THE EFFECTS OF LEADERSHIP STYLES ON KNOWLEDGE-BASED CUSTOMER RELATIONSHIP MANAGEMENT IMPLEMENTATION

Li Yueh, Andy Chen, MingDao University
Ying Lee, MingDao University
F. Barry Barnes, Nova Southeastern University

ABSTRACT

This study examined how transformational and transactional leadership styles affect knowledge-based customer relationship management implementation in the Taiwanese hotel industry. A model of the relationship was created based on earlier research and used Bass and Avolio's Multi-Factor Leadership Questionnaire along with questions to assess a multi-dimensional construct for CRM. The model was tested and modified using structural equation modeling. The results generally support a positive relationship between transformational leadership styles and the implementation of knowledge-based CRM while rejecting transactional styles. Suggestions for future research are also included.

JEL: M00, M12, M16

KEYWORDS: leadership styles, knowledge-based customer relationship, Multi-factor leadership

INTRODUCTION

Prior research studies have suggested that leadership styles are related to organizational performance (e.g. Elenkov, 2002; Howell, Neufeld & Avolio, 2005; Tosi, Misangyi, Fanelli, Waldman & Yammarino, 2004), job satisfaction, job performance, and organizational commitment (Lok & Crawford, 1999; Yousef, 2000; Lok & Crawford, 2004; Huang, Cheng & Chou, 2005; Lee, 2005; Politis, 2006; Bartram & Casimir, 2007; Erkutlu, 2008). However, hospitality organizations are under pressure to improve their performance, to anticipate change, and develop new structures. Effective leadership is therefore essential to ensure that change leads to increased efficiency and profitability (Pittaway et al., 1998; Zhao & Merna, 1992; Slattery & Olsen, 1984). On the other hand, Customer Relationship Management (CRM) has generally been assumed to create a competitive edge for an organization, as well as to have a positive impact on organizational performance (Sin, Tse & Yim, 2005). Swift (2001, p. 12) defined CRM as an "enterprise approach to understanding and influencing customer behavior through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability." According to this definition, Francis (2004) suggested that a customer focused culture for successfully implementing Customer Relationship Management needs to be developed by the leadership and through the design of formal systems of the company, as well as the myths and stories that are created within the firm. Additionally, Karmarkar (2004) suggested that managers will need to make proactive changes which focus even more intensely on customer preferences, quality, and technological interfaces in order to stay competitive in such a dynamic environment. Furthermore, Osarenkhoe and Bennani (2007) have found that to implement sustainable CRM strategy required the endorsement by and commitment from top management.

Although the importance of customer knowledge management has been addressed recently by several researchers (e.g. Davenport & Prusak, 1998; Davenport, 1998; Bulter, 2000; Davenport, Harris & Kohli, 2001; Gareia-Murillo & Annabi, 2002; Gibbert, Leibold & Probst, 2002), still there is a lack of knowledge management research in both the hospitality and tourism industries (e.g. Ruhanen & Cooper, 2004; Xiao & Smith, 2007). Therefore, in this study the integration of knowledge management and

customer relationship management is addressed and is defined as knowledge-based customer relationship management implementation. Given the preceding arguments, it is worthwhile to be able to characterize the relationships between managers' leadership styles and knowledge-based customer relationship management implementation and is, therefore, the purpose of this study.

The paper will provide a brief review of the relevant literature along with construct definitions, two hypotheses, the methodology used in the study, the results of the hypotheses testing. In addition, there are two models shown which are based on the structural equation modeling. The paper closes with a discussion and conclusions.

LITERATURE REVIEW AND CONSTRUCT DEFINITIONS

Leadership has been defined as building the vision, trust, value, commitment, and working environment, as well as influencing activity to accomplish the organization's goals (e. g. Richards & Engle, 1986; Lohmann, 1992; House & Aditya, 1997; Bass, 1997). Two types of leadership styles will be addressed in this study: transformational and transactional. They have been studied since the 1980's and recently have become part of "the New Leadership" paradigm (Bryman, 1992). Transformational leadership is defined as leadership that heightens consciousness of the organization's members with a collective interest and helps them to achieve it. In contrast, transactional leadership focuses on promoting the individual interests of the leaders and their followers and attaining the satisfaction of implied or actual contractual obligations on the part of both by establishing objectives, monitoring actions, and controlling the results (Bass & Avolio, 2000). Bass (1998) identified four components of transformational leadership which are (1) Idealized Influence, (2) Inspirational Motivation, (3) Intellectual Stimulation, and (4) Individualized Consideration. Bass (1998) also summarizes three styles inherent in transactional leadership which are (1) Contingent Rewards, (2) Management by Exception, and (3) Laissez-Faire.

Although CRM has become widely recognized as an important business approach, there is no universally accepted definition (Ngai, 2005). However, in the marketing literature, the terms "CRM" and "Relationship marketing" are used almost interchangeably (Parvatiyar & Sheth, 2000). Berry (1983, p. 26) defined relationship marketing (RM) as "attracting, maintaining and enhancing customer relationships." Christopher, Panyne, and Ballantyne (1991, p. 32) proposed that "the relationship marketing concept is emerging as a new focal point, integrating customer service and quality with a market orientation." CRM, on the other hand, has evolved from business concepts and processes such as relationship marketing and the increased emphasis on improving customer retention through effective management of customer relationships. Essentially, CRM is based on the belief that developing a relationship with customers is the best way to get them to become loyal because loyal customers are more profitable than non-loyal customers (Dowling, 2002).

