

## Driving Employee Innovation Through Transformational Leadership: The Roles of Leader Member Exchange and Knowledge Sharing Behavior

Winanti Dwi Utari<sup>1\*</sup>, Retno Kurniasih<sup>2</sup>, Daryono<sup>3</sup>, Fiki Ratnasari<sup>4</sup>

<sup>1-3</sup>Department of Management, Faculty of Economics and Business, Jenderal Soedirman, Indonesia

<sup>4</sup>Bank Jabar Banten, Purwokerto Representative Office, Indonesia

\*Email corresponding author: [winanti.utari@mhs.unsoed.ac.id](mailto:winanti.utari@mhs.unsoed.ac.id)

**Article Information:** Received --- June 25, 2026, Published --- August 10, 2026

---

### Abstract

Employee innovation has become a critical factor for organizational sustainability and competitiveness, particularly in the banking sector, which faces increasing demands for service excellence, digital transformation, and operational efficiency. This study aims to examine the influence of transformational leadership on innovative work behavior and investigate the mediating roles of leader member exchange and knowledge sharing behavior. Drawing upon Social Exchange Theory, the study proposes that transformational leaders foster high-quality relationships with employees and encourage knowledge sharing practices, which subsequently enhance employees' innovative work behavior. A quantitative research design was employed using a survey method. Data were collected from employees of Bank BJB Tegal Branch through structured questionnaires, and the proposed relationships were analyzed using Partial Least Squares Structural Equation Modeling (PLS SEM). The findings indicate that transformational leadership contributes to the development of innovative work behavior both directly and indirectly through leader-member exchange and knowledge sharing behavior. Furthermore, the mediating mechanisms provide a deeper understanding of how leadership practices stimulate employee innovation within the banking context. This study extends the literature on leadership and innovation by integrating relational and behavioral perspectives into a single framework. The findings also offer practical implications for banking organizations seeking to strengthen employee innovation through effective leadership, supportive workplace relationships, and a culture of knowledge sharing.

**Keywords:** Transformational Leadership, Innovative Work Behavior, Leader Member Exchange, Knowledge Sharing Behavior, Banking Sector

---

### INTRODUCTION

Innovation is a critical driver of organizational success, enabling businesses to adapt to dynamic environments and sustain competitive advantage (Alateeg & Alhammadi, 2024). Shareholders, employees, and customers increasingly regard innovation as a key vehicle for value creation (Keiningham et al., 2024; Kurtmollaiev et al., 2022), making innovative work behaviour (IWB) the employee-level process of generating, promoting, and implementing new ideas (Khan et al., 2012) an organizational necessity rather than an option. In the banking industry, this need is intensified by rising demands for sustainability, digital transformation, and service excellence. As part of its Environmental, Social, and Governance (ESG) commitments, Bank BJB has pursued sustainability-oriented programs, signalling that

employees who are adaptive, collaborative, and capable of generating innovative ideas are essential to long-term organizational competitiveness.

Effective leadership is widely recognized as a central antecedent of IWB (Khan et al., 2020), and transformational leadership (TL) has received particular attention for its capacity to inspire, motivate, and intellectually stimulate employees toward innovative action (Sharif et al., 2024). However, empirical evidence on the direct relationship between TL and IWB remains inconsistent; several studies suggest that the effect of TL on IWB may operate indirectly through relational and behavioural mechanisms rather than as a simple direct path (Messmann et al., 2022). Two such mechanisms are examined in this study: leader-member exchange (LMX), which reflects the quality of the dyadic relationship between supervisors and subordinates built on trust, respect, and mutual obligation (Graen & Uhl Bien, 1995), and knowledge sharing behaviour (KSB), which reflects employees' willingness to exchange knowledge and experience within and across work units (Van den Hooff & de Leeuw van Weenen, 2004).

This study is grounded in Social Exchange Theory (SET), which explains that relationships within organizations are built on reciprocity when leaders provide support, trust, and encouragement, employees tend to reciprocate through positive behaviours such as relationship building, knowledge sharing, and innovation (Blau, 1964; Cropanzano et al., 2017). Prior studies on TL and IWB have concentrated mainly on hospitality, government, and higher-education settings, particularly in Pakistan (Sharif et al., 2024), leaving the mechanisms linking TL to IWB comparatively underexplored in service based, highly regulated settings such as banking (Shyyab et al., 2025). At Bank BJB Tegal Branch specifically, transformational leadership practices including employee motivation, innovation encouragement, and regular knowledge sharing briefings have been implemented, yet the pathways through which these practices translate into innovative behaviour via LMX and KSB have not been empirically examined.

