

The Effectiveness of Transformational Leadership: An Analysis of Employee Empowerment and Creativity in MSMEs

Eko Boedhi Santoso¹, Fatkhur Rochman^{1*}, Izzatul Ulya²

¹ Business Administration Study Program, Department of Business Administration,
State Polytechnic of Malang, Indonesia

² Marketing Management Study Program, Department of Business Administration,
State Polytechnic of Malang, Indonesia

*Corresponding Author: fatkhurrrch@polinema.ac.id

Abstract

Micro, Small, and Medium Enterprises (MSMEs) are facing increasingly complex business competition, requiring employees to continuously innovate and generate creative ideas to maintain competitiveness amid limited resources. However, in practice, creativity does not always flourish optimally without the support of the right work environment. The role of leaders becomes crucial because the relatively simple organizational structure makes interactions between leaders and employees more intense. This study aims to analyze the influence of transformational leadership style on employee creativity, with employee empowerment serving as the mediating variable. This study employs an explanatory quantitative approach, with data collected via a survey. The results show that transformational leadership style does not have a significant direct effect on employee creativity. Conversely, employee empowerment has a positive and significant effect on employee creativity. Furthermore, transformational leadership style was found to have a positive effect on employee creativity through employee empowerment. These findings indicate that employee empowerment acts as a full mediator in the relationship between transformational leadership style and employee creativity. This study confirms that transformational leadership does not always have a direct impact on creativity but requires an empowerment mechanism that makes employees feel trusted, have autonomy, are involved in their work, and feel confident in expressing their ideas. Therefore, organizations need to translate transformational leadership into tangible empowerment practices so that employee creativity can develop sustainably.

Keywords: Competitiveness; Creativity; Empowerment; Transformational leadership; Work environment

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a fundamental role in Indonesia's economy. MSMEs contribute approximately 61% to Gross Domestic Product and account for about 97% of the national workforce (Kementerian Koperasi dan UKM, 2023). In East Java, MSMEs also play a vital role in driving the regional economy, including those operating in the processed food industry. One of the thriving business clusters in this sector is the Sanan Tempe Chips Industrial Center in Malang City. Although it is already recognized as a hub for regional flagship products, business operators in this area face shifting consumer preferences, price competition, quality demands, and the need to continuously

update their products, packaging, and marketing processes. These conditions mean that business sustainability is determined not only by the owners' ability to formulate strategies but also by the employees' ability to generate new ideas and solutions relevant to the business' needs.

[Santoso et al. \(2025\)](#) conduct research on the Sanan Tempe Chips Industrial Center indicates that entrepreneurial orientation and market orientation are key factors in improving business performance. These findings underscore that a proactive, innovative, and responsive attitude toward the market is necessary to strengthen the performance of SMEs. However, strategies at the organizational level cannot be optimally implemented without the support of human resources capable of translating them into operational actions. In the context of SMEs, employees are directly involved in production processes, quality control, customer service, product variation development, and resolving various workplace issues. Therefore, employees' ability to generate new ideas is a crucial component in implementing the business owner's strategic orientation.

Employee creativity reflects an individual's ability to generate new and useful ideas related to products, services, processes, or work procedures ([Oldham and Cummings, 1996](#)). At the Sanan Tempe Chips Industrial Center, creativity can be realized through the development of new flavor variants, improvements to packaging design and functionality, increased production efficiency, optimal use of raw materials, and the creation of more appealing marketing strategies. Employee creativity, therefore, is not only related to the creation of entirely new products but also encompasses various simple improvements that add value to the business. However, creativity does not always arise spontaneously, as employees require a work environment that provides support, trust, opportunities to share ideas, and sufficient freedom to try new approaches.

One organizational factor that can foster such an environment is transformational leadership. Transformational leadership is a leadership style that guides leaders to build a shared vision, provide inspiration, stimulate intellectual thinking, serve as role models, and pay attention to the development needs of each employee ([Bass and Avolio, 1990](#)). Through intellectual stimulation, leaders encourage employees to question established work methods and discover more effective alternatives. Through inspirational motivation and individual attention, leaders can also build employees' confidence and courage to share their ideas. Transformational leadership can thus create psychological conditions that support creativity. Findings by [Mittal and Dhar \(2015\)](#) as well as [Iyoti and Dev \(2015\)](#) indicate that transformational leadership is positively associated with employee creativity, although the mechanisms explaining this relationship may involve different psychological and organizational conditions.

