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## How a Leader Transforms Employees' Psychological Empowerment into Innovative Work Behavior

Rahadi Prabowo

*Faculty of Psychology, Universitas Indonesia, martinadwimustika@gmail.com*

Martina Dwi Mustika

*Faculty of Psychology, Universitas Indonesia, martinadwimustika@gmail.com*

Bertina Sjabadhyni

*Faculty of Psychology, Universitas Indonesia, bert.pioui@yahoo.com*

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# How a Leader Transforms Employees' Psychological Empowerment into Innovative Work Behavior

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Rahadi Prabowo, Martina Dwi Mustika\*, and  
Bertina Sjabadhyni

Faculty of Psychology, Universitas Indonesia

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## Abstract

Businesses, especially those in urban areas, rely on innovation as a crucible of growth. Therefore, innovation is central to a business's success. 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, they can be inventive without fearing a reprimand by superiors. We argue that psychological empowerment indirectly influences the relationship between transformational leadership and innovative work behavior. This study surveyed 292 employees from different organizational types (e.g., private sector and public sector) in urban areas. The results of the study's moderated mediation analysis demonstrate that innovative work behavior is the outcome of psychological empowerment through transformational leadership. Therefore, a transformational leader tends to empower their employees psychologically, which may improve employees' ability to be more innovative at work. Furthermore, organizational types play a role in influencing employees' psychological empowerment.

## Keywords

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

The increasingly competitive and dynamic landscape of business has forced companies continually to 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 an office environment, they are considered as possessing 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 introduce something new (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

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## Corresponding Author:

Martina Dwi Mustika

Faculty of Psychology Universitas Indonesia

Email: [martinadwimustika@gmail.com](mailto:martinadwimustika@gmail.com)

ORCID: <https://orcid.org/0000-0001-9888-2096>

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), (c) the process of implementing changes and new knowledge, or improving established processes, to optimize personal and/or business performance (i.e., idea 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 also needed, that is, a leader who has the ability to lead and encourage their employee's innovative abilities for achieving organizational goals (Shunlong & Weiming, 2012). Leadership is paramount to ensuring 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 organizational levels (Morales, Barrionuevo, & Gutierrez, 2012). This term 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).

There are five components of transformational leadership. First, idealized influence (attributed), which is 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 view optimistically the future, ambition, a goal, or a project, and the leader's ability to communicate the ideal vision to achieve. Fourth, intellectual stimulation, which refers to a leader's ability to harness and develop their subordinates' 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 employees, as well as giving subordinates the opportunity to develop and actualize themselves (see Antonakis, 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). In the present study, all the components of transformational leadership mentioned above are assessed as a unidimensional scale of transformational leadership.

Previous studies showed that a link exists between transformational leadership and innovative behavior (see Afsar, Badir, & Saeed, 2014, p. 1284; Morales et al., 2012, p. 1045; Oke, Munshi, & Walumbwa, 2009; Sharifirad, 2013, p. 213). Transformational leaders have a warm personality, always treat their employees equally, and motivate innovation in their subordinates to be more productive and creative (Bass, 1995, p. 465; Basu & Green, 1997; Robbins & Judge, 2017). They also tend to act as a catalyst for 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, then, that such 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 their 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, the greater the exchange of ideas (Rieland, 2013).

In addition to transformational leadership, we also expect that psychological empowerment influences the relationship between transformational leadership and IWB. Psychological empowerment is a widespread concept and can be demonstrated by increased intrinsic motivation, which is reflected in employees' cognitive orientation and energy in performing a job (Thomas & Velthouse, 1990). The definition above shows that there are four dimensions of psychological empowerment: meaning, competence, self-determination, and impact (Spreitzer, 1995; Thomas & Velthouse, 1990). The term "meaning" refers to the value of

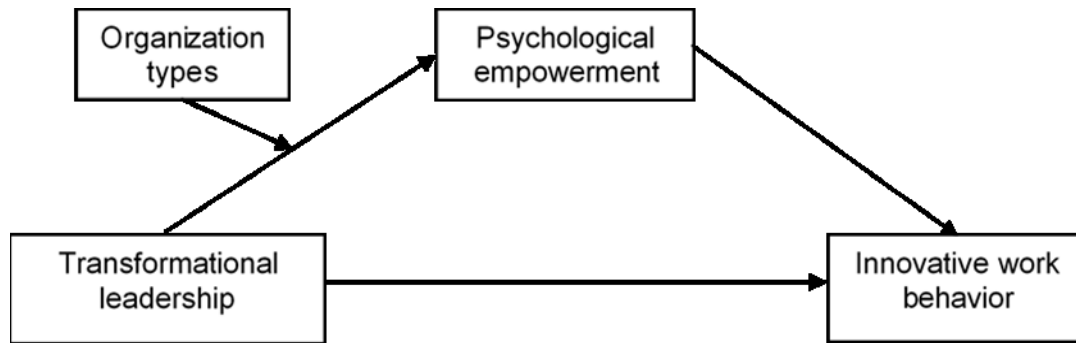


Figure 1. The relationship between psychological empowerment, innovative work behavior, and transformational leadership.