The novelty of this study lies in its integration of a relational mechanism (LMX) and a behavioural mechanism (KSB) as parallel mediators of the TL IWB relationship within a single SET based framework, tested in the Indonesian regional banking sector a context characterized by high regulatory pressure and limited human resources that has received little empirical attention relative to hospitality or public sector settings. Accordingly, this study aims to examine the effect of transformational leadership on innovative work behaviour among employees of Bank BJB Tegal Branch, both directly and indirectly through leader-member exchange and knowledge sharing behaviour.

Theoretically, this study is expected to enrich the Human Resource Management and organizational behaviour literature by providing empirical evidence on the applicability of Social Exchange Theory in the banking sector, particularly regarding how TL, LMX, and KSB jointly shape IWB. Practically, the findings are expected to help Bank BJB Tegal Branch and comparable regional banks design leadership development strategies, strengthen leader member relationships, and cultivate a knowledge sharing culture to balance human resource constraints against the operational demands of digital banking. As previewed by the results, transformational leadership was found to significantly and positively affect innovative work behaviour both directly and indirectly through LMX and KSB, which partially mediate this relationship implying that banking leaders seeking to foster innovation should invest simultaneously in relationship quality and knowledge-sharing culture rather than relying on inspirational leadership alone.

## LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Social Exchange Theory (SET), first proposed by Blau (1964), explains individual behaviour within organizations as a voluntary action based on the expectation of reciprocal reward. Applied to the employment relationship, SET suggests that when leaders provide support, trust, and fair treatment,

employees develop a moral obligation to reciprocate through positive work behaviour (Saks, 2006). SET has been widely used to explain leader-member exchange, as the quality of leader subordinate interaction represents a direct form of social exchange (Iman Santoso et al., 2019), as well as knowledge sharing behaviour, since employees are more willing to share knowledge when they feel supported and trusted by their organization (Huo et al., 2023). SET therefore provides the overarching theoretical foundation for all seven hypotheses developed below, which link transformational leadership to LMX, KSB, and IWB through the logic of reciprocity.

Transformational leadership (TL) is a leadership approach in which leaders inspire, motivate, and encourage employees to exceed their own interests in pursuit of organizational goals, operationalized in this study through the dimensions of vision communication, individualized support, encouragement and recognition, trust and cooperation, encouragement of new thinking, and consistency and inspiration (Carless et al., 2000). Within the logic of SET, when leaders inspire employees, build trust, and support their development, employees reciprocate through positive work behaviour (Blau, 1964). Transformational leaders create psychologically safe conditions that allow employees to think creatively, take risks, and engage in innovative behaviour (Afsar & Umrani, 2019; Afsar et al., 2014), and prior studies report a positive effect of TL on IWB (Khan et al., 2020; Sharif et al., 2024). Based on this reasoning, the following hypothesis is proposed:

***H1: Transformational Leadership has a positive effect on Innovative Work Behaviour.***

Leader Member Exchange (LMX) represents the quality of the dyadic relationship between leaders and subordinates, characterized by mutual trust, respect, and obligation (Graen & Uhl Bien, 1995). Following SET, when leaders demonstrate transformational behaviours communicating a clear vision, providing individualized consideration, and supporting employee development employees tend to reciprocate by building stronger, more trusting relationships with their leaders (Blau, 1964). Transformational leadership has been shown to strengthen the quality of leader–member relationships in prior research (Sharif et al., 2022; Buil et al., 2019). Based on this reasoning, the following hypothesis is proposed:

***H2: Transformational Leadership has a positive effect on Leader Member Exchange.***

Knowledge Sharing Behaviour (KSB) refers to the extent to which employees exchange, receive, and disseminate knowledge within and across departments, both formally and informally, as a supportive organizational norm (Van den Hooff & de Leeuw van Weenen, 2004). Under SET, employees who receive trust, support, and intrinsic motivation from a transformational leader tend to reciprocate by openly sharing knowledge and expertise with colleagues (Blau, 1964), and transformational leadership has been found to strengthen knowledge-sharing culture within organizations (Mihardjo et al., 2019). Based on this reasoning, the following hypothesis is proposed:

***H3: Transformational Leadership has a positive effect on Knowledge Sharing Behaviour.***

High-quality LMX relationships give employees access to resources, autonomy, and psychological safety that support creative behaviour (Gerstner & Day, 1997; Schriesheim et al., 1999), while low-quality relationships may suppress employees' willingness to innovate (Erdogan & Enders, 2007). From a SET perspective, employees who experience trust and support from their leader are motivated to reciprocate through innovative contributions to the organization. Based on this reasoning, the following hypothesis is proposed:

***H4: Leader Member Exchange has a positive effect on Innovative Work Behaviour.***

Through knowledge sharing, employees gain access to new insights and alternative solutions that strengthen their capacity to generate and implement innovative ideas (Li et al., 2014; Choi et al., 2016).

