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# Transforming Leadership Style: Enhancing Organizational Culture, Innovative Behavior and Employees Performance

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### **Abstract**

**Research aims**: This study aimed to investigate how positive Employees Performance can be achieved when leadership behavior fosters Organizational Culture and Employees Innovative Behavior.

**Design/Methodology/Approach**: This quantitative study obtained data through an online questionnaire, where responses were collected from 150 employees of private companies in DKI Jakarta area. The data were then analyzed using Structural Equation Model (SEM) with AMOS version 25.

Research findings: The results showed that Transformational Leadership had no direct effect on Organizational Culture, Employees Innovative Behavior, or Employees Performance. However, Transactional Leadership had a direct effect on Organizational Culture and Employees Innovative Behavior, but not on Performance. Even when mediated by Organizational Culture and Innovative Behavior, Transformational Leadership still had no effect on Performance. On the other hand, Transactional Leadership, when mediated by Organizational Culture and Employees Innovative Behavior, had more significant influence on Performance.

**Theoretical Contribution/Originality**: This study offered a novel perspective by showing that neither Transformational nor Transactional Leadership had a direct impact on Employees Performance. However, the mediating role of Organizational Culture and Innovative Behavior strengthened the influence of Leadership on Employees Performance.

**Practitioners/Policy Implications**: To improve Employees Performance through Transactional Leadership, leaders should cultivate innovative Organizational Culture and foster Employees Innovative Behavior. In addition, leaders should address deviations in employees behavior and recognize positive contributions, ranging from verbal praise to offering promotion opportunities.

Research Limitations/Implications: This study focused on Transformational Leadership, Transactional Leadership, Organizational Culture and Employees Innovative Behavior, as well as Employees Performance. Future studies were recommended to consider adding independent variables such as Creative Self-efficacy and Humble Leadership. Meanwhile, companies were expected to maintain a flexible culture to adapt to changes, and continuously nurture employees' creative ideas by providing opportunities. Leaders should also consistently monitor employees behavior and acknowledge good performance.

**Keywords**: Transformational Leadership; Transactional Leadership; Organizational Culture; Employees Innovative Behavior; Employees Performance

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Employees are integral to organizations daily operations, ensuring the survival and continued existence (Abdullahi et al., 2020). Therefore, to stay competitive, employees need to be proactive, responsive, hardworking, and diligent (Ilyasa et al., 2018). Organizations that promote creativity and innovation in production processes can achieve greater performance (Nasir et al., 2019). The significance of Innovative Work Behavior in improving Employees Performance has prompted several experts to investigate its key determinants (Supriyanto et al., 2020). For example, Mehmood et al. (2020) identified several factors influencing Innovative Behavior, including psychological factors, organizational climate, job characteristics, and leadership style. Leadership style is recognized as a major factor affecting innovative work behavior (Afsar and Masood, 2018; Hughes et al., 2018). Both Leadership and Organizational Culture play crucial roles in predicting outcomes at organizational or individual levels (Giritli et al., 2013). Effective leadership is often seen as an important capability for motivating employees to be committed to achieving organizational goals (Tyssen, Wald and Spieth, 2014). Therefore, experts have suggested that values congruence between leaders and organizations is important, and the interaction between leaders' values and organizational values should be considered (Cole et al., 2013).

According to Afsar and Umrani (2020), Transformational Leadership significantly affects employees' innovative work behavior. Furthermore, Zheng et al. (2019) showed the relationship between Transformational or Transactional Leadership and Organizational Culture in shaping projects members' behavior. Specifically, projects with strong leadership and Organizational Culture or varying cultural dimensions tend to exhibit higher levels of innovative behavior. Similarly, Al Wali et al. (2021) found a positive relationship between Innovative Work Behavior and Job Performance among doctors in Iraqi public hospitals, showing that increased Innovative Work Behavior led to improved Job Performance. Based on these discussions, the current study aimed to investigate the impact of the relationship between leadership style and Organizational Culture on work outcomes. It also aimed to examine how leaders influenced employees innovative behavior, leading to high performance.

This study investigated the impact of Transformational and Transactional Leadership on Organizational Culture and Innovative Behavior, as well as how these variables mediated the relationship between leadership and employees performance. The central question is whether positive Employees Performance can be achieved when leaders behavior fosters Organizational Culture and Employees Innovative Behavior. The novelty of this study is evidenced in the mediating role of Organizational Culture and Innovative Behavior in strengthening leadership-performance relationship.

# Literature Review and Hypotheses Development

# **Transformational Leadership**

Transformational Leadership is defined as leadership style that prioritizes the interests of organizations over personal interests and has a significant influence on subordinates (Robbins and Judge, 2015). According to Daft (2023), it is characterized by the ability to

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bring about significant change in both followers and organizations. Furthermore, transformational leaders are skilled in driving changes in vision, strategy, and Organizational Culture, as well as promoting innovation in products and technology. Kirkman et al. (2009) described Transformational Leadership as an effective antecedent to positive organizational behavior among followers, such as proposing ideas to promote organizational development and adapting to change. Based on these definitions, Transformational Leadership can be summarized as leadership style that helps subordinates to prioritize the collective good of organizations over personal interests, while also being motivated to exceed expectations at work.

