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Transformational Leadership and Virtual Knowledge Sharing: The Moderating Role of Digital Emotional Intelligence (DEI)

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MADRID | May 2026

Abstract

Research question: Does Digital Emotional Intelligence (DEI) moderate the relationship between transformational leadership and knowledge sharing in virtual teams?

As artificial intelligence automates increasing portions of organizational work, the human capacity for emotional connection and tacit knowledge transfer becomes the primary remaining source of competitive advantage. Yet the shift to virtual collaboration strips away the non-verbal cues through which transformational leaders build the trust necessary for knowledge sharing. This thesis investigates Digital Emotional Intelligence (DEI), defined here as the ability to perceive, facilitate, understand, and regulate emotions through digitally mediated interaction, as the key factor that determines whether a transformational leader can successfully foster knowledge sharing in a virtual context.

Through a systematic literature review of organizational behavior, cognitive-emotional psychology, and knowledge management research spanning 1986 to 2026, the study develops a moderation model in which DEI determines whether the critical link of disclosure-based trust can function at all in digital settings. The theoretical architecture demonstrates that when DEI is absent, the most organizationally valuable form of sharing, the socialization of tacit knowledge, stalls entirely, producing intellectual leakage. The central hypothesis is that the positive correlation between transformational leadership and team knowledge sharing is significantly stronger for leaders with high levels of DEI than for those with low levels. The findings carry practical implications for leadership development: general emotional intelligence training is necessary but insufficient. Organizations must instead develop context-specific digital translations of emotional competencies to sustain team collaboration and protect the social conditions through which tacit knowledge is created and shared.

Keywords: Transformational Leadership, Digital Emotional Intelligence, Knowledge Sharing, Virtual Teams, Disclosure-Based Trust, Tacit Knowledge, Intellectual Capital

Key Concepts and Definitions

The following table provides brief definitions of the core concepts used throughout this thesis.

Concept	Definition	Source
Transformational Leadership	A leadership style that motivates people to work toward shared goals rather than personal gain, by inspiring, challenging, and personally supporting each team member.	Bass (1985); Ashkanasy & Tse (2000)
Knowledge Sharing	The voluntary exchange of knowledge between people in an organization, supporting collective problem-solving and turning individual expertise into lasting organizational value.	Nonaka et al. (2008); Bontis et al. (2000)
Emotional Intelligence (EI)	The ability to read, use, understand, and manage emotions. Unlike personality, it is a learnable skill that can be developed and applied in specific contexts.	Mayer & Salovey (1997)
Digital Emotional Intelligence (DEI)	The ability to read, use, understand, and manage emotions specifically through digital communication, such as picking up on tone in written messages and shaping the emotional atmosphere of a virtual team.	Mayer & Salovey (1997); Lopez-Figueroa et al. (2025)
Virtual Ba	A shared digital space that allows unspoken, experience-based knowledge to surface and flow between team members. Unlike in physical workplaces, this space does not emerge on its own and must be actively created by the leader.	Nonaka et al. (2008)
Moqi	A state of natural, unspoken coordination in which team members understand each other well enough to act in sync without needing explicit instructions. It develops organically out of sustained trust and mutual empathy.	Yu et al. (2023)
Disclosure-Based Trust	The sense of safety that allows a team member to be vulnerable, such as sharing an unfinished idea, without fear of judgement. It is especially difficult to build remotely because it normally relies on non-verbal signals.	Lee et al. (2010)
Intellectual Leakage	The organizational loss that occurs when individual knowledge and expertise is never shared or recorded and therefore disappears rather than becoming a permanent asset of the organization.	Bontis et al. (2000)
Media Richness	The degree to which a communication channel can convey emotional nuance and reduce misunderstanding. Face-to-face is the richest medium; plain text is the leanest, and over-reliance on lean channels can undermine emotionally complex leadership communication.	Daft & Lengel (1986)

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1. Introduction

1.1 Research Background and Motivation

In the digitally accelerated landscape of 2026, Artificial Intelligence has become a central component of organizational workflows, rewiring the nature of how work is executed. While this change has boosted efficiency, it also has created a 'de-humanization' paradox. As technology becomes a commodity, human insight, connection, and skills become more valuable than ever (Layne/HBS, 2025).

Leadership relies on resonance, or a shared sense of positivity that sustains team engagement. In virtual environments, leaders lose the physical connection that drives this feeling and keeps their team's emotions in check (Goleman et al., 2002). This matters because humans function as open-loop social systems: they depend on their leaders to help maintain emotional stability. When that regulating connection is weakened by distance or digital mediation, teams become vulnerable to disengagement and mistrust.

This vulnerability is compounded by what Media Richness Theory calls the digital poverty trap. Lean digital media such as email or Slack lack the communicative bandwidth needed to resolve ambiguity, meaning that a leader's transformational intent can become distorted in transit (Daft & Lengel, 1986). Without face-to-face interaction, followers may receive a message that was meant to inspire as though it were just procedural or interpret a tone of urgency as one of pressure. The result is digital dissonance: a state in which the gap between intended and received meaning blocks the flow of knowledge (Goleman et al., 2002).

Therefore, there is an urgent need to identify the specific competencies that protect the human element of work in an increasingly automated world. This thesis proposes that the answer lies in Digital Emotional Intelligence (DEI), which is the capacity to apply the four-branch model of emotional intelligence within digitally mediated interaction (Mayer & Salovey, 1997). Leaders with high DEI can decode emotional subtext from textual cues, calibrate tone across asynchronous channels, and regulate a virtual team's emotional climate in ways that sustain the trust necessary for knowledge sharing.

1.2 Research Question and Objectives

The central research question of this thesis is: Does Digital Emotional Intelligence moderate the relationship between transformational leadership and knowledge sharing in virtual teams?

To answer this, the thesis pursues three objectives. First, it synthesizes existing literature to establish the emotional and trust-based mechanisms through which transformational

leadership enables knowledge sharing. Second, it develops a theoretical model in which DEI functions as the boundary condition for this process in virtual settings. Third, it evaluates that model against the synthesized scholarly evidence to assess its theoretical credibility and generate directions for future empirical research.

The theoretical model is structured around four propositions and one overarching hypothesis. The propositions are theoretical claims derived from the literature, each isolating a specific mechanism in the leadership-to-knowledge-sharing chain and asserting a relationship that is conceptually grounded but not yet empirically verified in the specific context of DEI moderation. The hypothesis is an integrative and empirically testable prediction stemming from the combined weight of all four propositions. This distinction matters because the propositions builds the theoretical case step by step, while the hypothesis is the single claim that future empirical research can directly put to the test. Both are forms of possibility, but they serve different functions within the argument. Section 4 develops and justifies each in turn, and Section 1.3 maps where each appears in the overall structure of the thesis.

This research contributes to the soft skills gap identified in digital leadership literature by framing DEI as a distinct construct, not merely general emotional intelligence applied in a new setting, and not simply digital literacy. It provides a psychological account of why virtual collaboration so often falls short of its potential and offers a conceptual framework that future researchers can test with primary data. When DEI is absent, the consequences for organizations are not simply a reduction in performance but a silent, structural loss of the tacit knowledge that drives innovation and competitive advantage, often without anyone realizing it is happening.

1.3 Structure of the Thesis

This thesis is organized into six distinct chapters. Chapter I establishes the research background, identifying the 'de-humanization' paradox where AI integration makes human resonance more valuable yet harder to maintain in virtual environments. Chapter II presents the literature review that establishes the emotional foundations of transformational leadership and the trust-based pathway to knowledge sharing. Chapter III describes the systematic literature review methodology used to evaluate the framework.

Chapter IV organizes the conceptual building blocks into a theoretical model and derives the research hypothesis. Chapter V presents the discussion, examining how the evidence supports

each proposition in the model and addressing the most significant counter-argument. Finally, Chapter VI provides the conclusion, theoretical contributions, and directions for future research.

2. Literature Review

2.1 The Primal Task: Emotional Resonance and Its Digital Challenge

Leadership is fundamentally an emotional endeavor. According to the concept of "Primal Leadership", a leader's primary responsibility is to cultivate a shared emotional climate that unlocks a team's full potential (Goleman et al., 2002). This resonance is critical because humans function as "open-loop" social systems that rely on connections with others, particularly with their leaders, to maintain emotional stability (Goleman et al., 2002). When a team is resonant, it moves in harmony. When resonance breaks down, even technically capable teams are unable to work in sync.