The influence of transformational leadership on employee creativity does not always occur directly. Leaders can provide inspiration and intellectual stimulation, but creativity is more likely to materialize when employees feel they have competence, autonomy, and influence in their work. In this study, employee empowerment is understood as a state of psychological empowerment reflected through four dimensions: meaning, competence, self-determination, and impact ([Spreitzer, 1995](#)). Meaning indicates alignment between the values of the job and the employee's personal values; competence describes confidence in one's ability to complete tasks; self-determination indicates freedom in determining one's actions; while impact reflects the belief that an employee's actions can influence organizational outcomes. When these four conditions are present, employees are more motivated to take initiative, explore new ways of working, and voice ideas without excessive fear.

Transformational leadership can strengthen employee empowerment by providing trust, responsibility, support for development, and opportunities to participate in decision-making. Empowerment, in turn, fosters intrinsic motivation and employee engagement in the creative process. [Zhang and Bartol \(2010\)](#) provide a mechanistic explanation that empowering leadership can increase psychological empowerment, which in turn drives intrinsic motivation and engagement in the creative process. Research by [Ibrahim et al. \(2023\)](#) also indicates that psychological empowerment can mediate the relationship between transformational leadership and employee creativity. These findings suggest that the effectiveness of transformational leadership lies not only in a leader's ability to directly influence creativity but also in their ability to foster a sense of empowerment within employees.

Although the relationship between transformational leadership, psychological empowerment, and employee creativity has been discussed in previous studies, most of the research has been conducted in formal organizations, such as technology companies, service centers, and service-sector organizations that have a division of labor and relatively structured human resource management systems. These characteristics differ from those of traditional food-based SMEs, which are generally managed directly by the owners, have simple organizational structures, more personal working relationships, and limited resources. The close relationship between owners and employees can strengthen the influence of leadership; however, at the same time, the owner's dominance in decision-making may limit employees' autonomy and their willingness to voice ideas. Therefore, the mechanism through which employee empowerment links transformational leadership to creativity needs to be specifically examined within the context of SMEs.

The research gap addressed by this study is threefold. First, most studies on transformational leadership and creativity have been conducted in formal organizations with structured HR systems, while traditional MSMEs have different characteristics—simple structures, personal relationships, and limited resources—that may produce different mechanisms. Second, the mediating role of psychological empowerment in the leadership-creativity relationship remains underexplored in the context of traditional food-based MSMEs, where social dynamics (such as kinship ties) may influence empowerment practices differently. Third, the unique context of Sanan's tempe chip industry, characterized by high employee loyalty, family-based employment, and limited formal education, provides a distinctive setting to examine how transformational leadership translates into creativity through empowerment.

Based on this gap, this study aims to analyze the influence of transformational leadership on employee creativity, the influence of employee empowerment on employee creativity, and the mediating role of employee empowerment in the influence of transformational leadership on employee creativity at the Sanan Tempe Chips Industrial Center in Malang City. This study expands the examination of leadership and creativity into the context of traditional food SMEs and explains employee empowerment as a psychological mechanism that translates leadership behavior into creativity. Practically, the research results are expected to provide a foundation for SME owners to develop leadership styles that not only provide direction but also build trust, autonomy, and employee engagement in generating business improvements and innovations.

HYPOTHESES DEVELOPMENT

Transformational leadership is a leadership process that encourages followers to transcend personal interests and achieve higher results through vision-setting, inspiration, intellectual stimulation, and attention to individual needs ([Bass and Avolio, 1990](#); [Bass and Riggio, 2006](#)). Transformational leadership is reflected in four dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. These four dimensions enable leaders not only to direct employees' work but also to build trust, give meaning to their work, encourage new ways of thinking, and develop each employee's potential.

Transformational leadership is strongly linked to employee creativity. Idealized influence positions the leader as a role model who earns employees' trust, making them more open to sharing ideas. Inspirational motivation helps employees understand the vision and goals of their work, thereby encouraging them to seek new ways to achieve them. Intellectual stimulation directly challenges employees to question assumptions, view problems from different perspectives, and develop more innovative solutions. Meanwhile, individualized consideration provides support and attention to employees' development needs, making them feel safe to try new approaches.

Employee creativity is the ability to generate new ideas that are beneficial to an organization's products, services, processes, and procedures ([Oldham and Cummings, 1996](#)). Transformational leaders can foster a work environment that supports creativity by giving employees opportunities to experiment, tolerating reasonable mistakes, and valuing diverse ideas. Under such conditions,

employees do not merely follow established procedures but are also encouraged to find more effective alternatives for completing their work.