Gebert, Geib, Kolbe and Brenner (2003) proposed the concept of knowledge-enabled customer relationship management to integrate customer relationship management (CRM) and knowledge management (KM). They suggest that CRM focuses on managing the relationship between a company and its current and prospective customer base as a key to success, while KM recognizes the knowledge available to a company as a major success factor. Furthermore, Rowley (2004) argues that there is a need to develop an understanding of the interaction and interface between KM and CRM, and to operate this in the parallel contexts of systems, people and processes. The key drivers of the KM process consist of knowledge creation, sharing, dissemination and exploitation, while the CRM process includes communication, creation of a loyal and stable customer base, customer service, trust cultivation and relationship maintenance. Minna and Aino (2005) conclude that there is an evident need in the marketing discipline to further elaborate on the concepts of "customer knowledge" and "customer knowledge management". Customer knowledge management is about gaining, sharing, and expanding the knowledge residing in customers, to both customer and corporate benefit. It is also the strategic process

by which cutting-edge companies transform their customers from passiveness as recipients of products and services, to empowerment as knowledge partners (Gibbert, Leibold & Probst, 2002). Recently Battor, Zairi and Francis (2008) identified four principles required for making CRM implementation a success: share the vision, develop customer knowledge, focus on valued customers, and share knowledge.

Based on prior research, Chen (2004) identified 16 activities of customer knowledge management that organizations will typically implement. These activities are shown in Table 1. More recently, researchers Sin, Tse and Yim (2005) organized prior related literature and in-depth interviews with CRM managers to develop a multi-dimensional construct for CRM. They identified the four broad behavioral components shown in Table 2.

Table 1: Typical Customer Knowledge-Management Activities

Customer Knowledge-Management Activities
1. Focuses on the most valued customers and captures the knowledge from interactions (or "socialization") with customers.
2. Creates a workplace culture that is moving toward the customer-centric.
3. Uses business strategies to know which customers to focus on and what new behaviors the customers should exhibit.
4. Develops enough appropriate repositories for knowledge collection.
5. Creates and utilizes techniques for collecting and sharing the knowledge from customers and partners.
6. Applies the competitive knowledge created to problem solving and decision making.
7. Creates a process and tool for managing customer data and translating data into knowledge.
8. Encourages its members to share their working experiences, such as their experiences in interacting with customers.
9. Transfers employees' working experiences into "resources" that can be used by employees anytime and anywhere.
10. Creates a place, such as a library, for employees to search for knowledge they need.
11. In order to avoid organizational boundaries, creates a community that allows the members of the organization to share and create knowledge.
12. Organization leadership supports the activities related to knowledge sharing.
13. Customers become "co-innovators" and "co-developers" of products or services.
14. Employees receive new job related knowledge from job training programs or conferences.
15. In order to develop the competitive products or services, the organization creates and shares knowledge with their partners.
16. In order to help customers make purchasing decisions, the organization helps customers to identify and sort the relevant knowledge.

Table 1 shows the 16 organizational activities typically implemented for customer knowledge management as proposed by Chen (2004)

Table 2: Four Broad Behavioral Components of Customer Relationship Management

Behaviors	Description	Source
Key customer focus	This involves an overwhelming customer-centric focus and continuously delivering superior and added value to key customers through customized marketing. This dimension includes customer-centric marketing, key customer lifetime value identification, personalization, and interactive co-creation marketing.	Vandermerwe (2004)
CRM organization	The key considerations for successfully organizing the whole firm around CRM should involve organizational structure, organization-wide commitment of resources, and human resources management.	
Knowledge management	To build good relationships with customers, it is necessary to serve each customer in her/his preferred way. Therefore, the management of customer knowledge should be emphasized. Key facets of "knowledge management" include knowledge learning and generation, knowledge dissemination and sharing, and knowledge responsiveness.	Davenport, Harris, and Kohli (2001)
Technology-based CRM	This involves utilizing computer technologies in building relationships, leveraging existing technology and rigorously linking technology deployment to targeted business initiatives	Harding, Cheifetz, DeAngelo, & Ziegler (2004)

Table 2 shows the four broad behavioral components identified by Sin, Tse and Yim (2005) for developing a multi-dimensiona construct for customer relationship management.

This present study organizes the findings of Chen (2004) and Sin et al. (2005) to develop a measurement for the implementation of knowledge-based customer relationship management.

HYPOTHESES

Transformational And Transactional Leadership Styles And Knowledge-Based CRM Implementation
Kandampully and Duddy (1999) suggested that management's task today is increasingly associated with actualizing and unleashing the potential from both within and outside the organization in an effort to strengthen the loyalty between the firm and customer. In a relationship context, the task of management also extends far beyond the firm's primary relationship (firm-customer) to include both the internal and external relationships that firms must aim to develop, nurture, and maintain. However, the relationships among leadership, employee, and customer will also be an important issue. Although there is a lack of research on the relationship between transformational/transactional leadership and knowledge-based CRM implementation, this present study offers viewpoints to better understand this relationship.

Leaders using idealized influence build trust with colleagues; respect their opinions; show extraordinary capabilities, persistence, and determination; demonstrate high standards of ethical and moral conduct; and are willing to take risks by being consistent rather than arbitrary. Thus, leaders who behave in these ways are able to take a whole marketing system view (consisting of competitors, customers, and environment) in planning business; to develop an annual marketing plan and also a long-term plan; and to communicate and implement the plan from the top down. Additionally, leaders using contingent rewards give followers a clear understanding of what needs to be done and what is expected of them. In CRM implementation, thus, the decision would be made by the leader to enhance company profits by focusing on more profitable customers via more customized offerings. A leader's ability to give personal attention to followers and make each one feel valued and important would enhance the organization's ability to practice one-to-one marketing through the use of mass customization, allowing customers to seek unique solutions to their specific needs. Leaders using individualized consideration would work with customers to offer customized solutions, create relationship value, and enhance customer loyalty.

Prior empirical studies that were conducted to examine the relationships among transformational/transactional leadership, organizational commitment, job satisfaction, job performance, and knowledge management have reported positive relationships (e.g. Dubinsky, Yammario & Spangler, 1995; Savery, 1991; Bass, 1985; Bass, Avolio & Goodheim, 1987; Yammarino & Bass, 1990; Politis, 2001, 2002; Chen, 2002; Chen & Barnes, 2003a, 2003b, 2006). However, these results support both transformational and transactional leadership to successfully organize the whole firm around CRM and include organizational structure, organization-wide commitment of resources, and human resources management. Drucker (2002, p. 12) argued that the only way to achieve leadership in a knowledge-based organization is "to spend time with promising knowledge professionals; to know them and to be known by them; to mentor them and to listen to them; to challenge them and to encourage them."