The mechanism underlying resonance is explained through Affect Control Theory (ACT), which suggests that social interactions are driven by the need to maintain a shared emotional understanding (Heise, 1989). In practice, people try to minimize deflection which is the cognitive friction that arises when there is a gap between their expectation of how a leader should behave and the actual impression the leader creates in each interaction. Consider a practical example: a manager sends a late-night Slack [1] message during a stressful project deadline that reads, can we sync on this tomorrow morning? The words are neutral, but without vocal tone or facial expression, a team member may read urgency, irritation, or even implied criticism into the message. The manager intended reassurance; the receiver experienced anxiety. That gap is deflection in action, and it is far more likely in virtual settings where the non-verbal cues that normally close it are absent.

Without this alignment, teams experience a concept called "digital dissonance". a breakdown in shared feeling that suppresses productivity and prevents the coordinated sharing of knowledge (Goleman et al., 2002). People do not voluntarily share half-formed ideas or take creative risks in an environment that feels emotionally unsafe. Resonance is therefore not a soft supplement to effective leadership. Instead, it is the precondition for the flow of knowledge that drives organizational performance.

2.2 The Empirical Link: Emotional Intelligence and Transformational Leadership

Research has confirmed that transformational leadership is fundamentally dependent on the evocation, framing, and mobilization of emotions (Ashkanasy & Tse, 2000). Empirical findings demonstrate a strong positive correlation ($r = 0.675$, $p < 0.01$) between total emotional intelligence (EI) and transformational leadership styles (Gardner & Stough, 2002). Specific components of EI, including the understanding of others' emotions and the management of emotional expression, are the strongest predictors of a transformational leadership style. Leaders high in EI use emotions to improve decision-making, inspire enthusiasm, and build trust across their interpersonal relationships (Gardner & Stough, 2002).

This correlation is the quantitative baseline for the present study. However, it was established in conventional organizational settings where leaders and teams shared physical space. As the following sections argue, this baseline is contextually variable: it holds under conditions of communicative richness and degrades under conditions of communicative poverty. The theoretical question this thesis addresses is what determines the extent of that degradation in virtual settings, and the answer proposed is the leader's level of Digital Emotional Intelligence.

This is particularly relevant as the shift to AI-orchestrated workflows in 2026 makes human judgment and the ability to build meaningful relationships a primary source of competitive advantage (Layne/HBS, 2025). The distinction between emotional aptitude and emotional achievement, introduced by Mayer and Salovey (1997), is central here. Emotional aptitude refers to the underlying capacity for emotional processing. Emotional achievement refers to the learned, context-specific application of that capacity within a particular communicative environment. A leader may have cultivated high emotional aptitude through years of face-to-face leadership while having developed little digital emotional achievement, because the social rules of digital communication are meaningfully different from those of physical interaction. This is part of the theoretical contribution of the present study and is elaborated further in Chapter 4.

2.3 The Virtual Ba and Phronetic Leadership

Before examining how knowledge flows between people, it is necessary to understand the shared context in which it is created. Nonaka et al. (2008) develop the concept of the Ba, defined as a shared context in motion: a space, physical or virtual, where people interact in ways that allow tacit knowledge to surface and circulate. In a conventional office, the Ba

emerges largely without deliberate effort, through informal conversations, spontaneous collaboration, and the ambient social dynamics of shared physical space.

In virtual settings, this space must be consciously constructed. The Virtual Ba is the digital equivalent: a deliberately designed communicative environment where team members feel safe enough to share intuitive insights, test ideas, and coordinate without needing everything to be formally specified. Without a functioning Virtual Ba, teams default to the exchange of explicit, documented information. They share what they are willing to write down and attribute to themselves, which is a much narrower subset of what they actually know. The tacit knowledge that drives innovation never surfaces.

The leader's role in building the Virtual Ba connects directly to the concept of Phronetic Leadership, or leadership guided by practical wisdom (Lopez-Figueroa et al., 2025). Phronetic leaders do not simply manage tasks; they read the nature of each situation and create the conditions for knowledge to emerge. In digital settings, this requires a balance of technical proficiency and human-centered competence. It requires knowing when a team needs a synchronous video call rather than an asynchronous thread, and when the right move is to acknowledge the emotional weight of a difficult period before advancing through the work agenda. Whether these choices are actually possible in practice is an important question; the short answer is yes, but only for a leader who has developed the digital emotional intelligence to read the team's state through textual and behavioral cues. That reading capacity is what DEI provides.

2.4 Digital Trust and the Mediated Flow of Knowledge

The relationship between leadership and knowledge sharing is heavily mediated by trust, specifically reliance-based trust and disclosure-based trust (Lee et al., 2010). Reliance-based trust is the willingness to depend on another's competence and judgment. It can be established and maintained through demonstrated expertise and consistent delivery, both of which survive the transition to digital media reasonably well. Disclosure-based trust is different. It requires a team member to perceive not just that the leader is competent, but that the emotional environment is safe enough to permit vulnerability.

In a digital environment, trust is fragile in ways it is not in physical environments. The willingness to be vulnerable, such as sharing a half-formed idea, is impacted by the permanent nature of digital text as well as the lack of immediate non-verbal reassurance (Lee

et al., 2010). For example, a Slack or email message exists on permanent record. It is searchable and attributable long after the emotional context that made it feel safe to share has dissolved. When trust breaks down, knowledge sharing declines.

DEI serves as a richness multiplier, allowing transformational leaders to overcome these limitations. Leaders with high DEI can read hesitation and tone shifts in written messages, recognize when a team member has withdrawn from conversation, and respond in ways that lower the perceived risk of disclosure before a trust failure occurs. By mastering these forms of electronic communication, they establish electronic trust, enabling the continuous transformation of individual human capital into structural capital (Bontis et al., 2000; Lopez-Figueroa et al., 2025). In short, DEI is the relational mechanism that stops a team from drifting into individual isolation. It allows a leader to make a cold digital message feel like a genuine human connection by creating the safety that knowledge sharing depends on (Lee et al., 2010; Yu et al., 2023).

2.5 Digital Translation of The Four-Branch Model

To understand DEI as a moderator, the foundational Four-Branch Model of Emotional Intelligence must be understood first. This model defines EI not as a personality trait, but as a mental ability involving problem-solving and the "power to combine and separate" emotional concepts. This model organizes EI into a hierarchy: the perception of emotion, the use of emotion to facilitate thought, the understanding of emotional transitions, and the reflective regulation of emotions (Mayer & Salovey, 1997). This model treats EI as a learnable, context-specific skill rather than a fixed characteristic, which is precisely what makes its digital translation theoretically meaningful.

DEI involves the ability to identify emotions in language and digital subtext and adapt accordingly. Perception evolves into the ability to decode emotional subtext from response times, choice of words, punctuation patterns, and the relative presence or absence of a team member in digital channels. Facilitation means calibrating the tone of written communication to match the emotional needs of the team at a given moment. Understanding requires the leader to anticipate how messages sent asynchronously will be received out of the emotional context in which they were written. Regulation becomes the deliberate management of the team's virtual emotional climate through choices about media, timing, and communicative register. This digital translation is what DEI represents, and it requires context-specific

learning that cannot be assumed to transfer automatically from physical leadership experience (Lopez-Figueroa et al., 2025).

2.6 Digital Charisma and the Perception of Leadership

Effective leadership in a digital medium is as much about impression management as it is about technical oversight, as charisma is a social-cognitive process that lies in the "eyes of the beholder" (Steyrer, 1998). Transformational leaders often utilize "social dramatization", or the intensification of stereotypical leadership qualities, to inspire followers moving them from individual to collective interests (Steyrer, 1998). Steyrer identifies several such archetypes including the Hero (who provides courage and decisiveness), the Mentor (who guides and supports), and the Visionary (who offers direction and purpose). In physical settings, these archetypes are communicated through a combination of verbal content, vocal tone, posture, and physical presence, all of which work simultaneously and often without conscious effort.

In a digital environment, the leader must encode these same archetypes into text or, at best, video, and the follower must decode them with far less contextual information. The risk is that a leader's attempt to project the Hero archetype reads as authoritarian rather than decisive, or that a Mentor's encouragement reads as hollow or even passive-aggressive. DEI acts as the moderator by allowing the leader to navigate what Steyrer calls the "impression continuum". This is the the ongoing process by which followers update and consolidate their perception of who the leader is. A high-DEI leader communicates more precisely and adjusts their expressive choices to the constraints of the digital channel so that their transformational intent arrives intact.