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 in that it focuses solely on an employee's role in the workplace (Spreitzer, 1995). The third dimension is self-determination, which refers to an individual's instinct in making decisions and acting, such as determining 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 have some effect on the strategic, administrative, or operational work output (Ashforth, 1989).

Psychological empowerment is pertinent for individuals working in urban areas, as such 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 to 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 empower employees psychologically, which in turn cultivates employees' desire to innovate

(Pieterse et al., 2010). To foster empowered employees who take initiative in their workplace, companies must invest in developing transformational leaders (Pieterse et al., 2010).

We are also interested in investigating whether organizational type (e.g., public- and private-sector organizations) might influence the relationship between transformational leadership and psychological empowerment. We argue that leaders in both kinds of organizations may treat their employees differently in terms of employees' empowerment (Kaymakçı & Babacan, 2014). A leader in an organization can influence every situation and condition in the workplace. However, due to human resource procedures, policies, and work practices, employees may have different views and feelings about their psychological empowerment in their organization (Pieterse et al., 2010). In a public-sector organization, for instance, procedures and policies are strict and may inhibit employees' psychological empowerment and their autonomy (Kaymakçı & Babacan, 2014; Pieterse et al., 2010). We then argue that organizational type can influence the relationship between transformational leadership and psychological empowerment. Our assumption is that, compared with a leader in a private-sector organization, a transformational leader in a public-sector organization may not be able fully to increase their employees' psychological empowerment. Therefore, we posed the following hypothesis:

*H: Transformational leadership has a positive influence on IWB through providing psychological empowerment, and organizational type moderates the relationship between transformational leadership and*

*psychological empowerment.*

Figure 1 presents the research model that underpins this research. Our study aims to answer the hypothesis as well as tries to validate various previous empirical findings that demonstrate a significant relationship between transformational leadership and IWB (see Afsar et al., 2014; Morales et al., 2012; Oke et al., 2009; Sharifirad, 2013). In addition, our study investigates the model in both organizations, that is, public- and private-sector organizations, as suggested by some previous studies (Choi, Kim, Ullah, & Kang, 2016; Özarali, 2003; Pieterse et al., 2010). As a result, our study may give more comprehensive results than those of previous studies on the relationship between transformational leadership, psychological empowerment, and IWB.

## Methods

*Participants.* This study's respondents were employees who worked in the private sector and the public sector. The respondents were limited to individuals who worked in two large cities in Indonesia—Jakarta and Bandung—and had a minimum of three months' tenure, to ensure the respondents had sufficient interaction with their superiors. The study utilized the purposive sampling technique, which is 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, the researchers determined that 292 respondents satisfied the inclusion criteria for this research.

*Procedure.* Data retrieval was achieved through a Google form, which was distributed via hyperlinks in various online forums (e.g., WhatsApp and LINE) utilized by individuals who worked at 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), this design method 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, attempts were made to minimize ambiguity and make items easier to understand after the adaptation process. Finally, it was critical to maintain the anonymity of the respondents.

*Measurements.* This study employed three measurements. The measurements were translated into Indonesian and satisfied the review process through 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 instills pride in me for being associated with him/her"; "My leader considers the moral and ethical consequences of decisions"; "My leader talks optimistically about the future"; "My leader helps me look at problems from many different angles"; and "My leader helps me develop my strengths." The answer option format consisted of a five-point scale ranging from (1) "Never" to (5) "Always."

*Psychological empowerment.* Psychological empowerment variables in this study were measured using the 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 "The work I do is very important to me"; "I am confident about my ability to do my job"; "I can decide on my own how to go about doing my work"; and "My impact on what happens in my department is

**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	<b>0.958</b>		
2. Psychological empowerment	56.322	6.563	0.343**	<b>0.825</b>	
3. Innovative work behavior	40.606	8.421	0.270**	0.536**	<b>0.913</b>

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).

large." The questionnaire uses a 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, 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"; and "evaluating the utility of innovative behavior in the workplace." The questionnaire uses a 1–7 Likert scale ranging from (1) "Never" to (7) "Always."

*Organizational type.* In this study, types of organization as a moderator were analyzed using a dichotomy categorical method, 1 = public-sector organization and 2 = private-sector organization.

