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## Transformational Leadership and Organizational Innovation with Mediation and Moderation Variables: A Systematic Literature Review

Rifky Ardhana<sup>1</sup>, Kisno Saputra<sup>2</sup>

<sup>1</sup>Faculty of Economics and Business, Universitas 17 August 1945 Surabaya, Indonesia

<sup>2</sup>Management, Universitas Islam Darul 'Ulum, Indonesia

rifky1272200027@surel.untag-sby.ac.id<sup>1</sup>, rifkyardhana@unisda.ac.id<sup>2</sup>

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### Abstract

*This study aims to explore the mediating and moderating variables in the relationship between transformational leadership and organizational innovation and also to see the possibility of future research development. Based on a systematic literature review, researchers conducted a content analysis of 21 journals from the Scopus database which were published starting in 2017. The results of the study found 22 mediating variables and 10 moderating variables on the effect of transformational leadership on organizational innovation. The mediation and moderating variables can be applied to the effect of transformational leadership on organizational innovation in various types of organizations so that it is expected to further foster organizational innovation of employees or members of the organization. This study specifically synthesizes various journal articles to look at mediating and moderating variables on the effect of digital leadership on organizational innovation.*

**Keywords:** Transformational Leadership, Organizational Innovation, Systematic Literature Review, Mediation and Moderation

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### INTRODUCTION

In the current era, innovation is an indispensable factor for organizations to adapt quickly to economic changes, where innovation is made as an effort to gain competitive advantage (Bos-Nehles, A., Renkema, M., & Janssen, 2017). Meanwhile, the rapidly changing and more competitive environment has increased the importance of how to develop competitive advantage through leadership to increase organizational effectiveness (Jaramillo, F., Mulki, J. P., & Marshall, 2005). Not only relying on the research and development division to innovate, one way to make an organization more innovative is to utilize all the innovative abilities of employees (Niesen, W., Van Hoogtem, A., Elst, T. Vander, Battistelli, A., & De Witte, 2018). Organizations operating in a competitive environment also need organizational innovation (Schermuly, C. C., Meyer, B., & Dämmmer, 2013), where (Jong, J. De, & Hartog, 2008) defines organizational innovation as individual

behavior directed at the initiation and introduction of new and useful ideas, processes, products or procedures, as well as the implementation of the idea.

Transformational leadership, which is a predictor of organizational innovation, includes aspects of inspirational motivation, self-confidence, increased awareness of goals and intellectual stimulation, proven to be able to foster and support intrinsic motivation, innovation and creativity of employees (Stanescu, 2020). Transformational leaders have been shown to be able to increase innovation at the organizational level in (Afsar, B., Badir, Y., & Saeed, 2014). Transformational leaders foster organizational innovation by motivating employees to achieve common goals, fostering optimism that challenges and new perspectives must be faced, creating an environment and work culture that encourages innovation, increases exploration of thinking and encouraging individual learning as well as supporting employees to seek new ideas or more innovative ways.

Several previous studies related to the influence of transformational leadership on organizational innovation have provided a lot of literature for other researchers. Various mediating and moderating variables can also be used as a reference for researchers and practitioners in various organizational circles. (Bednall, T. C., E. Rafferty, A., Shipton, H., Sanders, K., & J. Jackson, 2018) found research results that knowledge sharing mediates the relationship between transformational leadership and organizational innovation. (Afsar, B., Masood, M., & Umrani, 2019) provided research results that job crafting (increasing structural job resources, increasing social resources and increasing job challenges) is a mediating factor and knowledge sharing is a moderating factor in the relationship between transformational leadership and organizational innovation. Psychological empowerment also shows a significant moderating effect on the relationship between transformational leadership and organizational innovation (Khan, 2019). Meanwhile, (Umrani, W. A., & Afsar, 2019) shows the results of research that psychological empowerment is a mediating factor and attachment anxiety is a moderating factor in the relationship between transformational leadership and organizational innovation. From these studies, there are various variables that are mediating or moderating factors in the relationship between transformational leadership and organizational innovation. Based on searches in Scopus indexed journals, research related to the relationship between transformational leadership and organizational innovation began to gain interest in 2017, which found around 10 journal articles. After that, a lot of research related to this matter was carried out by researchers by taking research objects in various organizations. Several studies have also discussed systematic literature reviews for both transformational leadership and organizational innovation, but researchers have not found research related to systematic literature reviews on the relationship between transformational leadership and organizational innovation. In particular, this research was conducted with the aim of conducting a systematic review of the literature on mediating and moderating variables on the relationship between transformational leadership and organizational innovation so that it can contribute to empirical research for future researchers and can also be a reference for various organizations to conduct research and implement these mediating and moderating factors in daily work

practice. Practical implications, limitations and suggestions for future research will be discussed in the discussion section.

The transformational leadership style is used to describe how effective leaders can inspire and change followers by appealing to their ideals and emotions. Transformational leaders increase motivation and morality from both the followers and the leaders themselves (Shamir, B., House, R. J., & Arthur, 1993). Transformational leadership is superior leadership performance, meaningful relationships between leaders and employees that produce a vision that drives follower change, going beyond short-term goals and concentrating on high-level intrinsic needs for subordinates.

Four types of transformational behavior are ideal influences or behaviors that increase follower support with leaders, intellectual stimulation or behaviors that influence followers to see problems from new perspectives and seek more creative solutions, individual considerations or behavior that provides support, encouragement and coaching to followers as well as inspirational motivation or behavior that includes the extent to which a leader communicates an appealing vision, uses symbols to focus the efforts of subordinates, and models appropriate behaviors.

