

# THE EFFECT OF TRANSFORMATIONAL LEADERSHIP ON ORGANIZATIONAL PERFORMANCE: THE ROLE OF ORGANIZATIONAL INNOVATION, ORGANIZATIONAL LEARNING AND ABSORPTIVE CAPACITY

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## Abstract

Leadership is an important factor affecting organizational innovation. Many studies show that transformational leadership has positive and significant influence on organizational performance. Based on a literature review and previous work, this study aims to investigate study analyzes the influences of transformational leadership on organizational performance through the dynamic capabilities of organizational learning and innovation, the influence of transformational leadership on organizational innovation and to examine whether organizational learning is a moderate between transformation leadership and organizational performance and includes the mediating role of absorptive capacity. Today's information and knowledge society requires new leaders who can confront a reality based on knowledge and foster innovation to achieve improvements in organizational performance. Our study seeks to fill this research gap by analyzing theoretically and empirically how the leader's perceptions of different intermediate strategic variables related to (organization performance, organizational innovation absorptive capacity, organizational learning) and innovation influence the relation between transformational leadership and organizational performance.

This study is significant in providing experience and develops more knowledge to identify the strength and weakness of the public hospitals. Public hospitals can get some benefits to improve their performance level through innovation and learning for the future. In addition to it can help the organization to ensure the employee motivation and friendly policy to increase performance

## INTRODUCTION

### 1.1 Background of the study

The concept of innovation is always current. All technological groups and organizations are interested in knowing what influences the results they achieve, how and why they succeed or fail. Belief that their results are related to organizational innovation has continued to inspire questions and research on the subject by professionals and academics. Although innovation is widely recognized as essential for the survival and growth of organizations (Hurley and Hult, 1998), different definitions of innovation have been proposed. Here, we use the definition of innovation formulated by the Product Development and Management Association (PDMA, 2004): a new idea, method, or device. The act of creating a new product or process. The act includes invention as well as the work required to bring an idea or concept into final form. Although firm innovation is widely prescribed as a means of improving organizational performance, many firms do not or cannot develop it properly. Researchers have urged attention to what enables firms to innovate, the search for answers "beyond semiautomatic stimulus-response processes" (Zollo and Winter, 2002, p. 341). 2002, p.341). Innovation is driven by strategic implementation and/or assimilation of information technology (IT) and information systems (IS). Studies on innovation have indicated that success and survival of the health care industry depend on the effectiveness and efficiency of IT/ IS uses or implementation (Liaw, 2002). Effective and easy use of technology should enable innovation in the health care industry. Diffusion of innovation theory (DOI) (Tamayo-Torres et al., 2010; Rogers,

1995), suggests that an innovation is decomposed into two parts: innovativeness and capacity to innovate, which may lead to more competitive organizational learning.

## 1.2 METHODOLOGY.

### Type or Research.

This study uses a quantitative approach with a survey method. According to Zikmund (1997) "survey method is a form of research technique in which information is collected from a sample of people, through the questions", according to the Gay & Diehl (1992) "survey method is a method that is used as a general category of research using questionnaires and interviews ", while according to Bailey (1982)" survey method is a method of data collection techniques of research done through questions - written or oral." In accordance with the explanations of Isaac and Michael (1997), survey research was conducted for:

1. Answer the question asked
2. Solve the problems you want to observe
3. Meeting needs and setting goals
4. To build basic information as a comparison with other information
5. To measure trends / situations
6. Describe what happened during the period, how much and in what context.

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