2.7 Psychological Safety as the Gateway to Tacit Coordination

As proposed by the Self-Determination Theory, motivation is driven by three innate needs: autonomy (control over actions), competence (feeling capable), and relatedness (connection to others) (Ryan and Deci, 2000). A critical prerequisite for these needs is "Psychological Safety" which is found in an environment where employees feel they can share ideas and take risks without fear of humiliation or retribution (Edmondson, 1999). This safety environment is the equivalent to a "resonant" environment described in primal leadership, which generates positivity that creates freedom and desire to express knowledge (Goleman et al., 2002; Edmondson, 1999).

When a transformational leader utilizes DEI to foster this safety, the team can reach the peak of collaboration: Moqi. Again, Moqi is the “shared understanding and tacit cooperation among team members” that allows them to coordinate without the need for verbal or explicit instruction. Because virtual teams often suffer from an “empathy gap” due to the lack of physical cues, Moqi acts as a compensatory mechanism (Yu et al., 2023). High-DEI leaders bridge this gap by demonstrating digital empathy, creating the socio-emotional exchange that allows team members to align their intentions and anticipate each other's needs. Moqi is not a process that can be installed; it is the organic outcome of sustained psychological safety and DEI-mediated leadership over time.

2.8 Converting Human Capital into Structural Capital

The conversion of human capital, which is the individual skills, intuitions, and experiential knowledge held by each team member, into structural capital, which is the organizational processes, documented knowledge, and institutional memory that persist beyond any individual employee, is the ultimate organizational consequence of successful knowledge sharing. While human capital is the “source of innovation”, it remains volatile. It belongs to individuals who may leave, be reassigned, or simply never believe that what they know is worth sharing (Bontis et al., 2000). Research consistently identifies trust, relationship quality, and perceived safety as the most important conditions for voluntary knowledge sharing in organizational settings, reinforcing the idea that the social environment a leader creates is at least as important as any formal knowledge management system put in place (Wang and Noe, 2010).

Transformational leaders facilitate this flow by providing an environment where people are willing to share. However, in 2026, the primary bridge for this conversion is digital, involving a “Virtual Ba” or shared context in motion. A leader with low DEI may encounter resistance, as employees could fear their knowledge makes them replaceable as AI rewires how work gets done (Layne/HBS, 2025). Conversely, a leader with high DEI understands these emotional barriers and in response creates a digital culture that encourages the socialization of tacit knowledge, therefore preventing “intellectual leakage” and protecting the organization's most valuable and least visible resource (Bontis et al., 2000; Nonaka et al., 2008).

2.9 Summary of the Moderating Role of DEI

This literature review suggests that while transformational leadership provides the intent to share knowledge, DEI provides the capability required to execute that intent in a digital context. By serving as a "richness multiplier", DEI allows leaders to inject emotional depth and clarity into lean media, enabling teams to reach a shared understanding (Daft & Lengel, 1986). DEI also acts as stable grounds for digitally fragile trust, specifically by fostering disclosure-based trust through reducing the perceived risks associated with vulnerability in permanent digital text (Lee et al., 2010). This competency is also foundational to building change fitness. Change fitness is a core capability necessary as AI transitions from a peripheral tool to a central workflow orchestrator. (Layne/HBS, 2025). Ultimately, through these combined mechanisms, the positive correlation between transformational leadership and knowledge sharing is expected to be significantly amplified by high levels of Digital Emotional Intelligence (Ashkanasy & Tse, 2000; Gardner & Stough, 2002).

3. Methodology

3.1 Research Design and Philosophical Positioning

This research employs a Systematic Literature Review (SLR) methodology to investigate the moderating role of Digital Emotional Intelligence on the relationship between transformational leadership and virtual knowledge sharing. The choice of methodology is grounded in the research question itself. The study seeks to define DEI as a distinct and unified construct, build a model around it, and evaluate the credibility of that model against the selected scholarly evidence. A Systematic Literature Review is the appropriate method for this work because it provides a transparent, reproducible framework for synthesizing knowledge across theoretical traditions while also minimizing the selective bias that can affect less structured literature-based approaches (Moher et al., 2009).

Because Digital Emotional Intelligence cannot be directly observed or captured by a single measurement tool, this thesis highlights the intersection of several theoretical frameworks and evaluates how well it explains the leadership-to-knowledge-sharing dynamic (Tranfield, Denyer and Smart, 2003).

3.2 Search Strategy and Database Selection

The literature search was conducted across two primary databases: Google Scholar and ResearchGate. Google Scholar provides a widespread coverage across peer-reviewed journals, working papers, and high-impact industry research. This makes it suited for a topic that combines organizational behavior, psychology, and digital workplace studies. ResearchGate complements this by providing access to pre-publication versions of recent empirical studies, which was especially important for identifying the most current work on digital leadership and virtual team dynamics.

Search terms were selected to cover the three pillars of the study. For the independent variable, terms included "transformational leadership," "charismatic leadership," and "knowledge builder role." For the dependent variable, terms included "knowledge sharing," "virtual collaboration," "team knowledge," and "intellectual capital." For the moderating mechanism, terms included "digital emotional intelligence," "emotional intelligence virtual teams," "e-leadership," "digital leadership," and "media richness."

3.3 Inclusion and Exclusion Criteria

The sources range from 1986 to 2026. The lower bound of 1986 corresponds to the publication of Media Richness Theory (Daft & Lengel, 1986), which provides the foundational logic for the digital poverty trap argument central to this thesis. Including foundational sources from this period is theoretically justified, not merely conventional: modern frameworks for understanding digital communication are built directly on top of these earlier conceptual foundations. A study of emotional intelligence in digital settings that excluded the four-branch model on grounds of its age would be missing the architecture of its own argument (Mayer & Salovey, 1997). The extended range also allows the study to trace how the conceptual landscape has shifted across decades in which work environments changed dramatically, from pre-digital office settings to fully distributed AI-mediated teams.

Sources were included if they met the following criteria: a publication in a peer-reviewed journal or a credible industry research report, has relevance to at least one of the three thematic pillars of the study, and is an organizational application of emotional intelligence concepts. Sources were excluded if they addressed leadership exclusively in face-to-face contexts without any discussion of mediated or virtual communication, or if they discussed emotional intelligence in contexts with no organizational dimension.

The final selection consists of primary sources spanning organizational behavior, cognitive psychology, knowledge management, and digital leadership. Each source was selected because it contributes to the critical theoretical or empirical elements developed in Chapter 4.

3.4 Data Extraction and Thematic Synthesis

The analytical process followed a thematic synthesis approach, which is the standard method for SLRs in management and organizational research that aim to produce theoretical rather than only descriptive outputs (Thomas and Harden, 2008). Thematic synthesis involves three stages, (1) the initial coding of source content according to conceptual themes, (2) the development of descriptive themes that organize those codes into coherent clusters, and (3) the generation of analytical themes that go beyond what any individual source states to produce new theoretical insights.

In the first stage, sources were tagged against four conceptual categories corresponding to the four propositions developed in the theoretical framework: the leadership-to-knowledge-sharing relationship, the trust mediation structure, the DEI moderation mechanism, and the tacit knowledge socialization dynamic. This process revealed where multiple sources independently supported the same theoretical claim and where sources appeared to pull in different directions.

In the second stage, descriptive themes were developed from the coded material. Five themes emerged as central to the synthesis: (1) the emotional foundation of transformational leadership, (2) the dual-referent trust structure and its digital fragility, (3) the communicative constraints of lean media, (4) the tacit knowledge socialization gap in virtual environments, and (5) the boundary condition function of DEI. These themes mapped directly onto the sections of the Literature Review and the propositions of the Theoretical Framework.

In the third and analytically generative stage, the thematic relationships were cross-examined to produce claims that go beyond what existing sources have already established. Producing cross-theoretical synthesis is the specific analytical contribution that a SLR is designed to make.

3.5 Limitations of the Methodology

The most significant limitation of this study is the absence of primary empirical data, which is a structural feature of an SLR rather than an oversight. The moderation model developed in Chapter 4 is theoretically grounded and internally consistent, but it has not been tested against real organizational data The claim that high-DEI leaders generate significantly stronger leadership-to-knowledge-sharing correlations than low-DEI leaders is a directional hypothesis awaiting primary research.

