

## Research Article

# The Effect of Transformational Leadership and Digital Transformation on Innovative Work Behavior and Their Impact on Employee Performance: Literature Review

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## Abstract.

This study examines the impact of transformational leadership and digital transformation on innovative work behavior and employee performance. As the business environment grows increasingly competitive, Human Resource Management (HRM) has emerged as a key pillar for organizational success. Transformational leadership is recognized for its ability to motivate employees, inspiring them to exceed expectations and fostering a high performing, adaptive workforce. Meanwhile, digital transformation provides organizations with technological frameworks that enhance efficiency, effectiveness, and responsiveness to changing markets and external environments. Using a literature review method, this study analyzes transformational leadership (X1) and digital transformation (X2) as independent variables, with innovative work behavior (Y1) and employee performance (Y2) as dependent variables. The findings demonstrate that transformational leadership, digital transformation, and innovative work behavior all positively influence employee performance. People are critical of organizational success, and a supportive work culture promotes the implementation of new ideas and solutions. In this context, digital transformation acts as an enabler, while transformational leadership establishes the foundation for a co-creative and innovative workplace. The results emphasize that transformational leadership and digital transformation are strategic factors essential to sustaining competitive advantage the digital age.

**Keywords:** digital transformation, employee performance, human resource management, innovative work behavior, transformational leadership

## 1. Introduction

Human Resource Management (HRM) is a critical component of the organisational structure for many HR professionals in order to achieve organisational goals. The quality of human resources is an important factor because humans are the main resource who plan, implement, and control all operational activities [1]. As the most important resource that can be used in the implementation of all functions, humans play a central role for successful organisations in this era characterised by rapid changes and challenges within globalisation. Adaptability to any external and internal fluctuations makes the

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organisation capable of surviving and thriving in a competitive environment. An effective HR management not only directs organisational goals at its optimum but each individuals performance is reflected to overall organisational performance.

In the most dynamic business environment today, organisations need to have a system of management that is effective and efficient. Technological changes, market changes and policy changes are happening at a much faster pace and continuous →this means that the environment of an organisation is continuously changing, hence a management system must be flexible adapting to the needs of different circumstances. In the right way, this system will help an organisation to respond effectively to changes happening now and on the horizon. To this end, organisations can remain stable high-performing over time and speed up the process of achieving goals as well as underwrite more optimal and higher-in-price individual performance into contention for global competition [2].

Leadership quality has a significant impact on employee performance in any organisation. A great leader can motivate employees to do their best work. The team members in an organisational setting come from all sorts of backgrounds, with different goals and ways of thought — which necessitates adaptable leadership. Good leaders have a way of creating a high-performance environment, one in which employees are encouraged to work with peak energy and dedication. Leaders displaying good image and direction will motivate self-motivation from employees thereby going over their assigned duties gladly towards the fulfilment of organisational objectives.

Digital transformation is another aspect that assists organisations in their overall performance. Human Resources adapted to the use of the technology with knowledge is an essential asset for organisations because technological advances continue to change how organisations between firms operate and do business. As Patandean (2021) asserts, even though technology can represent a significant part of the business, success in an organisation cannot be fully taken for granted without superior human resources. Now organisations want human resources who are quick in facing changes made by technological innovations, possess high integrity, have a good attitude to serve. The organisations that develop leaders to harness employee tech mastery and adaptability in a digital world would see increased individual performance which will, in turn, positively affect the organisation by becoming more agile and competitive in the dynamic environment.

This study aims to explore the effects of transformational leadership style and digital transformation on the innovative work behaviour and its role in affecting employee performance. Makes the context for analysis: Transformational leadership is believed to drive innovative behaviour in organisations and has a positive effect on working performance. As a tool – digital transformation also enriches employee innovative behaviour through tools that promote creativity and efficiency of work. Through this study, it is anticipated that organisations can gain an understanding to devise better suited leadership and digital strategies for innovation & performance enhancement in these increasingly complex global competition age.

## 2. Literature Review

### 2.1. Transformational leadership

In contrast, transformational leaders are those who stimulate and inspire followers to achieve exceptional results and, in the process, develop their leadership capacity outcomes through becoming more empowered. Transformational leaders address the needs of individual followers enabling them to grow and develop into leaders themselves – ensuring that the goals and objectives of individual followers, leader, groups, and the greater organisation are aligned. Empirically established transformational leadership capable of inducing followers to overachieve on the performance we expect, as well as producing great follower satisfaction and commitment levels to group and organisation [3].

Transformational Leadership is, by definition, a leader who can inspire and motivate employees to reach beyond the ordinary in his or her performance and, at the same time, develop that capacity to lead in each employee [3]. Of course, it is obvious that transformational leadership touches employees and indirectly even the performance of the organisation. Dimensions of Transformational Leaders: Different studies apply the dimensions that developed by [4] aspects or elements such as Idealised Influence (charisma), Inspirational Motivation, Intellectual Stimulation and Individualised Consideration.