Consistent with SET, employees who receive valuable knowledge from colleagues tend to reciprocate by contributing their own knowledge and creative effort, which in turn stimulates innovative behaviour (Kwon & Kim, 2020). Based on this reasoning, the following hypothesis is proposed:

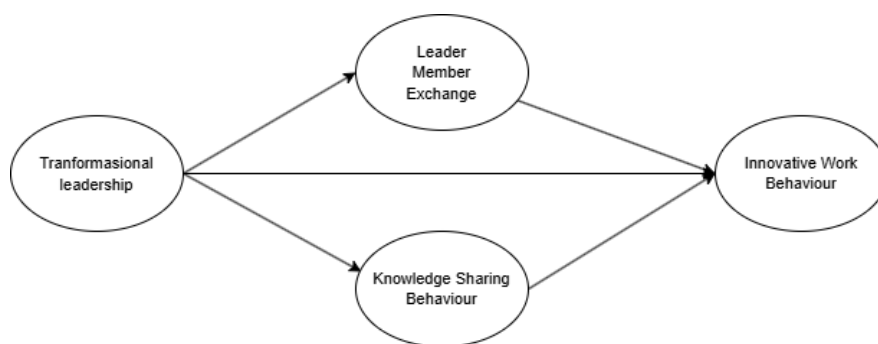
**H5: Knowledge Sharing Behaviour has a positive effect on Innovative Work Behaviour.**

Building on Hypotheses 1 and 2, LMX is theorized as a relational mechanism that translates transformational leadership into innovative behaviour: transformational leaders first build high-quality relationships with subordinates, and these relationships subsequently create the trust and psychological safety needed for employees to propose and implement new ideas (Graen & Uhl Bien, 1995; Gerstner & Day, 1997). Based on this reasoning, the following hypothesis is proposed:

**H6: Leader Member Exchange mediates the effect of Transformational Leadership on Innovative Work Behaviour.**

Building on Hypotheses 1 and 3, KSB is theorized as a behavioural mechanism through which transformational leadership is translated into innovative behaviour: transformational leaders foster a collaborative, trust based environment that encourages employees to share knowledge, and this exchange of knowledge subsequently broadens employee perspectives and strengthens their capacity to innovate (Van den Hooff & de Leeuw van Weenen, 2004; Li et al., 2014). Based on this reasoning, the following hypothesis is proposed:

**H7: Knowledge Sharing Behaviour mediates the effect of Transformational Leadership on Innovative Work Behaviour.**



**Figure 1 Research Model**

## RESEARCH METHODS

This study employed a quantitative research design using a survey method. The research subjects were employees of Bank BJB Tegal Branch, and the variables examined were Transformational Leadership, Leader Member Exchange, Knowledge Sharing Behaviour, and Innovative Work Behaviour. Data collection was conducted in May to June 2026 through a structured questionnaire measured on a five-point Likert scale, distributed online via Google Forms to employees of Bank BJB's Tegal Branch Office and its sub-branches in Purwokerto, Pekalongan, Brebes, and Banjarn. The population comprised 90 employees across the offices under the coordination of Bank BJB Tegal Branch. The sample size was determined using the Slovin formula with a 5% margin of error:

$$n = \frac{N}{1 + N \cdot e^2}$$

Calculation :

$$n = \frac{90}{1 + 90 \cdot (0,05)^2}$$

$$n = \frac{90}{1,225}$$

$$n = 74$$

Transformational Leadership was measured using seven items adapted from Carless et al. (2000), covering vision communication, individualized support, encouragement, trust building, and inspiration. Leader Member Exchange was measured using seven items adapted from Graen and Uhl-Bien (1995), reflecting mutual understanding, recognition, support, and trust between leaders and subordinates. Knowledge Sharing Behaviour was measured using six items adapted from Van den Hooff and de Leeuw van Weenen (2004), covering knowledge donating and collecting within and across departments. Innovative Work Behaviour was measured using nine items adapted from Janssen (2000), covering idea generation, promotion, and implementation.