A related limitation concerns the construct validity of DEI itself. Because DEI is synthesized in this study rather than drawn from a pre-existing validated tool, there is no established measurement that could be used to test the hypothesis in primary research. This is not unusual for early-stage theoretical work as the four-branch model itself came before the development of any sort of validated EI measurement tools by several years (Mayer and Salovey, 1997). However, it does mean that the execution of DEI for empirical testing remains an important open question that future research will need to address.

Finally, the database selection carries the limitation that there could be an absence of indexing which means that some relevant sources in more specialized journals may not have been captured. This could be the result of database access limitations. Future research building on this framework would benefit from a more comprehensive database search to ensure full coverage of the existing DEI literature.

4. Hypothesis Development

This chapter organizes the conceptual groundwork laid in Chapter 2 into a theoretical model. Its purpose is to clarify the relationships between variables, identify the precise mechanism through which DEI operates as a moderator, and derive the research hypothesis. The chapter works through four propositions, each targeting a specific link in the chain that connects transformational leadership to virtual knowledge sharing, before bringing them together into a single empirically testable hypothesis. As noted in Chapter 1, the propositions establish the theoretical architecture of the argument. The hypothesis is what follows from them, and what future empirical research can directly put to the test.

The framework is built at the intersection of three established theoretical traditions: transformational leadership theory, knowledge management theory, and cognitive-emotional psychology. The leadership theory explains what the leader is trying to do. The knowledge

management theory explains what outcome depends on the leader succeeding. The cognitive-emotional psychology explains why that success is contingent on a specific emotional competency. Together, they produce a model in which DEI is not simply one variable among many but functions as the sole condition that determines whether the leadership-to-knowledge-sharing pathway activates in a virtual environment.

4.1 The Core Relationship: Transformational Leadership and Knowledge Sharing

The starting point of the model is the empirically supported relationship between transformational leadership and team knowledge sharing. Transformational leaders create the psychological conditions under which team members become willing to contribute their knowledge to collective goals rather than protecting it for their own individual advantage (Steyrer, 1998). They do this through their exercise of idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. This shift from individual to collective orientation is the behavioral prerequisite for true knowledge sharing to occur.

The Gardner and Stough (2002) correlation of $r = 0.675$ between emotional intelligence and transformational leadership provides the quantitative baseline for this relationship. However, this figure was established in conventional organizational settings where leaders and teams shared physical space. This thesis treats it as a contextually variable value: a baseline that holds under conditions of communicative richness and degrades under conditions of communicative poverty. The central theoretical question is what determines the degree of that degradation in virtual settings.

Proposition 1: Transformational leadership behavior is positively associated with team knowledge sharing through the cultivation of collective orientation and psychological safety.

4.2 The Mediating Role of Trust

The relationship described in Proposition 1 is not direct. The pathway from leadership to knowledge sharing runs through trust, specifically through the distinct mechanisms of reliance-based trust and disclosure-based trust (Lee et al., 2010). This mediation structure is significant because it shifts the analytical focus from what the leader does to how the team receives and internalizes what the leader does. A leader can exhibit every behavioral marker

of transformational leadership and still fail to generate knowledge sharing if those behaviors do not successfully build trust.

Reliance-based trust, the willingness to depend on another's competence and judgment, is relatively strong in virtual settings. It can be established and sustained through demonstrated expertise, consistent delivery, and task-related credibility, all of which are able to be communicated through lean digital media without significant loss of signal. On the other hand, disclosure-based trust is a different matter entirely. It requires a team member to perceive not just that the leader is competent but that the emotional environment is safe enough to permit vulnerability. That perception depends heavily on non-verbal and linguistic cues that lean digital media systematically take away.

This asymmetry is the first theoretical justification for DEI as a moderator. If both forms of trust had equal power in digital settings, the leadership-to-knowledge-sharing pathway would function similarly in virtual and physical contexts. The specific fragility of disclosure-based trust specifically is what creates the gap that DEI must close.

Proposition 2: The relationship between transformational leadership and team knowledge sharing is mediated by trust, with disclosure-based trust being disproportionately fragile in virtual environments due to the absence of non-verbal communicative cues.

4.3 The Moderating Condition: Why DEI and Not General EI

If the problem were simply that virtual leaders need emotional intelligence, the solution would be straightforward, to select or develop leaders with high general EI and apply existing EI training frameworks. The theoretical contribution of this study is that this is insufficient, and the reason lies in the distinction Mayer and Salovey (1997) draw between emotional aptitude and emotional achievement.

Emotional aptitude refers to the underlying capacity for emotional processing. Which is the ability to perceive, use, understand, and regulate emotions. Emotional achievement refers to the learned, context-specific application of that capacity within particular social and communicative environments. A leader can possess strong emotional aptitude, developed and validated through years of face-to-face leadership, while having low emotional achievement in digital contexts because the social rules of digital communication are different from those

of physical interaction. This is one of the primary theoretical contributions of the present study: it identifies DEI as the digital achievement dimension of EI, and argues that organizations cannot assume its automatic transfer from physical to virtual settings.

López-Figueroa et al. (2025) found that the development of soft skills specific to digital spaces remains one of the primary obstacles to effective virtual leadership, because organizations tend to assume immediate transferability from physical to digital competencies. Steyrer's (1998) framework amplifies this concern that charismatic influence depends on impression management, and the signals through which impressions are formed and managed are fundamentally different in digital environments. A leader who has mastered the physical grammar of transformational leadership such as vocal modulation, physical presence, real-time emotional attunement, must essentially learn a new language when operating through text-based asynchronous channels.

DEI, as defined in this study, the four-branch structure, is that new language. It involves the digital-specific expression of each branch: (1) perceiving emotion through textual and temporal cues rather than facial expression (2) using emotional facilitation to calibrate the tone of digital communication (3) understanding how emotional states propagate through asynchronous channels where messages are received out of context (4) regulating the virtual team's emotional climate through deliberate choices about media, timing, and communicative register. General EI provides the aptitude, and DEI represents the achievement of applying that aptitude within digital interactions. (Mayer and Salovey, 1997)

Proposition 3: The effectiveness of transformational leadership in building disclosure-based trust in virtual environments is moderated by the leader's Digital Emotional Intelligence. This determines the level to which emotional competencies are successfully translated across the digital medium.

4.4 The Knowledge Management Dimension: Ba, SECI, and the Socialization Gap

The framework draws on a third theoretical tradition to explain what is at stake when the DEI moderator is absent. The knowledge management theory establishes that the most organizationally valuable form of knowledge sharing is not the transfer of explicit, documented information but the socialization of tacit knowledge. Tacit knowledge is the

intuitive, experiential understanding that exists in practice rather than in manuals and that forms the basis for innovation (Nonaka et al., 2008).

The SECI model identifies four conversion processes: Socialization (tacit to tacit), Externalization (tacit to explicit), Combination (explicit to explicit), and Internalization (explicit to tacit). Socialization is the most dependent on shared contextual experience. In physical workplaces, it occurs largely through ambient interaction—informal conversations, shared observations, and spontaneous collaboration. These conditions are fundamental for tacit knowledge sharing. Remove them and the Socialization process will stall, leaving the organization with access only to the explicit knowledge its members are willing to formally document.

This is what happens in poorly managed virtual environments. The default state of a digital workspace, without deliberate leadership intervention, is one that supports Combination but inhibits Socialization. The knowledge that circulates is the knowledge people are willing to write down and attribute to themselves, a much narrower subset of what they actually know. The result is intellectual leakage: the failure to convert human capital into structural capital because the social conditions for knowledge transfer were never established (Bontis et al., 2000). For the organization, the stakes extend beyond team morale, they reach the capacity to capture and retain the tacit knowledge that drives competitive advantage.

Proposition 4: In virtual environments, the absence of effective DEI-mediated leadership reduces team knowledge sharing primarily at the level of tacit knowledge socialization, producing intellectual leakage that cannot be compensated for by increases in explicit information exchange.

