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Leading with Vision: How Transformational Leadership Inspires Innovation through Creative Process Engagement

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Abstrak

- **Tujuan:** Penelitian ini bertujuan untuk menganalisis pengaruh kepemimpinan transformasional terhadap perilaku kerja inovatif (*innovative work behavior*) dengan keterlibatan dalam proses kreatif (*creative process engagement*) sebagai variabel mediasi, dalam konteks sektor perbankan.
- **Desain/metodologi/pendekatan:** Pendekatan kuantitatif digunakan dengan melibatkan 43 responden, yang dianalisis menggunakan Partial Least Squares Structural Equation Modeling (PLS-SEM).
- **Temuan:** Hasil penelitian menunjukkan bahwa kepemimpinan transformasional berpengaruh positif dan signifikan terhadap perilaku kerja inovatif ($\beta = 0,461$; $p = 0,009$) dan terhadap keterlibatan dalam proses kreatif ($\beta = 0,817$; $p = 0,000$). Selain itu, keterlibatan dalam proses kreatif juga berpengaruh positif dan signifikan terhadap perilaku kerja inovatif ($\beta = 0,201$; $p = 0,029$), sekaligus memediasi hubungan antara kepemimpinan transformasional dan perilaku kerja inovatif secara signifikan.
- **Batasan penelitian/dampak:** Penelitian ini memiliki keterbatasan pada ukuran sampel yang relatif kecil dan hanya berfokus pada satu institusi perbankan, sehingga generalisasi hasil perlu dilakukan dengan hati-hati. Selain itu, penggunaan data berbasis persepsi responden berpotensi menimbulkan bias subjektif.
- **Implikasi praktis:** Memberikan wawasan strategis bagi manajemen bank dalam membangun kepemimpinan yang mendorong keterlibatan kreatif karyawan untuk meningkatkan inovasi organisasi.
- **Keaslian/nilai:** Penelitian ini memberikan kontribusi dengan mengintegrasikan keterlibatan dalam proses kreatif sebagai mekanisme mediasi dalam hubungan antara kepemimpinan transformasional dan perilaku kerja inovatif, khususnya dalam konteks sektor perbankan yang memiliki karakteristik regulasi tinggi.
- **Jenis makalah:** Makalah penelitian.

Kata Kunci: Kepemimpinan Transformasional; *Innovative Work Behavior*; *Creative Process Engagement*; Perbankan.



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Abstract

- **Purpose:** This study aims to examine the influence of transformational leadership on innovative work behavior, with creative process engagement serving as a mediating variable, within the context of the banking sector.
- **Design/methodology/approach:** A quantitative research approach was employed, involving 43 respondents, with data analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM).
- **Findings:** The findings reveal that transformational leadership has a positive and significant effect on innovative work behavior ($\beta = 0.461$; $p = 0.009$) and on creative process engagement ($\beta = 0.817$; $p = 0.000$). Moreover, creative process engagement also exerts a positive and significant influence on innovative work behavior ($\beta = 0.201$; $p = 0.029$), and significantly mediates the relationship between transformational leadership and innovative work behavior.
- **Research limitations/implications:** This study is limited by a relatively small sample size and its focus on a single banking institution, which may restrict the generalizability of the findings. Additionally, the use of self-reported data may introduce subjective bias.
- **Practical implications:** Practically, it offers strategic insights for bank management to develop leadership practices that promote employee creative engagement, thereby enhancing organizational innovation.
- **Originality/value:** This study contributes by integrating creative process engagement as a mediating mechanism in the relationship between transformational leadership and innovative work behavior, particularly within the banking sector characterized by high regulatory demands.
- **Paper type:** Research paper.

Keywords: Transformational leadership; innovative work behavior, creative process engagement; banking sector.

Introduction

In the past decade, innovative work behavior (IWB) has emerged as a central concern in management literature due to its pivotal role in enhancing organizational competitiveness amidst the pressures of globalization and digital transformation. IWB refers to employees' behaviors in generating, promoting, and implementing novel ideas that create added value for organizations (Messmann et al., 2022). A growing body of research demonstrates that IWB contributes to improved individual and organizational performance while fostering the sustainability of innovation (Fitrio et al., 2020; Shanker et al., 2017). Nevertheless, despite the widely acknowledged strategic importance of IWB, most studies continue to conceptualize it primarily as an outcome, without providing an in-depth explanation of the psychological mechanisms that facilitate its emergence. This situation underscores the need to identify the internal processes that enable employees not only to possess innovative potential but also to actively execute innovation in their daily work practices.