Data were analysed using Partial Least Squares Structural Equation Modelling (PLS SEM) with SmartPLS 4, chosen for its capacity to simultaneously test direct and indirect (mediated) relationships without requiring normally distributed data. The measurement (outer) model was evaluated through convergent validity (outer loadings  $\geq 0.70$  and Average Variance Extracted  $\geq 0.50$ ), discriminant validity (Fornell Larcker criterion), and internal consistency reliability (Cronbach's Alpha and Composite Reliability  $\geq 0.70$ ). The structural (inner) model was evaluated through the coefficient of determination ( $R^2$ ), effect size ( $f^2$ ), and predictive relevance. Hypotheses were tested using the bootstrapping procedure, with a relationship considered significant when the t statistic exceeded 1.667 (one tailed test) and the p-value was below 0.05. Mediation effects were evaluated based on the significance of the specific indirect effect obtained through bootstrapping.

## RESULT

Figure 1 Data Analysis Results Using SmartPLS

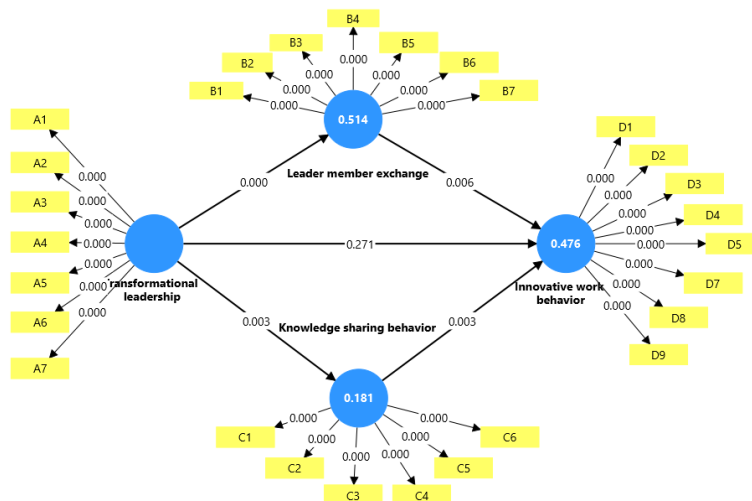


Table 1 Factor Loading Results

| Construct                          | Item | Factor Loading | Interpretation |
|------------------------------------|------|----------------|----------------|
| <b>Transformational Leadership</b> | TL1  | 0.792          | VALID          |
|                                    | TL2  | 0.852          | VALID          |
|                                    | TL3  | 0.793          | VALID          |
|                                    | TL4  | 0.766          | VALID          |
|                                    | TL5  | 0.786          | VALID          |
|                                    | TL6  | 0.818          | VALID          |
|                                    | TL7  | 0.816          | VALID          |
| <b>Leader Member Exchange</b>      | LMX1 | 0.716          | VALID          |
|                                    | LMX2 | 0.785          | VALID          |
|                                    | LMX3 | 0.703          | VALID          |
|                                    | LMX4 | 0.817          | VALID          |
|                                    | LMX5 | 0.762          | VALID          |
|                                    | LMX6 | 0.770          | VALID          |
|                                    | LMX7 | 0.778          | VALID          |
| <b>Knowledge Sharing Behaviour</b> | KSB1 | 0.751          | VALID          |
|                                    | KSB2 | 0.750          | VALID          |
|                                    | KSB3 | 0.740          | VALID          |
|                                    | KSB4 | 0.761          | VALID          |
|                                    | KSB5 | 0.767          | VALID          |
| <b>Innovative Work Behaviour</b>   | IWB1 | 0.734          | VALID          |
|                                    | IWB2 | 0.730          | VALID          |

| Construct | Item  | Factor Loading | Interpretation |
|-----------|-------|----------------|----------------|
|           | IWB3  | 0.773          | VALID          |
|           | IWB4  | 0.756          | VALID          |
|           | IWB5  | 0.775          | VALID          |
|           | IWB 7 | 0.745          | VALID          |
|           | IWB8  | 0.867          | VALID          |
|           | IWB9  | 0.840          | VALID          |

Source: Primary Data, 2026.

Table 1 presents all remaining indicators have factor loading values above 0.70, indicating that they adequately represent their respective constructs. Therefore, all remaining indicators satisfy the convergent validity criterion based on factor loading and are considered valid for further analysis (Hair et al., 2022).