4.5 Synthesizing the Model: DEI as Boundary Condition

The four propositions above can now be integrated into a moderation model. The baseline relationship (P1) runs from transformational leadership to knowledge sharing. This relationship is mediated by trust, with disclosure-based trust identified as the critical and digitally vulnerable link (P2). DEI moderates the strength of this mediated pathway by determining whether the leader can successfully build and maintain disclosure-based trust through digital channels (P3). The organizational consequence of this moderation effect is felt

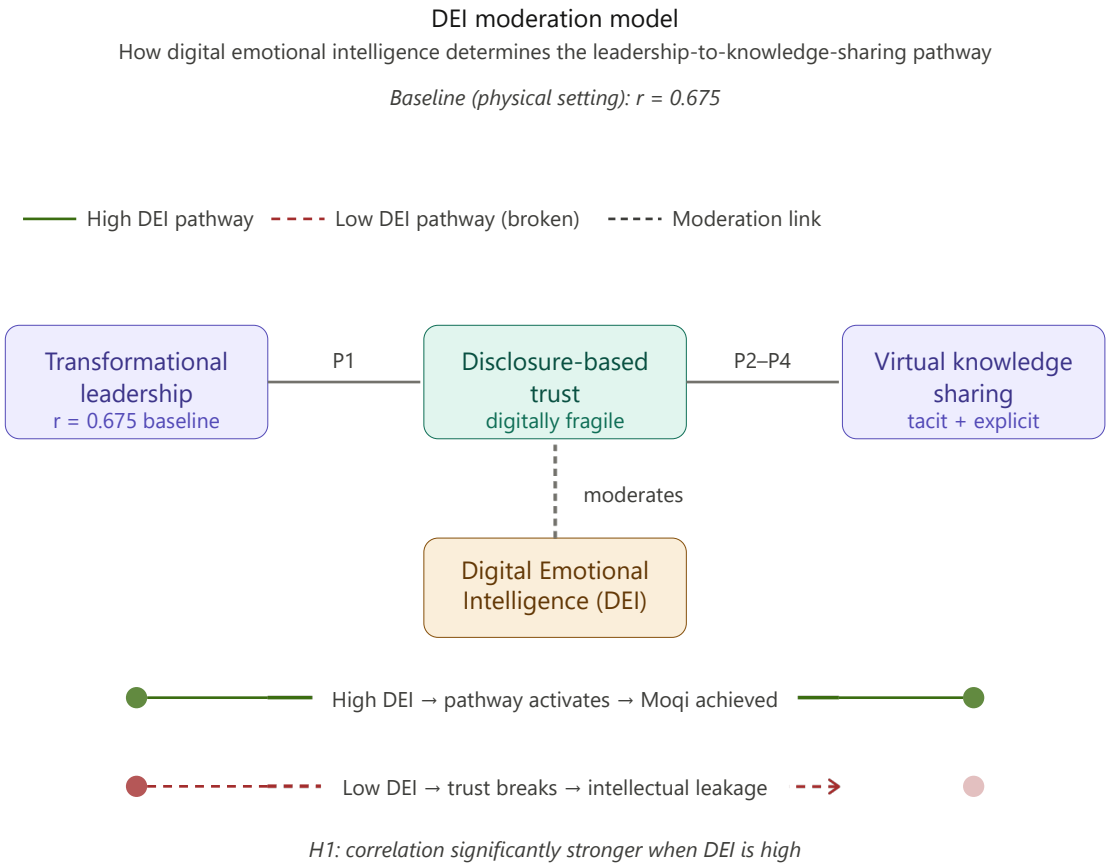
most acutely at the level of tacit knowledge socialization, where the absence of DEI produces measurable intellectual leakage (P4).

The model positions DEI not as a supplementary leadership competency but as a boundary condition. In virtual settings, the transformational leadership-to-knowledge-sharing pathway weakens and ultimately breaks in the absence of DEI. The leader's transformational intent may remain intact, but without the communication capability to translate that intent across digital channels, it does not reach the team in a form that generates the disclosure-based trust that knowledge sharing requires. The prediction is therefore not simply that high-DEI leaders will outperform low-DEI leaders on a continuous scale; it is that the positive effects of transformational leadership on knowledge sharing are effectively neutralized below a threshold of digital emotional competency.

The table and diagram below summarize the propositions and visualize the theoretical model.

Proposition	Core Claim	Key Sources
P1	Transformational leadership cultivates psychological safety and collective orientation, enabling knowledge sharing.	Gardner & Stough (2002); Steyrer (1998)
P2	The leadership-to-sharing relationship is mediated by trust; disclosure-based trust is disproportionately fragile in virtual settings.	Lee et al. (2010); Daft & Lengel (1986)
P3	DEI moderates the leader's ability to build disclosure-based trust through digital channels, determining whether the pathway activates.	Mayer & Salovey (1997); Lopez-Figueroa et al. (2025)
P4	Absent DEI, knowledge sharing fails at the socialization of tacit knowledge, producing intellectual leakage.	Nonaka et al. (2008); Bontis et al. (2000)

Figure 1: Theoretical Model (AI-Generated)



4.6 Hypothesis

The synthesis of these propositions, grounded in the empirical baseline established by Gardner and Stough (2002), the trust mediation framework of Lee et al. (2010), the communicative constraints identified by Daft and Lengel (1986), and the knowledge management imperatives of Nonaka (2008), generates the following directional hypothesis:

H1: The positive correlation between transformational leadership and team knowledge sharing is significantly stronger for leaders with high levels of Digital Emotional Intelligence than for those with low Digital Emotional Intelligence.

This hypothesis reflects the cumulative weight of the theoretical evidence in this framework. Each of the four propositions above independently supports the prediction that DEI strengthens the leadership-to-sharing pathway. Taken together, they suggest that the moderation effect is substantial, because DEI operates at the level of the mediating

mechanism (trust) rather than as an influence on the outcome variable. A moderator that determines whether the mediator functions is a high-leverage variable and it justifies treating DEI as a boundary condition rather than simply one factor among many.

5. Discussion

5.1 The De-Humanization Paradox: Why Human Skills Matter More in 2026

The irony that emerges from this research is that the more AI automates the analytical and structural dimensions of work, the more organizationally valuable the human dimensions become. Competitive advantages are shifting away from technical capacity toward human judgment, insight, and the ability to build meaningful relationships (Layne/HBS, 2025). The transformational leader's role is not diminished by AI but instead reframed. They are no longer primarily managing tasks but instead structuring the emotional conditions under which knowledge gets created and most importantly shared.

This reframing matters because knowledge sharing is fundamentally not a technical problem. Effective team collaboration depends on resonance, the shared positive affect that keeps the team's open-loop social system synchronized (Goleman et al., 2002). In virtual environments, this resonance is constantly at risk. Without the non-verbal cues of physical presence (eye contact, postural mirroring, and vocal tone) the natural channels through which emotional alignment occurs are stripped away. The richness hierarchy, with face-to-face communication at the top and formal written media at the bottom, is directly displayed in this vulnerability (Daft and Lengel, 1986). When leaders default to lean media for emotionally loaded interactions, they create a weak communicative environment that cannot carry the full weight of their transformational intent.

Therefore, the main barrier to virtual knowledge sharing is not technological access but the psychological experience of the team member on the other side of a screen, as they are uncertain whether the leader's message conveys genuine care or is only for procedural efficiency. This finding directly supports Proposition 1: transformational leadership behavior creates the conditions for knowledge sharing through psychological safety and collective alignment, but that these conditions require a communicative environment rich enough to sustain them. Organizations that assume the conditions will arise naturally in virtual settings

without deliberate leadership are likely to experience persistent shortfalls in the quality and depth of knowledge their teams share.

5.2 Digitally Fragile Trust and the Dual Referent System

The synthesis of evidence confirms the mediation structure proposed in Proposition 2. Trust functions as the necessary pathway between leadership behavior and knowledge sharing, and the two forms of trust identified do not equally weaken in digital environments (Lee et al., 2010). Reliance-based trust, grounded in demonstrated competence and consistent delivery, survives the transition to virtual settings relatively well. While disclosure-based trust, which requires a team member to perceive that the emotional environment is safe enough to be vulnerable, does not transition well to virtual settings.

With that said, this asymmetry is worth examining because it is not immediately obvious. It could be assumed that digital communication, being less emotionally charged than face-to-face interaction, would simply produce lower levels of both forms of trust. The evidence suggests otherwise. The issue with disclosure-based trust is not that digital communication is emotionally neutral but that it is emotionally unclear in a possibly damaging way. A message that reads as encouraging in a face-to-face context, delivered with the right vocal tone, facial expression, and physical proximity, can read as passive-aggressive in text form. In this situation the receiver does not have any non-verbal information to perceive the correct intent. Without this key information, the psychological response reacts with caution rather than openness.