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

## 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 (196 respondents, 67.12%). 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 shows 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  $\alpha = 0.913, 0.825,$  and  $0.958,$  respectively. The correlation results of all variables showed significant positive intercorrelation ( $r = 0.270$ – $0.536, p = <.01$ ).

Table 2 shows the results of moderated mediation analysis. Based on the results, the relationship between transformational leadership and psychological empowerment, and between psychological empowerment and IWB were positive and significant ( $\beta = 0.224, SE = 0.035, t = 6.358, LLCI = 0.155, ULCI = 0.293, p = 0.000,$  and  $\beta = 0.645, SE = 0.067, t = 9.559, LLCI = 0.512, ULCI = 0.777, p = 0.000,$  respectively). The indirect effect from transformational leadership to IWB showed a significant result in both public-sector organization ( $\beta = 0.144, SE = 0.032, LLCI = 0.089, ULCI = 0.213$ ) and private-sector organization ( $\beta = 0.055, SE = 0.019, LLCI = 0.019, ULCI = 0.094$ ); therefore, the relationship between transformational leadership and IWB was fully mediated by psychological empowerment. The results in Table 2 also show that organizational type, in general, moderated the relationship between transformational leadership and psychological empowerment ( $\beta = -0.139, SE = 0.045, t = -3.061, LLCI = -0.229, ULCI = 0.050, p = 0.002$ ). Specifically, the relationship is also true in the public-sector organization ( $\beta = 0.085, SE = 0.029, t = 2.954,$

Table 2. Conditional Process (Moderated Mediation) Model Coefficients

Antecedent	Consequent							
	PE				IWB			
	$\beta$	SE	t	p	$\beta$	SE	t	p
Constant	55.781	0.621	89.808	0.000	4.301	3.821	1.126	0.261
TL	0.224	0.035	6.358	0.000	0.051	0.028	1.863	0.063
PE	-	-	-	-	0.645	0.067	9.559	0.000
OT	0.818	0.758	1.079	0.281	-	-	-	-
TL × OT	-0.139	0.045	-3.061	0.002	-	-	-	-
TL × OT <sub>1</sub>	0.085	0.029	2.954	0.003	-	-	-	-
TL × OT <sub>2</sub>	-0.054	0.067	-0.805	0.421	-	-	-	-
		$R^2 = 0.149$				$R^2 = 0.296$		
		$F(3,288) = 16.822$				$F(2,289) = 60.689$		
		$p = 0.000$				$p = 0.000$		

Note. TL: transformational leadership; PE: psychological empowerment; IWB: innovative work behavior; OT: Organizational type; OT1: Public-sector organization; OT2: Private-sector organization.

LLCI = 0.028, ULCI = 0.141,  $p = 0.003$ ). The interaction between types of organization is illustrated in Figure 2.

**Discussion**

The present study aims to validate the findings from various existing studies on transformational leadership and IWB. Previous

studies became the basis for this study's hypothesis, that is, psychological empowerment indirectly affects the relationship between transformational leadership and IWB.

Based on the results obtained from the mediation analysis indicated in Table 2, our hypothesis is confirmed. As shown in the results, psychological empowerment mediates the total influence of transformational

