**How a Leader Transforms Employees’ Psychological Empowerment**

**Into Innovative Work Behavior**

Abstract

Businesses, especially those in urban areas, rely on innovation as the crucible of growth. Businesses must adapt to current and future conditions of their markets, consumers, and the demands of globalization. Therefore, innovation is central to a business’ success. We argue that psychological empowerment indirectly influences the relationship between transformational leadership and innovative work behavior. A transformational leader spurs their employees’ capability and efficacy. As a result, employees feel valued by the company, which encourages them to be innovative in the workplace. Thus, the employee can be innovative, without fearing the reprimand of superiors. This research surveyed 292 employees from different organization types (e.g., private sector, public sector, and nongovernmental organizations) in urban areas. The results of the study’s mediation analysis demonstrate that innovative work behavior is the outcome of the psychological empowerment from transformational leadership. Therefore, we argue that a transformational leader tends to empower their employees psychologically, which may improve employees’ ability to be more innovative at work. There are some limitations of this research (e.g., research design, adaptation of measuring instruments, and statistical remedies that have not been optimally implemented). The researchers provide suggestions regarding countermeasures for common method bias, which are outlined in the Discussion section.

**Keywords**

Innovative work behavior, psychological empowerment, transformational leadership, urban business

Introduction

The increasingly competitive and dynamic landscape of business has forced companies to continually release new products and services to meet consumers’ demands in a rapidly changing world (Jaiswal & Dhar, 2015). Therefore, innovative behavior is critical for companies’ success (Jaiswal & Dhar, 2015; Pieterse, Van Knippenberg, Schippers, & Stam, 2010; Shunlong & Weiming, 2012). The ability of businesses in urban areas (e.g., Jakarta and Bandung) to innovate and improve their products and services is a determining factor of economic and social growth (Johnson, 2008; Kementerian Dalam Negeri Republik Indonesia, 2015; Lee & Rodríguez-Pose, 2014). Organizational leadership is one element that shapes the workplace innovation process, especially when an employee believes they are capable of proactively handling the workload in the office environment, they are considered to possess adequate psychological empowerment (Pieterse et al., 2010, p. 613; Shunlong & Weiming, 2012, p. 88). This study focuses on the innovative behavior of employees in urban areas and how leadership and psychological empowerment influence behavior.

To manage and solve a range of workplace challenges, companies need individuals who have the desire and ability to innovate (De Jong & Den Hartog, 2008; Janssen, 2000). Innovative work behavior (IWB) refers to an individual’s ability to create, introduce, and realize new ideas, processes, products, and procedures that are beneficial to the job, group, or organization (De Jong & Den Hartog, 2008; Janssen, 2000). IWB involves three aspects: (a) the process of exploring various opportunities and creativity in idea creation (i.e., idea generation), (b) the process of introducing and advocating for the ideas created by finding supporters (i.e., idea promotion), and (c) the process of implementing changes and new knowledge, or improving established processes, to optimize personal and/or business performance (i.e., ideas realization) (De Jong & Den Hartog, 2008; Galbraith, 1982; Janssen, 2000). Hence, this study views IWB as a unidimensional construct; IWB is more than just presenting new ideas.

With the increasing demand for innovation, other effort is needed, that is presenting a leader who has abilities to lead and encourage their employee’s innovation towards achieving organizational goals (Shunlong and Weiming, 2012). Leadership is paramount to ensure employees are encouraged to achieve company goals and improve their company’s performance through innovative and adaptive behavior (Antonakis & House, 2014). Transformational leadership is an important driver of innovation across various organization levels (Morales, Barrionuevo, & Gutierrez, 2012). It refers to a leadership style that can shape subordinates’ morals, ideas, interests, and values. Moreover, transformational leadership inspires employees to prioritize organizational interests rather than self-interest and thus, perform better than expected (Pieterse et al., 2010; Yukl, 2013).