Table 2 Average Variance Extracted (AVE)

| Construct                   | AVE   |
|-----------------------------|-------|
| Transformational Leadership | 0.607 |
| Leader Member Exchange      | 0.564 |
| Knowledge Sharing Behaviour | 0.581 |
| Innovative Work Behaviour   | 0.646 |

Source: Primary Data, 2026.

Table 4.14 shows that all constructs in the research model met the criteria for convergent validity based on their AVE values. This is evidenced by the AVE values for the TL, LMX, KSB, and IWB constructs, all of which were above the recommended minimum threshold of 0.50. Therefore, all constructs in this study are deemed valid and have met the criteria for convergent validity based on their AVE values.

Table 3 Discriminant Validity

|                                    | IWB          | KSB          | LMX | TL |
|------------------------------------|--------------|--------------|-----|----|
| <b>Innovative Work Behavior</b>    | <b>0.779</b> |              |     |    |
| <b>Knowledge Sharing Behaviour</b> | 0.627        | <b>0.751</b> |     |    |

|                                    |       |       |              |              |
|------------------------------------|-------|-------|--------------|--------------|
| <b>Leader Member Exchange</b>      | 0.583 | 0.556 | <b>0.762</b> |              |
| <b>Transformational Leadership</b> | 0.388 | 0.426 | 0.717        | <b>0.804</b> |

Source: Primary Data, 2026.

As shown in Table 4.15, the results of the discriminant validity test using the Fornell Larcker criteria indicate that all constructs met the established criteria. This is evidenced by the root-mean-square error of estimation (RMSE) values for each construct being greater than their correlation coefficients with other constructs in the research model. For example, the IWB construct has a root-mean-square AVE value of 0.779, which is greater than its correlations with KSB (0.627), LMX (0.583), and TL (0.388). A similar pattern is observed for the KSB (0.751), LMX (0.762), and TL (0.804) constructs. Thus, all constructs are deemed to meet the criteria for discriminant validity based on the Fornell-Larcker criteria.

Table 4 Result Hypothesis Testing

|                                               | <b>Original<br/>sample (O)</b> | <b>Sample<br/>mean (M)</b> | <b>Standard<br/>deviation<br/>(STDEV)</b> | <b>T statistics<br/>(O/STDEV)</b> | <b>P values</b> | <b>Result</b> |
|-----------------------------------------------|--------------------------------|----------------------------|-------------------------------------------|-----------------------------------|-----------------|---------------|
| <b>Leader member<br/>exchange -&gt;</b>       |                                |                            |                                           |                                   |                 |               |
| <b>Innovative work<br/>behaviour</b>          | 0.442                          | 0.435                      | 0.163                                     | 2.719                             | 0.003           | Accepted      |
| <b>Transformational<br/>leadership</b>        |                                |                            |                                           |                                   |                 |               |
| <b>-&gt; Leader member<br/>exchange</b>       | 0.398                          | 0.391                      | 0.157                                     | 2.540                             | 0.006           | Accepted      |
| <b>Transformational<br/>_leadership -&gt;</b> |                                |                            |                                           |                                   |                 |               |
| <b>Knowledge sharing<br/>behaviour</b>        | -0.086                         | -0.071                     | 0.141                                     | 0.609                             | 0.271           | Rejected      |
| <b>Leader member<br/>exchange -&gt;</b>       |                                |                            |                                           |                                   |                 |               |
| <b>Innovative work<br/>_behaviour</b>         | 0.426                          | 0.420                      | 0.156                                     | 2.725                             | 0.003           | Accepted      |

|                          | Original<br>sample (O) | Sample<br>mean (M) | Standard<br>deviation<br>(STDEV) | T statistics<br>(O/STDEV) | P values | Result   |
|--------------------------|------------------------|--------------------|----------------------------------|---------------------------|----------|----------|
| <b>Knowledge sharing</b> |                        |                    |                                  |                           |          |          |
| behaviour ->             |                        |                    |                                  |                           |          |          |
| Innovative work          | 0.717                  | 0.717              | 0.088                            | 8.187                     | 0.000    | Accepted |
| _behaviour               |                        |                    |                                  |                           |          |          |
| <b>Transformational</b>  |                        |                    |                                  |                           |          |          |
| _leadership ->           |                        |                    |                                  |                           |          |          |
| Leader member            |                        |                    |                                  |                           |          |          |
| exchange ->              | 0.286                  | 0.282              | 0.124                            | 2.298                     | 0.011    | Accepted |
| Innovative work          |                        |                    |                                  |                           |          |          |
| _behaviour               |                        |                    |                                  |                           |          |          |
| <b>Transformational</b>  |                        |                    |                                  |                           |          |          |
| _leadership ->           |                        |                    |                                  |                           |          |          |
| <b>Knowledge sharing</b> |                        |                    |                                  |                           |          |          |
| behavior ->              | 0.188                  | 0.184              | 0.104                            | 1.809                     | 0.035    | Accepted |
| Innovative work          |                        |                    |                                  |                           |          |          |
| _behavior                |                        |                    |                                  |                           |          |          |