### **Transactional Leadership**

Transactional Leadership has received less attention regarding innovative behavior, possibly because this style is more task-oriented and focused on maintaining stability, characteristics that seem incompatible with Employees Innovative Behavior (Contreras et al., 2017). Transactional Leadership is characterized by a contingent reward system, where leaders reinforce good performance and penalize poor performance. In this leadership style, leaders provide continuous feedback on tasks performance, inhibiting innovation. According to Daft (2023), Transactional Leadership is built on the exchange process between leaders and followers, where leaders identify and explain how the needs and wants of followers can be fulfilled in return for achieving specific objectives or tasks.

### **Organizational Culture**

Organizational Culture refers to the system of meanings, values, and beliefs that guides behavior, serve as a core identity, and distinguishes organizations (Pujiono et al., 2020). Culture is a fundamental aspect of human life, and while personal culture varies, organizational culture plays a crucial role in job success. According to Nazarian (2017), Organizational Culture is a shared system of understanding among members that distinguishes organizations. Meanwhile, Mathis and Jackson (2016) described it as a pattern of basic assumptions developed by a group as it adapts to external challenges and internal integration. These patterns, having proven successful, are passed on to new members as the appropriate way to perceive, think, and feel about challenges. In summary, Organizational Culture serves as a distinctive characteristics that differentiate organizations.

# **Employees Innovative Behavior**

As a process, innovation involves novelty, creativity, study, and organizations' propensity to support new ideas to achieve competitive advantage in a dynamic context (Khan et al., 2015). Innovative Behavior is defined as intentional individual behavior to generate and implement new and useful ideas aimed at benefiting individuals, groups, or organizations (Bos-Nehles, 2017). According to De Spiegelaere et al. (2014), it is employees behavior focused on generating, introducing, and applying ideas, processes, products, or procedures within groups or organizations that are new and intended to bring about positive outcomes. These definitions are related, leading to the conclusion that

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Employees Innovative Behavior involves creating new ideas, beneficial for both individuals and organizations.

# The Effect of Transformational Leadership on Organizational Culture

Transformational Leadership was found to be positively related to innovative Organizational Culture (Pennington et al., 2003). Leadership effectiveness is influenced by Organizational Culture, as followers' thinking, motivation, and behavior can be shaped by the reciprocal relationship between Leadership and Organizational Culture (Nguyen and Mohamed, 2011). These results emphasized the compatibility between Leadership and Organizational Culture.

When Transformational leaders and organizations share similar values, leaders' vision can be realized through the framework of Organizational Culture (James et al., 2008). This Leadership style is particularly effective in collectivistic Chinese Organizational Culture (Tsui et al., 2006). The relationship between Leadership style and Organizational Culture is also evident in construction project organizations. For example, Lin and McDonough (2011) examined the role of Leadership style and the mediating effect of Organizational Culture to promote innovation in the engineering sector. Giritli et. al. (2013) also identified a significant relationship between Leadership style (benevolent paternalistic leader) and Organizational Culture (clan culture, including mutual trust, cooperation) in the construction sector. Srimulyani and Hermanto (2022) found that Laissez-fair Leadership had a negative effect on Organizational Culture, while Transformational and Transactional Leadership style had a positive effect. Based on discussions, Transformational Leadership improves Organizational Culture, making it more diverse, leading to the following hypothesis:

 $H_1$ : Transformational Leadership influences Organizational Culture.

### The Effect of Transformational Leadership on Employees Innovative Behavior

Transformational Leadership fosters an environment conducive to innovative work behavior, since such behavior is complex and risky due to uncertainty of success (Masood and Afsar, 2017). It also develops subordinates' sense of self-efficacy (Kark et al., 2018). Therefore, followers inspired by Transformational leaders tend to be motivated in contributing significantly to the achievement of organizational objectives (Alheed et al., 2021). This pursuit of innovative solutions to complete tasks is reflected in Employees Innovative Behavior (Ng, 2017). Furthermore, the influence of Transformational leaders prompts followers to emulate their behavior in pursuing new and creative ideas (Çekmecelioğlu and Zbağ, 2016). The positive relationship between Transformational Leadership and innovation originates from leaders' ability to stimulate the intrinsic motivation of followers to deliver creative and innovative results (Zhang et al., 2018). Based on discussions, the following hypothesis is proposed:

**H**<sub>2</sub>: Transformational Leadership influences Employees Innovative Behavior.

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### The Effect of Transformational Leadership on Employees Performance

Manager leadership influences work unit performance, subsequently affecting organizational performance (Pujiono et al., 2020). According to Yukl (2012), Transformational Leadership is style where employees trust, respect, express loyalty, and appreciate managers, thereby exceeding expectations. It also significantly influences business performance (Khan et al., 2020). Similarly, in the field of education, Transformational Leadership significantly influences students' motivation to learn, fostering their abilities and potential (Justine et al., 2022). Based on discussions, Transformational Leadership is style where employees' trust, respect, and express loyalty to leaders, significantly influencing performance. Based on discussions, the following hypothesis is proposed:

**H**<sub>3</sub>: Transformational Leadership influences Employees Performance.

# The Effect of Transactional Leadership on Organizational Culture

Schimmoeller (2010) found a positive relationship between Transactional Leadership and various Organizational Cultures, such as adhocracy cultures. Transactional leaders rely primarily on rules or norms, making this Leadership style more prevalent in task-oriented or rule-based Organizational Cultures (Cameron and Quinn, 2011). However, Surucu and Yesilada (2017) argued that Transactional Leadership style did not directly influence Organizational Culture. Based on discussions, a Transactional Leadership style focused on rules and norms tends to influence task-oriented or rule-based Organizational Culture, leading to the following hypothesis:

**H**<sub>4</sub>: Transactional Leadership influences Organizational Culture.

### The Effect of Transactional Leadership on Employees Innovative Behavior

In a Transactional Leadership style, leaders assign tasks and specify the methods for completion, which can hinder Employees Innovative Behavior (Masood and Afsar, 2017). According to Pieterse et al. (2010), Transactional Leadership can negatively impact Employees Innovative Work Behavior, as this leadership style tends to be more task-oriented. Similarly, Boerner, Eisenbeiss and Griesse (2007) found no relationship between Transactional Leadership and employees Innovative Work Behavior. In contrast, (Contreras et al., 2017) found that transactional leaders could foster Innovative Work Behaviors at levels comparable to those inspired by Transformational Leadership. Meanwhile, Khaola and Sephelane (2013) stated that Transactional Leadership was negatively related to Innovative Work Behavior. Based on discussions, the following hypothesis is proposed:

**H**<sub>5</sub>: Transactional Leadership influences Employees Innovative Behavior.

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### The Effect of Transactional Leadership on Employees Performance

Transactional Leadership emphasizes the exchange process between managers and employees, where managers motivate employees through rewards based on performance (Pujiono et al., 2020). Although Transformational Leadership significantly influences business performance (Khan et al., 2020) and improves organizational performance, Transactional Leadership style can have a negative impact (Adha et al., 2020). Conversely, Govender (2017) found a strong correlation between Transactional Leadership and individual performance. Based on discussions, the following hypothesis is proposed:

**H**<sub>6</sub>: Transactional Leadership influences Employees Performance.

### The Influence of Organizational Culture on Employees Performance

A strong Organizational Culture serves as a tool for guiding behavior, as it helps employees achieve higher work performance (Pujiono et al., 2020). The relationship between Organizational Culture and Performance has received significant attention among relevant experts in the field (Priyadharsan and Nithiya, 2020). Previous studies have shown that a positive culture within organizations improves employees' willingness to achieve organizational objectives in a unified direction (Santoso and Soehari, 2020). It is recommended to improve Employees Performance by adopting a solid and healthy Organizational Culture (Shahzad et al., 2013). In addition, Fidyah and Setiawati (2020) found that a solid Organizational Culture could improve both employees and organizational performances. Achieving organizational objectives can be challenging without a strong foundation rooted in good Organizational Culture (Fithriana and Adi, 2017). According to Lau et al. (2020), Organizational Culture shapes workers' attitudes and behaviors, and has an influence on Employees Performance. Furthermore, Zahra et. al. (2020) showed employees had diverse personal needs and different Organizational Culture could fulfill these needs effectively. The study further emphasized that employees tended to be more satisfied in organizations where their rights and needs were met. Hendrato and Subyantoro (2021), Lau et al., (2020), Natalia et al. (2020) found that Organizational Culture had a significant effect on Employees Performance. Based on discussions, the following hypothesis is proposed:

 $H_7$ : Organizational Culture influences Employees Performance.

### The Influence of Employees Innovative Behavior on Employees Performance

The relationship between Innovative Behavior and Employees Performance has gained attention from several academics, as innovation is considered a key factor in organizational effectiveness (Li and Zheng, 2014; Palladan, 2018). Innovative Behavior increases creativity in the workplace, fostering the implementation of new ideas and greater performance (Wynen et al., 2014). Organizations that motivate employees to be

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more creative and innovative can achieve higher performance levels (Nasir et al., 2019). Leong and Rasli (2014) found a positive relationship between innovative behavior and job performance among employees in Malaysia's automotive industry. Furthermore, Li and Zheng (2014) reported that Employees Innovative Behavior improved work performance. Palladan (2018) found that Innovative Behavior had a positive influence on performance of lecturers in Nigerian tertiary institutions. Focusing on lecturers at state universities, Nasir et. al. (2019) found that employees performance was positively influenced by innovative behavior and intrinsic motivation, although Abdullah et. al. (2019) reported an insignificant relationship between Innovative Behavior and Employees Performance in manufacturing companies. Based on discussions, the following hypothesis is proposed:

H<sub>8</sub>: Employees Innovative Behavior influences Employees Performance.