[Mittal and Dhar \(2015\)](#) demonstrated that transformational leadership has a positive effect on employee creativity in small and medium-sized information technology companies in India. [Iyoti and Dev \(2015\)](#) also found a positive relationship between transformational leadership and employee creativity, which becomes even stronger when employees have a strong learning orientation. [Cheung and Wong \(2011\)](#) further demonstrated that transformational leadership can enhance creativity through leaders' support for tasks and work relationships. In the context of the Sanan Tempe Chip Industrial Center, business owners who are able to inspire, encourage new ideas, and focus on employee development are expected to enhance employees' ability to generate ideas regarding products, packaging, production processes, and marketing. Based on this explanation, the first hypothesis is formulated as follows:

H₁: Transformational leadership has a positive effect on employee creativity.

In this study, employee empowerment refers to psychological empowerment, which is a motivational construct that describes employees' subjective experiences regarding their position and role at work. [Spreitzer \(1995\)](#) explains psychological empowerment through four cognitive dimensions: meaning, competence, self-determination, and impact. Meaning indicates the alignment between the values of the job and the employee's personal values; competence relates to the employee's belief in their ability to perform the job; self-determination reflects the freedom to determine how the work is carried out; while impact indicates the belief that the employee's actions can influence organizational outcomes.

Each dimension of psychological empowerment provides conditions that support creativity. Employees who view their work as meaningful tend to be more willing to devote greater attention and effort to developing ideas. Belief in their competence makes employees more confident in proposing and trying new approaches. Self-determination provides the freedom to explore various alternatives in completing tasks, while the perception of impact leads employees to believe that their ideas and actions can bring about meaningful change for the organization. The combination of these four dimensions can enhance intrinsic motivation, initiative, and the courage to express creativity.

[Zhang and Bartol \(2010\)](#) explain that psychological empowerment enhances intrinsic motivation and employee engagement in the creative process, which in turn supports the emergence of creativity. [Çekmecelioğlu and Özbağ \(2014\)](#) also demonstrate that psychological empowerment has a positive relationship with individual creativity among employees in the manufacturing industry. When employees feel trusted, competent, have freedom, and can influence work outcomes, they are more motivated to seek information, develop alternatives, and generate new and useful solutions. At the Sanan Tempe Chips MSME, empowerment allows employees not only to carry out the owner's instructions but also to participate in providing ideas regarding quality improvement, production efficiency, product variety, and customer service. Based on this argument, the second hypothesis is formulated as follows:

H₂: Employee empowerment has a positive effect on employee creativity.

Transformational leadership can directly enhance creativity, but this influence can also manifest through changes in employees' psychological states. The inspiration and stimulation provided by leaders may not necessarily translate into creative ideas if employees do not feel capable, lack autonomy, or believe that their contributions have no impact on the organization. Therefore, psychological empowerment can serve as a mechanism that translates transformational leadership behavior into employee creativity.

This relationship can be explained through the interconnection between the dimensions of transformational leadership and those of psychological empowerment. Inspirational motivation helps employees understand the meaning and purpose of their work, thereby strengthening the "meaning" dimension. Individual attention and support for development enhance employees' belief in their own

competence. Intellectual stimulation provides employees with opportunities to question established ways of working and identify alternative solutions, thereby strengthening their sense of self-determination. Trust and employee involvement in decision-making also make employees feel that their contributions have an impact on business outcomes. Thus, transformational leadership creates psychological conditions that make employees more prepared and confident to use their creative abilities.

Psychological empowerment further encourages employees to take initiative, explore new ways of working, and take responsibility for the ideas they develop. Employees who feel empowered do not merely wait for instructions but are motivated to identify problems and propose alternative solutions. In this context, transformational leadership serves as a contextual factor that fosters empowerment, while psychological empowerment acts as an internal mechanism that drives creativity.

[Tung \(2016\)](#) found that psychological empowerment significantly mediates the influence of transformational leadership on employee creativity. These findings indicate that leaders' transformational behaviors enhance creativity by first shaping employees' perceptions regarding the meaning, competence, autonomy, and impact of their work. [Ibrahim et al. \(2023\)](#) also demonstrated that psychological empowerment mediates the relationship between transformational leadership and employee creativity. In the context of the Sanan Tempe Chips Industrial Center, business owners who provide vision, stimulation, trust, and individual attention are expected to foster a sense of empowerment among employees. This empowerment then encourages employees to propose and develop new ideas that benefit business operations. Based on this explanation, the third hypothesis is formulated as follows:

H₃: Employee empowerment mediates the effect of transformational leadership on employee creativity.

METHOD

This study employs a quantitative approach with an explanatory design and a cross-sectional survey to analyze the effects of transformational leadership and employee empowerment on employee creativity and to test the mediating role of employee empowerment. The study was conducted at the Sanan Tempe Chips Industrial Center, Purwantoro Village, Blimbing Subdistrict, Malang City. This location was selected purposively because it is a cluster of processed food MSMEs with relatively homogeneous business characteristics but exhibiting leadership dynamics, employee management practices, and creativity needs relevant to the research model. The target population for the study consisted of all employees working at 51 active business units in the Sanan Tempe Chips Industrial Center. Inclusion criteria for respondents were having worked for at least six months, not being an immediate family member of the business owner, and being directly involved in production, marketing, or administrative activities. As a result, 85 respondents who met these criteria were selected.