The finding that Transformational Leadership does not have a significant direct effect on Innovative Work Behaviour (H1) indicates that transformational leadership alone is insufficient to directly stimulate employees' innovative work behaviour at Bank BJB Tegal Branch. This finding suggests that although transformational leaders may provide inspiration, support, intellectual stimulation, and a clear vision, these leadership practices do not automatically translate into employees' willingness to generate, promote, and implement innovative ideas. This result differs from previous studies such as Khan et al. (2020) and Sharif et al. (2024), which reported a positive relationship between transformational leadership and innovative work behaviour. The inconsistency may be related to the organizational context of the banking industry, where employees operate within standardized procedures, regulatory requirements, and performance-oriented systems. Therefore, transformational leadership may require additional relational and behavioural mechanisms to effectively encourage employee innovation.

Transformational Leadership was found to have a positive and significant effect on Leader–Member Exchange (H2). This finding indicates that leaders who communicate a clear vision, provide individualized support, encourage employees, and foster trust and cooperation are able to establish higher-quality relationships with their subordinates. From the perspective of Social Exchange Theory (Blau, 1964), employees are likely to reciprocate favourable treatment from their leaders by developing trust, loyalty, and positive relationships. This finding is consistent with Sharif et al. (2022) and supports the relational

logic of LMX theory (Graen & Uhl-Bien, 1995), which emphasizes that high-quality leader–member relationships develop through continuous interaction, trust, respect, and reciprocal exchange.

Transformational Leadership also has a positive and significant effect on Knowledge Sharing Behaviour (H3). This finding suggests that transformational leaders create a supportive environment that encourages employees to exchange knowledge, information, experiences, and ideas with their colleagues. When employees perceive that their leaders provide support, trust, and opportunities for development, they may become more willing to share knowledge as a reciprocal response. This finding is consistent with previous research indicating that leadership and supportive organizational environments can encourage knowledge-sharing behaviour (Mihardjo et al., 2019). Thus, transformational leadership can facilitate knowledge exchange by creating social conditions in which employees feel encouraged to communicate and collaborate.

Both mediating variables were also found to have positive and significant effects on Innovative Work Behaviour. Leader–Member Exchange positively affects Innovative Work Behaviour (H4), indicating that employees who experience trust, recognition, support, and positive relationships with their leaders are more likely to engage in innovative activities. High-quality leader–member relationships can provide employees with greater confidence, support, and access to resources, which may encourage them to propose and implement new ideas (Gerstner & Day, 1997; Erdogan & Enders, 2007).

Similarly, Knowledge Sharing Behaviour has a positive and significant effect on Innovative Work Behaviour (H5). This finding indicates that the exchange of knowledge, information, and experience among employees can broaden employees' perspectives and provide them with resources for developing innovative solutions. Through knowledge sharing, employees can obtain new information, learn from colleagues' experiences, and combine different perspectives to generate, develop, and implement innovative ideas. This finding is consistent with previous research emphasizing the importance of knowledge exchange in supporting innovation (Li et al., 2014; Choi et al., 2016).

Finally, Leader–Member Exchange (H6) and Knowledge Sharing Behaviour (H7) were both found to significantly mediate the relationship between Transformational Leadership and Innovative Work Behaviour. Because the direct effect of Transformational Leadership on Innovative Work Behaviour is not significant while the indirect effects through LMX and KSB are significant, the mediation results indicate indirect-only mediation. This finding suggests that transformational leadership influences employees' innovative work behaviour primarily through relational and behavioural mechanisms rather than through a direct pathway. In other words, transformational leadership becomes more effective in promoting innovation when it is translated into high-quality leader–member relationships and employees' willingness to share knowledge.