Transformational leaders have a warm personality, always treat their employees equally, and motivate and encourage innovation in their subordinates (Bass, 1995, p. 465). There are five components of transformational leadership. First, idealized influence (attributed), which is a charisma displayed by a leader in their environment that leads people to see them as a figure of confidence, power, idealism, and ethics. Second, idealized influence (behavior), which is the ability of the leader to influence action, as demonstrated by their sense of mission and strategic vision, which fosters admiration and respect. Third, inspirational motivation, which is a leader’s ability to encourage their employees to optimistically view the future, ambition, goal, or project, and the leader’s ability to communicate the ideal visions to achieve. Fourth, intellectual stimulation, which refers to a leader’s ability to harness and develop their subordinate’s intelligence, rational thinking capability, creativity, and problem-solving ability. Finally, individual consideration, which is a leader’s provision of advice, encouragement, coaching, and attention to the individual needs of the employees, as well as giving subordinates the opportunity to develop and actualize themselves (seeAntonakis, Avolio, & Sivasubramaniam, 2003, p. 264; Bass, 1997, p. 133; Ho, Fie, Ching, & Ooi, 2009, p. 45; Luthans, 2011, p. 430; Robbins & Judge, 2017, p. 433; Yukl, 2013, p. 322).

The literature demonstrates that a link between transformational leadership and innovative behavior exists (see Afsar, Badir, & Saeed, 2014, p. 1284; Morales et al., 2012, p. 1045; Oke, Munshi, & Walumbwa, 2009; Sharifirad, 2013, 213). A transformational leader is a highly innovative and creative person who has a masterly way of encouraging their subordinates to be more productive and creative (Basu & Green, 1997; Robbins & Judge, 2017). A transformational leader also acts as the catalyst of their subordinates’ creation of ideas, improved abilities, confidence, and enthusiasm in performing their duties (Afsar et al., 2014; Jung, Chow & Wu, 2003; Mangundjaya & Retnaningsih, 2017; Robbins & Judge, 2017). We can expect that those leaders also encourage employees’ IWB (Bass, 1995, p. 468; De Jong & Den Hartog, 2008, p. 5). Therefore, we argue that transformational leadership allows employees to develop innovative behavior, both explorative and exploitative (Oke et al., 2009). This experience is amplified for employees who work in crowded urban areas, because the more crowded the city becomes, the greater the exchange of ideas (Rieland, 2013).

In this study, we also expect that psychological empowerment influence the relationship between transformational leadership and IWB. Psychological empowerment is a widespread concept and can be demonstrated by increased intrinsic motivation, which is reflected by employees’ cognitive orientation and energy in performing the job (Thomas and Velthouse; 1990). This definition became the basis for four dimensions of psychological empowerment: meaning, competence, self-determination, and impact (Spreitzer, 1995; Thomas & Velthouse, 1990). Meaning refers to the value of the work, which is ascribed according to an individual’s ideals and reflective of an individual’s personal beliefs concerning their role in the work (Spreitzer, 1995; Thomas & Velthouse, 1990). The competence dimension has similarities with Bandura’s self-efficacy concept (Bandura, 1989). Competence refers to an individual’s beliefs about their capabilities to perform various activities skillfully (Gist, 1987; Spreitzer, 1995). However, it differs from Bandura’s self-efficacy concept by focusing solely on an employee’s role in the workplace (Spreitzer, 1995). The third dimension is self-determination, which refers to an individual’s instincts to make decisions and act, such as a decision to determine the methods, speed and effort of the work itself (Bell & Staw, 1989; Deci, Connell, & Ryan, 1989; Spector, 1986). The fourth dimension is impact, which refers to the individual’s ability to make some impact to the strategic, administrative, or operational work output either (Ashforth, 1989).

Psychological empowerment is pertinent for individuals working in urban areas, as urban areas are the center of innovation and often, the driving force of a country’s economy (Johnson, 2008). We argue that employees who experience psychological empowerment perceive themselves as capable, impactful and influential in their workplace, which inspires them to be more proactive, independent and demonstrate initiative (Pieterse et al., 2010; Spreitzer 1995; Thomas & Velthouse, 1990). Therefore, psychological empowerment is critical to employees’ performance because it boosts their confidence regarding their capability of action (Pieterse et al., 2010). A transformational leader is expected to psychologically empower employees, which cultivates employees’ desire to innovate (Pieterse et al., 2010). To create empowered employees who take initiative in their workplace, companies must invest in cultivating transformational leaders (Pieterse et al., 2010). Therefore, we posed the following hypothesis:

Transformational leadership has a positive influence on IWB through the role of psychological empowerment.

