Do Leaders Really Matter in Knowledge Management Practices? Case of Serbian Companies

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Abstract

The purpose of this study is to explore whether the leadership change consequently imposes further changes in knowledge management (KM) practices, as well as to reveal which KM practices are affected by this strategic change. Namely, a theorized ten-fold conceptualization of KM practices has been tested on a sample of 101 Serbian companies employing more than 100 employees each. Main findings demonstrate that leadership changes affect some elements of KM leadership, HRM practices in recruitment, training and development, and compensation. Furthermore, findings depict that leadership changes have a profound influence on knowledge-friendly organizational culture and knowledge sharing between mid-level management and employees. Finally, the results show that the leadership change in Serbian companies affects sales growth rate. The companies that experienced this change had negative sales growth rate contrary to the companies without this strategic change.

Keywords: Knowledge management, knowledge management practices, leader/managing director, leadership, change, survey, Serbia

INTRODUCTION

Over the past 20 years, knowledge management (KM) has attracted attention of academic and business communities (Hussinki et al., 2017). KM issues have become of a great interest as value creation has shifted from tangible production factors, such as financial and physical capital, to intangible resources, such as knowledge (see Penrose, 1959; Kogut a& Zander, 1992; Grant, 1996). KM deals with the processes and practices that enable efficient and effective management of knowledge resources (Alavi & Leidner, 2001; Chen and Fong, 2015; Hussinki et al., 2017). KM practice is the implementation of knowledge management concept (Inkinen & Kianto, 2014), and presents a set of deliberate organizational and managerial initiatives aimed to boost knowledge processes (Nguyen & Mohamed, 2011), and improve efficiency and effectiveness of organizational knowledge resources (Andreeva & Kianto 2012; Inkinen & Kianto, 2014).

While literature suggests that leadership and KM have been linked (Koh et al., 2005; Nguyen & Mohamed, 2011; Okunoye & Karsten, 2002), most studies have focused on the influence of different leadership styles on KM processes (Sarin & Mcdermott, 2003; Singh, 2008). Although findings allude to the critical role of leaders in building and maintaining KM strategy and environment that facilitates effective KM processes (Kavanagh & Ashkanasy, 2006; Schein, 2004; Nguyen & Mohamed, 2011; Holsapple & Singh, 2001), empirical evidence on how specifically the change of a leader affects different KM practices has been scarce.

To address this research gap, this study specifically focuses on the role of a leader in KM practices. The main objectives are to explore whether the leadership change (in terms of changing CEO/managing director) affects KM practices, as well as to identify KM practices that are specifically affected by this organizational change. Leadership change is supposed to result in a ripple effect of organizational changes. We believe that this change produces further effects in KM practices and organizational performance. In a systematic review of empirical literature on KM practices and organizational performance, Inkinen (2016) confirmed that KM practices most often facilitate positive organizational outcomes. Thus we have decided to additionally examine whether leadership change affects important organizational outcomes such as sales growth. More specifically, our research questions are how this strategic change manifests itself on different dimensions of KM practices and sales growth.

Although previous studies have categorized KM practices into several key areas (Hesig, 2009; Inkinen, 2016; Donate & Guadamillas, 2011; Andreeva & Kianto, 2012; Anand and et al., 2015), they have reached no consensus concerning the respective areas. This study follows the most recent and overarching ten-part categorization of KM practices (Inkinen et al., 2015; Hussinki et al., 2017) based on well-known knowledge theories (Kogut & Zander, 1992; Grant, 1996), and incorporates new ideas in order to update the categorization to represent contemporary business organizations (Hussinki et al., 2017). These ten KM practices are supervisory work, strategic KM, knowledge protection, learning mechanisms, IT practices, organizing work and four HRM practices dealing with recruitment, training and development, performance appraisal and compensation practices.

Serbia has a transitional economy undergoing privatization and reform of the public and banking sectors (Dreca, 2012; Šabić et al., 2012; Veselinovic, 2014,). In order to foster the development of knowledge-based economy, Serbia needs more empirical information related to major drivers of economic growth in the knowledge era. Most of the studies in the business context of Serbia have been concentrated on knowledge-based resources – intellectual capital (IC), exploring either the relationship between IC and organizational performance, or IC reporting (Bontis et al., 2013; Cabrilo, 2005; Cabrilo, 2015; Cabrilo and Grubic-Nesic, 2010; Dzenopoljac et al., 2016; Janosevic et al., 2013; Kontic and Cabrilo, 2009). However, authors are not aware of any previous studies specifically focused on KM practices in the Serbian business environment of Serbia.