These findings extend previous research on transformational leadership, LMX, KSB, and IWB by demonstrating that the relationship between transformational leadership and innovative work behaviour is not necessarily direct. In the context of Bank BJB Tegal Branch, the results suggest that leaders' ability to inspire and motivate employees needs to be accompanied by strong leader–member relationships and a supportive knowledge-sharing environment. Therefore, LMX and KSB serve as important mechanisms through which transformational leadership can be translated into employees' innovative work behaviour.

## CONCLUSION

This study examined the influence of Transformational Leadership on Innovative Work Behaviour among employees of Bank BJB Tegal Branch, with Leader–Member Exchange and Knowledge Sharing Behaviour as mediating variables. The results show that Transformational Leadership does not have a significant direct effect on Innovative Work Behaviour. However, Transformational Leadership has

positive and significant effects on Leader–Member Exchange and Knowledge Sharing Behaviour, while both Leader–Member Exchange and Knowledge Sharing Behaviour have positive and significant effects on Innovative Work Behaviour. Furthermore, the mediation analysis indicates that Leader–Member Exchange and Knowledge Sharing Behaviour significantly mediate the relationship between Transformational Leadership and Innovative Work Behaviour through indirect-only mediation.

Theoretically, this study contributes to Social Exchange Theory by demonstrating that the influence of transformational leadership on employee innovation is expressed through reciprocal relational and behavioural processes. Rather than directly generating innovative work behaviour, transformational leadership strengthens the quality of leader–member relationships and encourages knowledge-sharing behaviour, which subsequently contribute to employee innovation. This finding provides a more comprehensive explanation of how transformational leadership operates within the Indonesian regional banking context.

Practically, the findings suggest that Bank BJB Tegal Branch should not rely solely on transformational leadership practices to enhance employees' innovative work behaviour. Branch leaders should strengthen individualized consideration through constructive feedback, recognition of employee contributions, trust, support, and regular discussion of work-related challenges. At the organizational level, management should foster a systematic knowledge-sharing culture through cross-functional communication, mentoring, knowledge-sharing activities, and internal innovation forums. Employees should also be encouraged to actively exchange knowledge, explore new ideas, and continuously improve their competencies. By strengthening LMX and KSB, Bank BJB can create a work environment that better supports employee innovation and organizational adaptability.

This study is subject to several limitations. First, the study was conducted only at Bank BJB Tegal Branch and its sub-branches, which limits the generalizability of the findings to other Bank BJB branches or banking institutions with different organizational characteristics. Second, the data were collected using a self-administered questionnaire, meaning that the responses were based on employees' personal perceptions and may therefore be subject to perceptual bias. Future research could combine questionnaires with interviews, observations, or supervisor assessments. Third, the closed-ended questionnaire limited the ability to explore respondents' experiences and perspectives in greater depth. Finally, several measurement indicators did not meet the recommended loading factor threshold and had to be eliminated during the measurement model evaluation. Although the remaining indicators fulfilled the validity and reliability requirements, the elimination of indicators may have reduced the comprehensiveness of construct measurement. Future research is therefore encouraged to involve broader samples, incorporate qualitative approaches, and further refine and revalidate the measurement instruments. This study examined the effect of Transformational Leadership on Innovative Work

## BIBLIOGRAPHY

- Afsar, B., Badir, Y., & Saeed, B. (2014). Transformational leadership and innovative work behavior. *Industrial Management & Data Systems*, 114(8), 1270–1300. <https://doi.org/10.1108/IMDS-05-2014-0152>
- Alateeg, S., & Alhammadi, A. (2024). The impact of organizational culture on organizational innovation with mediation role of strategic leadership in Saudi Arabia. *Journal of Statistics Applications and Probability*, 13(2), 843–858. <https://doi.org/10.18576/jsap/130220>
- Blau, P. M. (1964). *Exchange and power in social life*. John Wiley & Sons.