Primary data were collected using a structured questionnaire that measured transformational leadership, employee empowerment, and employee creativity. The questionnaire also included open-ended questions to gather contextual information that could enrich the interpretation of quantitative results and managerial implications. The research instrument consisted of 36 items, with each construct measured using 12 items. Transformational leadership was measured based on four dimensions developed by [Bass and Avolio \(1990\)](#): idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Employee empowerment in this study refers to psychological empowerment and was measured using four dimensions from [Spreitzer \(1995\)](#): meaning, competence, self-determination, and impact. Employee creativity is measured through four dimensions of creative thinking ability, namely fluency, flexibility, originality, and elaboration which were developed based on Guilford's concept as cited in [Munandar \(2009\)](#) and adapted to the definition of creativity in an organizational context from [Amabile \(1988\)](#). Each dimension is represented by three statement items tailored to the work context at the Sanan Tempe Chips SME. Data analysis was conducted using descriptive and inferential statistics. PLS-SEM was chosen because it allows for the simultaneous testing of direct and indirect relationships among latent variables and is suitable for testing mediation models with a relatively limited sample size ([Hair et al., 2019](#)).

RESULTS

Respondent Characteristics

Based on the analysis of the 85 employees surveyed in this study at the Sanan Tempe Chip Industrial Center in Malang City, the majority were women (62.35%), reflecting the predominance of manual, precision-based tasks such as slicing, frying, and packaging in this home-based industry. In terms of age, the workforce is concentrated in the productive age group of 25–44 years (63.53%), with older workers over 45 years of age (21.18%) who possess valuable tacit knowledge, as well as younger workers under 25 years of age (15.29%) who bring fresh perspectives but are still in the adaptation phase. The educational levels of all respondents fall within the lower-secondary and lower-high-school ranges: high school/vocational high school (54.12%), junior high school (31.76%), and elementary school (14.12%), with none having pursued an associate or bachelor's degree. This situation reflects the reality of small-scale industrial centers that rely more on skills passed down through generations than on formal qualifications; however, it also creates a psychological barrier for employees to take the initiative and share creative ideas because they feel they are “just ordinary workers.” This diversity in age and educational limitations requires business owners to implement transformational leadership capable of providing intellectual stimulation for younger workers, individual attention for senior workers, and empowerment that breaks down mental barriers so that every employee (regardless of their educational background) dares to contribute creatively to the business's progress.

From an employment perspective, employee loyalty is reflected in the fact that 63.53% of respondents have been with the company for three years or more, with 35.29% of them having been employed for over five years. This long tenure fosters strong personal relationships with business owners and serves as valuable social capital for empowerment practices, although it can also lead to resistance to change due to deeply ingrained mindsets. Based on employment status, 45.88% are permanent employees, while the remainder are daily casual workers (31.76%) and pieceworkers (22.36%), a composition that reflects this center's high flexibility in coping with seasonal order fluctuations, though it may result in less intensive empowerment. The majority of respondents work in production (40.00%), but interestingly, 21.18% handle two or more roles, a pattern that opens greater opportunities for cross-functional creativity because they possess a holistic understanding of business processes. The structure of employment relationships further underscores Sanan's communal character: 85.88% of respondents have personal ties to the business owner, either as siblings or relatives (35.29%) or as neighbors (50.59%), while only 14.12% have absolutely no familial ties. These familial ties are a double-edged sword: on one hand, they make it easier for leaders to provide individual attention and build trust, but on the other, they can foster a sense of “ewuh-pakewuh” (reluctance) that may stifle the courage to voice ideas or criticism. Therefore, the effectiveness of employee empowerment depends heavily on the business owner's ability to create an egalitarian work environment where every employee regardless of personal background, employment status, or educational level feels safe and valued enough to express their creativity without being constrained by the deep-rooted social barriers prevalent in this community.

Measurement Model

An evaluation of the measurement model was conducted to ensure that each construct in the model had adequate validity and reliability before proceeding to the structural testing phase.