Therefore, this study will make two main contributions. From theoretical perspective, we combine KM and leadership literature in order to shed more lights on how leadership change affects KM practices and some aspects of companies' performance. Filling in gaps that exist in both KM and leadership research fields, this study contributes to the literature. Moreover, our results have meaningful managerial implications in the context of transitional business. Our findings help boards and new leaders in Serbian companies to predict effects caused by a leader's transition and to develop a plan of actions in KM practices that must be taken before, during, and after a leadership change,. so that the risk inherent in a leader change transition could be carefully managed.

The paper is divided into five sections including this "Introduction" that gives a relevant theoretical background, and identifies a research gap drawing special attention to the purpose of the paper. The Section 2 discusses KM practices and the role of the leadership in KM practices, and highlights studies that fit our research design. The Section 3 presents the research method and data analysis. The findings are discussed in the Section 4. Finally, conclusions, theoretical and managerial implications of the study are set out, and research limitations are provided.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Knowledge Management Practices

As knowledge is widely recognized as a key economic resource and a driver of competitiveness (Senge, 1990; Drucker, 1995; Nonaka & Takeuchi, 1995; Weggeman, 1997; Anantatmula, 2008), it is becoming increasingly obvious that organizations have more than ever been motivated to manage this inexhaustible resource of value creation. Managing organizational knowledge is a challenging task, as knowledge resides within an organization in two forms: as tacit, which is highly personal knowledge embedded in employees' minds, being invisible, and explicit, which is articulated knowledge, that is visibly codified (Nonaka, 1991; Nonaka & Takeuchi, 1995; Polanyi, 1966).

Although there has been a great number of KM models in literature (Edvinsson & Sullivan, 1996, Nonaka & Takeuchi, 1995; Probst, 1998; Starovic & Marr, 2003), most authors define KM as a set of different knowledge-based processes. Davenport et al. (1998) defines KM as a process of collection, distribution, and use of knowledge resources throughout an organization. In this study, we define KM as "a set of knowledge processes (knowledge identification, knowledge generation, knowledge codification, knowledge sharing, knowledge storing, and knowledge application) as well as the functions of supporting creativity and innovation" (Cabrilo & Grubic-Nesic, 2012, p. 208).

KM practices can be defined as intentional and systematic management activities focused on different knowledge aspects of the organization (Foss & Michailova, 2009; Andreeva & Kianto, 2012). Related to the critical organizational factors that influence KM practices, there is an absence of universal theories (Chong and Choi, 2005; Hussinki et al., 2017). As previous KM practice models have covered only a small proportion of the wide array of organizational and managerial practices for managing knowledge (Hesig, 2009; Inkinen, 2016; Donate & Guadamillas, 2011; Andreeva & Kianto, 2012), this study follows a more complete conceptual model of KM practices with 10 different dimensions (Inkinen et al., 2015; Hussinki et al., 2017). Dimensions in this model mostly overlap with KM critical success factors summarized by Jennex and Olfman (2005). These dimensions are: KM leadership (management support and commitment to KM initiatives), knowledge protection, strategic knowledge management (involvement of KM initiatives in strategic management), human resource management (HRM) practices (recruiting, training, performance appraisal, and compensation alignment with KM), learning mechanisms, information technology (IT) practices, and work organization, including structural and cultural elements, such as employee empowerment and a knowledge-friendly culture. The following paragraphs explain the ten practices proposed to cover the most important aspects of KM practices in organizations.

Leadership has a profound influence on KM practices, as the role of a leader is to provide strategic visions, initiate changes, motivate others, and create and maintain particular types of organizational culture (Anamika, 2011; Debowski, 2006; Kavanagh & Ashkanasy, 2006; Stankosky, 2005). The challenge for most leaders is to develop capacity of employees by creating a knowledge friendly environment, full of trust, openness and respect, which encourages and supports knowledge creation and sharing (Nguyen & Mohamed, 2011; Holsapple & Singh, 2001). Therefore, leaders and managers direct how employees create knowledge and share it with others within the organization (Inkinen & Kianto, 2014). According to Anantatmula (2008), a leader plays a crucial role in securing resources, funds, and building infrastructure (culture, structure and technological infrastructure) for employees to accomplish KM goals and objectives.

Knowledge protection focuses on the prevention of unwanted leakage of organizational knowledge to non-authorized people (Ahmad et al., 2014). Ignoring the importance of knowledge protection can damage reputation, decrease revenue and productivity (Ahmad et al., 2014) and cause loss of ideas impeding organizational innovations (Cheung et al., 2012). Therefore, effective protection of core organizational knowledge is highly important (Inkinen & Kianto, 2014; Manhart & Thalmann, 2015). Some authors even argue that the protection of knowledge is the key KM initiative to achieving and maintaining a competitive advantage (Liebeskind, 1996). There is the empirical research showing that successful knowledge protection significantly enhances organizational performance (Lee et al., 2007).