Two recent studies conducted by Politis (2001, 2002) examined the relationship of various leadership styles with knowledge acquisition attributes (Mykytyn, Mykytyn & Raja, 1994) provide support for the research proposition of this study. In the first study by Politis (2001), five leadership styles (self-management leadership (Manz & Sims, 1987) transformational leadership (Bass, 1985), transactional leadership (Bass, 1985), initiating structure and consideration (Stodgill, 1963)) were compared to knowledge acquisition attributes (Mykytyn et al., 1994). Politis reported that overall self-management, transformational, and transactional leadership styles are positively correlated with some dimensions of knowledge acquisition attributes. In the second study, Politis (2002) concluded that in general the dimension of attributed charismatic leadership has a positive and significant relationship with the knowledge acquisition of knowledge workers. Thus, he argues that "such leaders must contribute to the creation of a corporate knowledge culture and a managerial mindset that promotes the flow of knowledge throughout the organization" (p. 194).

Leadership with intellectual stimulation encourages new ways of looking at old methods and problems. Additionally, idealized influence leadership shares a vision and sense of mission with the followers. These leadership attributes thus allow the organization to establish a strategic vision that, according to CRM, calls for "information-intensive strategies". According to Harding et al. (2004), "information-intensive strategies" will utilize computer technologies in building relationships, leveraging existing technology, and rigorously linking technology deployment to targeted business initiatives, and a study by Schepers, Wetzels and Ruyter (2005) supported this viewpoint. They found the transformational leadership style positively influenced the perceived usefulness of technology. Additional analysis illustrated that this effect fully accounted for the sub dimension of intellectual stimulation. Therefore, they suggested that encouraging new ways of thinking and enabling subordinates to analyze problems from many different viewpoints will directly yield a better individual technology acceptance level within the organization. On the other hand, Romm and Pliskin (1999) considered the role of leadership in the diffusion and implementation of e-mail in a university community. The diffusion of e-mail was strongly supported by the charismatic president of the university and was a technical success. Based upon these viewpoints, this present study proposes that transformational/transactional leadership styles do have a significant effect on the implementation of knowledge-based customer relationship management with these hypotheses:

H1: Leaders' transformational leadership style is positively correlated with the implementation of knowledge-based CRM.
H2: Leaders' transactional leadership style is positively correlated with implementation of knowledge-based CRM.

METHODOLOGY

This section presents the research methodology used in this study. We describe the sample used and discuss how each of the variables included in the study is operationalized.

Sample and Data Collection

The sample for this study was selected from international tourist hotels located in the middle-part of Taiwan (primarily Taichung City and Taichung County). Taichung is expected to become a highly competitive market for the hotel industry due to the following three developments: (1) The merger of Taichung County with Taichung City will result in Taichung City becoming the third largest city in Taiwan, (2) The addition of the Central Taiwan Science Park constructed in 2003 to Taichung City and Taichung County, and (3) The city's airport now offers direct flights to/from Mainland China. Data collection involved a series of contacts that consisted of email, phone calls, and face to face meetings over a two-month period. Five international tourist hotels agreed to participate in this study. Employees who work in the room department, food and beverage department, and marketing department of the case hotels were the sample for this study. As the front office and restaurant staffs would be those to face customers most directly, these employees were chosen for this survey. A total of 300 surveys were sent to these hotels, from which 146 were returned, and 135 were found to be valid for a usable response rate of 45%.

Measures

For the measures of the various constructs, existing scales previously validated by other authors were used by adapting the items to the hotel industry. To measure transformational and transactional leadership styles, the Multifactor Leadership Questionnaire developed by Bass and Avolio (2000) was used to examine the "full range" of transformational leadership and transactional leadership styles. It consists of 36 items to measure transformational leadership and transactional leadership. A five-point Likert scale, ranging from "not at all" valued as a "1" to "frequently if not always" valued as a "5," was used. The

transformational leadership styles measured by the MLQ are: idealized influence attributed, idealized influence behavior, inspirational motivation, intellectual stimulation, and individualized consideration. The transactional leadership styles measured by the MLQ are: contingent reward, active management by exception, passive management by exception, and laissez-faire. In order to validate the multidimensional scale of transformational and transactional leadership styles, the confirmatory factor analysis (CFA) was conducted and the results are shown in Table 3 and Table 4. Indices of RMSEA, GFI, AGFI, and CFI for the construct of transformational leadership were found to be 0.093, .0733, 0.649, and 0.662 respectively. For the construct of transactional leadership style, the indices were found to be 0.102, 0.780, 0.695, and 0.728 respectively. These indices tended to approach the suggested values (Byrne, 1998; Bentler, 1995; McDonald & Ho, 2002). Additionally, Cronbach's alpha, composite reliability, and average variance extracted (AVE) were used to analyze the reliabilities of the scales. The results of these indices in each of the dimensions met the suggested values (George & Mallery, 2001; Hair et al., 1998). Generally, the results of CFA found all indicators were related to their specified constructs. Therefore, the MLQ-5X (Bass & Avolio, 2000) was confirmed as an appropriate instrument for this present study.

Table 3: Descriptive Statistics and CFA in Transformational Leadership

Latent variables and indictors	Mean	SD	Loading	t-value	Cronbach alpha	Composite Reliability	Average Variance Extracted
Idealized influence (Attribute)			0.474***	11.451	0.626	0.967	0.777
LS10	3.19	0.932	0.705***	9.897			
LS18	3.21	0.832	0.476***	6.957			
LS21	3.10	0.822	0.331***	4.675			
LS25	3.44	0.740	0.348***	5.553			
Idealized influence (Behaviors)			0.461***	12.536	0.597	0.930	0.772
LS06	3.15	0.902	0.522***	7.275			
LS14	3.18	0.800	0.502***	8.032			
LS23	3.27	0.765	0.385***	6.201			
LS34	3.15	0.768	0.444***	7.275			
Inspirational motivation			0.483***	12.087	0.646	0.933	0.784
LS09	3.13	0.868	0.637***	9.334			
LS13	3.07	0.755	0.449***	7.113			
LS26	3.30	0.792	0.369***	5.350			
LS36	3.20	0.818	0.480***	7.013			
Intellectual stimulation			0.417***	9.406	0.709	0.937	0.789
LS02	3.21	0.754	0.478***	7.682			
LS08	3.33	0.763	0.504***	8.075			
LS30	3.16	0.866	0.535***	7.451			
LS32	3.21	0.767	0.453***	7.061			
Individualized consideration			0.430***	9.536	0.685	0.938	0.794
LS15	3.13	0.814	0.432***	6.214			
LS19	3.33	0.781	0.472***	7.253			
LS29	2.92	0.783	0.495***	7.657			
LS31	3.06	0.896	0.625***	8.642			
Goodness of fit: $\chi^2(160)=553.273$							
RMSEA=0.093							
GFI=0.733							
AGFI=0.649							
CFI=0.662							

