

**MANAGEMENT INNOVATION AND LEADERSHIP:
THE MODERATING ROLE OF ORGANIZATIONAL SIZE**

ABSTRACT

Recent research on management innovation, i.e. new managerial processes, practices, or structures that change the nature of managerial work, suggests it can be an important source of competitive advantage. In this study, we focus on management innovation at the organization level and investigate the role of leadership as a key antecedent. Due to its prominent role within organizations, top management has the ability to greatly influence management innovation. In particular, we focus on leadership behavior and examine transformational and transactional leadership. Additionally, as organizational size may influence the impact of leadership, we consider the potential moderating role of organizational size. Findings show that both leadership behaviors have indeed a significant direct impact on management innovation. However, large organizations benefit more from transformational leadership, while small organizations do so from transactional leadership. Our findings imply that smaller, less complex, organizations benefit more from transactional leadership. On the other hand, larger organizations need to draw on transformational leaders to compensate for their complexity and allow management innovation to flourish.