Strategic knowledge management (strategic KM) comprises strategic planning, implementing and updating activities that consider knowledge assets to be the focal point (Kianto *et al.,* 2014). Strategic KM includes the processes, resources, and infrastructure required to manage knowledge gaps and surpluses, and to facilitate knowledge flows in corporations (Zack, 2002). Strategic KM practices contribute to an organizational performance by enabling the company to identify strategic knowledge within the organization and focus on the activities that create the highest value, as studies have suggested that intangible assets are crucial for competitive advantage (Grant, 1996; Conner & Prahalad, 1996). Strategic KM also enables the company to craft strategies based on knowledge-based advantages over competitors (Zack, 1999). KM strategy is a high-level plan for developing, mobilizing, and applying knowledge resources in the interest of supporting the organizational strategic goals (Holsapple & Jones, 2006). Therefore, KM strategy must fit the corporate strategy, or should at least support the current business processes (Liew, 2008).

Human resource management (HRM) practices are among the most influential KM practices, as they concern the company's most important intellectual capital dimension, which is human capital (Edvinsson & Malone, 1997). Connections between human resource (HR) and KM practices have been confirmed from both theoretical (Cabrera & Cabrera, 2005) and empirical viewpoints (Lin, 2011). HRM practices are performance-enhancing activities as they can improve knowledge processes such as knowledge sharing, acquisition and creation (e.g. Soto-Acosta *et al.*, 2014; Chen & Huang, 2009; Kuo, 2011). In this study, the HRM dimensions concern recruiting, training, appraising, and compensating employees, and building their commitment. Knowledge oriented HR practices support knowledge processes and improve organizational performance through paying attention to knowledge and knowledge abilities in the recruitment process (Scarborough, 2003). Furthermore, HR practices build new competitive knowledge that can enhance knowledge base through *training and development* programs (Inkinen & Kianto, 2014). Finally, by *performance assessment* and *compensation* that are focused on knowledge sharing and knowledge creation, HR practices motivate employees to be more committed to knowledge processes.

Since *learning* is the production process in which knowledge is created (Weggeman, 1997), the critical role of learning mechanisms in KM practices becomes quite obvious (Hussinki et al., 2017). Organizational learning involves three distinct knowledge activities; acquisition, dissemination, and utilization (DiBella et al., 1996), and has a significant impact on knowledge integration and knowledge management capabilities (Ju et al., 2006; Lemon & Sahota, 2004). Companies emphasizing learning invest in knowledge sharing between experienced and less experienced employees through activities like mentoring and apprenticeships (Swap *et al.*, 2001; Bryant, 2005). Additionally, collecting and utilizing best practices and lessons learned are other learning mechanisms within the organization (O'Dell and Grayson, 1998; Cross and Baird, 2000).

Although researchers have agreed that the success of KM practices is more based on people than on technology (McDermott & O'Dell, 2001), according to the research of Covin et al. (1997), effective and efficient knowledge processes have to be supported by *information communication systems (ICT)*. Today all information is gained online and is available through digital channels. Thus, companies adopt new technologies and IT practices to facilitate organizational learning (Carayannis, 1999) and better leverage over the company's knowledge resources (Davenport & Prusak, 1998; Alavi & Leidner, 2001). With "big data" companies have access to more data from internal and external sources, which they can combine and utilize in their value creation process (Hussinki et al., 2017). Additionally, there is a variety of a technological support for information searching, communication, collaboration, real-time learning (Yang et al., 2009), knowledge codification (Nonaka & Takeuchi, 1995) and storage (Pérez López et al., 2009), which enables dispersed team members to efficiently share their knowledge (Cabrilo & Grubic Nesic, 2012).

Organizational practices relate to how the organization should structure power and communication relationships (Mintzberg, 1992). Thus, organizational design issues significant impact on the knowledge leveraging (Hussinki et al., 2017). Employee empowerment and involvement in making organizational decisions were found to be equally important factors for the success of KM practices (Bhatt, 2000; Chong & Choi, 2005; Moffett et al., 2003; Ryan & Prybutok, 2001). When employees are empowered, they are additionally motivated to perform their best on their jobs, and take more responsibilities for problem solving, which might improve their competencies (Anahotu, 1998). By empowerment, employees are more able to capture, organize, communicate, and share their knowledge (Martinez, 1998). As knowledge is shared and developed in social interactions, structures that support fluent interaction and offer better possibilities for communication and knowledge sharing seem to be beneficial (Hussinki et al., 2017).

Finally, knowledge management seems to be a cultural phenomenon (Beliveau et al., 2011; Chong & Choi, 2005; Gold et al., 2001). A knowledge-effective *organizational culture*, that is flexible to failures, full of trust and openness, encourages employees to be more involved and committed to knowledge-related activities (Janz & Prasarnphanich, 2003). Therefore, one of the biggest challenges in KM is to make a knowledge-friendly culture, which must be present for successful implementation of KM initiatives (McDermott & O'Dell, 2001; Skyrme & Amidon, 1997).