Figure 1 presents the research model that underpins this research. In addition to proving the hypothesis, this study also aims to validate various previous empirical findings that demonstrate the significant relationship between transformational leadership and IWB (see Afsar et al., 2014; Morales et al., 2012; Oke et al., 2009; Sharifirad, 2013).

---insert Figure 1 here---

Method

*Participants.* This study’s respondents were employees who worked in the private sector, multinational private sector, public sector, government agencies, educational institutions, and nongovernmental organizations. The respondents were limited to individuals who worked in two large cities in Indonesia, Jakarta and Bandung, and had a minimum of three months of tenure to ensure the respondents had sufficient interactions with their superordinate. The study utilized purposive sampling technique, which is a sampling technique based on the researchers’ judgment of the prospective respondents (Kumar, 2012). The study successfully collected data from 307 respondents. Based on preliminary assessment of the data, there were 292 respondents that satisfied the inclusion criteria for this research.

*Procedure.* Data retrieval was achieved through a Google form, which was propagated via hyperlinks in various online forums (e.g., WhatsApp and LINE) utilized by individuals who have worked in various companies in Jakarta and Bandung. In addition, questionnaires were distributed through Instagram stories.

This research used a survey research design. According to Gravetter and Forzano (2012), survey research design is used to obtain descriptions of specific groups of individuals. The purpose of the survey research design is to acquire an accurate portrait of the individuals under investigation. Efforts were made to address common method bias (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003), including counterbalancing (i.e., randomizing the order of items within the measuring instrument). Further, efforts were made to minimize ambiguity and make items easier to understand after the adaptation process. Finally, maintaining the anonymity of the respondents was critical.

*Measurements*

This study employed three measurements. The measurements were translated into Indonesian and satisfied the review process with the expert judgment method.

*Transformational leadership.* To measure transformational leadership, the Multifactor Leadership Questionnaire, developed by Avolio and Bass (2004), was employed. The study used the indicators created by Ho et al. (2009). The questionnaire has 20 items that measure the five dimensions of transformational leadership: idealized influence (attributed), idealized influence (behavior), inspirational motivation, intellectual stimulation, and individual consideration. Examples of items for each dimension respectively include: “My leader instils pride in me for being associated with him/her”; “My leader considers the moral and ethical consequences of decisions”; “My leader talks optimistically about future”; “My leader helps me look at the problems from many different angles”; and, “My leader helps me to develop my strengths”. The answer option format consists of a five-point scale, ranging from (1) “Never” to (5) “Always.”

*Psychological empowerment.* Psychological empowerment variables in this study were measured using Psychological Empowerment Instrument developed by Spreitzer (1995). The questionnaire consists of 12 statements that measure the four aspects of psychological empowerment: meaning, competence, self-determination, and impact. Each aspect is measured through three statements. Examples of items for each aspect respectively include “I am confident about my ability to do my job”; “I can decide on my own how to go about doing my work”; “My impact on what happens in my department is large”. The questionnaire uses the 1–6 Likert scale, ranging from (1) “Strongly disagree” to (6) “Strongly agree.” This scale was implemented to avoid central tendency bias.

*Innovative work behavior*. IWB was measured using the IWB scale developed by Janssen (2000). The questionnaire measures three dimensions: idea generation, idea promotion, and idea realization. Each dimension is measured by using three statements. Examples of items for each dimension respectively include “creating new ideas for difficult issues”; “mobilizing support for innovative ideas”; “evaluating the utility of innovative behavior in the workplace”. The questionnaire uses the 1–7 Likert scale, ranging from (1) “Never” to (7) “Always”.

*Data Analysis.* The researchers applied a simple mediation analysis model using PROCESS version 3.0, developed by Hayes (2018). To do this, the researchers used IBM SPSS version 25. The results of the mediation analysis are interpreted based on Hayes’s (2018) exposure on simple mediation models.