Table 1: Validity and Reliability Testing

Variable	Item	Outer Loadings	Cronbach's alpha	rho_A	Composite Reliability	AVE
Transformational Leadership (TL)	TL1	0.911	0.979	0.980	0.981	0.816
	TL2	0.914				
	TL3	0.797				
	TL4	0.947				
	TL5	0.897				

Variable	Item	Outer Loadings	Cronbach's alpha	rho_A	Composite Reliability	AVE
	TL6	0.945				
	TL7	0.922				
	TL8	0.884				
	TL9	0.898				
	TL10	0.914				
	TL11	0.862				
	TL12	0.937				
Employee Empowerment (EE)	EE1	0.981	0.992	0.992	0.992	0.916
	EE2	0.973				
	EE3	0.948				
	EE4	0.970				
	EE5	0.961				
	EE6	0.960				
	EE7	0.959				
	EE8	0.897				
	EE9	0.973				
	EE10	0.955				
	EE11	0.942				
	EE12	0.965				
Employee Creativity (EC)	EC1	0.943	0.991	0.991	0.992	0.907
	EC2	0.944				
	EC3	0.942				
	EC4	0.956				
	EC5	0.960				
	EC6	0.963				
	EC7	0.952				
	EC8	0.946				
	EC9	0.950				
	EC10	0.955				
	EC11	0.954				
	EC12	0.963				

Based on the results of the measurement model testing, all indicators for the variables transformational leadership style (TL), employee empowerment (EE), and employee creativity (EC) met the criteria for convergent validity. This is indicated by outer loading values for all items being above 0.70, meaning the indicators are considered valid in reflecting their respective constructs, in accordance with the outer loading cutoff of >0.70 (Hair et al., 2019). For the TL variable, outer loading values ranged from 0.797 to 0.947; for the EE variable, they ranged from 0.897 to 0.981; and for the EC variable, they ranged from 0.942 to 0.963. Thus, all items made a strong contribution to the latent constructs being measured, and no indicators needed to be eliminated.

In terms of internal consistency and reliability, all three constructs also demonstrated excellent reliability. The Cronbach's alpha values were 0.979 for TL, 0.992 for EE, and 0.991 for EC; all were above the 0.60 cutoff, indicating that the constructs are reliable (Hair et al., 2019). Furthermore, the Composite Reliability (CR) values also showed very strong results: 0.981 for TL, 0.992 for EE, and 0.992 for EC. All these CR values exceeded the 0.60 cutoff, indicating that the indicators within each construct possess good internal consistency in measuring their respective latent variables. The rho A values, which are also very high 0.980 for TL, 0.992 for EE, and 0.991 for EC, further reinforce that construct reliability falls into the "very adequate" category. Furthermore, the Average Variance Extracted (AVE) values for all

constructs also met the criteria for convergent validity, as they were above the cutoff of 0.50 (Hair et al., 2019). The AVE values for TL were 0.816, for EE 0.916, and for EC 0.907. This means that each construct explains more than 50% of the variance in its respective indicators, indicating that the constructs used in the model possess strong representational capacity regarding their measurement indicators. Since the criteria for outer loading, Cronbach's alpha, composite reliability, rho_A, and AVE have been met, it can be concluded that the measurement model in this study satisfies the requirements for convergent validity and construct reliability, making it suitable to proceed to the structural equation modeling (SEM) phase.