According to (Janssen, 2000) concluded that organizational innovation is not only important for those who are oriented towards organizational or work innovation, but also very important for the entire workforce of the organization (De Jong, J., & Den Hartog, 2010). According to (Janssen, 2000) defines organization innovation as the creation that brings, introduction and application of new ideas in work roles, groups or organizations, to benefit the performance of roles, groups or organizations, which consists of three series of interrelated activities namely idea generation, idea promotion and idea realization.

## METHOD

### Research Approach

The aim of this research is to develop an integrated framework that includes mediating and moderating variables of the relationship between transformational leadership and organizational innovation. In obtaining this integrated framework, it is necessary to carry out a systematic literature review which offers the possibility of in-depth analysis of all relevant articles on this topic, as well as having the potential to detect other unexplored concepts. Furthermore, a systematic review of the literature can improve the quality of recovery processes and outcomes by implementing transparent and reproducible procedures (Tranfield, D., Denyer, D., & Smart, 2003).

### Description of the Review Process

The article database is used as a data source in this study. Initial search was conducted using the following search terms and keywords: “transformational leadership”, “organizational innovation” and “transformational leadership”, “organizational innovation”.

### Sample Analysis Description

To ensure the quality assessment of the articles to be synthesized, the authors select articles from Scopus indexed journals. The reason for this choice refers to Ahmad and Omar (2016) in (Supriharyanti, E., & Sukoco, 2022). Furthermore, to ensure that the included studies use consistent interpretations, the authors reviewed and confirmed the presence of mediating and moderating variables in journal articles on the influence of transformational leadership on organizational innovation. These articles were compared regarding mediating and moderating variables, research objects, samples used, research methods and research results.

Referring to Synthesized journals by publication year, in 2017 although 10 research articles were found in the Scopus database related to transformational leadership and organizational innovation, only 1 article was found that could be synthesized after going through the eligibility process. In this study, the most journal articles were obtained from 2021. In terms of publication quality, referring to Synthesized journals based on publication quality, most of the journal articles synthesized came from journals indexed by Scopus Q2.

## RESULTS AND DISCUSSION

### A. Mediation Variables

The results of the synthesis of 21 selected journal articles provide 22 mediating variables on the effect of transformational leadership on organizational innovation.

The variables of knowledge sharing behavior, job involvement, and psychological empowerment were found in more than one research article. Knowledge sharing behavior which is defined as human behavior to share work-related information, ideas, knowledge and expertise with other members of the organization (Afsar and Umrani 2019 in (Sharif, 2021) was found to be a mediating factor and even moderating in the influence of transformational leadership on organizational innovation. Meanwhile, the psychological empowerment variable which is defined as intrinsic motivation is manifested in four cognitions that reflect an individual's orientation towards work, namely meaning, content, self-entertainment, and impact (Spreitzer et al. 1999 p.512 in (Grošelj, M., Černe, M., Penger, S., & Grah, 2020) was also found to be a mediating and even moderating variable on the effect of transformational leadership on organizational innovation. Intrinsic motivation was also found to be a mediating and moderating variable on the effect of transformational leadership on organizational innovation.

### B. Variable Moderation

Ten moderating variables were found in the process of synthesizing 21 selected journal articles.

From a leadership perspective, research at the largest hospital in Denmark resulted in findings that empowering leadership that focuses on building employee capacity, found a moderating relationship between transformational leadership and organizational innovation (Günzel-Jensen, F., Hansen, J. R., Jakobsen, M. L. F., & Wulff, 2018), where the positive impact of transformational leadership towards

organizational innovation is evidenced through leadership empowerment. Psychological empowerment has also been shown to strengthen the effect of transformational leadership on organizational innovation (Grošelj, M., Černe, M., Penger, S., & Grah, 2020), where this research was conducted on multinational companies engaged in technology, in line with research from (Li, H., Sajjad, N., Wang, Q., Ali, A. M., Khaqan, Z., & Amina, 2019) on multinational organizations in China and research from (Kustanto, H., Hamidah, Eliyana, A., Mumpuni, J. H. S., & Gunawan, 2020) on industrial media in Indonesia. Meanwhile, research at private universities in Lesotho yielded results that high affective commitment and organizational justice were also proven to strengthen the effect of transformational leadership on organizational innovation (Khaola, P. P., & Musiwa, 2021).

(Chung, D. S., & Li, 2021) in his research on corporate R&D teams in Korea found that moderating team learning affects transformational leadership towards organizational innovation. From the hospital industry it was found that the moderating influence developed between transformational leadership on the organizational innovation of nurses (Afsar, 2020b). Intrinsic motivation and psychological empowerment moderate the effect of transformational leadership on organizational innovation from research conducted on IT companies in China and Pakistan (Bin Saeed, B., Afsar, B., Shahjehan, A., & Imad Shah, 2019). (Afsar, B., Masood, M., & Umran, 2019) in his research conducted in the hospitality industry gave the result that moderating knowledge sharing affects transformational leadership towards organizational innovation. From the service and manufacturing industries in Pakistan, the role of task complexity and innovation climate has been shown to moderate the effect of transformational leadership on organizational innovation (Afsar, 2020a).

## CONCLUSION

This study used a systematic literature review, obtained the results of 22 mediating variables and 10 moderating variables on the effect of transformational leadership on organizational innovation, where several variables were found that could act as mediating variables or moderating variables. The findings in this study provide insights for future research regarding the use of the moderating variables found in this study to become mediating variables in future research.

Furthermore, it is necessary to explore other leadership styles that influence organizational innovation and test whether the mediating and moderating variables found in this study are still consistent when applied to other leadership styles. It is also hoped that future systematic literature review research can be carried out comprehensively on several leadership styles that influence organizational innovation, as well as to test whether the mediating and moderating variables found in this study are still compatible when applied to other leadership styles.

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