Table 3 shows the confirmatory factor analysis results for the variables and elements o transformational leadership style and confirms that all indicators are related to their specified constructs. ***: P<0.01; SD: Standard deviation

The measurement of knowledge-based CRM implementation (KCRM) for this present study was developed based on two prior studies (Chen, 2004; Sin et al, 2005). A five-point Likert scale, ranging from "strongly disagree" valued as a "1" to "strongly agree" valued as a "5" was used to reflect employees' perceptions of KCRM in the hotel organizations. In this case, the construct of KCRM needed to be developed. Based upon the collected data, an exploratory factor analysis (EFA) was performed, and the construct of KCRM was found to be a variable with multi-dimensions. These dimensions were then defined as key customer focus, knowledge-based CRM organization, knowledge sharing, and technology-based CRM. CFA was then conducted to confirm the theoretical factors as defined by using EFA.

Indices of RMSEA, GFI, AGFI, and CFI were found to be 0.077, 0.760, 0.688, and 0.814 respectively (Table 5), and they tended to approach the suggested values (Byrne, 1998; Bentler, 1995; McDonald & Ho, 2002). Additionally, Cronbach's alpha, composite reliability, and average variance extracted (AVE) were conducted. The results of these indices for each of dimensions met the suggested values (George & Mallery, 2001; Hair et al., 1998). Therefore, a reliable scale was developed to measure how the hotel organizations implemented knowledge-based customer relationship management.

RESULTS

The Profile of Respondents

The demographic questions for this study focused on gender, age, job level in the hotel, educational level, and tenure. More than 70% of respondents were female (71.9%) and 28.1% of respondents were male. Overall, most employees of the five international tourist hotels were between 26 and 30 years old (44.4%) or between 31 and 35 years (23.7%). The highest educational level was the bachelor's degree for 68.1% of the respondents. Approximately 69% of respondents have worked for their hotels between 1 and 2 years, and only 33% of respondents were in management.

Table 4: Descriptive Statistics and CFA in Transactional Leadership

Latent variables and indictors	Mean	SD	Loading	t-value	Cronbach alpha	Composite reliability	Average variance extracted
Contingent reward			0.152***	3.064	0.558	0.915	0.739
LS01	3.27	0.987	0.423***	4.625			
LS11	3.13	0.913	0.322***	3.745			
LS16	2.87	0.893	0.582***	7.487			
LS35	3.33	0.751	0.534***	8.286			
Management by exception (Active)			0.042	0.965	0.494	0.874	0.647
LS04	3.21	0.847	0.433***	5.558			
LS22	3.21	0.884	0.453***	5.578			
LS24	3.39	0.713	0.311***	4.667			
LS27	3.20	0.771	0.243***	3.297			
Management by exception (Passive)			0.526***	10.374	0.801	0.957	0.847
LS03	2.82	0.854	0.606***	8.965			
LS12	2.84	0.945	0.644***	8.507			
LS17	2.82	0.854	0.642***	9.697			
LS20	2.91	0.859	0.585***	8.497			
Lassez faire			0.682***	16.371	0.733	0.951	0.830
LS05	2.81	0.948	0.677***	9.085			
LS07	2.75	0.960	0.535***	6.661			
LS28	2.84	0.845	0.670***	10.453			
LS33	3.16	0.900	0.499***	6.616			
Goodness of fit: $\chi^2(98)=301.131$							
RMSEA=0.102							
GFI=0.780							
AGFI=0.695							
CFI=0.728							

Table 4 shows the confirmatory factor analysis for transactional leadership style and confirms that all elements are related to their specified constructs. ***: P<0.01 SD: Standard deviation; Composite reliability = (sum of standardized loadings)²/[(sum of standardized loadings)² + (sum of indicator measurement error)]. Variance extracted estimates = (sum of squared standardized loading)/[(sum of squared standardized loadings) + (sum of indicator measurement error)].

Hypotheses Testing and Path Analysis

Structural equation models (SEM) are the most powerful instruments for analyzing the causal models that specify causal relationships between particular variables (Hatcher, 1998). Table 6 shows that the initial model was found to be discredited. The χ^2 value is 440.453, and its degree of freedom is 63. The χ^2 value was significant at the 0.05 level of significance, indicating that difference between model-implied

covariance matrix Σ and the observed data were significantly large. The common level of the $\chi 2/df$ ratio is less than 5 (Joreskog & Sorbom, 1993). With the $\chi 2/df$ ratio of proposed model is 6.991, therefore, this proposed model needed to be modified. Results in Table 6 indicate that standardized factor loading of item TS2 was not significant (p>0.05) which suggests that elimination of item TS2 might create a substantial improvement in model fit.