Structural Model

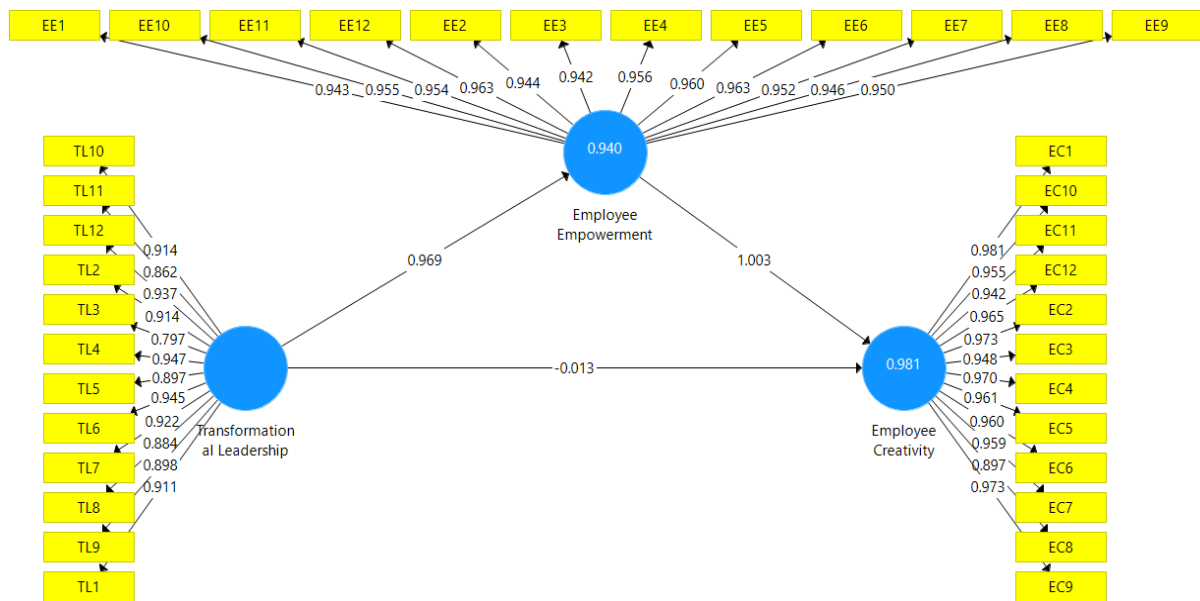


Figure 1: Structural Model of the Research Framework

A structural model evaluation was conducted to test the causal relationships among latent constructs in the research model and to assess its overall predictive power. Unlike a measurement model evaluation, which focuses on the validity and reliability of indicators, a structural model evaluates the strength and direction of relationships among variables in accordance with the formulated hypotheses. Based on the results of the structural model evaluation, the R-square value for the Employee Empowerment variable was 0.940, indicating that the exogenous variables in the model account for 94.0% of the variation in Employee Empowerment, while the remaining 6.0% is explained by other factors outside the research model. Meanwhile, the R-squared value for the Employee Creativity variable was 0.981, indicating that the variables influencing Employee Creativity in the model account for 98.1% of the variation in that construct, while the remaining 1.9% is influenced by other variables outside the model. According to the criteria established by Hair et al. (2019), an R-squared value of 0.75 is categorized as substantial, 0.50 as moderate, and 0.25 as weak. Thus, the R-squared values for Employee Empowerment (0.940) and Employee Creativity (0.981) are both above the 0.75 cutoff, placing them in the "substantial" category. This means that the structural model in this study has very strong predictive power in explaining Employee Empowerment and Employee Creativity.

Hypothesis Testing

Table 2: Summary of Hypothesis Test Results

Description	β	T-values	p-values	Supported
Transformational Leadership → Employee Creativity	-0.013	0.144	0.886	No
Employee Empowerment → Employee Creativity	1.003	11.634	0.000	Yes
Transformational Leadership → Employee Empowerment → Employee Creativity	0.972	11.466	0.000	Yes

The results of the hypothesis testing in this study, presented in Table 2, show that the path in the structural model, at a 95% confidence level, indicates that the direct effect is not significant, but the indirect effect through empowerment is significant in this study because the p-value is < 0.05 , as suggested by [Hair et al. \(2019\)](#). The first hypothesis (H_1) tested whether transformational leadership style has a significant direct effect on employee creativity at tempe chip MSMEs in Sanan. The test results showed that the effect was not significant. This is indicated by the path coefficient $\beta = -0.013$, T-values = 0.144, and p-values = 0.886. Since the p-value of 0.886 is greater than 0.05, this hypothesis is rejected. This means that transformational leadership style was not found to have a direct effect on employee creativity. Next, the second hypothesis (H_2) tested whether employee empowerment has a significant effect on employee creativity at tempe chip MSMEs in Sanan. The research results indicate a significant and supported relationship. This is demonstrated by the path coefficient $\beta = 1.003$, T-values = 11.634, and p-values = 0.000. Since the p-value of 0.000 is less than 0.05, this hypothesis is accepted. This means that the higher the level of empowerment provided to employees, the higher their creativity.

The third hypothesis (H_3) tests the mediating effect of employee empowerment on the relationship between transformational leadership style and increased employee creativity at tempe chip MSMEs in Sanan. The test results show an indirect path coefficient of $\beta = 0.972$, with T-values = 11.466 and p-values = 0.000. Since the p-value of 0.000 is less than 0.05, this mediation hypothesis is accepted. These findings indicate that transformational leadership style can enhance employee creativity through increased employee empowerment. In other words, employee empowerment serves as a crucial mechanism that bridges the influence of transformational leadership on employee creativity. Therefore, employee empowerment can be categorized as full mediation (often referred to as perfect mediation) because the direct effect of transformational leadership style on employee creativity is not significant, whereas the indirect effect through employee empowerment is proven to be significant. Thus, employee empowerment serves as the primary mechanism mediating the relationship between transformational leadership style and employee creativity; consequently, employee creativity is more likely to flourish when transformational leadership fosters a sense of empowerment, autonomy, trust, and employee engagement within the organization.