Role of Leadership in KM Practices and Organizational Performance

Leadership can be defined as "a process whereby an individual influences a group of individuals to achieve a common goal" (Northouse, 2010, p. 3). One of the first authors to highlight the role of the leadership in managing organizational knowledge was Cleveland (1985), but later studies have confirmed the critical role of leaders and managers in developing and implementing KM initiatives (Anantatmula, 2008; Davenport et al., 1998; Koh et al., 2005; Okunoye & Karsten, 2002; Singh, 2008). Leaders have a crucial impact on KM practices within their organizations as they create the conditions that allow employees to cultivate their individual knowledge and contribute to the organization's pool of knowledge (Nguyen & Mohamed, 2011).

According to the literature, KM practices should involve all levels in the organization (DeTienne et al., 2004), but KM initiatives have to begin from the top of the organization (Liebowitz, 1999). Commitment of the top management to KM strategies and initiatives will determine the resources (including time) allocated to knowledge processes, such as knowledge creation and sharing, at all organizational levels (Von Krogh, 1998). Therefore, the support of the top management is essential for the success of KM practices (Kalling, 2003; Singh, 2008).

More specifically, some authors have emphasized the unique role of CEOs in KM practices (Kluge et al., 2001). Leaders are perceived as role models (Anantatmula, 2008) and strongly influence followers' attitudes. They are responsible for the implementation of management systems and establishment of visions, strategies, business policies, organizational structures, communication channels, teams, measurement and control systems, organizational elements that guarantee the long-term success of the organization (Sineenad et al., 2007). Thus, a leaders' attitude and commitment towards KM practices and understanding the value of KM is important to allocate the resources for developing and sharing knowledge (von Krogh, 1998) and create knowledge-friendly culture in the organization (Singh, 2008).

Leadership might encourage the use of knowledge not only for an individual advantage but for the benefit of the organization as a whole and enhance knowledge sharing within a company (Jain & Jeppesen, 2013). Moreover, a good leadership may create a higher rate of trust and integrity which results in a better performance (Pfau & Kay, 2002).

Researchers have examined how different leadership styles, such as transactional and transformational styles affect knowledge management (e.g. Bryant, 2003; Nguyen & Mohamed, 2011). Lam's (2002) research found that transformational leadership affects the process and the achievement of the organization's learning. Transformational leadership emphasizes teamwork spirit and involvement and encourages employees to share their learning experiences both within and across departments (Vera & Crossan, 2004). Unlike transformational leaders, transactional ones may improve efficiency of learning by fostering rule-based ways of doing things (Bass, 1995).

Other studies have shown the significant impact of the delegating style of leadership on creating and managing knowledge for competitive advantage (Singh, 2008). Furthermore, studies suggest that leaders provide vision, motivation, systems and structures, facilitating the conversion of knowledge into competitive advantages (Bartlett, 1995). Finally, Jain and Jeppesen (2013) have investigated how the cognitive styles of the leaders (adaptors and innovators) influence KM practices. Results have clearly indicated the positive impact of the adaptor style and the negative impact of the radical and innovative-collaborator styles on KM practices in the Indian work context of India.

Based on literature review, it is important to explore the impact of the leadership and the leadership change on KM practices. The question can be raised whether the leadership change will influence KM practices. This study aims to reveal whether the leadership change, in terms of the change of CEO, affects KM practices, and which dimensions of KM practices are affected by this strategic change.

Previous studies have confirmed that KM practices are important for improving performance and building competitive advantage (Nonaka & Takeuchi, 1995; Stewart, 1997; Zack et al., 2009). If an organization wants to launch a KM process, a leader with top managers must determine which types of operational performance it wants to improve by setting up knowledge management practices (Ekionea & Swain, 2008). In addition, researchers have conducted numerous studies to explore the relationship between leadership and organizational performance (Freeman, 2008). According to Spinelli (2006), the relationship between transformational leadership and the outcome factors were stronger and more positive than were the transactional or laissez-faire styles. Profit is one of the key elements of an organization's survival (Hartley, 2006) and the leadership style of the CEO may play a crucial factor in a company's profitability ratio (Freeman, 2008). Therefore, the selection of the CEO can be a critical one for the future of the company. The wrong CEO can bring death to a company very quickly (Hartley, 2006). Thus, we aim to make this study more comprehensive, and explore whether the leadership change influences organizational outcomes, such as sales growth. Sales growth has been chosen since it is frequently synonymized with profitability (Brush et al., 2000) and presents one of the most important performance measures. Thus, we illustrate the research framework in Figure 1, and hypothesize that:

H1. There is significant difference in organizational sales growth due to leadership change.