## 2.2. Digital transformation

Importance of this topic warrants an academic literature formalisation under new category. In this context, DT is well understood as a force of change in all contexts — and when we say all, it means — any type of so-called human life community based on the use of technology and to our business context automatically. WT: Distinguishing DT from digitisation In some studies, digitisation is used as an alternative to the term digital transformation (DT) but it refers to changes that typically stem from digital technology, while DTs are described as “digitisation” which denotes the transformation of information from analogue into digital format, and automating processes using information technology [5]. Transformation, which is central to the concept of digital transformation, goes beyond mere change [5]; it refers to what organizations should do when they face new technologies.

## 2.3. Innovative work behaviour

Afsar (2014) describes Innovative Work Behavior as “all individual employee behavior that has a form of creating/presenting, processing and utilizing/ implementing new ideas and ways of doing things such as new products, ideas, technologies, procedures or work processes to enhance organisational effectiveness” In this study, Measurement for Innovative Work Behavior in organisations uses five (5) indicators, Opportunity Exploration: employees take advantage of opportunities by exploring ideas, Generativity: many ideas are generated in the organisation, Formative Investigation: formulation and planning of ideas, Championing: brave to risk the results of idea and Application; implemented an idea [6].

## 2.4. Employee performance

Cushway (2002: 1998) “Performance is judged according to particular targets which have been set beforehand against which an individual has performed” As cited by Veithzal Rivai (2004:309) performance is “the actual behaviour”. According to Mathis and Jackson (2001:78) performance is literally what the employee does or does not do. Whitmore (1997:104) states performance is a condition that must be known and proven to the parties concerned to determine the level of achievement of an agency’s results

about the vision of an organisation or company then to know what operational policy impacts, positive and negative [7-9].

Performance measurement is all about assessing the advance of work towards output delivered in terms of goals and objectives set Robertson (2013). According to Whittaker (2009), performance measurement is a tool for enhancing the quality of decision-making and increasing accountability. In addition, performance measurement provides some indication of the extent or degree to which goals and objectives are being met [10-11].

### 3. Material and Methods

The type of design utilised in this research is a literature review or literature review. Literature review is a literature search and research, building by reading and studying journal articles, texts, newspapers around relevant topics to produce writing that gets at one issue or topic [12] The data in this study were obtained through a literature review that examines the antecedents of innovative work behaviour and employee performance, transformational leadership (X1), digital transformation (X2), innovative work behaviour (Y1) and employee performance(Y2). When evaluating the effect of these variables, significance level is the primary metric based on which one can analyze their influence. In this study, X1 and X2 reflect the endogenous variables because they represent the effect of transformation leadership and digital transformation, while informative work behaviour success (with its impact on improving employee performance) is an exogenous variable as a measure of change.

### 4. Results and Discussion

Leadership, Innovation, Digital Transformation and Employee Performance play critical roles in exploring opportunities to make organisations succeed in this ever-increasing competitive era. All of them together help in meeting the desire for overall organisational goals and also impact how well an organisation can respond (and do) to the changing dynamics of business environments. Transformational leadership can inspire and motivate followers to perform beyond the expectations of one, as well as contribute positively to an environment that fosters a culture of collective development. On the other hand, digital transformation has turned into a need in order to increase administrative skill and also respond quickly to continuous change. For this reason, the individual and team innovation is an important aspect to create new competitive

solutions for organizations based on innovative work behaviour. Employee performance is on the second other hand is direct indicator of effectiveness of different policies and strategies if organisation while having a critical effect on profitability. Thus, this paper thoroughly links transformational leadership, digital transformation, innovative work behaviour and employee performance as building blocks for sustainable organisational excellence.

#### **4.1. Transformational leadership**

Transformational leadership offers a good value proposition, co-growth, and motivation that is high in both leader and followers which can lift morale. Transformational leaders pursue constructive ends for the organization and stakeholders through altruistic visioning and norm-setting [13]. Transformational leadership, on the other hand, is about motivating followers to perform at the next level and inspiring them to engage in a collective enterprise (vs transactional leadership which stresses compliance). Transformational leaders look to address the needs of subordinates so that they can aspire and achieve personal goals whilst also supporting organisational objectives. Team members can surpass their limits in this step to perform at the optimum level. According to Bass (1985), transformational leadership consists of four components: idealised influence, individualised consideration, inspirational motivation and intellectual stimulation [3].

#### **4.2. Digital transformation**

Digital transformation is defined as the incorporation of digital technologies into an organisation with a view to enhancing its processes, structures and outcomes so that it can address challenges in a competitive business environment. Utilizing digital technology allows for quicker, more efficient processes that respond to both market and customer need. This implies more than just the implementation of digital devices or systems, this also means cultural and mindset changes in an organisation to be able to live with digitalisation. When leaders understand the role of digital transformation, they can galvanize the entire organisation to leverage technology better, work better and innovate on how we do what we do. Digital transformation also plays an important role in organisations today to enable and enhance employee performance for competitive advantage.