# The Mediating Role of Organizational Culture on the Effect of Transformational/Transactional Leadership on Employees Performance

Srimulyani and Hermanto (2022) found that both Transformational and Transactional Leadership styles had a positive effect on Organizational Culture. Lau et al. (2020) emphasized that Organizational Culture shaped and influenced workers' attitudes and behavior, showing its effect on Employees Performance. Similarly, Hendrato and Subyantoro (2021) confirmed that Organizational Culture had a significant effect on Employees Performance. Therefore, Organizational Culture was proposed as a mediator between Transformational and Transactional Leadership and Employees Performance. Organizational Culture improves the impact of leadership styles on performance, leading to the following hypotheses:

 $H_9$ : Organizational Culture mediates the influence of Transformational Leadership on Employees Performance.

 $H_{10}$ : Organizational Culture mediates the influence of Transactional Leadership on Employees Performance.

# The Mediating Role of Innovative Behavior on the Effect of Transformational/Transactional Leadership on Employees Performance

Transformational leaders inspire followers to adopt new and creative behaviors (Çekmecelioğlu and Zbağ, 2016). The positive relationship between Transformational Leadership and innovation originates from leaders' ability to stimulate followers' intrinsic motivation to deliver creative and innovative outcomes (Zhang et al., 2018). (Contreras et al., 2017) found that transactional leaders can also foster Innovative Work Behavior at levels similar to Transformational Leadership. Innovative behavior improves workplace creativity, the implementation of generated ideas, and work performance (Wynen et al., 2014). Therefore, organizations that motivate employees to be more creative and innovative can achieve greater performance (Nasir et al., 2019). Based on discussions,

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Innovative Behavior was proposed as a mediator between Transformational and Transactional Leadership and Employees Performance. Employees with high levels of innovation can improve the influence of leadership style on employees performance, leading to the following hypotheses:

 $\mathbf{H}_{11}$ : Employees Innovative Behavior mediates the influence of Transformational Leadership on Employees Performance.

 $\mathbf{H}_{12}$ : Employees Innovative Behavior mediates the influence of Transactional Leadership on Employees Performance.

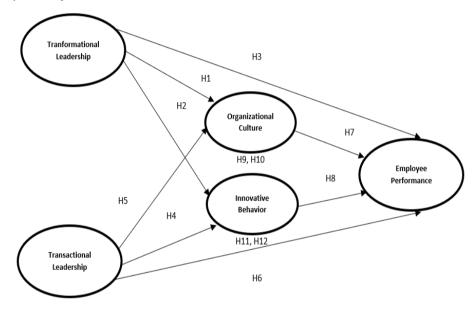


Figure 1 Empirical Study Method

### Research Method

This study focused on employees of private companies in DKI Jakarta area. The time horizon for the study was cross-sectional, meaning that data were collected at one point a time, although it might occur over a defined period. This method is often referred to as one-shot (Sekaran and Bougie, 2020). Furthermore, the study build on Zheng et al., (2019), Afsar and Umrani (2020), and Al Wali et al., (2022), and applied a hypothesistesting method.

The population comprised private-sector employees in DKI Jakarta. Convenience sampling method was used, facilitating the easy selection of participants. According to Hair et al. (2019), the minimum sample size should be 5 times the number of indicators analyzed, while the maximum should be 10 times the number of indicators. Therefore, the minimum sample size for this study was 150 (30 indicators x 5). Primary data were collected through a questionnaire, where respondents provided answers to written questions. Moreover, a Likert interval scale ranging from 1 to 5 was used, with 1 representing strongly disagree,

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2 disagree, 3 quite agree, 4 agree, and 5 strongly agree. The measured variables are presented as follows:

Table 1 Variable Measurement

	Indicator	Source
Employees	1. At work, I make decisions	Al Wali,
Performance	2. In the office, I do my work without mistakes	Muthuveloo
	3. At the office, I am dedicated to work	& Teoh
	4. At work, I achieve my objectives	(2022)
	5. At work, I take the initiative	
	6. At the office, I am responsible	
	7. At the office, I work with my colleagues	
	8. At the office, I work closely with my boss	
	<ol><li>At work, I have achieved all my work-related objectives in the last six months</li></ol>	
	10. My job performance in the last six months has	
	been above expectations	
Transformational	1. Leaders focus on giving consideration to employees	Zheng, Wu,
Leadership	2. Leaders positively emphasize the importance of work	Xie, & Lie
	objectives and values to develop attitudes. Leaders also	(2019)
	inspire employees to work with shared objectives	
	through enthusiasm	
	3. Leaders ask questions that stimulate employees'	
	thinking	
	4. Leaders work with employees to complete a project	
Transactional	1. Leaders show what employees will receive after	Zheng, Wu,
Leadership	completing tasks	Xie, & Lie
	2. Leaders strengthen the connection between achieving	(2019)
	objectives and obtaining rewards	
	3. Leaders focus on avoiding mistakes made by employees	
	<ol> <li>Leaders focus on avoiding deviations from what is expected</li> </ol>	
	5. Leaders offer special praise and/or promotions for good	
	work	
Organizational	1. The organizations foster employees creativity	Zheng, Wu,
Culture	2. The organizations support employees attempting to	Xie, & Lie
	solve the same problem in different ways	(2019) dan
	3. The organizations are flexible and continually adapt to	Afsar &
	change	Umrani
	4. The organizations are open and responsive	(2020)
	5. The organizations support innovation	
Innovative	1. I will generate creative ideas in the work process	Zheng, Wu,
Behavior	2. I will promote and champion ideas to others	Xie, & Lie
	3. I will obtain funding or resources necessary to	(2019)
	implement new ideas  4. I will develop adequate plans and schedules for the	
	4. I will develop adequate plans and schedules for the implementation of new ideas	
	<ul><li>5. I will contribute my suggestions for the achievement of</li></ul>	
	other employees' creative ideas	

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The statistical method used was Structural Equation Model (SEM), which combines factor analysis, multiple regression, and correlation. The obtained data were processed using AMOS 24 software.