DISCUSSION

The Effect of Transformational Leadership on Employee Creativity

The test results show that transformational leadership style does not have a significant effect on employee creativity. Theoretically, transformational leadership is generally viewed as capable of fostering creativity through inspiration, intellectual stimulation, the development of a shared vision, and individual attention to subordinates ([Bass and Riggio, 2006](#)). However, the results of this study indicate that transformational leadership is not yet strong enough to directly foster employee creativity. The findings suggest that employee creativity depends not only on the presence of an inspirational leader but also on the extent to which employees have the space, authority, trust, and opportunity to express new ideas. Transformational leaders can provide motivation, direction, and intellectual

stimulation, but true creativity will only emerge when employees feel they have the freedom to take initiative, try new approaches, and voice ideas without fear. Thus, transformational leadership in this study is better understood as a factor that creates the initial conditions, rather than as a factor that directly generates creativity. This means that leadership incentives must first be translated into empowerment practices in order to influence employees' creative behavior.

These results can also be understood through the mediation findings in the research model. The indirect effect of Transformational Leadership Style on Employee Creativity through Employee Empowerment was found to be significant, whereas the direct effect was not significant. This suggests that employee creativity is shaped more by the experience of being empowered than solely by perceptions of leadership style. In jobs with specific procedures, targets, or work patterns, employees may view transformational leaders as figures who provide direction and motivation, but this does not necessarily directly encourage them to generate creative ideas. Creativity requires the courage to be different, to try new alternatives, and the willingness to face the risk of failure. Therefore, if the work environment does not fully provide employees with autonomy and legitimacy to be creative, the direct influence of transformational leadership on creativity may be weak.

This finding differs from some previous studies indicating that transformational leadership has a positive effect on employee creativity, such as those by [Shin and Zhou \(2003\)](#); [Gumusluoglu and Ilsev \(2009\)](#). However, the results of this study align with the view that the influence of leadership on creativity is not always direct but can operate through specific psychological and organizational mechanisms, such as empowerment, intrinsic motivation, creative self-efficacy, and engagement in the creative process ([Amabile, 1996](#); [Zhang and Bartol, 2010](#)). Thus, a key contribution of this study is to demonstrate that transformational leadership is not unimportant; rather, its role is more effective when manifested through the creation of work conditions that make employees feel trusted, autonomous, and empowered to be creative.

The Effect of Employee Empowerment on Employee Creativity

The test results show that employee empowerment has a positive and significant effect on Employee Creativity. The positive direction of the coefficient indicates that the higher the level of empowerment employees perceive, the greater their tendency to demonstrate creativity in their work. Theoretically, these results are consistent with the concept of empowerment, which emphasizes the importance of work meaning, competence, autonomy, and influence in the workplace. [Spreitzer \(1995\)](#) explains that psychological empowerment reflects a state in which individuals feel their work is meaningful, possess the ability to complete tasks, have freedom of action, and feel capable of influencing work outcomes. In the context of creativity, these conditions are particularly important because creativity requires not only technical skills but also the courage to voice ideas, try new approaches, and take initiative. Thus, when employees feel empowered, they tend to have greater self-confidence and freedom to generate creative ideas.

The impact of employee empowerment on creativity is significant because empowerment provides both psychological and structural space for employees to think more independently. Employees who are trusted, given opportunities to participate, and granted autonomy in their work will be more motivated to seek new ways to complete tasks. This aligns with the view of [Thomas and Velthouse \(1990\)](#) that empowerment is linked to intrinsic motivation in performing tasks. Creativity is fundamentally closely linked to intrinsic motivation, as employees who feel their work is meaningful and have control over it are more motivated to explore ideas, improve work processes, and generate more innovative solutions.

Employee creativity flourishes more easily when an organization not only demands results but also provides employees with opportunities to actively engage in the work process. Empowered employees do not merely act as instructions executors but also as individuals who can provide input, take initiative, and help find solutions to work-related problems. Therefore, these findings confirm that employee empowerment is a key factor in fostering employee creativity because it transforms employees' roles from mere executors to active, reflective, and creative contributors to the organization.

These research results align with the study by [Zhang and Bartol \(2010\)](#), which showed that empowerment can foster employee creativity by increasing psychological empowerment, intrinsic motivation, and engagement in the creative process. [Amabile \(1996\)](#) also emphasizes that creativity is influenced by a supportive work environment, particularly when individuals possess intrinsic motivation and freedom in performing their tasks. Thus, the findings of this study strengthen the empirical evidence that employee empowerment is a key determinant in enhancing employee creativity.