### 4.3. Innovative work behaviour

Innovative work behaviour is the capability to generate original ideas that are of some value and to do this in a way that they can be put into practice within workplace activities [14]. Organizational behavior work differentiate idea generation, idea support also they point out innovative work behavior related generally to that steps. This way of behaving is marked by creativity, experimentation with new solutions, and taking risks to create positive change in the workplace. Innovative work behaviours require an intrinsic motivation, courage to do things differently and ability organisation change, Which such individuals contain. In innovative work behaviour, De Jong and Den Hartog (2010) explored possible dimensions including idea exploration, idea generation, idea promotion and idea implementation to enhance effectiveness and innovation at the workplace [15].

### 4.4. Employee performance

Employee performance is the degree to which someone carries out specific tasks or responsibilities in accordance with facility goals, standards or objectives [16]. According to Fauzi and Handayani (2019), performance is the outcome of carrying out job duties according to the goals, objectives, programs, and workload established within an organisation [17]. In contrast, employee performance is a measure of the output of efforts made in a given span of time and compared with many parameters, such as the standards set mutually or benchmark data. Habibie and Mustika (2020) explained that the concept of performance has been associated with people who are adjusting to achieve organisational goals by contributing an added value on these achievements. In addition, Wulan et al. (2019), the second identified area that directly effects organisational profit is employee performance [18-19].

The subject of this study is again one of the crucial aspects related to organisational HRM: improving business process performance which appears a key pillar at the foundation of successful organisations. X1=Transformational leadership, X2=Digital transformation, Y1Innovative work behaviour and Y2=Employee performance This study which uses Leadership model and style approach, looks into the role of recording elements had an influence on achievement; leadership style with in organisations. When analyzing these changes, significance level of each variable becomes the number one metric to be used in measuring importance. This study seeks to present a detailed view of these

variables, thus considering the complexity pathways interplaying leading to optimal outcomes. The model of this research is related to the adoption of factors that have importance towards transformational leadership and digital leadership in innovative work behaviour, especially that concerns on employee performance. Transformational leadership (x1), and Digital transformation (x2) is the focus of attention variables that is also shown below. Moreover, the outcome variables innovative work behaviour (y1) and employee performance (y2) are treated as indicative measures of the level of operational effectiveness and efficiency. By specifying x1, x2, y1 and y2 the study seeks to offer a detailed and rounded description of the dynamics around the enterprise resource planning in terms of how these factors are interplayed for maximising results. Figure 1 below shows the recommendation model based on above description:

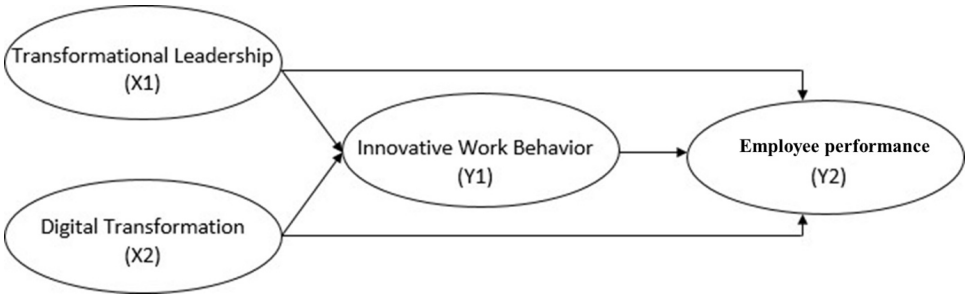


Figure 1: Recommendation Model Leadership.

5. Conclusion

The last part of this discussion confirms that transformational leadership & digital transformation contribute significantly to improving employees innovative work behaviour which directly enhances their performance. Transformational leadership empowers employees to exceed their personal limits and give their fullest by being inspirational, motivating and creating an environment where they are empowered to contribute towards the achievement of organisational goals. Such leaders not only inspire their subordinates to achieve excellence but also promote a workplace that fosters the realization of human potential. While digital transformation creates infrastructure and technological accessibility that allows employees to work more efficiently, changing in accordance to the business environment. When it is used correctly, technology enables employees to quickly start working on innovative processes that in turn make sure that the organisation is able to achieve its objectives effectively.



Furthermore, because transformational leadership is known to promote innovative work behaviours that lead employees not only to generate new ideas aimed at enhancing organisational success but also to back and execute those ideas<sup>49–51</sup>, an important mechanism through which transformational leadership becomes positively related to digital transformation might be the creation of a workable vision<sup>52</sup>. Employees adopt a growth mindset by transitioning to innovative work practices in the most uncertain of times. This research highlights that transformational leadership and digital transformation have the potential to both nurture the innovation of work but also has a huge positive in ensuring that employee performance excels. Therefore, the research strengthens belief that both factors are complementary strategic aspects in developing organisational competitive benefit within the emergent digital age.

## Conflict of Interest

The authors declare no conflict of interest.

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