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THE MODERATING ROLE OF LEADER-MEMBER EXCHANGE ON THE RELATIONSHIP BETWEEN EXPLOITATIVE LEADERSHIP AND KNOWLEDGE HIDING IN THE SRI LANKAN BANKING SECTOR

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The Sri Lankan banking sector, a crucial economic pillar, grapples with knowledge hiding (KH), where employees intentionally conceal vital work information, hindering innovation, efficiency, risk management, and overall organizational success. This research examines the relationship between exploitative leadership (EL) and KH within this context, drawing on Social Exchange Theory (SET). It also examines whether the quality of the Leader-Member Exchange (LMX) can mitigate this negative effect. Despite existing research, the moderating role of LMX in this specific industry remains underexplored. This study aims to determine whether the quality of LMX can buffer the tendency of employees to hide knowledge when led exploitatively in Sri Lankan banks, ultimately providing insights for fostering knowledge sharing and enhancing organizational effectiveness in this critical sector. Data for this study were gathered from 253 banking sector employees in Sri Lanka via questionnaires and analyzed using SPSS. Pearson's correlation analysis revealed a moderate positive relationship between EL and KH ($r = 0.52$, $p < 0.01$), indicating that higher perceptions of EL are significantly associated with increased KH. Additionally, EL showed a moderate negative correlation with LMX ($r = -0.41$, $p < 0.01$), suggesting that perceptions of EL coincide with poorer leader-member relationships. Hierarchical regression analysis confirmed these findings: EL positively predicted KH ($\beta = 0.52$, $p < 0.001$), while LMX negatively predicted KH ($\beta = -0.33$, $p < 0.001$), demonstrating that strong leader-member relationships reduce KH behaviors. Importantly, the interaction effect between LMX and EL was significant ($\beta = -0.28$, $P = 0.001$), indicating that high-quality LMX moderates and weakens the positive relationship between EL and KH, especially when employees perceive a strong leader-member relationship. Conversely, low-quality LMX strengthens the link between exploitative leadership and knowledge hiding. These findings underscore the importance of fostering positive leader-member relationships in mitigating KH behaviors in exploitative environments within Sri Lankan banks. This study's cross-sectional design limits causal inference, and self-reported data may involve response bias. Future research should consider longitudinal methods and explore other moderators like organizational culture or psychological safety. Broader sectoral or cultural comparisons could improve generalizability.

Keywords: exploitative leadership, knowledge hiding, leader-member exchange, social exchange theory (SET)

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INTRODUCTION

Knowledge hiding (KH) involves the intentional act of not sharing information or insights when asked by others (Silva, Oliveira, & Brohman, 2022). This behaviour can negatively impact individuals, damage workplace relationships, and undermine organizational success (Connelly, Zweig, Webster, & Tougakos, 2012). Given its increasing prevalence in organizational environments, KH has gained considerable interest from both scholars and practitioners in recent years (Di Vaio, Hasan, Palladino, Profita, & Mejri, 2021). Despite growing interest, there remains a lack of research examining the root causes of KH. While previous studies have investigated how positive leadership styles, such as ethical (Koay & Lim, 2022), altruistic (Abdillah, Wu, & Anita, 2022), and empowering leadership (Lin, Zhang, Ng, & Zhong, 2020), can reduce KH, there is still insufficient evidence on how negative or dysfunctional supervisory behaviours contribute to the emergence of KH. Thus far, research has primarily focused on abusive supervision as a key driver of KH (Agarwal, Avey, & Wu, 2022), leaving a significant gap in understanding the influence of other forms of negative supervisory behaviour on this phenomenon. This opens opportunities for further investigation into a broader range of dysfunctional leadership styles that may foster knowledge concealment.