- Carless, S. A., Wearing, A. J., & Mann, L. (2000). A short measure of transformational leadership. *Journal of Business and Psychology*, 14(3), 389–405. <https://doi.org/10.1023/A:1022991115523>
- Choi, S. L., Goh, C. F., Adam, M. B. H., & Tan, O. K. (2016). Transformational leadership, empowerment, and job satisfaction: The mediating role of employee empowerment. *Human Resources for Health*, 14(1), 73. <https://doi.org/10.1186/s12960-016-0171-2>
- Cropanzano, R., Anthony, E. L., Daniels, S. R., & Hall, A. V. (2017). Social exchange theory: A critical review with theoretical remedies. *Academy of Management Annals*, 11(1), 479–516. <https://doi.org/10.5465/annals.2015.0099>
- Gerstner, C. R., & Day, D. V. (1997). Meta-analytic review of leader-member exchange theory: Correlates and construct issues. *Journal of Applied Psychology*, 82(6), 827–844. <https://doi.org/10.1037/0021-9010.82.6.827>
- Graen, G. B., & Uhl-Bien, M. (1995). Relationship-based approach to leadership: Development of leader-member exchange (LMX) theory of leadership over 25 years: Applying a multi-level multi-domain perspective. *The Leadership Quarterly*, 6(2), 219–247. [https://doi.org/10.1016/1048-9843\(95\)90036-5](https://doi.org/10.1016/1048-9843(95)90036-5)
- Keiningham, T., Aksoy, L., Buoye, A., Yan, A., Morgeson, F. V., Woodall, G., & Larivière, B. (2024). Customer perceptions of firm innovativeness and market performance: A nation-level, longitudinal, cross-industry examination. *Journal of Service Research*, 27(4), 475–489. <https://doi.org/10.1177/10946705231220463>
- Khan, M. A., Ismail, F. B., Hussain, A., & Alghazali, B. (2020). The interplay of leadership styles, innovative work behavior, organizational culture, and organizational citizenship behavior. *SAGE Open*, 10(1). <https://doi.org/10.1177/2158244019898264>
- Khan, M. J., Aslam, N., & Riaz, M. N. (2012). Leadership styles as predictors of innovative work behavior. *Pakistan Journal of Psychological Research*.
- Kurtmollaiev, S., Lervik-Olsen, L., & Andreassen, T. W. (2022). Competing through innovation: Let the customer judge! *Journal of Business Research*, 153, 87–101. <https://doi.org/10.1016/j.jbusres.2022.08.002>
- Kwon, K., & Kim, T. (2020). An integrative literature review of employee engagement and innovative behavior: Revisiting the JD-R model. *Human Resource Management Review*, 30(2). <https://doi.org/10.1016/j.hrmr.2019.100704>
- Li, G., Shang, Y., Liu, H., & Xi, Y. (2014). Differentiated transformational leadership and knowledge sharing: A cross-level investigation. *European Management Journal*, 32(4), 554–563. <https://doi.org/10.1016/j.emj.2013.10.004>
- Messmann, G., Evers, A., & Kreijns, K. (2022). The role of basic psychological needs satisfaction in the relationship between transformational leadership and innovative work behavior. *Human Resource Development Quarterly*, 33(1), 29–45. <https://doi.org/10.1002/hrdq.21451>

- Sharif, S., Tongkachok, K., Akbar, M., Iqbal, K., & Lodhi, R. N. (2024). Transformational leadership and innovative work behavior in three-star hotels: Mediating role of leader-member exchange, knowledge sharing and voice behavior. *VINE Journal of Information and Knowledge Management Systems*, 54(1), 1–21. <https://doi.org/10.1108/VJIKMS-07-2021-0122>
- Shyyab, Y., Mutahar, A. M., Zouria, A., & Rawlinson, J. (2025). Driving innovation in banking sector: The role of transformational leadership and knowledge sharing. *Strategy & Leadership*. <https://doi.org/10.1108/SL-05-2025-0118>
- Van den Hooff, B., & de Leeuw van Weenen, F. (2004). Committed to share: Commitment and CMC use as antecedents of knowledge sharing. *Knowledge and Process Management*, 11(1), 13–24. <https://doi.org/10.1002/kpm.187>
- Wang, S., & Noe, R. A. (2010). Knowledge sharing: A review and directions for future research. *Human Resource Management Review*, 20(2), 115–131. <https://doi.org/10.1016/j.hrmr.2009.10.001>
- Weng, L., & Chang, W. (2025). Transformational leadership, the joint effects of LMX quality and performance-based LMX differentiation, and service performance. *Total Quality Management & Business Excellence*, 36(11–12), 1268–1280.
- Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2022). *A primer on partial least squares structural equation modeling (PLS-SEM)* (3rd ed.). Sage Publications.
- Swift, P. E., & Hwang, A. (2013). The impact of affective and cognitive trust on knowledge sharing and organizational learning. *The Learning Organization*, 20(1), 20–37. <https://doi.org/10.1108/09696471311288500>