

Chapter 9

Knowledge Management and Organizational Performance in Service Industry: Transformational Leadership Versus Transactional Leadership

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ABSTRACT

This study examines a comprehensive model and the relationships between organizational factors and KM process. Information is collected from human resource managers and general managers operating in 102 service corporations. In this chapter author has used hierarchical regression analysis and exploratory factor analysis to planned hypotheses. When dominant for the consequences of transactional leadership, the results indicate the transformational leadership positively affects KM processes and organizational performance, and it is well established that transformational leadership foresaw organizational performance, thereby reflecting that its transformational leaders make vital contributions to amass, transfer, and apply knowledge within the organizations. Further, in transactional leadership, when dominant, the consequences in KM process mediates the link between transformational leadership and organizational performance.

INTRODUCTION

Researchers continuously emphasized the importance of developing distinctive Knowledge among corporations to deliver new products/services and to differentiate it from competitors for achieving advantage (Aragon-Correa et al., 2007). Delivering distinctive products/services to clients helps to enhance customer satisfaction and sales volume, then corporations have ascertained the influence of Knowledge development over performance (Bogner & Bansal, 2007; Garcia-Morales, & Cordon-Pozo, 2008). Since Knowledge resides in the brain of staff, corporations develop a varied process to form organizational

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knowledge through investment employees' Knowledge. Human resource managers are become involved in the activities of finding an appropriate leadership style that supports Knowledge Management (KM) programs to reinforce organizational performance. During this turbulent environment, identification of appropriate leadership style is important, since researchers have reported that totally different leadership designs have varied impacts on implementation of KM process (Menguc, Auh, & Shih, 2007). Transformational leadership theory postulates that leader's exhibit bound behaviors that accelerate workers' level of innovative thinking through that they improve organizational innovation, individual employee performance, and organizational performance (Aragon-Correa et al., 2007; Piccolo & Colquitt, 2006). When transformational leaders influence staff, whose engagement is hugely needed for implementation of KM process, the role of transformational leadership is targeted on the implementation of KM process to enhance organizational performance (Wang, Law, Hackett, Wang, & Chen, 2005). Similarly as on organizational performance (Peterson, Walumbwa, Byron, & Myrowitz, 2009 García-Zamora, et al. 2013). Bogner & Bansal, 2007; Tanriverdi, (2005) suggested that managing Knowledge has significant and positive relation with organizational performance. Though these studies explained the direct impact on organizational performance, which is not answered: (1) Do transformational leadership behaviors influence performance of service corporations when dominant for transactional leadership behaviors?; (2) Do transformational leadership behaviors facilitate to implement KM process in commission corporations when dominant for transactional leadership behaviors?; and (3) Will KM process mediate the link between organizational performance and transformational leadership within the service corporations when dominant for transactional leadership? In order to answer these queries, this study investigates the character of the relationships among KM process, transactional leadership, transformational leadership, and organizational performance. Therefore, this study need a direct impact of transformational leadership on organizational performance and KM process when dominant for the consequences of transactional behaviors; and to look at the mediation role of KM process within the relationship between them among service corporations placed within the west of Iran. These functions integrate 2 vital theories like knowledge-based view of the firm and transformational leadership theory. So, on the knowledge-based view of the firm the application of leadership theory is targeted during this study. During this direction, this study contributes to the literature in 2 ways in which. First, Scholars have continuously targeted on transformational leadership within the view of employees' reactions to leaders within the view of leaders' actions. Researchers concentrating on the previous approach primarily investigated the mediation role of trust (Dvir, Eden, Avolio, & Shamir, 2002) and self-efficacy of staff (Gong, Huang, & Farh, 2009) within the relationship of transformational leadership with follower performance. Xenikou & Simosi, (2006); Zhu, Chew, & Spangler, (2005) investigated the association organizational performance with transformational leadership through human capital management practices, rising organizational learning, and establishing organizational culture This study extends the latter approach to predict organizational performance with the assistance of the association between KM process implementation and transformational leadership. Second, this study examines the leaderships as an antecedent of implementation of KM process to form advantage over their competitors. Wang, Law, Hackett, Wang, & Chen, (2005), state that Knowledge -based view of firm rests on the assertions that organizations perform employees' knowledge and competencies which are valuable within the current firm and inimitable by different corporations. Among this system, employees' Knowledge is born-again into organizational knowledge, which can be protected as intellectual capital. A systematic survey conducted among top-ranking managers of service corporations supports this study to grasp the interrelationships among leadership, KM process and organizational performance.

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