Table 5: Descriptive Statistics and CFA in KCRM

Variables and indictors	Mean	SD	Loading	t-value	Cronbach alpha	Composite Reliability	Average Variance Extracted
Key customer focus					0.800	0.948	0.824
KCRM01	3.50	0.772	0.349***	5.187			
KCRM02	3.49	0.752	0.558***	9.483			
KCRM03	3.49	0.690	0.597***	11.771			
KCRM04	3.47	0.700	0.546***	10.155			
Knowledge-based CRM organization					0.887	0.974	0.760
KCRM08	3.06	0.929	0.681***	9.555			
KCRM09	3.36	0.758	0.563***	9.720			
KCRM10	3.29	0.771	0.532***	8.777			
KCRM14	3.61	0.763	0.514***	8.525			
KCRM15	3.50	0.645	0.510***	10.632			
KCRM16	3.44	0.760	0.576***	10.017			
KCRM17	3.45	0.760	0.567***	9.772			
Knowledge sharing					0.775	0.948	0.821
KCRM19	3.27	0.848	0.599***	8.259			
KCRM20	3.16	0.908	0.581***	7.345			
KCRM21	3.16	0.857	0.541***	7.215			
KCRM22	3.15	0.842	0.625***	8.755			
Technology-based CRM					0.880	0.969	0.889
KCRM24	3.09	0.885	0.760***	12.001			
KCRM25	3.02	0.950	0.870***	13.243			
KCRM26	3.13	0.893	0.677***	10.015			
KCRM27	3.16	0.905	0.605***	8.444			
Goodness of fit: $\chi^2(146)=403.999$							
RMSEA=0.077							
GFI=0.760							
AGFI=0.688							
CFI=0.814							

Table 5 shows the confirmatory factor analysis for KCRM and confirms that all elements are related to their specified constructs.
***: P<0.01; SD: Standard deviation

Table 7 shows the results of the first modified model without item TS2. All indictor t-values range from 3.064 to 16.371, indicating that all items are significant (p<0.05). This supports the convergent validity of all indicators effectively measuring the same construct (Anderson & Gerbing, 1988). The reliability of the measures is assessed using composite reliability and variance extracted estimates, as listed in Table 7. The composite reliability of most constructs exceeded 0.7 in this study, satisfying the minimally acceptable level (Hair et al., 1998; Hatcher, 1998). Fornell and Larcker (1981) also suggest that variance extracted estimates should exceed 0.5, however, this test is quite conservative, and variance extracted estimates will often be below 0.5 in practice, even given acceptable reliability (Hatcher 1998). All indices in Table 8 exceed 0.5. The $\chi 2$ value is 292.697, and its degree of freedom is 52. The $\chi 2/df$ ratio of modified measurement model was decreased to 5.628, which indicates an acceptable fit in this sample. The indices of Comparative Fit Index (CFI), Goodness-of-fit Index (GFI), Normed Fit Index (NFI) and Non-Normed Fit Index (NNFI) were found to be 0.726, 0.785, 0.690 and 0.652 respectively. These indices, however, did not meet the recommend level of 0.9. Table 8 and Figure 1 summarize the results of path analysis. The path coefficients of Hypothesis 2 in this current model found no statistical significance (p<0.05) indicating a rejection of transactional leadership's affect on knowledge-based CRM. Hypothesis 1, however, indicates that transformational leadership positively and directly affects knowledge-based CRM.

Table 6: Summary Measurement Statistics for the Proposed Model – Initial

CFA results	Chi-square	df	CFI	GFI	AGFI	RMR	NFI	NNFI
Measurement model	440.453	63	0.628	0.704	0.572	0.245	0.597	0.539

Latent variables	Items	Standardized factor loadings	t value	Reliability	Variance estimates	extracted
Transformational leadership				0.961		0.833
	TF1: Idealized influence (Attribute)	0.475***	11.476	0.919		
	TF2: Idealized influence (Behaviors)	0.460***	12.516	0.928		
	TF3: Inspirational motivation	0.481***	11.985	0.921		
	TF4: Intellectual stimulation	0.419***	9.467	0.914		
	TF5: Individualized consideration	0.434***	9.672	0.912		
Transactional leadership				0.914		0.805
	TS1: Contingent reward	0.152***	3.064	0.903		
	TS2: Management by exception (Active)	0.042	0.965	0.914		
	TS3: Management by exception (Passive)	0.526***	10.374	0.901		
	TS4: Lassez faire	0.682***	16.371	0.918		
Knowledge-based CRM				0.905		0.717
	K1: Key customer focus	0.414***	8.155	0.901		
	K2: Knowledge-based CRM organization	0.510***	9.734	0.898		
	K3: Knowledge sharing	0.262***	4.246	0.880		
	K4: Technology-based CRM	0.318***	4.418	0.861		

Table 6 shows the summary measurement statistics for the initial model of leadership style and KCRM and indicates that standardized factor loading for TS2 was not significant and should be eliminated. ***: P<0.01; Reliability = (sum of standardized loadings)^2/[(sum of standardized loadings)^2 + (sum of indicator measurement error)]. Variance extracted estimates: (sum of squared standardized loading)/[(sum of squared standardized loadings) + (sum of indicator measurement error)].

Table 7: Summary Measurement Statistics for the Proposed Model – First Modification

CFA results	Chi-square	df	CFI	GFI	AGFI	RMR	NFI	NNFI
Measurement model	292.697	52	0.726	0.785	0.678	0.193	0.690	0.652

Latent variables	Items	Standardized factor loadings	t value	Reliability	Variance estimates	extracted
Transformational leadership				0.961		0.833
	TF1: Idealized influence (Attribute)	0.475***	11.476	0.919		
	TF2: Idealized influence (Behaviors)	0.460***	12.517	0.928		
	TF3: Inspirational motivation	0.481***	11.985	0.921		
	TF4: Intellectual stimulation	0.419***	9.466	0.914		
	TF5: Individualized consideration	0.434***	9.672	0.912		
Transactional leadership				0.929		0.843
	TS1: Contingent reward	0.152***	3.064	0.903		
	TS3: Management by exception (Passive)	0.526***	10.374	0.901		
	TS4: Lassez faire	0.682***	16.371	0.918		
Knowledge-based CRM				0.905		0.717
	K1: Key customer focus	0.414***	8.156	0.901		
	K2: Knowledge based CRM organization	0.510***	9.733	0.898		
	K3: Knowledge sharing	0.262***	4.246	0.880		
	K4: Technology based CRM	0.318***	4.419	0.861		

Table 7 shows the summary measurement statistics for the first modified mode without TS2 but CFI, GFI, NFI and NNFI did not meet the recommended level of .9. 1***: P<0.01; Reliability = (sum of standardized loadings)^2/[(sum of standardized loadings)^2 + (sum of indicator measurement error)]. Variance extracted estimates: (sum of squared standardized loading)/[(sum of squared standardized loadings) + (sum of indicator measurement error)].