The Effect of Transformational Leadership on Employee Creativity through Employee Empowerment

The test results show that transformational leadership has a positive and significant effect on Employee Creativity through Employee Empowerment. Meanwhile, the direct effect of Transformational Leadership on Employee Creativity is not significant. Thus, Employee Empowerment can be positioned as a full mediator, since the effect of Transformational Leadership Style on Employee Creativity does not occur directly but operates through employee empowerment. Theoretically, this finding suggests that Transformational Leadership Style alone is insufficient to directly foster employee creativity unless it is translated into concrete empowerment practices. Transformational leadership does indeed emphasize inspiration, intellectual stimulation, individual attention, and the leader's ability to build a shared vision ([Bass and Riggio, 2006](#)). However, employee creativity requires conditions more closely tied to day-to-day work experiences, such as self-confidence, autonomy, engagement, the courage to voice ideas, and opportunities to make decisions. In this regard, employee empowerment serves as a mechanism that bridges the influence of transformational leadership on creativity. This means that transformational leaders can only foster creativity if their leadership style enables employees to feel trusted, involved, given space, and empowered to influence their work.

Research findings related to this full mediation cannot be separated from the fact that creativity is a work behavior that is not only influenced by a leader's direction or inspiration but also heavily depends on the extent to which employees feel they have the authority to act creatively. It is not enough for employees to merely receive motivation or direction from leadership; they also need actual space to develop ideas, try new ways of working, and take the initiative in completing their tasks. If transformational leadership stops merely providing motivation, a vision, or verbal encouragement, its impact on creativity is limited. Conversely, when such leadership is manifested through trust, involvement in decision-making, and the freedom to complete tasks, employee creativity is more likely to emerge. Employees perceive creativity more as a result of feeling empowered than merely as a consequence of leadership style. Employees who feel their work is meaningful, who possess competence, are given autonomy, and feel they have an impact on the organization are more likely to exhibit creative behavior. This aligns with [Spreitzer's \(1995\)](#) concept of psychological empowerment, which explains that empowerment encompasses the dimensions of meaning, competence, self-determination, and impact. Thus, employee empowerment is the factor most closely linked to the development of employee creativity because it directly addresses the psychological and behavioral aspects of employees as they perform their work.

This finding is consistent with previous research that identifies empowerment as a key mechanism in the relationship between leadership and creativity. [Zhang and Bartol \(2010\)](#) explain that empowering leadership can enhance employee creativity through psychological empowerment, intrinsic motivation, and engagement in the creative process. [Amabile \(1996\)](#) also emphasizes that creativity is strongly influenced by a supportive work environment, particularly when individuals possess intrinsic motivation and autonomy in performing their tasks. Thus, the results of this study reinforce the view that transformational leadership does not always have a direct impact on creativity, but its influence becomes effective when it is able to create conditions of empowerment for employees. Therefore, Employee Empowerment is the primary mechanism explaining the relationship between transformational leadership style and employee creativity. Transformational leadership serves as a source of motivation, guidance, inspiration, and intellectual stimulation, while employee empowerment acts as the means to transform that motivation into creative behavior. Therefore, efforts to enhance

employee creativity are not sufficient if they rely solely on inspirational leadership; they must be accompanied by tangible, consistent empowerment practices that employees directly experience in their daily work.

CONCLUSION

Based on the research findings, it can be concluded that transformational leadership style does not have a direct effect on employee creativity; thus, leadership that is inspirational, visionary, motivating, and intellectually stimulating is not sufficient to directly enhance employee creativity if it is not supported by other mechanisms more closely tied to employees' work experiences. Conversely, employee empowerment has been shown to have a positive and significant effect on employee creativity, meaning that the higher the level of empowerment employees perceive, the higher the level of creativity they demonstrate in their work. Empowerment through trust, autonomy, involvement, decision-making opportunities, and the freedom to express ideas is a key factor in encouraging employees to generate new ideas, solutions, and ways of working. Furthermore, the research findings also indicate that employee empowerment fully mediates the influence of transformational leadership style on employee creativity. This means that transformational leadership can only enhance employee creativity if it first fosters a sense of empowerment among employees. Thus, employee empowerment serves as the primary mechanism bridging the relationship between transformational leadership and employee creativity. Consequently, organizations are encouraged not only to rely on inspirational and visionary leadership styles but also to translate these into more concrete and practical managerial practices. Leaders must create opportunities for dialogue, provide clear work instructions, encourage employees to share ideas, offer feedback on proposed concepts, and foster a work environment where employees feel trusted and valued. Since employee empowerment has proven to be a critical factor and a key mediator, organizations need to strengthen empowerment practices by delegating authority according to job roles, involving employees in problem-solving, providing opportunities to suggest improvements, offering training and mentoring, establishing clear division of responsibilities, and recognizing creative contributions. Leaders need to prioritize individual attention, stimulate new thinking, support the courage to voice ideas, increase autonomy, involve employees in decision-making, and build employees' self-confidence. In this way, creativity becomes not merely an organizational requirement but flourishes as an integral part of a work culture supported by genuine leadership and empowerment.

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