Previous literature indicates that the emergence of innovative work behavior (IWB) does not occur spontaneously; rather, it is shaped by a combination of individual, social, and organizational factors such as psychological capital, organizational support, and interpersonal relationships in the workplace (Ardana & Ekowati, 2022; De Spiegelaere et al., 2014). Nevertheless, studies that examine mediating variables to explain how leadership influences IWB remain limited and have yet to yield consistent empirical findings. One construct that has recently attracted scholarly attention is creative process engagement (CPE), which refers to individuals' active involvement in problem identification, the search for alternative solutions, and the implementation of creative ideas (Gilson & Shalley, 2004). However, most studies have positioned CPE as an independent variable or a direct predictor of innovation, leaving its role as a psychological mechanism mediating the relationship between leadership and IWB relatively underexplored in a systematic manner. Accordingly, investigating CPE as a mediator holds the potential to provide a meaningful conceptual contribution in clarifying the pathways through which employees' innovative behaviors are formed.

Within the leadership context, transformational leadership has been identified as one of the primary determinants in fostering innovative behavior. Transformational leadership reflects a leader's ability to articulate and inspire a compelling vision, provide intellectual stimulation, demonstrate individualized consideration, and cultivate subordinates' intrinsic motivation (Bass, 1985; Knezović & Drkić, 2021). Empirical studies suggest that transformational leaders are capable of creating a work environment conducive to creativity and innovation (Zhu & Wang, 2011; Kark & Van Dijk, 2007). Nevertheless, much of the existing research has tended to emphasize the direct relationship between transformational leadership and IWB, thereby offering limited insight into the psychological processes through which transformational leadership activates employees' innovative behaviors. Consequently, integrating creative process engagement (CPE) as a mediating mechanism in this relationship becomes essential to provide a more comprehensive explanation.

This study is specifically conducted within the banking sector, which faces intense pressure to adapt to service digitalization, competition from technology-based financial industries, and demands for enhanced customer service quality. The banking sector was chosen due to its unique characteristics, namely the combination of strict regulatory requirements, the need for operational efficiency, and the imperative for innovation in financial technology (fintech)-based services. These conditions require banking employees not only to perform standardized work procedures but also to generate innovative services and work processes. However, the bureaucratic and regulation-oriented work culture often poses obstacles to the development of innovative behavior, making the banking sector a particularly relevant empirical context for examining the role of leadership in fostering IWB through employees' creative processes.

Building upon the identified gaps in the literature, this study aims to analyze the influence of transformational leadership on innovative work behavior by considering creative process engagement as a mediating variable. The study emphasizes that the impact of leadership on IWB is not merely direct, but occurs through employees' active involvement in creative processes that enable them to

develop and implement innovative ideas systematically. This approach is expected to clarify the psychological mechanisms linking leadership to employees' innovative behaviors.

From a theoretical perspective, this study contributes by developing a conceptual model that positions creative process engagement as a mediating mechanism in the relationship between transformational leadership and innovative work behaviour. This relationship has rarely been empirically tested, particularly within the banking sector. Furthermore, the study extends the application of transformational leadership theory to organizational contexts characterized by high regulatory demands and intense competition. From a practical standpoint, the findings provide implications for banking management in designing leadership strategies that enhance employees' engagement in creative processes as a means of fostering organizational innovation. Accordingly, this study is expected to contribute both to the advancement of academic literature and to human resource management practices in promoting a sustainable culture of innovation.

Literature Review and Hypothesis Development

Innovative Work Behavior

Innovative Work Behavior (IWB) represents a proactive set of employee behaviors encompassing idea initiation, idea promotion, and the implementation of innovative ideas within the workplace (Janssen, 2000; Frontiersin, 2022). This concept is not limited to individual creativity but also reflects the complex interplay of personal, social, and organizational factors. Recent studies highlight that leadership support and an innovation-oriented climate play a crucial role in enhancing IWB as well as employee well-being, although under certain conditions they may also generate social pressures such as ostracism. Furthermore, from the perspective of social cognitive theory, IWB emerges through the interaction between individual self-efficacy, social experiences, and a work environment that fosters learning and innovative experimentation.

Nevertheless, the literature on innovative work behavior (IWB) reveals divergent perspectives regarding its primary determinants. Some studies emphasize the dominant role of individual factors such as psychological safety and self-efficacy, while others highlight the importance of contextual factors such as organizational climate and leadership support. This inconsistency suggests that IWB is most likely the result of multi-level interactions that have not yet been fully explained either theoretically or empirically. Such conditions indicate the need for an integrative approach that not only assesses the influence of external factors but also examines the psychological mechanisms that connect these factors to employees' innovative behaviors.