# **Results and Discussion**

### Results

Based on data collected through questionnaires, the characteristics of each respondent were identified, offering insights for organizational leaders and stakeholders. The characteristics of the respondents were grouped into seven categories, namely Gender, Marital Status, Age, Position, Last Education, Years of Work, and Field of Work.

**Table 2** Characteristics of Respondents

No	Characteristics of Respondents	Amount	Percentage
1	Gender		
	Male	79	51.6
	Female	74	48.4
2	Marital status		
	Married	50	32.7
	Unmarried	102	66.7
	Divorce	1	0.7
3	Age		
	<20 year	3	2
	20 - 30 year	100	65.4
	>30 - 40 year	24	15.7
	>40 - 50 year	21	13.7
	>50 Tahun	5	3.3
3	Education		
	Diploma	25	16.3
	Bachelor	109	71.2
	Master	14	9.2
	Doctor	5	3.3
4	Years of service		
	1 - 5 year	81	52.9
	>5 - 10 year	33	21.6
	>10 - 15 year	10	6.5
	>15 - 20 year	18	11.8
	>20 year	11	7.2
5	Field of work		
	Financial Services	54	35.3
	Construction	13	8.5
	Logistics & Distribution	17	11.1
	Manufacture	14	9.2
	Education	25	16.3
	Mining	12	7.8
	Agriculture	3	2
	Tourism	8	5.2
	Trading	7	4.6
	Total	153	100

Source: SPSS Output (2023)

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The demographic analysis based on gender showed 79 (51.6%) respondents were males while 74 (48.4%) were females. In terms of marital status, 102 (66.7%) were single while only 1 (0.7%) person was divorced. Furthermore, regarding age, 100 (65.4%) were aged 20 - 30 years, and only 3 (2%) were < 20 years.

In terms of educational background, 109 (71.2%) held a Bachelor's degree and only 5 (3.3%) had a Doctorate degree. Regarding work experience, 81 (52.9%) were employed for 1 - 5 years and 10 (6.5%) had been working for > 10 - 15 years. The field of work analysis showed that 54 respondents (35.3%) were in Financial Services while only 3 (2%) worked in Agriculture.

The validity of the questionnaire items for each variable was tested using Corrected Item-Total Correlation value, where r > 0.3 or r > 0.2 (Nisfiannoor, 2013). When r value > 0.3, the statement item/indicator is deemed valid. The results of validity tests for each variable are presented as follows.

**Table 3** Instrument Validity Test Results

Construct	Var	Std Loading	Error	Std Loading <sup>2</sup>	CR	AVE
Transformational	TF1	0.818	0.221	0.67	0.93 0	0.73
Leadership	TF2	0.831	0.163	0.69		
	TF3	0.836	0.218	0.70		
	TF4	0.693	0.369	0.48		
	TF5	0.814	0.233	0.66		
Transactional	TS1	0.837	0.213	0.70	0.90	0.65
Leadership	TS2	0.805	0.309	0.65		
	TS3	0.746	0.323	0.56		
	TS4	0.754	0.289	0.57		
	TS5	0.737	0.464	0.54		
Organizational Culture	OC1	0.801	0.335	0.64	0.93	0.72
	OC2	0.711	0.427	0.51		
	OC3	0.86	0.186	0.74		
	OC4	0.876	0.186	0.77		
	OC5	0.874	0.179	0.76		
Innovative Behavior	IB1	0.82	0.141	0.67	0.93	0.72
	IB2	0.777	0.225	0.60		
	IB3	0.728	0.443	0.53		
	IB4	0.822	0.246	0.68		
	IB5	0.851	0.209	0.72		
Employees	EP1	0.541	0.622	0.29	0.94	0.60
Performance	EP2	0.528	0.467	0.28		
	EP3	0.631	0.337	0.40		
	EP4	0.755	0.24	0.57		
	EP5	0.785	0.192	0.62		
	EP6	0.638	0.297	0.41		
	EP7	0.715	0.215	0.51		
	EP8	0.668	0.302	0.45		
	EP9	0.756	0.252	0.57		
	EP10	0.77	0.251	0.59		

Source: AMOS Output (2023)

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Based on the Standardized Loading Factor values, all indicators were  $\geq 0.5$ , showing that the observed indicators TF1 - K10 could be included in the model. Construct Reliability (CR) values for Transformational Leadership, Transactional Leadership, Organizational Culture, Innovative Behavior, and Employees Performance were all  $\geq 0.7$ , while the resulting Average Variance Extracted (AVE) values were  $\geq 0.5$ . Therefore, latent variables, including Transformational Leadership, Transactional Leadership, Organizational Culture, Innovative Behavior, and Employees Performance, met reliability criteria.