Table 8: Results of the Theoretical Model Test – First Modification

Path	Standardized parameter estimate	t-value	Hypothesis
Transformational leadership → Knowledge-based CRM (H1)	0.493***	6.109	Not reject
Transactional leadership → Knowledge-based CRM (H2)	-0.150*	-1.752	Reject

Table 8 summarizes the results of the path analysis which indicate a rejection of transactional leadership's affect on KCRM. ***: P<0.01; *: P<0.05; *: P<0.1

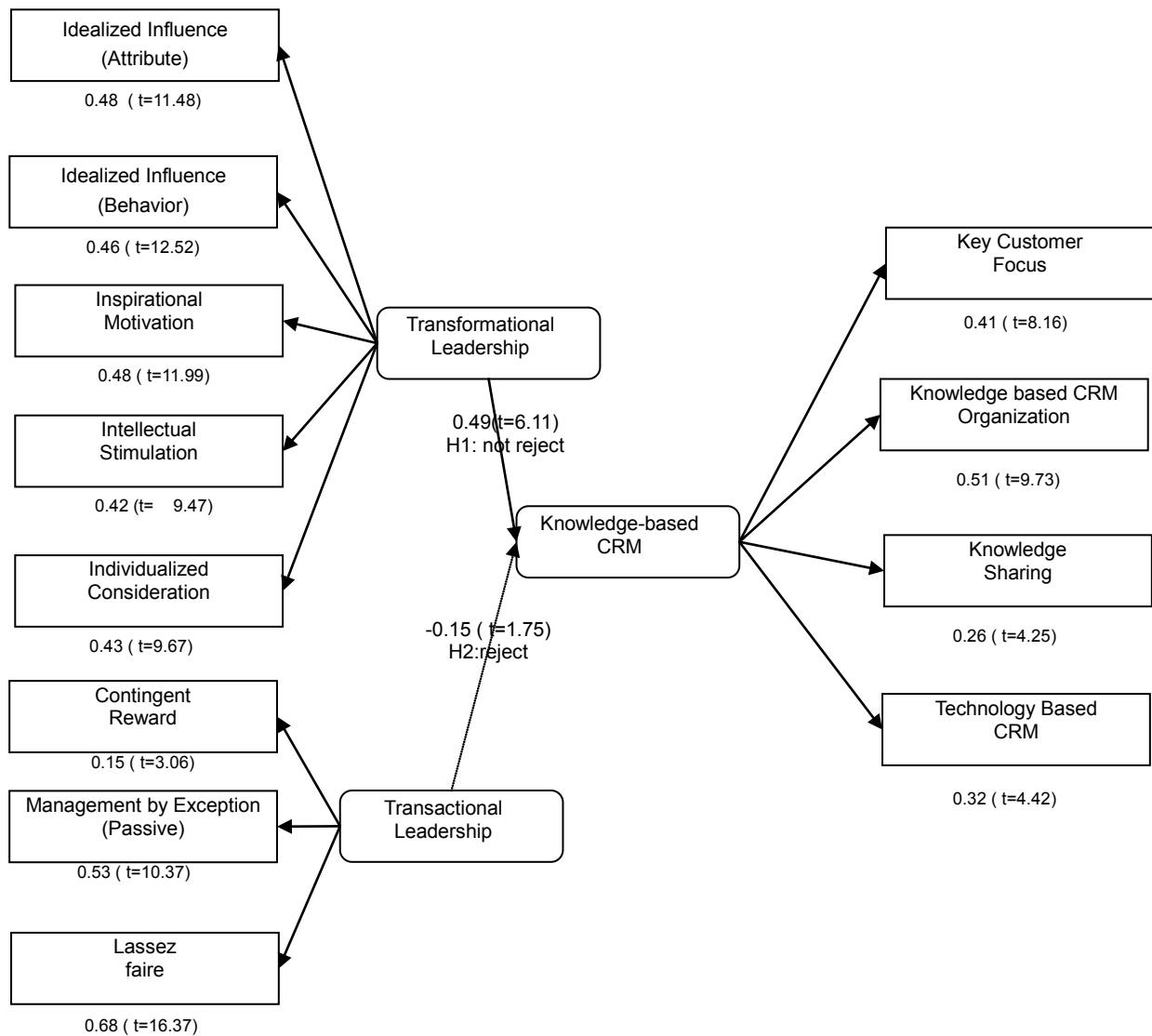Figure 1: Estimation of Structural Model – First Modification

Figure 1 shows the results of the path analysis of the initial model with the indication that transactional leadership's affect on KCRM is not statistically significant.

Because the relationship between transactional leadership and KCRM found no statistically significant result, and the model structure was modified. Table 9 shows the results of the second modified model which deleted the path between the transactional leadership and KCRM. All indictor t-values are significant (p<0.05). The χ2 value is 85.638, and its degree of freedom is 26. The χ2/df ratio of modified measurement model was decreased to 3.294 which indicates an acceptable fit in this sample. In the second modified model structure, the indices of the Comparative Fit Index (CFI), Goodness-of-fit Index (GFI), Normed Fit Index (NFI) and Non-Normed Fit Index (NNFI) were found to be 0.896, 0.870, 0.860 and 0.856 respectively, so these indices tended to approach the suggested level of 0.9. Table 10 and Figure 2 summarize the results of path analysis. In this current model, the path coefficients of Hypothesis 1 are found to have a statistically significant result (p<0.05).