Exploitative leadership (EL), though commonly observed in workplaces, remains relatively underexplored as a negative leadership style rooted in self-serving motives (Hussain, Hussain, Noor, & Khattak, 2024). Defined as leadership driven primarily by personal gain at the expense of others, EL poses a significant concern because of its potential impact on employee attitudes and behaviours, an area that has received limited empirical attention (Abdulmuhsin, Zaker, & Asad, 2021). Importantly, EL is a manageable issue that can be mitigated through targeted organizational strategies (Guo, Cheng, & Luo, 2021). Therefore, investigating EL as a contributing factor to KH is both timely and relevant, offering practical insights for prevention and control. In line with this, Khalid and Aftab (2024) emphasized the importance of examining the relationship between EL and KH.

KH negatively affects employee outcomes, and in today's knowledge-driven environment, understanding both its causes and consequences is increasingly critical (Nawaz, Gu, & Jiang, 2024). Although research suggests that KH disrupts information flow within organizations and affects outcomes at the individual level (Duan et al., 2022), studies investigating the consequences of KH are still limited (Connelly & Zweig, 2015). Notably, the potential pathway linking EL to KH remains unexplored. To address this gap, our study investigates EL as a key antecedent of KH. Grounded in Social Exchange Theory (SET), we examine whether employees' perceptions of EL lead to increased KH in the workplace.

This study contributes to the growing literature on KH by exploring both its causes and consequences. Beyond assessing the direct influence of EL on KH, it also emphasizes the moderating role of leader-member exchange (LMX), providing deeper insights into the impact of EL on knowledge-related behaviors within organizational settings.

METHODOLOGY

Sri Lanka's banking sector accounts for 5.7% of the country's GDP (Department of Census & Statistics, 2024), plays a crucial role in driving economic progress and maintaining financial stability. With an estimated 177,000 individuals employed in financial and insurance services (Department of Census & Statistics, 2024b, p.17), the sector's substantial workforce highlights the essential role of employee commitment in ensuring long-term success. The industry's reliance on specialized knowledge, rapid digital transformation, and strict compliance demands can sometimes lead employees to feel that their skills exceed job requirements.

Convenience sampling was employed, as it provided easy access to employees in the Sri Lankan banking sector through personal and professional networks (Creswell, 2003). This method allowed for quick and cost-effective data collection while minimizing logistical barriers (Etikan, Musa, & Alkassim, 2016). Participants were informed about the purpose of the study and assured of the confidentiality of their responses to help minimize common method bias (Podsakoff et al., 2012). Only employees with at least six months of experience were included to ensure data reliability. Out of 400 questionnaires distributed, 253 valid responses were collected (63.25% response rate).

Among respondents, 56% were male, and 44% were female. Most (75%) were married, and 49% were aged between 30 and 39 years. In terms of education, 35% held postgraduate degrees, and 31% possessed professional qualifications. approximately 61% had over six years of experience, with 56% in executive roles and 32% in managerial positions.

Measures

The study utilized validated scales from previous research to measure the constructs in the proposed model. All survey items were presented in English, given its widespread use in both academic and professional contexts in Sri Lanka. Participants responded using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

Exploitative Leadership

The scale used to assess exploitative leadership was adapted from Schmid, Pircher Verdorfer, and Peus (2019) and consisted of 15 items. Example statements include, "Assumes my work can be used for their personal gain" and "Applies pressure on me to fulfill their own objectives." The scale's internal consistency was confirmed with a Cronbach's alpha of 0.78, indicating acceptable reliability.

Knowledge Hiding

KH was measured using a 12-item scale adapted from Connelly et al. (2012). Sample statements include, "I agreed to provide help but had no intention of doing so," "I claimed I didn't know the answer even when I did," and "I told them I wasn't allowed to share the information." The scale demonstrated strong internal consistency, with a Cronbach's alpha of 0.89.

Leader–Member Exchange

LMX was measured using a seven-item scale developed by Graen and Scandura (1987). Example items include "My supervisor is aware of the challenges I face at work" and "My supervisor acknowledges my capabilities." The scale demonstrated high internal consistency, with a Cronbach's alpha of 0.88.