Results

Based on the demographic data, the majority respondent involved in the study was female (181 respondents, 62%), aged 26–33 years (192 respondents, 66%), identified as staff in their company (201 respondents, 69%), and worked in the private sector (192 respondents, 66%). Most respondents had been working for less than five years (207 respondents, 71%). Additionally, most of the participants held a bachelor’s degree (189 respondents, 65%). Table 1 presents the means, standard deviations, correlations, and reliability of the measuring instruments of each variable. All measuring instruments have high alpha coefficients, as demonstrated by the IWB, psychological empowerment, and transformational leadership measuring instruments each obtaining alpha α = 0.913, 0.825, and 0.958, respectively. The correlation results of all variables showed significant positive intercorrelation (*r* = 0.270–0.536, *p* = < .01).

---insert Table 1 here---

Table 2 presents the mediation model coefficients. Based on the data, when examined to ascertain the total effect of transformational leadership on IWB (c = 0.142, *SE* = 0.029, *t* = 4.783, *p* = < .001, *LLCI* = 0.084, *ULCI* = 0.201), transformational leadership positively influences IWB. Moreover, as observed in Table 2, transformational leadership is positively associated with psychological empowerment (a = 0.141, *SE* = 0.023, *t* = 29.435, *p* = < .001, *LLCI* = 0.096, *ULCI* = 0.185) and psychological empowerment affects IWB (*b* = 0.645, *SE* = 0.067, *t* = 9.559, *p* = < .001, *LLCI* = 0.512, *ULCI* = 0.777). The direct effect of the research model indicates a nonsignificant relationship between transformational leadership and IWB (c' = 0.051, *SE* = 0.028, *t* = 1.863, *p* = .064, *LLCI* = –0.003, *ULCI* = 0.106). Conversely, the indirect effect of transformational leadership on IWB through psychological empowerment is significant (β = 0.091, *SE* = 0.018, *LLCI* = 0.057, *ULCI* = 0.127). The findings indicate that the research model is a total mediation model.

---insert Table 2 here---

Discussion

This study aims to verify the findings from various existing studies on transformational leadership and IWB. Previous studies became the basis of this study’s hypothesis: psychological empowerment indirectly affects the relationship between transformational leadership and IWB.

Based on the results obtained from the mediation analysis represented in Table 2, our hypothesis is confirmed. As shown in the results, psychological empowerment mediates the total influence of transformational leadership on IWB. Significant results are also demonstrated by the model, which illustrates that transformational leadership has a positive influence on psychological empowerment, and psychological empowerment has a positive effect on IWB. It can be concluded that transformative leadership affects IWB through psychological empowerment with a model of total mediation. The findings also confirm previous studies about the influence of transformative leadership on IWB. Various theoretical studies maintain that transformative leadership encourages employees to behave in innovative ways (Morales et al., 2012; Oke et al., 2009; Sharifirad, 2013). However, these previous studies do not suggest that transformational leadership directly creates employee desire or willingness to be innovative at work.

A transformational leader often delegates authority and involves subordinates in making decisions, which creates empowering situations and conditions for the leader’s subordinates (Jung & Sosik, 2002). Through psychological empowerment, a transformational leader influences their subordinates to regularly innovate to achieve the highest level of performance. This is because psychological empowerment remediates subordinates’ fear of being negatively judged by their leader (Jha, 2014; Jung & Sosik, 2002; Jung et al., 2003).

Based on the findings in this study, the researchers strongly urge organizations in Indonesia to prioritize the cultivation of transformational leadership. This is especially pertinent in urban areas, in which IWB has direct repercussions on a company’s performance. A transformational leadership approach facilitates opportunities for psychological empowerment, which stimulates IWB of employees. Further, transformational leadership may affect the level of efficiency and effectiveness of the organization. In addition, this study has identified opportunities for further theoretical investigation into the relationship between transformational leadership and IWB.