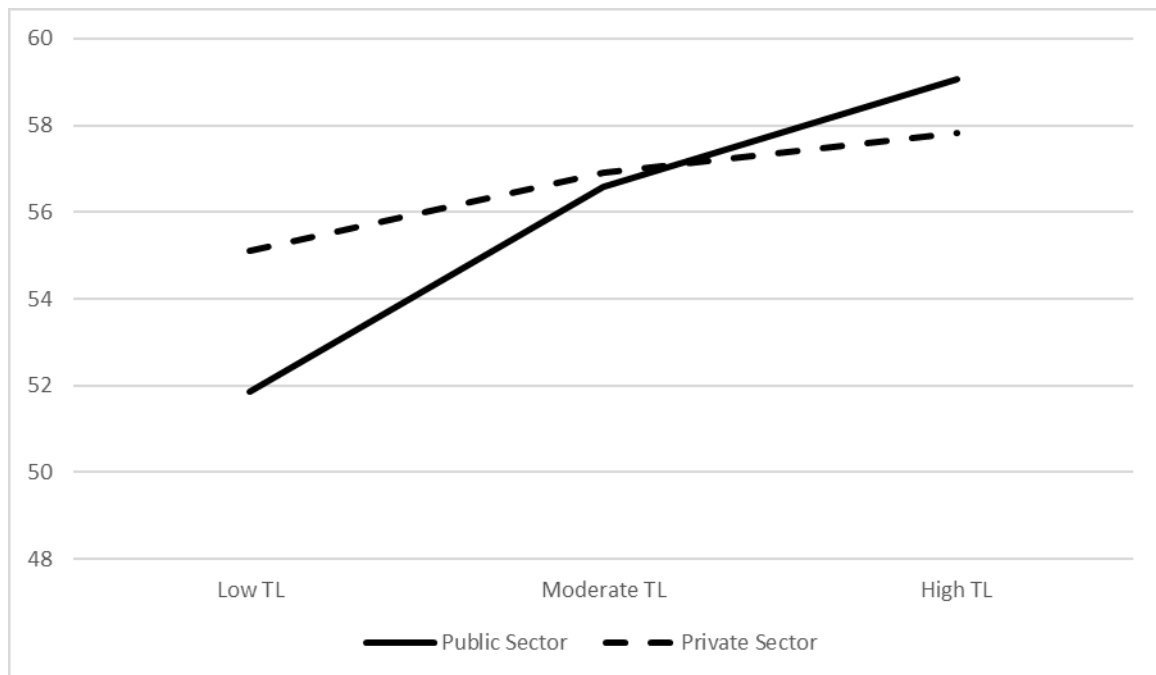


Figure 2. The Interaction between Transformational Leadership and Organization Type and its Impact on Psychological Empowerment

leadership on IWB. Significant results are also demonstrated by the model, which illustrates that transformational leadership has a positive influence on psychological empowerment, and that psychological empowerment has a positive effect on IWB. It can be concluded that transformational leadership affects IWB through psychological empowerment with a model of total mediation. The findings also confirm previous studies regarding the influence of transformational leadership on IWB. Various theoretical studies maintain that transformational 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).

The results of this study also indicated that organizational type moderated the relationship between transformational leadership and psychological empowerment, particularly for a public-sector organization. As explained previously, employees' psychological empowerment in a public-sector organization may be limited because employees need to follow all the bureaucratic structures. This then creates low level of psychological empowerment in public-sector organizations because management flexibilities are needed to promote empowerment (Kaymakçı & Babacan, 2014). In Indonesia, particularly, bureaucracies in public-sector organizations tend to be quite significant, which may reduce the opportunity for leaders to promote employees' psychological empowerment. Our study then provides evidence that a transformational leader in a public-sector organization can play a significant role in promoting employees' psychological

empowerment (Pieterse et al., 2010).

Our study contributes in giving further evidence on the relationship between transformational leadership and IWB (Morales et al., 2012; Oke et al., 2009; Sharifirad, 2013). Furthermore, this study also suggested that the type of organization tends to have an impact on employees' psychological empowerment. Therefore, this study provides answers to the limitations of previous studies that only investigated the relationship between transformational leadership and IWB in one type of organization (i.e., Choi et al., 2016; Özarali, 2003; Pieterse et al., 2010).

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 the IWB of employees. Further, transformational leadership may influence 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.

There are some limitations that need to be resolved in future studies. First, the research design is a cross-sectional one that utilizes a self-report questionnaire, which allows for common method bias. To minimize the bias caused by the research methods and design, future studies should employ different sources and time of data collection for each variable (Podsakoff et al., 2003). Second, there was a possible Type II Error and lower statistical power for moderation result in public-sector organization because of the difference in sample size between public- and private-sector organizations. While we could have reduced the number of participants in the private-sector organization, we decided not to do so because we did not intend to compare the results between the two types of organizations. Our intention was to investigate whether each organizational type might or might not influence the relationship between transformational leadership and psychological empowerment. However, it would be would be



more effective if future research compared both organizational types in a similar sample size. Third, the adaptation technique that passed the back translation phase, as required by Beaton, Bombardier, Guilemin, and Ferraz (2000), could be further refined in future studies.

Another limitation of the study is its narrow focus. The study's investigation of the effect of leadership on IWB is specifically concerned with transformational leadership. This is because some researchers have argued that this type of 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, which is a unique leadership style that future research should examine to ascertain its relationship with IWB. Transactional leadership does not entirely hamper an employee's IWB but generates different forms of innovation that aim at improving existing products and services (Oke et al., 2009). The example of exploitative innovation activities, such as improving car seat comfort, and improving the efficiency of the car's fuel consumption in the car manufacturer company. In the other hand, the service provider company applying the exploitative innovation activities, is to improve their service quality and avoid to be copied by another companies because of the intangible nature of the service (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 (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 their psychological empowerment. When an employee feels empowered, they may have the courage to complete their work innovatively. In addition, the type of organization, in general, moderated the relationship between transformational leadership and psychological empowerment, although this needs further investigation.

## 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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