The permanent nature of digital text compounds this dynamic (Lee et al., 2010). When a team member shares a half-formed idea face-to-face, the idea exists in a social moment that passes. The same idea shared in a Slack channel sits on record, searchable and attributable long after the emotional context that made it feel safe to share has dissolved. The perceived risk of disclosure is therefore higher in digital settings not because the leader has done anything wrong, but because the medium itself changes the social nature of vulnerability.

High DEI addresses this problem by changing what the leader can communicate through digital channels. A leader who can read hesitation, interpret tone shifts in written messages, and recognize when a team member has withdrawn from conversation, is equipped to respond in ways that lower the perceived risk of disclosure before a trust failure occurs. This is an expression of Branch 4 of the emotional intelligence model, reflective regulation. Reflective

regulation is the ability to manage not just one's own emotional state but the conditions in which others feel safe (Mayer and Salovey, 1997). In digital context the leader must consciously manage their expressive quality, ensuring that their communication choices (word selection, response timing, and the deliberate use of asynchronous video rather than email) signal both accessibility and trustworthiness. The real-world implication is direct: this is not a soft interpersonal nicety but the mechanism that determines whether voluntary knowledge sharing occurs at all. When this dual-referent system functions, trust in the leader and trust among team members reinforce one another, creating the relational infrastructure that knowledge flow requires (Lee et al., 2010). This dynamic directly illustrates Proposition 3.

5.3 The Virtual Ba and the Socialization Problem

Next, proposition 4 of the theoretical framework identified tacit knowledge socialization as the dimension of virtual knowledge sharing most vulnerable to low-DEI leadership. The evidence here confirms this prediction and demonstrates exactly how it plays out in practice.

Knowledge is not just a static resource to be extracted but instead it is a dynamic process that emerges from human interaction within a shared context, the Ba (Nonaka et al., 2008). Physical workplaces generate the Ba almost automatically, through the unplanned interactions and collaboration that come with people being in the same room. Without these conditions, tacit knowledge sharing does not just slow down, it completely stops. A team can share explicit knowledge perfectly well through meetings and documented processes. Tacit knowledge, the intuitive understanding of how things work that forms the basis for innovation, requires a different type of social environment.

In virtual environments, the Socialization phase of the SECI model is therefore the most difficult to replicate (Nonaka et al., 2008). The digital workspace defaults to an explicit information exchange such as documentation, structured meetings, archived conversations. This is sufficient enough for coordination but insufficient for the other forms of intellectual sharing that generate organizational learning. Without the conditions for tacit knowledge to surface and circulate, the team will suffer an intellectual leakage or the gradual erosion of the contextual understanding that drives creative problem-solving (Bontis et al., 2000).

The high-DEI transformational leader will compensate for this by taking on the role of what this study calls the Architect of the Virtual Ba. The conscious effort of designing the digital environment to carry as much relational and emotional weight as possible. This is not a technical task but a phronetic one that requires practical wisdom. For example, deciding when the team needs a synchronous video conversation rather than an asynchronous thread. Or when the right action is to simply acknowledge the emotional weight of a difficult period before moving through the work agenda (Nonaka et al., 2008). These are genuinely possible actions for a leader with the DEI to read the team's emotional state through textual and behavioral cues, and they are consequential: the organizational stakes extend beyond team performance to the structural capital that remains in the organization after people leave (Bontis et al., 2000). Individual knowledge that stays unarticulated is knowledge the organization will lose.

5.4 Impression Management and the Charisma Attribution Problem

Steyrer's (1998) social-cognitive framework adds a dimension to the analysis that the trust literature alone does not capture. The question of whether a leader successfully builds disclosure-based trust is partly a question of whether they are perceived as the kind of leader whose team would want to be vulnerable with. This perception is not formed by a single interaction but instead accumulates over time through the impression continuum. Which is an ongoing process by which followers interpret, update, and establish their perception of who the leader is (Steyrer, 1998).

In physical settings, this continuum is managed through physical signals. Vocal tone, facial expression, physical proximity, and gesture all contribute to the follower's evolving impression simultaneously. And they do not require conscious deliberate effort from either party. In digital settings, these signals are more difficult to understand. The leader's transformational intent must be encoded into text, or at best into video, and decoded by a follower who has access to far less contextual information than they would have in person. The same words that read as inspiring in one emotional context can read as demanding in another, and the digital medium provides little information to help the follower determine which reading is correct.

The mechanism behind pseudo-transformational leadership is that a leader whose behaviors have the structural form of transformational leadership but lack the emotional resonance that

makes those behaviors effective (Ashkanasy and Tse, 2000). The gap between intended and received meaning grows because the signals that would normally close it are absent. A leader who lacks DEI may escalate their communicative efforts in response. For example, they may send more messages, use stronger language, and implement more explicit statements of vision and enthusiasm. They fail to recognize that the problem is not the content of their communication but the channel through which it is traveling.

High DEI enables the leader to manage this issuue at the level of encoding rather than simply intensifying the signal. A leader with strong digital emotional competencies will understand that certain emotional messages require richer media to be received accurately, that the strategic use of asynchronous video rather than text can carry emotional weight that text cannot. Or that apparent silence or withdrawal from a team member is itself an emotional signal worth responding to. This is what it means to navigate the impression continuum in a digital context. It is not projecting more but communicating more precisely in a manner accordingly adjusted to the digital medium (Steyrer, 1998).

5.5 The Counter-Argument: Does Emotional Expression Undermine Leader Authority?

As an objection to the central claim, the biggest challenge comes from the affect control and impression management literature, which suggests that visible emotional expression can in certain conditions undermine rather than reinforce a leader's perceived authority and competence.

Social interactions are governed by the need to maintain stable affective meanings (Heise, 1989). Culturally, the leader’s identity is associated with attributes that hint towards composure and controlled authority rather than emotional expressiveness. Findings present that leaders who expressed sadness or distress in organizational contexts were in some cases perceived as less competent and less worthy of followership than those who maintained a more neutral emotional presentation (Lewis, 2000).

Although this is a legitimate concern, however, the evidence in this study suggests that it does not fundamentally undermine the DEI moderation argument for two reasons. First of all, because the concern applies primarily to unregulated or non-strategic emotional expression, not the kind of intentional emotional coordination that DEI represents. Branch 4 of the four-branch model incorporates the regulation of emotional expression as a component of high EI

(Mayer and Salovey, 1997). It highlights that a leader with high DEI is making regulated decisions about when, how, and through which channel to express emotional coordination. Therefore, DEI is a competency for emotional management.

Secondly, the cultural context in which this concern was established is substantially different from the virtual team environments this study addresses. The concern about emotional expression undermining authority is most relevant in hierarchical organizations where power is the primary determinant of leadership: where compliance is extracted through hierarchy and where knowledge hoarding is a rational self-protective strategy. In those environments, a leader who displays emotion may indeed be perceived as losing control of the social order that makes their authority legible.

In the knowledge-intensive virtual teams of 2026, the logic is fundamentally different. Knowledge sharing is voluntary. No reporting line compels a team member to offer a half-formed idea, share an intuition about a client, or surface a concern about a project direction. What makes sharing feel safe enough to happen is not the formal authority of the leader but the relational trust the leader has built. This distinction matters because it means the entire basis on which the counter-argument rests, that emotional expression undermines the authority that motivates compliance, does not apply to the behavior this study is trying to explain. Compliance can be extracted through power; voluntary knowledge contribution cannot. The relevant question is therefore not whether emotional expression is consistent with authority, but whether it is consistent with trust. The evidence reviewed here suggests that, when regulated and digitally competent, it is (Lee et al., 2010; Edmondson, 1999).

As AI continues to concentrate technical and analytical tasks, relationship-building has become the primary source of competitive differentiation (Goleman et al., 2002; Layne/HBS, 2025). Organizations in which leaders rely on positional authority to drive knowledge contribution will find that what surfaces is the minimum required, the explicit, the attributable, and the safe. The tacit knowledge that drives innovation will remain privately held. This connects to a broader point about the evolving nature of DEI: because digital communication norms continue to shift rapidly, DEI is not a fixed target but a continuously evolving competency. Organizations developing DEI training programs should build in mechanisms for ongoing revision rather than treating DEI as a stable skill set to be learned once.

5.6 DEI as Moderator: Synthesizing the Evidence Against the Propositions

Reviewing the four propositions of the theoretical framework against the synthesized evidence produces a consistent result.