Figure 2: Estimation of Structural Model – Second Modification
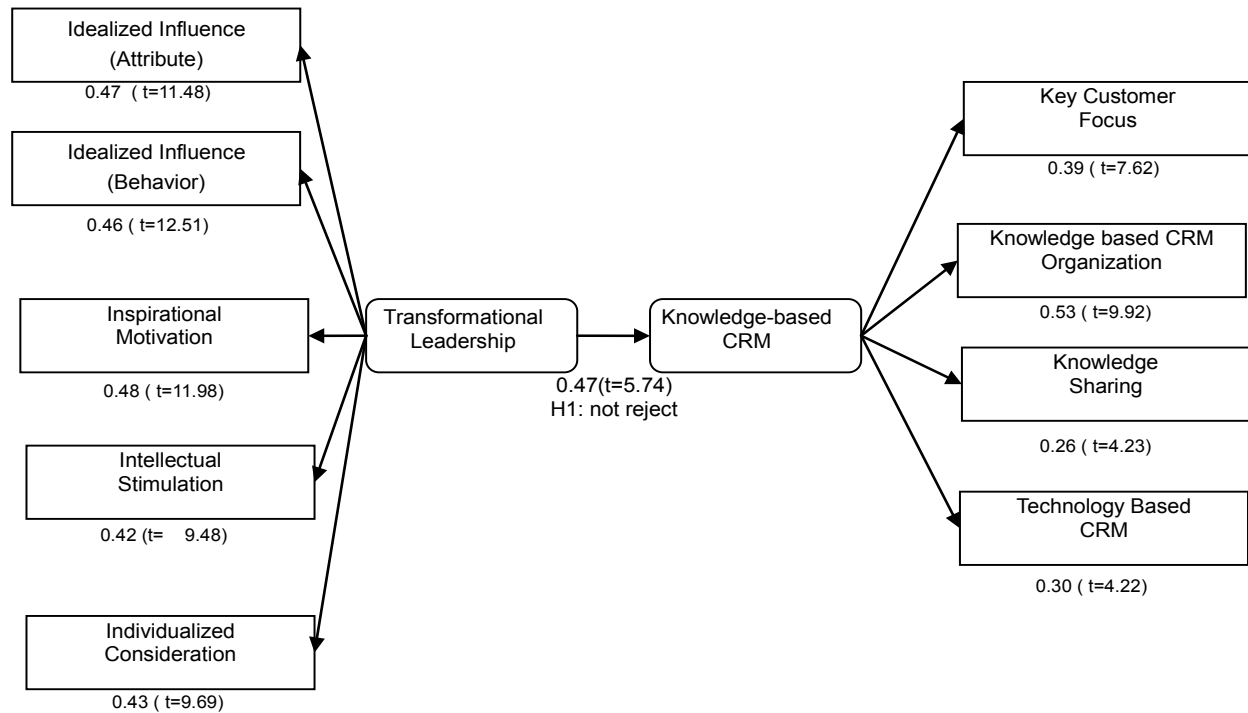

Figure 2 shows the second modified model without Transactional leadership linking to KCRM, and shows statistically significant results supporting H1.

Table 9: Summary Measurement Statistics for the Proposed Model – Second Modification

CFA results	Chi-square	df	CFI	GFI	AGFI	RMR	NFI	NNFI
Measurement model	85.638	26	0.896	0.870	0.775	0.062	0.860	0.856

Latent variables	Items	Standardized factor loadings	t value	Reliability	Variance estimates	extracted
Transformational leadership				0.961		0.833
	TF1: Idealized influence (Attribute)	0.474***	11.456	0.919		
	TF2: Idealized influence (Behaviors)	0.460***	12.513	0.928		
	TF3: Inspirational motivation	0.480***	11.975	0.921		
	TF4: Intellectual stimulation	0.419***	9.484	0.914		
	TF5: Individualized consideration	0.434***	9.687	0.912		
Knowledge-based CRM				0.902		0.714
	K1: Key customer focus	0.391***	7.619	0.900		
	K2: Knowledge based CRM organization	0.531***	9.921	0.896		
	K3: Knowledge sharing	0.259***	4.232	0.881		
	K4: Technology based CRM	0.301***	4.219	0.862		

*Table 9 shows the results of the second modified model without transactional leadership linking to KCRM. ***: P<0.01; Reliability = (sum of standardized loadings)^2/[(sum of standardized loadings)^2 + (sum of indicator measurement error)]. Variance extracted estimates: (sum of squared standardized loading)/[(sum of squared standardized loadings) + (sum of indicator measurement error)].*

Table 10: Results of the Theoretical Model Test – Second Modification

Path	Standardized parameter estimate	t-value	Hypothesis
Transformational leadership → Knowledge-based CRM (H1)	0.471***	5.739	Not reject

*Table 10 summarizes the results of the second modified path analysis and indicates statistically significant results for transformational leadership's affect on KCRM. ***: P<0.01*

DISCUSSION AND CONCLUSIONS

Hotel organizations are increasingly concerned with building and maintaining relationships with customers by implementing knowledge-based customer relationship management. Some hotels have recognized the importance of constructing a knowledge-based CRM organization building on the concept of the service profit chain (Heskett, et al., 1997) where the internal relationship of the organization will affect the capability of service value and consequent impact on the level of customer satisfaction and loyalty. Furthermore, some hotels have recognized the importance of building internal relationships, and the relationships between transformational/transactional leadership styles and knowledge-based CRM implementation were examined in the previous section. Transformational leadership styles were found to positively correlate with knowledge-based CRM implementation. In particular, the dimensions of knowledge-based CRM organization and key customer focus were found to be most affected by the transformational leadership styles while transactional styles were rejected. Thus, in this case, to most effectively lead, managers should be aware of and concerned with: (1) acting as role models for their followers; (2) inspiring and motivating their subordinates by providing meaning and challenge to their followers' work; (3) promoting intelligence, rationality, and careful problem solving; (4) giving personal attention, treating each employee individually, and coaching and advising each employee (Yammarino, Spangler, & Bass, 1993; Bass & Avolio, 1994; Bass, 1998). Additionally, managers with a transformational leadership style will benefit their organizations by building customer centric marketing, identifying key customer lifetime value, treating customers individually, and creating interactive co-creation marketing. Finally, hotels hoping to successfully implement KCRM should avoid transactional leadership styles in their leaders.