Control Variables

To control potential demographic influences on KH, gender, age, and job tenure were included as control variables. Gender was coded as a binary variable (male = 1, female = 0), while both age and tenure were measured in years.

RESULTS AND DISCUSSION

Reliability Test

Table 1: Reliability analysis

Variables	Cronbach's alpha value	No. of questions
EL	0.78	15
KH	0.89	12
LMX	0.88	07

(Source - Reliability analysis by SPSS)

As indicated in Table 1, the Cronbach's alpha values for all constructs ranged from 0.78 and 0.88, aligning with widely accepted reliability benchmarks. Generally, alpha values above 0.7 are deemed acceptable, reflecting satisfactory internal consistency and suggesting that the measures used are reliable (Nunnally & Bernstein, 1994).

Correlation Analysis

Table 2: Two-tailed correlation analysis

		EL	KH	LMX
EL	Pearson correlation	1		
	Sig. (2-tailed)	.000		
	N	253		
KH	Pearson correlation	.52**	1	
	Sig. (2-tailed)	.000	.000	
	N	253	253	
LMX	Pearson correlation	-.41**	-.48**	1
	Sig. (2-tailed)	.000	.000	.000
	N	253	253	253

(Source - Correlation analysis by SPSS)

In Table 2, the Pearson correlation coefficient between EL and KH is 0.52, indicating a moderate positive relationship. The significance level of 0.000 ($p < 0.01$) confirms that this association is statistically significant at the 1% level, meaning higher levels of perceived EL are linked to increased KH among employees. Additionally, the correlation between EL and LMX is -0.41, reflecting a moderate negative relationship. This correlation was also statistically significant at the 0.01 level ($p = 0.000$), indicating that as perceptions of exploitative leadership increase, the quality of the leader–member relationship tends to decline. These findings support the conclusion that EL is positively related to KH and negatively related to LMX, with both relationships being statistically significant.

Moderation Analysis

Table 3: SPSS Output for Moderation Analysis

Model summary

Coefficients	B	R^2	t	Sig.
EL	.52**	.270	9.84	0.000
LMX	-.33**	.352	-6.11	0.000
EL * LMX (Interaction Term)	-.28**	.410	-4.93	0.000

(Source - Regression analysis by SPSS)

The regression analysis revealed a significant positive association between EL and KH, with a coefficient of 0.52 ($p < 0.001$). This means that employees who perceive their leaders as exploitative are more inclined to withhold knowledge. Additionally, LMX demonstrated a significant negative relationship with KH (coefficient = -0.33, $p < 0.001$), indicating that individuals who experience strong and positive relationships with their leaders are less prone to engage in KH behaviors.

Importantly, the interaction effect between LMX and EL was also significant (interaction term = -0.28, p = 0.001), highlighting LMX's moderating influence. This suggests that the detrimental impact of EL on KH is reduced when LMX is high, particularly in contexts where employees perceive a strong leader–member relationship.

Guided by SET, this study examined the relationship between EL and KH, specifically the extent to which LMX shapes this relationship. The results affirm that exploitative leadership contributes to increased knowledge-hiding behavior among employees. However, the influence of EL is notably weaker when employees report high-quality interactions with their leaders. This finding supports the notion that supportive and trust-based leader-member relationships can mitigate the harmful effects of negative leadership styles. In essence, LMX serves as a moderating factor in the relationship between EL and KH. Even when leaders demonstrate exploitative tendencies, employees with strong relational bonds with their supervisors are less likely to conceal knowledge, likely due to the sense of trust, mutual respect, and reciprocity embedded in those relationships.

CONCLUSIONS/RECOMMENDATIONS

This study demonstrates that EL increases KH among Sri Lankan bank employees, but strong, trusting LMX can reduce this effect. When LMX is weak, EL leads to more KH. To combat this, organizations should promote ethical leadership, build trust between leaders and staff, encourage open knowledge sharing, provide safe channels to report issues, and regularly monitor leadership behavior. Adapting HR practices based on LMX quality can further improve employee engagement and reduce knowledge hiding.

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