The full SEM was presented by testing the  $\lambda$  parameter (loading factor/indicator coefficient) in both exogenous and endogenous models. This test aimed to assess the strength of the indicators for each latent variable (construct).

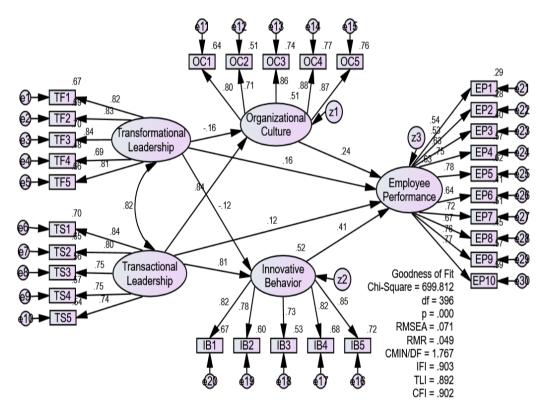


Figure 2 The Results of Full Model Analysis Source: Output of AMOS 24 (2023)

In the data analysis using SEM, with AMOS application software as the processing tool, a summary of the model fit index is presented in Table 4.

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Table 4 Model Fit Index

Goodness of fit index	Criteria (cut-off value)	Result	Decision
X <sup>2</sup> - Chi-square	expected small	699.812	
Significance probability	≥ 0.05	0.000	Model Not fit
RMSEA	≤ 0.1	0.071	Model fit
CMIN/DF	≤ 2	1.767	Model fit
RMR	≤ 0.05	0.049	Model fit
IFI	≥ 0.90	0.903	Model fit
TLI	≥ 0.90	0.892	Marginal fit
CFI	≥ 0.90	0.902	Model fit

Based on Table 4, the model fit indices showed good fit in terms of RMSEA, CMIN/DF, RMR, IFI, and CFI. However, two tests did not show a good fit. Hair et. al. (2019) stated that when one fit criterion is met, the model can be considered fit, leading to the next analysis.

Table 5 Hypothesis Test Results

Path	Estimate	C.R.	Р	Label
H <sub>1</sub> : Transformational Leadership	-0.182	-1.072	0.284	Not Supported
influences Organizational Culture				
H <sub>2</sub> : Transformational Leadership	-0.113	-0.785	0.433	Not Supported
influences Employees Innovative				
Behavior				
H <sub>3</sub> : Transformational Leadership	0.124	1.208	0.227	Not Supported
influences Employees Performance				
H <sub>4</sub> : Transactional Leadership influences	0.920	5.207	0.000	Supported
Organizational Culture				
H <sub>5</sub> : Transactional Leadership influences	0.754	5.101	0.000	Supported
Employees Innovative Behavior				
H <sub>6</sub> : Transactional Leadership influences	0.085	0.597	0.550	Not Supported
Employees Performance				
H <sub>7</sub> : Organizational Culture influences	0.156	2.345	0.019	Supported
Employees Performance				
H <sub>8</sub> : Employees Innovative Behavior	0.319	3.611	0.000	Supported
influences Employees Performance				
H <sub>9</sub> : Organizational Culture mediates the	-0.028	0.975	0.330	Not Supported
influence of Transformational				
Leadership on Employees Performance	0.4.4.4	2.420	0.022	6
H <sub>10</sub> : Organizational Culture mediates the	0.144	2.138	0.033	Supported
influence of Transactional Leadership on				
Employees Performance	0.026	0.767	0.442	Not Composited
H <sub>11</sub> : Employees Innovative Behavior	-0.036	0.767	0.443	Not Supported
mediates the influence of				
Transformational Leadership on				
Employees Performance	0.241	2.047	0.002	Cupported
H <sub>12</sub> : Employees Innovative Behavior mediates the influence of Transactional	0.241	2.947	0.003	Supported
Leadership on Employees Performance				

Source: Output of AMOS 24 (2023)

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The results showed that hypothesis tests 4, 5, 7, 8, 10, and 12 correlated with the proposed hypotheses or referenced journals, while tests 1, 2, 3, 6, 9, and 11 did not correlate.

### Discussion

The results of the first hypothesis test showed that Transformational Leadership did not cause an increase in Organizational Culture. Furthermore, data analysis showed an estimated value = -0.182, C.R value = -1.072, with p-value = 0.284 > 0.05. Considering p-value > 0.05, hypothesis 1 was not supported, confirming that Transformational Leadership did not necessarily improve Organizational Culture. Therefore, better Transformational Leadership does not guarantee a better Organizational Culture, nor does worse Transformational Leadership necessarily result in a decline in Organizational Culture. The test results showed Organizational Culture that fostered employees creativity, supported employees diverse problem-solving techniques, was flexible and adaptable to change, and promoted innovation was not influenced by Transformational Leadership.