The endpoint of this process, when DEI is working as intended, is Moqi (Yu et al., 2023). Moqi is not a system that can be mandated or a process that can be installed. It is the organic outcome of continued empathy and psychological safety operating within a team over time. In virtual settings, those conditions are almost entirely dependent on the emotional intelligence the leader brings to digital interaction. The leader's emotional state is contagious, and DEI is the mechanism by which that contagion remains productive (Goleman et al., 2002).

Empirically speaking, the baseline correlation of $r = 0.675$ represents the strength of the leadership-to-knowledge-sharing relationship under communicatively rich conditions (Gardner and Stough, 2002). The theoretical architecture assembled here points to something stronger than a simple weakening of the correlation in virtual settings. When DEI is absent, the mechanism the relationship depends on, disclosure-based trust, becomes completely unavailable. DEI is therefore not an addition to an otherwise functional leadership process. It is what makes the process functional in the first place.

The table below summarizes how each proposition maps onto the evidence and identifies the real-world implication of each finding.

Proposition	Evidence Support	Real-World Implication
P1: Leadership creates psychological safety	Supported across EI, primal leadership, and media richness sources.	Without communicative richness, even skilled leaders cannot sustain the resonance teams need to share knowledge freely.
P2: Trust is asymmetrically fragile	Confirmed by Lee et al. (2010) and communicatively grounded by Daft & Lengel (1986).	Organizations that assume trust transfers automatically to digital settings will see voluntary knowledge sharing decline.
P3: DEI moderates trust-building	Convergent evidence from EI, digital leadership, and impression management literatures.	DEI training is not supplementary; it is the mechanism that determines whether leadership actually functions in virtual settings.
P4: Absent DEI produces	Grounded in SECI model (Nonaka et al., 2008) and	The organization loses tacit knowledge silently; it is not

intellectual leakage	intellectual capital theory (Bontis et al., 2000).	recorded, not transferred, and lost when employees leave.

5.7 DEI as a Distinct Construct: Engaging the Literature

The evidence assembled across the preceding sections supports a claim that goes beyond what any individual source in this review has made: that DEI is a distinct construct, not a relabeling of concepts already in the literature. It is worth engaging this directly, because the distinction matters for how future research designs its measures and how organizations design their development programs.

The closest adjacent concept is digital leadership competency, which Lopez-Figueroa et al. (2025) define in terms of strategic vision, technology fluency, and the capacity to manage virtual teams through digital tools. Their systematic review identifies soft skills as an underexplored gap in this literature but stops short of specifying what those skills consist of or how they relate to established psychological frameworks. This study fills that gap by grounding the soft skills dimension of digital leadership in the four-branch EI model, giving it both a theoretical architecture and a mechanism through which it affects outcomes. DEI is therefore not a synonym for digital leadership competency; it is the emotional and relational sub-dimension that digital leadership theory has identified as important but not yet theorized.

The second adjacent concept is general emotional intelligence as defined by Mayer and Salovey (1997) and empirically connected to transformational leadership by Gardner and Stough (2002). Their correlation of $r = 0.675$ was established in physical organizational settings, and neither study examines what happens to that relationship when the communicative medium changes. This study argues, drawing on media richness theory (Daft & Lengel, 1986) and the aptitude/achievement distinction within Mayer and Salovey's own framework, that the relationship degrades in lean digital media precisely because the social rules of digital interaction require context-specific learning that general EI training does not address. DEI is therefore not general EI applied in a new setting; it is the achieved, context-specific form that general EI must take to remain effective in virtual environments.

The third adjacent concept is virtual team management competency, which tends to focus on process design, coordination mechanisms, and task structure in distributed teams. This literature, presented by research on remote work effectiveness and virtual collaboration tools, treats the relational dimension of virtual work as a background condition rather than a leadership variable in its own right. DEI differs in that it locates the source of virtual team

performance not in process architecture but in the leader's capacity for emotional attunement through digital channels. The two are complementary rather than competing. Effective process design creates the conditions in which DEI can operate, but DEI is what determines whether those conditions are used for genuine knowledge sharing or just for task coordination.

What none of these adjacent literatures provides is the integration. This study offers a unified account of how emotional intelligence, digital communication constraints, transformational leadership, and knowledge management outcomes connect through a single moderating variable, and the boundary condition framing is what makes that integration meaningful. The claim is not simply that DEI helps. It is that below a certain threshold of digital emotional competency, the most valuable pathway through which transformational leadership generates knowledge sharing, disclosure-based trust, ceases to function entirely. That claim could not have emerged from within any of the three adjacent literatures alone.

5.8 Implications for Leadership Development

These findings carry direct consequences for how organizations should think about leadership development in 2026. The traditional EI training remains foundational but is no longer sufficient on its own (Goleman et al., 2002; Mayer and Salovey, 1997). The aptitude/achievement distinction is the key conceptual tool here. A leader can possess strong emotional aptitude, validated through years of effective face-to-face leadership, while having developed little of the digital emotional achievement required for virtual settings. The social rules of digital communication are different from those of physical interaction, and the transferability of physical emotional competencies to digital contexts cannot necessarily be assumed (Mayer and Salovey, 1997).

This has an implication for how leadership development programs should be designed. Rather than offering general EI training and assuming it will carry appropriately across contexts, organizations should develop training around the digital translation of each branch of emotional intelligence. What does it look like to perceive emotion through text-based cues? How should a leader adjust response time as a communicative signal? When does the content of a digital message require a shift to a richer medium, and how does the leader recognize that moment? These are learnable skills, but they require attention in a way that physical

emotional intelligence often does not. Due to the fact that digital environment does not provide the immediate feedback loops that help leaders in physical settings self-correct.

The combination of emotional intelligence and digital competencies is what enables leaders to maintain team collaboration and well-being in virtual environments, and this combination is not yet systematically addressed in most organizational leadership development programs (López-Figueroa et al., 2025). As AI takes over more of the technical and analytical dimensions of organizational work, the leader's value concentrates increasingly in these high-order relational competencies (Layne/HBS, 2025). The organization that invests in developing DEI is not only improving team morale but simultaneously protecting the social conditions where the most valuable knowledge gets shared and converted into lasting organizational capability (Bontis et al., 2000).

6. Conclusion

This thesis set out to answer whether Digital Emotional Intelligence moderates the relationship between transformational leadership and knowledge sharing in virtual teams. The systematic literature review and four-proposition theoretical model developed here suggest that it does, and that the moderation effect is conditional rather than incremental: DEI determines whether disclosure-based trust, the mechanism the relationship depends on, can function at all in virtual settings. Without it, even a committed transformational leader risks being perceived as pseudo-transformational, structurally present but emotionally absent (Ashkanasy & Tse, 2000).

This study contributes two things to the existing literature. The first is the definition of DEI as a unified construct, grounding the soft skills gap identified in digital leadership research (Lopez-Figueroa et al., 2025) in the four-branch EI framework (Mayer and Salovey, 1997) and specifying the mechanism through which it affects outcomes. The second is the boundary condition framing: the argument that DEI does not merely improve virtual leadership but determines whether the leadership-to-knowledge-sharing pathway activates at all.

This framing matters more than it might initially appear. Remote and hybrid work are now structural features of organizational life rather than temporary adaptations, and the question of what makes virtual leadership actually work is no longer a rare concern. The answer this thesis proposes is that DEI is not a supplementary competency but the condition on which the entire relational infrastructure of a virtual team depends. When it is absent, the costs do not

show up in a single failed meeting or a tense message thread. They build quietly through the ideas that were never shared, in the tacit knowledge that walked out the door when an employee left, and in the innovation that never happened because the conditions for it were never created. Organizations that invest in general emotional intelligence training while assuming digital competencies will follow naturally are not simply leaving performance on the table. They are creating the conditions for intellectual leakage, and they are unlikely to notice until the damage is already done.

Several limitations define the scope of these conclusions and point toward future research. Most fundamentally, the moderation model remains a theoretical prediction; it has not been tested against primary organizational data, and no validated DEI measurement instrument currently exists to make that testing possible. The most immediate priority for future research is the development and validation of a DEI scale grounded in the four-branch framework and adapted for digital communicative contexts. This scale would need to capture each branch in digital terms: perceiving emotion through textual and timing cues, calibrating tone in written communication, anticipating how messages land when received out of their original emotional context, and managing the virtual team's emotional climate through deliberate choices about media and timing. Existing EI measures such as the MSCEIT (Mayer, Salovey and Caruso, 2002) offer a useful methodological template, but the items themselves would need to be built for digital settings rather than borrowed from face-to-face ones.