One weak area of the results regards the dimension of technology-based CRM. In the sample hotels not all employees have the opportunity to operate the computer system. Management employees operate the computer system most frequently, and in this case a low response rate was received from managers. The knowledge sharing dimension also produced a weak result, but managers in hotel organizations should still appreciate the benefits of external organization knowledge sharing with other strategic alliance organizations. For future research, the same relationship model could be studied in Mainland China to explore the perception of leadership styles and knowledge-based CRM implementation in five star hotels. Because the Taiwanese government has created a policy to attract tourists from Mainland China, this sort of future study offers an important issue on which to focus.

APPENDICES

Appendix A: Transformational leadership styles

Transformational leadership variables	Transformational leadership indicators
Idealized influence (Attribute)	LS10 Instills pride in being associated with him/her
	LS18 Goes beyond self-interest for the good of the group.
	LS21 Acts in ways that build my respect.
	LS25 Displays a sense of power and confidence.
Idealized influence (Behavior)	LS06 Talks about their most important values and beliefs.
	LS14 Specifies the importance of having a strong sense of purpose.
	LS23 Considers the moral and ethical consequences of decisions
	LS34 Emphasizes the importance of having a collective sense of mission.
Inspiration motivation	LS09 Talks optimistically about the future.
	LS13 Talks enthusiastically about what needs to be accomplished.
	LS26 Articulates a compelling vision of the future.
	LS36 Expresses confidence that goals will be achieved.
Intellectual stimulation	LS02 Reexamines critical assumptions to question whether they are appropriate.
	LS08 Seeks differing perspectives when solving problems.
	LS30 Gets me to look at problems from many different angles.
	LS32 Suggests new ways of looking at how to complete assignments.
Individualized consideration	LS15 Spends time teaching and coaching.
	LS19 Treats me as an individual rather than just as a member of a group.
	LS29 Considers me as having different needs, abilities and aspirations from others.
	LS31 Helps me to develop my strengths.

Appendix B: Transactional leadership styles

Transactional Leadership Variables	Transactional Leadership Indicators
Contingent reward	LS01 Provides me with assistance in exchange for my efforts.
	LS11 Discusses in specific terms who is responsible for achieving performance targets.
	LS16 Makes clear what one can expect to receive when performance goals are achieved.
	LS35 Expresses satisfaction when I meet expectations.
Management by exception(Active)	LS04 Focuses attention on irregularities, mistakes, exceptions and deviations from standards.
	LS22 Concentrates his/her full attention on dealing with mistakes, complaints and failures.
	LS24 Keeps track of all mistakes.
	LS27 Directs my attention toward failures to meet standards.
Management by exception (Passive)	LS03 Fails to interfere until problems become serious.
	LS12 Waits for things to go wrong before taking action.
	LS17 Shows that he/she is a firm believer in "If it ain't broke, don't fix it."
	LS20 Demonstrates that problems must become chronic before taking action.
Laissez faire	LS05 Avoids getting involved when important issues arise.
	LS07 Is absent when needed.
	LS28 Avoids making decisions.
	LS33 Delays responding to urgent questions.

Appendix C: KCRM implementation

KCRM Variables	KCRM Indicators
Key customer focus	KCRM01 Through ongoing dialogue, we work with individual key customers to customize our offerings.
	KCRM02 My organization provides customized services and products to our key customers.
	KCRM03 My organization makes an effort to find out what our key customer needs.
	KCRM04 When my organization finds that customers would like to modify a product/service, the departments involved make coordinated efforts to do so.
Knowledge-based CRM organization	KCRM08 My organization has the sales and marketing expertise and resources to succeed in CRM.
	KCRM09 Our employee training programs are designed to develop the skills required for acquiring and deepening customer relationship.
	KCRM10 My organization has established clear business goals related to customer acquisition, development, retention, and reactivation.
	KCRM14 My organization's employees are willing to help customers in a responsive manner.
	KCRM15 My organization fully understands the needs of our key customers via knowledge learning.
	KCRM16 My organization provides channels to enable ongoing, two-way communication with our key customers and us.
	KCRM17 Customers can expect prompt service from employees of my organization.
Knowledge sharing	KCRM19 My organization and strategic alliance partners have visited each regularly for the purpose of knowledge sharing and learning.
	KCRM20 My organization regularly conducts meetings with strategic alliance partners for the purpose of communication and knowledge developing and sharing.
	KCRM21 My organization and strategic alliance partners create a "community" that allows strategic alliance members to share and create knowledge.
	KCRM22 In order to develop competitive products or services, my organization creates and shares knowledge with strategic alliance partners.
Technology-based CRM	KCRM24 My organization has the right software to serve our customers.
	KCRM25 My organization has the right hardware to serve our customers.
	KCRM26 Individual customer information is available at every point of contact.
	KCRM27 My organization maintains a comprehensive database of our customers.

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BIOGRAPHY

Li-Yueh "Andy" Chen is an Assistant Professor at the Department of Hospitality Management and Dean of Department of Continuing Education at MingDao University in Taiwan. Li-Yueh Chen has a DBA degree from Nova Southeastern University and teaches undergraduate-level course in marketing management, consumer behavior, customer relationship management, and marketing research. His research interests are leadership behaviors, customer relationship management, marketing performance, and knowledge management.

Ying Lee is an Assistant Professor at the Department of Hospitality Management at MingDao University in Taiwan. Ying Lee holds a Ph.D. degree from the National Cheng Kung University (NCKU), Tainan, Taiwan. He teaches undergraduate-level course in Tourism Industry Management, Service Industry Management and Management of Food and Beverage Service. His current research activities and interests include: sequential forecasting and artificial intelligent.

F. Barry Barnes is Professor and Chair of Leadership at the H. Wayne Huizenga School of Business and Entrepreneurship at Nova Southeastern University in Fort Lauderdale where he has taught since 1997. Dr. Barnes has a Ph.D. in Business from the University of Kansas and teaches graduate-level courses in leadership, strategic decision-making, and organizational behavior. He was selected as Faculty Member of the year in 1999 at the Huizenga School. His research interests are organization change and development, organizational learning, team development, and collective improvisation.