Although this study has been successful in terms of revealing the relationship between transformational leadership and IWB, there are some limitations that need to be resolved in future studies. First, the research design is a cross-sectional design that utilizes a self-report questionnaire, which permits common method bias. To minimize the bias caused by the research methods and design, future studies are encouraged to employ different sources and time of data collection for each variable (Podsakoff et al., 2003). Second, the adaptation technique that passed the backtranslate phase, as required by Beaton, Bombardier, Guilemin, and Ferraz (2000), could be further refined in future studies. Third, it is important for future studies to implement a research design that will minimize common method of bias prior to data collection. The researchers suggest that future studies utilize post hoc statistical remedies, as described by Podsakoff et al. (2003).

Another limitation of the study is its narrow focus. The study’s research on the effect of leadership on IWB is specifically concerned with transformational leadership. This is because some researchers have argued that transformational leadership is more effective in increasing IWB in employees, especially in terms of employees generating novel ideas (Jung et al., 2003; Oke et al., 2009; Pieterse et al., 2010; Robbins & Judge, 2017). However, there are other leadership approaches, such as transactional leadership. Transactional leadership is a unique leadership style that future research should examine to ascertain its relationship with IWB. The transactional leadership is not fully hamper the employee’s IWB but generate different form of innovation that aiming to improve existing things (Oke et al., 2009). Further, this study only examined the effect of transformational leadership on psychological empowerment and IWB in general. Future studies should also investigate the innovative behaviors that emerged from different categories of respondents, both from the type of organization and employee’s demographics (e.g., the differences between the innovative behaviors of Generation Y and Generation X).

Conclusion

This paper illuminates the relationship between transformational leadership and IWB. The results showed that transformational leadership affects IWB through psychological empowerment. The findings are consistent with those from previous studies. However, this study found that the role of mediation is not partial, as defined in the research model, but rather is a model of total mediation. Thus, transformational leadership does not directly affect IWB; however, transformational leadership indirectly influences employees’ IWB by promoting employees’ psychological empowerment. When an employee feels empowered, they will have the bravery to innovatively complete their work.

**Declaration of Conflicting Interest**

The author(s) declared that there are no conflicts of interest with respect to the authorship or the publication of this article.

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Figure 1. The relationship between psychological empowerment, innovative work behavior, and transformational leadership.

Table 1  
*Means, Standard Deviations, Correlations, and Scale Reliabilities of the Measuring Instruments*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Mean | *SD* | 1 | 2 | 3 |
| 1. Transformational leadership | 68.394 | 16.023 | **0.958** |  |  |
| 2. Psychological empowerment | 56.322 | 6.563 | 0.343\*\* | **0.825** |  |
| 3. Innovative work behavior | 40.606 | 8.421 | 0.270\*\* | 0.536\*\* | **0.913** |

*Note.* The results that are presented in bold are the reliability coefficient of each measuring instrument (Cronbach’s alpha). TL: transformational leadership; PE: psychological empowerment; IWB: innovative work behavior. The \*\* sign denotes the correlation significance level of <0.01 (two-tailed).

Table 2  
*Mediation Model Coefficients*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Consequent | | | | | | | | | | |
|  | Total effect on Y (IWB) | | |  | M (PE) | | |  | Y (IWB) | | |
| Antecedent | β | *SE* | *p* |  | β | *SE* | *p* |  | β | *SE* | *p* |
| Constant | 30.887 | 2.087 | *<*.001 |  | 46.703 | 0.023 | < .001 |  | 0.781 | 3.639 | .830 |
| X (TL) | 0.142 | 0.29 | < .001 |  | 0.141 | 0.023 | < .001 |  | 0.051 | 0.028 | .063 |
| M (PE) |  |  |  |  |  |  |  |  | 0.645 | 0.067 | < .001 |
|  | *R*2 = 0.073 | | |  | *R*2 = 0.118 | | |  | *R*2 = 0.296 | | |
|  | *F*(1,290) = 22.879 *p*= < .001 | | |  | *F*(2,290) = 38.758 *p*= < .001 | | |  | *F*(1,289) = 60.689 *p*= < .001 | | |

*Note*. TL: transformational leadership; PE: psychological empowerment; IWB: innovative work behavior.