H2. There is significant difference in organizational KM practices due to leadership change.

- H2a. There is significant difference in organizational KM leadership due to leadership change.
- H2b. There is significant difference in organizational knowledge protection due to leadership change.
- H2c. There is significant difference in strategic KM due to leadership change.
- H2d. There is significant difference in recruiting practices due to leadership change.
- H2e. There is significant difference in training practices due to leadership change.
- H2f. There is significant difference in appraisal practices due to leadership change.
- H2g. There is significant difference in compensation practices due to leadership change.
- H2h. There is significant difference in learning mechanisms due to leadership change.
- H2i. There is significant difference in IT practices due to leadership change.
- H2j. There is significant difference in work organization due to leadership change.

*** Put Figure 1 here ***

Figure 1. Research framework

RESEARCH METHOD

Sample and Data Collection

The data for this study were collected by the questionnaire. The survey was carried out in Serbia from November 2013 to May 2014. As the research questions covered several KM practices, we focused on the companies employing at least 100 employees each. The publicly available list of Serbian companies was screened and call for participation in the survey was sent by e-mail (with the link to the online survey) to 250 randomly selected companies from the preliminary list. Some companies were contacted by telephone and invited to take part in the survey with more details about the project, in order to increase their interest in participation. Finally, 101 Serbian companies participated in this study, which represented a response rate of 40.4% (101/250). We had one respondent per company, and companies were diverse regarding ownership structure, industry and geographic location in the sample. Majority of the companies (46%) were manufacturing companies from developed regions of Belgrade (42%), Vojvodina (33%), 25% were from less developed regions of Šumadija and Western Serbia, as well as from Southern and Eastern Serbia.

Majority of the participants in this study were holding a manager or director positions (90%). Around one-third of them were related to human resource administration. They were chosen because the top-level managers are due to the virtue of their position most likely to have the required information (John & Weitz, 1988). The Table 1 shows the frequency distribution of the participants' job positions.

Table 1. Participants' Job Positions in the Organization

Job Title	Frequency	%
CEO	42	41.6
HR Director/HR Manager	46	45.5
Other Directors/Managers (CFO, CTO, etc.)	8	7.9
Others (Board of Directors, Advisors, Specialists)	5	5.0
Total	101	100.0

In this study, among all 101 participating organizations, only 10% were founded before 1980. One of the main reasons for this fact could be transitional period in Serbia, accompanied with a huge economic crisis, started in the 1980's. This period was characterized by economic and industrial instability, huge national debt, deficit in foreign trade, slowdown of economic growth, constitutional changes, and new laws that enabled the turn to market economy, but influenced many negative trends, of which the worst was the highest inflation in Europe in 1989 (Nikolić et al., 2012). As a result, many companies did not survive in the market during this turbulent period.

Half of the companies were founded between 1980 and the beginning of the new millennium, and 40% were founded in the Internet era. The results indicated that 15% of the companies in the sample changed their leader in the past two years. This changing rate for those organizations founded before 1980 was higher than for those founded after 1980. More than one-third of the respective organizations changed their leaders, but less than 20% of those founded after 1980 did the same change. The Table 2 shows the detailed breakdown for each category.

Table 2. Year of Establishment

Year Range	Frequency	Percentage	Leadership Changed	Percent Changed
1940-1959	5	4.95%	2	40%
1960-1979	6	5.94%	2	33%
1980-1999	49	48.51%	4	8%
2000-2019	41	40.59%	7	17%
Total	101	100.00%	15	15%

Measures

The questionnaire was developed by an international group of researchers as part of the international project (Kianto et al., 2013), and subsequently translated into Serbian language. In this study, we analysed measures for ten different dimensions of KM practices, as well as measures for organizational sales growth. Most of these measurement items were developed by the international expert team, and the remaining were adapted from the previous work. All the measures were based on the five-point Likert scale (1-strongly disagree, 5-strongly agree).

The scale for KM leadership was created by the authors and contained seven items; the scale for knowledge protection included three items and was adapted from Levin et al. (1987), Cohen et al. (2000), Hurmelinna-Laukkanen and Puumalainen (2007), Hurmelinna-Laukkanen and Ritala (2012), and Lawson et al. (2012); strategic knowledge management scale was the 5-item scale inspired by McKeen et al. (2005), Kianto et al. (2013), and Boumarafi and Jabnoun (2008); HR recruiting practice included three items and was inspired by Yanga and Linb (2009) and Cabello-Medina et al. (2011); the scale for training had four items and was created by the authors; both the HR appraisal scale and the HR compensation scale had three items and were inspired by Andreeva and Kianto (2012); learning mechanisms had three items and this scale was inspired by Becerra-Fernandez and Sabherwal (2001); the scale of IT practices had six items and was inspired by Handzic (2011), Negash (2004) and Pirttimäki (2007); and the scale for work organization practices had six items and was created by the authors. Item NEWCEO was a dichotomous question (Has the leader of your company changed during the past 24 months), which expected answer was either 'Yes' or 'No.' We used two measures for sales growth. The first measure was based on the item from the market performance scale (5-point Likert scale), which was developed by Delaney and Huselid (1996). The second measure was actual growth in turnover/sales in 2013.

