capacity, for individual creativity, and for strategic human resource management practices. Investigating these relationships again in a longitudinal fashion will bring more firm evidence for the directionality issue among human resource management practices, knowledge management capacity, and creativity of employees.

Second, we collected data from ministry of migration and displacement Baghdad-Iraq. But in human resource management policy research normally data is being collected from more than one firm. With data from only one firm we cannot firmly conclude that strategic human resources management practices are related with creativity of employees directly or indirectly through knowledge management capacity. For firm evidence of more reliability on results of this study we recommend data should be collected from more than one firm for

human resource management practices, knowledge management capacity, and individual creativity of employees.

This type of investigation will bring forth more concrete evidence that whether human resource management practices are related with creativity of employees or not, whether human resource management practices can foster knowledge management capacity or not, and whether knowledge management capacity mediate the relationship between human resource management practices and creativity of employees or not. Also, three out of five human resource management practices were found related with creativity of employees in our study. An investigation of multiple organizations will bring more dynamic result that whether this pattern still exist in investigation of multiple organization study or not. Also, knowledge acquisition, knowledge sharing, and knowledge application fully mediated the relationship between these three dimensions. Multi organizational investigation will also bring forth dynamic results to rely on that whether the mediation of knowledge management capacity still exist in the relationship between strategic human resource management practices and creativity of employees or not.

Third, we focused on the employees who were working on front offices of the firm. Management scholars states that we cannot generalize findings of lower level employees to higher hierarchical employees. Therefore, in order to generalize the findings of this investigation, we recommend an investigation on higher hierarchical level employees. The employees who normally work at controlling offices of an organization, these employees perform managerial and administrative task at organizations.

Therefore, an investigation of such employees will bring forth more dynamic picture of the relationship between strategic human resource management practices, knowledge management capacity, creativity of employees, and leadership style demonstrated by formal leaders of the work units. Finally, previous researchers proposed that different leadership styles can affect the performance related output of employees. We used transformational and transactional leadership styles as moderators in our research, which is not sufficient to represent all leadership styles. Therefore, we also recommend an investigation with other leadership styles, even an investigation with more interaction among different leadership styles will also bring more dynamic results to rely on leadership styles as moderators in creativity research.

## CONCLUSIONS

In this research, we have shown that strategic human resource management practices affect employees' potential to produce creative ideas at organizations directly or indirectly through knowledge acquisition, knowledge sharing, and knowledge application. With our results, we provided new insight among strategic human resource management practice, knowledge management capacity, knowledge application, creativity of employees, transactional leadership, transformational leadership style, the interaction of leadership styles with human resource management practices for creativity of employees, and the mediation role which knowledge management capacity plays in relationship between human resource management practices and creativity of employees. Strategic human resource management practices which affect the creativity of employees are affected by the type of leadership behavior exhibited. Although, strategic human resource management practices can foster creativity of employees directly or indirectly by fostering knowledge management capacity, but the well developed human resource management practices will not bring desirable results if leaders of the organization demonstrate transactional leadership style instead of transformational leadership. Leadership can turn good human resource management practices to produce bad results in form or reduced creativity, commitment, and performance. Therefore, leaders' role should not be neglected in the process of fostering knowledge and creativity at organizations. Further research in cost and benefits attached with leadership style for creativity will be a fruitful area of research.

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