The second hypothesis test showed Transformational Leadership did not cause an increase in Employees Innovative Behavior. Furthermore, data analysis showed an estimated value = -0.113, C.R value = -0.785, with p-value = 0.433 > 0.05. Considering p-value > 0.05, hypothesis 2 was not supported, confirming that Transformational Leadership did not necessarily improve Innovative Behavior. Therefore, better Transformational Leadership does not guarantee better Innovative Behavior, nor does worse Transformational Leadership lead to a decline in Innovative Behavior. The results showed Employees Innovative Behavior, such as generating creative ideas in the work process, advocating for others' ideas, securing resources to implement new ideas, developing plans/schedules for implementation, and advising colleagues on achieving creative objectives, was not influenced by Transformational Leadership.

The third hypothesis test showed Transformational Leadership did not cause an increase in Employees Performance. Furthermore, data analysis showed an estimated value = 0.124, C.R value = 1.208, with p-value = 0.227 > 0.05. Considering p-value > 0.05, hypothesis 3 was not supported, confirming that Transformational Leadership did not necessarily improve Employees Performance. Therefore, better Transformational Leadership does not guarantee better Employees Performance, nor does worse Transformational Leadership decrease Employees Performance. The results confirmed employees performance, measured by decision-making, error-free work, dedication, objectives achievement, responsibility, collaboration with colleagues and superiors, and exceeding expectations over the past six months, was not influenced by Transformational Leadership.

The fourth hypothesis test showed Transactional Leadership caused an increase in Organizational Culture. Furthermore, data analysis showed an estimated value = 0.920, C.R value = 5.207, with p-value = 0.000 < 0.05. Considering p-value <0.05, hypothesis 4 was supported, confirming that Transactional Leadership positively impacted

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Organizational Culture. Therefore, better Transactional Leadership can improve Organizational Culture, and worse Transactional Leadership can result in a weaker Organizational Culture. These results were in line with Zeng et. al. (2018) conducted on 217 project managers in China, showing the relationship between Transactional Leadership and Organizational Culture in influencing behavior of project members. Transactional leaders' ability to clearly outline what employees will receive for completing tasks, strengthen the connection between objectives achievement and rewards, focus on avoiding mistakes, and provide special recognition or promotions for good performance can lead to improved Organizational Culture.

The fifth hypothesis test showed Transactional Leadership caused an increase in Employees Innovative Behavior. Furthermore, data analysis showed an estimated value = 0.754, C.R value = 5.101, with p-value = 0.000 < 0.05. Considering p-value <0.05, hypothesis 5 was supported, confirming that Transactional Leadership positively influenced Innovative Behavior. Therefore, better Transactional Leadership can improve Innovative Behavior, and worse Transactional Leadership can reduce Innovative Behavior. These results were supported by Zeng et. al. (2018), where innovative behavior was higher when Transactional Leadership corresponded with Organizational Culture. Transactional leaders' ability to clearly communicate rewards for task completion, strengthen the connection between achieving objectives and rewards, focus on avoiding mistakes, and provide special recognition for good work can increase Employees Innovative Behavior.

The sixth hypothesis test showed Transactional Leadership did not cause an increase in Employees Performance. Furthermore, data analysis showed an estimated value = 0.085, C.R value = 0.597, with p-value = 0.550 > 0.05. Considering p-value > 0.05, hypothesis 6 was not supported, confirming that Transactional Leadership did not necessarily cause an increase in Employees Performance. Therefore, better leadership does not guarantee higher performance, and worse leadership does not necessarily lower performance. Employees Performance, measured by decision-making, error-free work, dedication, objectives achievement, responsibility, collaboration with colleagues and superiors, and exceeding expectations over the past six months, was not influenced by Transactional leaders. In other words, Transactional leaders' ability to outline rewards for task completion, strengthen the connection between objectives and rewards, focus on avoiding mistakes, and providing special recognition or promotions for good performance did not necessarily increase Employees Performance.

The seventh hypothesis test showed Organizational Culture caused an increase in Employees Performance. Furthermore, data analysis showed an estimated value = 0.156, C.R value = 2.345, with p-value = 0.019 < 0.05. Considering p-value <0.05, hypothesis 7 was supported, confirming that Organizational Culture positively impacted Employees Performance. Therefore, the better culture, the higher performance, and the worse culture, the lower performance. Organizational Culture that fosters employees creativity, supports problem-solving through diverse techniques, adapts flexibly to change, and improves innovation can positively influence Employees Performance. In other words, performance indicators, such as decision-making, error-free work, dedication, objectives achievement, responsibility, collaboration with colleagues and superiors, and exceeding

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expectations in the past six months, were influenced by Organizational Culture. These results were supported by Hendrato and Subyantoro (2021), Lau et al., (2020), Natalia et al., (2020), where Organizational Culture had a significant effect on Employees Performance.