FINDINGS AND DISCUSSION

Influence of Leadership Change on Organization's Sales Growth

The first part in the Table 3 shows the participants' opinion related to the growth rate of their organization net sales growth compared with their peers. The purpose of showing the sales growth is to reflect the leadership ability to enhance organizational growth. Successful leader can lead the organization towards growth (Jaramillo & Mulki, 2008). Those organizations that changed their leaders in the past 24 months showed a lower score than their counterparts. The average score for those with and without changing a leader has been 3.27 and 3.70 respectively. These two groups of data show statistical significance ($T=2.389$; $p<0.05$).

Out of 101 organizations, only 80 of them made their turnovers and sales information available. Therefore, the second part of the Table 3 shows the growth rate of the respective organizations. The result of the comparison of the organizations with leadership change with those which had no leadership change, indicates that the organizations with leadership change had a negative growth in their turnovers. The average sales growth rate dropped by 6.83% while the organizations without leadership change had a growth rate of almost 3.6 percent in 2013. Even the t-test did not show statistical significance between these two numbers ($p>0.05$), the mean value showed that the organizations with leadership change had a negative growth rate where those without leadership change had positive growth rate. Therefore the hypothesis H1 is accepted.

Table 3. T-Test of Leadership Change Effects on Sales Growth

	Leadership Changed	Mean Score	Std.	T	df	Sig.
Compared to the companies in your sector, what do you think how your company has succeeded in Net Sales Growth	No	3.70	.882	2.389	26.220	.024*
	Yes	3.27	.594			
		Growth Rate				
Actual Growth in Turnover/Sales 2013	No	3.58%	44.631	1.773	77.925	0.080
	Yes	-6.83%	7.931			

** Significant at p<0.05*

Influence of Leadership Change on Organization’s KM Practices

In this part of the study we present some findings related to the influence of a leader change on various aspects of KM practice. The Table 4 compares KM leadership in organizations with a leader change with those without a leader change in order to discover whether this change influences KM leadership. The results indicated that organizations without leadership change had four areas scored statistically higher than those with leadership change. Supervisors from organizations without a leader change more ‘continuously updated their own knowledge’ (4.13; $T=2.163$; $p<0.05$), creating new leadership skills and knowledge within their organizations. They were more focused on equal discussion (4.00; $T=2.341$; $p<0.05$) and knowledge sharing at work (3.81; $T=2.157$; $p<0.05$). Moreover, supervisors valued their subordinates’ ideas and viewpoints, and took them into account (3.50), on the other hand the participants from the organizations that changed their leaders indicated that their supervisors did not value employees’ ideas and viewpoints (2.73 $T=2.173$; $p>0.05$).

Table 4. T-test of Leadership Change Effects on KM Leadership

	Leadership Changed	Mean	Std.	T	df	Sig.
Supervisors value employees' ideas and viewpoints and take them into account (KMLEAD4)	No	3.50	1.145	2.173	18.126	.043*
	Yes	2.73	1.280			
Supervisors promote equal discussion at work (KMLEAD5)	No	4.00	.933	2.341	16.759	.032*
	Yes	3.20	1.265			
Supervisors share knowledge in an open and equal way (KMLEAD6)	No	3.81	.964	2.157	16.882	.046*
	Yes	3.07	1.280			
Supervisors continuously update their own	No	4.13	.943			

knowledge (KMLEAD7)	Yes	3.40	1.242	2.163	16.928	.045*

** Significant at p<0.05*

The previous research have indicated that the leaders' attitude has influence on employees' job satisfaction and motivation (Avolio et al., 2004; Boerner et al., 2007; Han & Jekel, 2011; Judge & Piccolo, 2004; Madlock, 2008; Webb, 2007). However, this study aimed to further examine the influence of the leaders' attitude on HRM practices for knowledge management. Implementation of knowledge management in HRM practices can help to recruit appropriate staff and retain valuable employees and relevant knowledge (Soliman & Spooner, 2000). This study examined leaders' influence on four HRM functions, including recruiting and training of employees, performance appraisal and compensation. Results indicated that organizations that changed their leaders received lower scores in all observed functions of HRM practice for KM (Table 5). Based on these findings, organizations should be aware of the effects that a leader change can cause in HRM practices for KM. Special expertise of a new employee could bring in new knowledge to the organization; employees with good learning and development ability can easily accept innovative ideas and new ways of work; and they can work with and share knowledge with colleagues and accept others' opinions. Not only should employees be open and knowledgeable, but organizations should create a knowledge-friendly environment and encourage employees to share knowledge. Organizations should reward the employees highly involved in knowledge sharing and its application. However, the results in the Table 5 show that organizations with leadership change did not reward employees who shared knowledge (2.33; T=2.299; p<0.05).