Once a validated instrument exists, the central hypothesis of this study could be tested through a quantitative survey design. A cross-sectional study sampling leaders and their direct reports across distributed virtual teams, measuring transformational leadership with an established scale such as the MLQ (Bass and Avolio, 1995), knowledge sharing with an adapted version of the instruments used by Lee et al. (2010), and DEI with the new scale, would allow the moderation effect to be estimated using hierarchical regression or structural equation modelling. To test the boundary condition claim more precisely, that the pathway breaks rather than weakens below a certain DEI threshold, a moderated mediation design would be more appropriate, allowing researchers to examine whether DEI moderates the trust-mediated path specifically.

Several contextual questions remain open beyond the measurement. The DEI moderation effect may look quite different across team configurations: geographically dispersed teams, hybrid teams, and fully asynchronous teams each present distinct challenges for disclosure-

based trust, and it would be worth examining whether DEI is equally critical across all three or whether its importance concentrates in particular settings. Cultural context adds a further layer, since the norms governing emotional expression and vulnerability in digital communication vary considerably across national contexts, and a moderation effect that holds in one setting may not travel straightforwardly to another. Longitudinal research would also add something that cross-sectional designs cannot capture whether DEI-mediated trust accumulates over time into the state of tacit coordination this thesis describes as Moqi, and what conditions accelerate or disrupt that process.

Finally, as AI tools increasingly shape the interactions between leaders and their teams, the question of how DEI operates in human-AI communication contexts becomes both theoretically interesting and practically pressing (Layne/HBS, 2025). If a leader's primary channel for connecting with their team is increasingly filtered through AI-generated summaries or automated feedback systems, the DEI competencies described in this study will need to extend into new territory, maintaining emotional alignment through interfaces that were not designed with emotional nuance in mind. In an era where automation is concentrating competitive advantage in the human competencies that cannot be replicated, understanding what it takes to lead with emotional intelligence across digital distance is a question that will only grow in importance.

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8. Declaration of Use of Generative AI

I, Isabelle Huller**,** a student of the Bachelor in International Business Administration program at the Comillas Pontifical University, upon submitting my Bachelor's Thesis titled "Transformational Leadership and Virtual Knowledge Sharing: The Moderating Role of Digital Emotional Intelligence (DEI)", hereby declare that I have used Generative Artificial Intelligence tools, such as ChatGPT or similar AI text tools, only within the context of the activities described below:

1. **Research Brainstorming:** Used to explore and outline potential research areas, specifically focusing on the intersection of transformational leadership, digital emotional intelligence, and virtual knowledge sharing.
2. **Literature Reference Recommendations:** Used to identify preliminary literature and academic sources, which I subsequently verified, validated, and incorporated into the framework.
3. **Linguistic and Grammar Review:** Used to refine the quality of the text and suggest wording to make areas clearer and more articulate.
4. **Framework Graphic Creation:** Used to illustrate the conceptual framework developed in this thesis.

I affirm that all information and content presented in this thesis is the product of my individual research and effort, except where otherwise indicated. I am aware of the academic and ethical implications of submitting non-original work and accept the consequences of any violation of this statement.

Date: 25/05/2026



9. Appendix

Appendix A: Footnote

[1] Slack is a popular workplace messaging app that many organizations use instead of email for day-to-day team communication. Unlike a spoken conversation, everything written on Slack is saved and searchable, meaning that any message a team member sends can be found and read back long after the moment has passed.

Appendix B: Proposed Measurement Framework for Future Empirical Testing

This appendix offers a provisional framework to help test the thesis's moderation model in future empirical studies. Because there isn't a validated tool to measure Digital Emotional Intelligence (DEI) yet, this framework serves as a starting point rather than a finished scale. It translates our four propositions and core hypothesis into practical terms that can easily be turned into survey questions, built into a quantitative research design, and refined using standard testing and analysis.

The framework is built around three core variables: transformational leadership (the independent variable), DEI (the moderator), and virtual knowledge sharing (the dependent variable). Additionally, because disclosure-based trust plays such an important role in the theoretical framework (as outlined in Proposition 2), it has been included here as a mediating variable.

Variable 1: Transformational Leadership (Independent Variable)

Established measure: Multifactor Leadership Questionnaire (MLQ; Bass and Avolio, 1995)

The MLQ is the most widely used tool for measuring transformational leadership. It perfectly captures the four core dimensions central to this thesis: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. While both leaders and their direct reports can complete the questionnaire—allowing researchers to compare self-reports with follower perceptions—this study recommends using the follower-rated version. Ultimately, the mechanism we are interested in is how team members actually perceive their

leader, rather than what the leader intends.

Variable 2: Digital Emotional Intelligence (Moderating Variable)

Proposed measure: DEI Scale (to be developed and validated)

As no validated DEI instrument currently exists, future research would need to develop one grounded in the four-branch framework (Mayer and Salovey, 1997) and adapted specifically for digital communicative contexts. The MSCEIT (Mayer, Salovey and Caruso, 2002) provides a methodological template, but its items would need to be redesigned for digital settings. The table below proposes illustrative survey items for each branch, which could serve as a starting point for scale development.

EI Branch	Digital Translation	Illustrative Survey Item
Perceiving emotion	Reading emotional cues in text, response timing, and digital absence	"I can usually tell when a team member is disengaged or uncomfortable, even if they have not said so directly in a message."
Facilitating thought	Calibrating tone in written communication to match the team's emotional state	"I adjust the tone of my written messages depending on how the team appears to be feeling at a given moment."
Understanding emotion	Anticipating how asynchronous messages will be received out of their original emotional context	"Before sending an important message, I consider how it might be interpreted by someone reading it hours later without the context in which I wrote it."
Regulating emotion	Managing the virtual team's emotional climate through deliberate choices about media, timing, and register	"I consciously choose whether to send a written message or request a video call based on the emotional weight of what needs to be communicated."

Items would be rated on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) and completed by both the leader and their direct reports to allow for cross-referencing of self-perception and team perception.

Variable 3: Disclosure-Based Trust (Mediating Variable)

Adapted measure: Based on Lee et al. (2010)

Disclosure-based trust captures how safe team members feel being vulnerable with one another in a virtual environment. Such as sharing an unfinished idea or raising a concern. The survey items should reflect how fragile this trust can be in digital settings, where written communication is permanent and non-verbal reassurance is missing. Illustrative items include:

- "I feel comfortable sharing ideas that are not fully formed with my team, even in writing."
- "I trust that messages I send in our team channels will be received in the spirit in which they were intended."
- "I feel that the digital communication environment in our team is emotionally safe."

Variable 4: Virtual Knowledge Sharing (Dependent Variable)

Adapted measure: Based on Lee et al. (2010) and Wang and Noe (2010)

Knowledge sharing should be measured along two dimensions reflecting the distinction between explicit and tacit knowledge that is central to this thesis. Explicit knowledge sharing captures the transfer of documented, formal information. Tacit knowledge sharing captures the voluntary sharing of intuitions, experience-based insights, and half-formed ideas that require a higher degree of trust and psychological safety to surface.

Dimension	Illustrative Survey Item
Explicit knowledge sharing	"I regularly share reports, documents, and structured information with my team through digital channels."
Tacit knowledge sharing	"I feel comfortable sharing personal insights or instincts about a project with my team, even when I cannot fully justify them yet." And, "I share lessons I have learned from past experience with my team, even when they are difficult to put into words."

The distinction between these two dimensions is analytically important: the moderation effect of DEI is expected to be significantly stronger for tacit knowledge sharing than for explicit

knowledge sharing, which provides an additional testable prediction beyond the central hypothesis.

Proposed Research Design

To test H1 directly, a cross-sectional survey design offers a practical starting point. By sampling virtual team leaders and their direct reports across various industries and organizational sizes, researchers can estimate the moderation effect using hierarchical regression or structural equation modeling. More specifically, a moderated mediation design where DEI moderates the path from transformational leadership through disclosure-based trust to knowledge sharing would provide a highly precise test of the boundary conditions proposed in this thesis.

While a cross-sectional approach is a strong first step, a longitudinal design would add significant value. Tracking these variables over time would reveal whether the DEI-mediated trust and coordination dynamic actually accumulates into the state of Moqi described in this thesis, while also helping to identify the specific conditions under which that process accelerates or breaks down.