The eighth hypothesis test showed Employees Innovative Behavior caused an increase in Employees Performance. Furthermore, data analysis showed an estimated value = 0.319, C.R value = 3.611, with p-value = 0.000 < 0.05. Considering p-value <0.05, the eighth hypothesis was supported, confirming that Innovative Behavior positively influenced Employees Performance. Therefore, the higher behavior, the higher performance, and the worse behavior, the lower performance. These results were supported by Wynen et al. (2014), where Innovative Behavior improved creativity in the workplace, fostered the implementation of ideas, and increased performance. Nasir et al. (2019) also stated that organizations motivating creativity and innovation among employees could achieve higher performance. Employees Innovative Behavior, including generating creative ideas, advocating for others' ideas, securing resources for implementing new ideas, developing plans/schedules for execution, and offering suggestions to colleagues, contributed to improved Employees Performance.

Sobel test was conducted to examine the mediating roles of Organizational Culture and Innovative Behavior on the effects of Transformational/Transactional Leadership on Employees Performance in hypotheses 9, 10, 11, and 12. Considering p-value > 0.05, hypothesis 9 was not supported, confirming that Organizational Culture did not mediate the effect of Transformational Leadership on Employees Performance. However, considering p-value <0.05, hypothesis 10 was supported, confirming that Organizational Culture mediated the effect of Transactional Leadership on Employees Performance. Hypothesis 10 test, with p-value = 0.443 > 0.05, showed that Innovative Behavior did not mediate the effect of Transformational Leadership on Employees Performance. Meanwhile, hypothesis 12 test, with p-value = 0.003 < 0.05, showed that Innovative Behavior mediated the influence of Transactional Leadership on Employees Performance. In summary, Transformational Leadership had no direct effect on Employees Performance, or indirectly through the mediation of Organizational Culture or Innovative Behavior. Meanwhile, Transactional Leadership had no direct influence on Employees Performance, but could have an indirect impact when mediated by Organizational Culture or Employees Innovative Behavior. This can be referred to as full mediation, where the independent variable does not have a direct significant impact on the dependent variable. However, the independent variable significantly affects the mediating variable, consequently influencing the dependent variable. The mediating roles of Organizational Culture and Innovative Behavior are essential, as they enable Transactional Leadership to impact Employees Performance.

Based on analysis, Transactional Leadership, when mediated by Organizational Culture and Innovative Behavior, could improve Employees Performance. Without these mediating variables, Transactional Leadership cannot solely improve Employees Performance. Meanwhile, Transformational Leadership neither directly or indirectly influenced Employees Performance. The results could be attributed to the characteristics

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of respondents, where a total of 100 people were aged 20-30 years (generation Y). Generation Y's work behavior often differs from the previous generations, specifically X. Furthermore, Generation Y is often considered as lacking work ethic, being difficult to understand, and labeled as lazy, demanding, and ungrateful by older generations (Yudhaputri, Emilisa & Lunarindiah, 2021). This generation tends to believe hard work is not necessary as long as tasks are completed. They also prefer flexibility in work environment and value direct but relaxed communication. Generation Y also struggles to accept criticism, can be apathetic, and may give up easily when faced with failure. However, they are naturally creative and thrive in environments that fosters creative thinking. In the current era of technology, this creativity makes Generation Y a valuable asset for companies.

The mediating role of Organizational Culture and Innovative Behavior is very important, as it enables Transactional Leadership to positively influence Employees Performance. Generation Y, with natural inclination toward creativity, responds better to culture that fosters innovation. Based on analysis, this generation favors leaders who clearly communicate the rewards employees will receive for completing tasks, strengthen the relationship between objectives achievement and rewards, focus on preventing mistakes, and recognize or promote good work. In contrast, Transformational Leadership, emphasizing individuals consideration, the importance of work objectives and values, inspiring enthusiasm, thought-provoking questioning, and collaboration with employees on projects, did not influence Employees Performance directly or indirectly for this generation.

# Conclusion

In conclusion, this study showed Transformational Leadership had no direct effect on Organizational Culture, Employees Innovative Behavior, or Employees Performance. However, Transactional Leadership had a direct effect on Organizational Culture and Employees Innovative Behavior, but not on Employees Performance. Even when mediated by Organizational Culture and Employees Innovative Behavior, Transformational Leadership still had no effect on Employees Performance. On the other hand, Transactional Leadership, when mediated by these variables, strengthened its influence on Employees Performance.

The results offered several implications for companies management, to improve Employees Performance through Organizational Culture, companies should maintain culture of flexibility by continuously adapting to change. It was also important to improve employees creativity by providing support and eliminating barriers that stifled creativity in the workplace. To improve Employees Performance through Innovative Behavior, companies should maintain employees creativity by providing regular opportunities through appropriate channels and offering sufficient funding to implement new ideas. To increase Employees Performance through Transactional Leadership or cultivate innovative Organizational Culture and also improve Employees Innovative Behavior,

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leaders should focus on addressing deviations in employees behavior and providing feedback, from verbal praise to promotion opportunities, for well-executed work.

This study had some limitations, including the sample size, restricted to employees working in the West Jakarta area, and the variables examined, namely Transformational Leadership, Transactional Leadership, Organizational Culture and Employees Innovative Behavior, and Employees Performance. Future studies were recommended to increase the sample size and apply specific criteria, such as investigating employees of domesticowned companies that required innovation to compete globally. In addition, including independent variables such as creative self-efficacy and Humble Leadership (Al Wali et al., 2021) could provide further insights.

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