Table 5. T-Test on Leadership Change Effects on Recruiting, Training and Compensation Practices

	Leadership Changed	Mean	Std.	t	df	Sig.
When recruiting, special attention is paid to relevant expertise (HRMREC1)	No	4.48	.646			
	Yes	3.40	1.352	3.024	15.132	.008**
When recruiting, special attention is paid to learning and development ability (HRMREC2)	No	3.84	1.197			
	Yes	2.93	1.335	2.457	18.143	.024*
When recruiting, we evaluate the candidate's ability to collaborate and work in various networks (HRMREC3)	No	4.21	.995			
	Yes	3.00	1.195	3.701	17.550	.002**
We offer the employees opportunities to deepen and expand their expertise (HRMTD1)	No	4.30	.855			
	Yes	3.67	.724	3.051	21.436	.006**
We offer training that provides employees with up-to-date knowledge (HRMTD2)	No	4.28	.890			
	Yes	3.40	1.352	2.428	16.179	.027*
Our employees have an opportunity to develop their competence through training tailored to their specific needs (HRMTD3)	No	3.67	1.173			
	Yes	2.80	1.265	2.497	18.444	.022*
Competence development needs of employees	No	3.77	1.134			

are discussed with them regularly (HRMTD4)	Yes	3.00	1.254	2.218	18.222	.039*
Reward employees for sharing knowledge (HRMCOMP1)	No	3.20	1.336			
	Yes	2.33	1.345	2.299	19.136	.033*
Reward employees for applying knowledge (HRMCOMP3)	No	3.98	1.116			
	Yes	3.00	1.464	2.462	16.956	.025*

** Significant at p<0.05; ** Significant at p<0.01*

The Table 6 indicates the aspects of organizational learning that are significantly influenced by a leader change. Out of the three items related to the learning mechanisms, the two of them showed statistical significance. This reflected that change of a leader impeded abilities of the companies to collect ($T=2.416$; $p<0.05$) and implement ($T=2.464$; $p<0.05$) industry's best practices into their organization.

Table 6. T-test on Leadership Change Effects on Learning Mechanisms

	Leadership Changed	Mean	Std.	T	df	Sig.
Our company systematically collects best practices and lessons learned (LRNMECH2)	No	4.13	.905	2.416	18.309	.026*
	Yes	3.47	.990			
Our company makes systematic use of best practices and lessons learned (LRNMECH3)	No	4.02	.867	2.464	18.709	.024*
	Yes	3.40	.910			

** Significant at p<0.05*

The Table 7 presents the results showing work organization practices and employee job satisfaction in Serbia. The organizations without leadership change provided opportunities for their employees to participate in decision making (3.60), which was unlikely within the organizations with a leader change (2.53). This fact reflects that the latter centralized all decision making at the top level ($T=3.052$; $p<0.01$). Moreover, the employees in the organizations where the leaders were not changed were allowed to make independent decisions related to everyday job duties (3.26), but on average those organizations that changed their leaders did not encourage independent decision-making (2.47; $T=2.675$; $p<0.05$). When comparing the informal interaction between the employees in the organization, the results indicated that the organizations without a leader change highly encouraged the employees' interaction (4.36), whereas the counterparts did not have high level of interaction (3.67; $T=3.968$; $p<0.01$). The result of the employees' job satisfaction indicated that the organizations without a leader change had higher level of job and duty satisfaction (4.09; T=3.083l $p<0.01$ and 3.78; $T=2.467$; $p<0.05$ respectively).

Table 7. T-test on Leadership Change Effects on Work Organizing Practice and Employee Job Satisfaction

	Leadership Changed	Mean	Std.	T	df	Sig.
Work Organizing Practice						

Our employees have an opportunity to participate in decision-making in the company (WORKORG1)	No	3.60	.937	3.052	16.619	.007**
	Yes	2.53	1.302			
Job duties are defined in a manner that allows independent decision-making (WORKORG2)	No	3.26	1.020	2.675	18.802	.015*
	Yes	2.47	1.060			
We enable informal interaction between members of our organization (WORKORG3)	No	4.36	.667	3.968	20.148	.001**
	Yes	3.67	.617			
Employees' Job Satisfaction						
Employees generally very satisfied with their jobs (JOBSAT1)	No	4.09	.761	3.083	17.669	.007**
	Yes	3.33	.900			
Employees generally very satisfied with their current duties (JOBSAT3)	No	3.78	.693	2.467	17.297	.024*
	Yes	3.20	.862			

** Significant at p<0.05; ** Significant at p<0.01*

Prior studies have proven that the employees' satisfaction has shown strong correlations with the level of empowerment granted (Harris, Wheeler, & Kacmar, 2009; Laschinger, Finegan, Shamian, & Wilk, 2004; Pelit, Öztürk, & Arslantürk, 2011). The results in this study also reflected similar findings. When the organization provided decision-making opportunities to the employees and encouraged interaction between them, their job satisfaction was higher. The Table 8 indicated a correlation between work organization and job satisfaction. The result clearly shows there is a statistical relationship between these two areas (p=0.000).

Table 8. Pearson Correlation on Work Organization Practice and Job Satisfaction

	WORKORG1	WORKORG2	WORKORG3	JOBSAT1	JOBSAT3
WORKORG1	1				
WORKORG2	.638**	1			
WORKORG3	.568**	.436**	1		
JOBSAT1	.501**	.507**	.510**	1	
JOBSAT3	.528**	.498**	.554**	.804**	1

*** Correlation is significant at the p=0.000 (2-tailed).*

CONCLUSIONS AND LIMITATIONS

The findings of this study provide empirical support for a leader's influence on sales and turnover, and employees' job satisfaction. The results show that the organizations in Serbia that changed their leaders within two years had negative sales growth rate (-6.83%). Moreover, managers in the observed Serbian companies with leadership change also indicated that their net sales growth was not as successful as those without a leader change. Based on our results, it is possible to conclude that leaders affect knowledge-related HRM functions. In that way, change in leadership strongly affects employees' job satisfaction. The study suggests that leadership change affects knowledge sharing between mid-level management and employees. Less knowledge exchange was found in organizations that had leadership change. Knowledge sharing is strongly influenced by organizational culture (Al Saifi, 2015; Ho, 2009; Mueller, 2012). Interpersonal trust is an essential trigger of knowledge sharing (Cabrilo & Grubic-Nesic, 2012; Schepers & Van den Berg, 2007).

Therefore, high level of trust, openness, fairness and flexibility are prominent aspects of the ‘sharing culture’ (Damodaran & Olphert, 2000; Davenport et al., 1998; O'Dell & Grayson, 1998; Papoutsakis 2007). A leader has the role of a mediator that encourages knowledge sharing in an organization (Srivastava et al, 2006). Consequently, when a new leader arrives in an organization, he/she might be unfamiliar with the organization's current culture, which may hinder the knowledge sharing processes.

In addition, HRM practices were influenced by the leadership change. First, the organizations without the leadership change were more focused on looking for special expertise, stronger learning and development abilities, and collaborative skills. Second, these organizations discussed and provided more training opportunities for the employees to develop and update their knowledge. These organizations also provided more rewards to their employees for knowledge creation, sharing and usage. These rewards were seen as highly effective ways to motivate the employees to be more engaged in knowledge processes. Finally, those companies without leadership change always collected and applied industry’s best practices so as to increase their productivity. The employees were encouraged to interact and empowered to make sovereign decisions, resulting in their job satisfaction being higher than the one in the companies with a leader change.

Less successful KM practices and negative growth of sales and turnover, when having a new leader, could happen because the leadership change is a big strategic change within an organization. It takes time to make new leadership fit in the organizational culture. When a new leader takes office, he/she often has to change and launch new marketing and management strategies. If a leader uses top-down approach, he/she controls the decision-making process (Earl & Khan, 1994). However, low cultural fit may delay further organizational changes, and that can be the reason for negative effect on sales growth.

From a theoretical perspective, this study contributes to the KM and leadership fields, as we combine two streams of literature to explain what effects hiring a new CEO have on different KM practices and organizational performance. In addition, our study has meaningful managerial implications in the business context of Serbia. Findings help boards, investors, and managers to assess the risk of CEO transition, and predict effects this strategic change might have on company’s organizational performance.

However, this study has several limitations. First, this study faced generalisability limitation as only a limited number of Serbian companies was included. Findings are a mere reflection of certain causalities in Serbian business environment. It might be relevant for future studies to extend this research to other countries to confirm the generalization of the findings. Second, the survey included only the management of the organizations, so results do not represent the perspective of the employees. Third, this study did not address the strength of the relationship between leadership change and specific dimensions of KM practices. Thus, future studies should measure the impact of the leadership change on specific KM dimensions and organizational outcomes. Finally, changes in leadership are only one of the factors affecting KM practices’ success, as well as organizational performance. Therefore, future studies should look for additional factors that influence the implementation of KM initiatives.

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