Research conducted over the past five years has identified various factors that facilitate innovative work behavior (IWB), including transformational leadership, knowledge sharing, and psychological empowerment. Studies during the pandemic revealed that job autonomy and meaningful work were able to stimulate creative ideation even under remote working conditions. Research in the small and medium enterprise sector further demonstrated that the combination of

transformational leadership and knowledge exchange significantly enhances IWB. Meanwhile, studies in research and development (R&D) contexts have shown that psychological safety constitutes a critical prerequisite for employees to take innovation-related risks.

Although these studies consistently highlight determinants of IWB, most have focused on direct relationships between variables without explaining how employees' psychological processes translate organizational support into innovative behavior. This limitation underscores the need for research that emphasizes processual mechanisms mediating the influence of contextual factors on IWB.

Transformational leadership, creative process engagement, dan innovative work behavior

Transformational leadership plays a pivotal role in fostering innovative work behavior through leaders' ability to inspire vision, provide intellectual stimulation, and cultivate employees' intrinsic motivation (Bass & Riggio, 2006). Transformational leaders encourage employees to think beyond conventional procedures and to develop creative solutions to work-related problems. Empirical evidence demonstrates that transformational leadership enhances IWB by creating psychologically safe work environments and by increasing the meaningfulness of work (Montani & Staglianò, 2021).

However, the relationship between transformational leadership and innovative work behavior (IWB) does not always exhibit empirical consistency. Several studies have found that the influence of transformational leadership on innovation weakens when employees lack sufficient cognitive and affective engagement in the creative process. This indicates that transformational leadership does not automatically generate innovative behavior; rather, it requires psychological mechanisms that connect leaders' behaviors with employees' innovative actions. Accordingly, this relationship needs to be explained through intervening variables that capture individuals' internal processes in responding to leadership styles. Based on this reasoning, the present study proposes the following hypothesis:

Hypothesis 1: Transformational leadership has a positive effect on innovative work behavior.

Transformational leadership also plays a significant role in enhancing employees' engagement in the creative process. The dimension of intellectual stimulation encourages individuals to explore ideas, engage in critical thinking, and actively participate in solving work-related problems. Zhang and Bartol (2010) explain that empowering leadership can increase job autonomy, which in turn fosters greater involvement in creative processes. Similarly, Harun et al. (2022) found that emotional and structural support provided by transformational leaders enhances employees' participation in creative activities. Nevertheless, some studies indicate that engagement in creative processes does not always emerge as a direct response to transformational leadership, particularly in organizations with rigid work structures or cultures that are less supportive of experimentation. This

underscores that the influence of leadership on creative engagement is shaped by organizational context and individual characteristics, thereby necessitating further examination across diverse empirical settings. Drawing upon the integration of transformational leadership theory and intrinsic motivation theory, this study proposes that transformational leadership enhances employees' engagement in creative processes as a motivational response to leaders' support.

Hypothesis 2: Transformational leadership has a positive effect on creative process engagement.

Creative Process Engagement (CPE) describes individuals' involvement in the stages of creativity, ranging from problem identification to the implementation of ideas. Amabile and Pratt (2016) emphasize that engagement in the creative process is a critical prerequisite for generating sustainable innovation. Faizal et al. (2022) further demonstrate that CPE significantly contributes to innovative behavior, particularly in organizations facing intense competitive pressures. However, some studies indicate that creative engagement does not always lead to innovation implementation when organizations fail to provide adequate structural support or resources. These divergent findings suggest that while CPE serves as an important mechanism, its effectiveness depends on organizational context and leadership support. Accordingly, creative process engagement can be viewed as a cognitive process that enables individuals to convert creative potential into tangible innovative behaviors.

Hypothesis 3: Creative process engagement has a positive effect on innovative work behavior.

Transformational leadership is believed to influence innovative work behavior (IWB) indirectly through creative process engagement (CPE). The motivational process model explains that leaders' behaviors affect employees' intrinsic motivation and cognitive involvement, which subsequently drive participation in innovative activities. Shin et al. (2017) demonstrated that transformational leadership enhances cognitive engagement, which in turn leads to innovative outcomes. Similarly, Safrizal et al. (2024) found that the effect of transformational leadership on IWB becomes stronger when mediated by CPE. The integration of transformational leadership theory, intrinsic motivation theory, and organizational creativity theory suggests that CPE functions as a psychological mechanism that translates leaders' inspiration and intellectual stimulation into employees' innovative actions. This integrative approach provides a stronger theoretical foundation for explaining the mediating relationship between transformational leadership and IWB.

Hypothesis 4: Creative process engagement mediates the effect of transformational leadership on innovative work behavior.

Research Method

This study employs a quantitative approach with the primary objective of testing the hypotheses developed from established theories and explaining the relationships among constructs that can be measured numerically. Such an approach is considered relevant for addressing causal research questions and supports the generalization of findings to a broader population (Creswell & Creswell, 2018). The unit of analysis in this study is the individual, specifically employees from two divisions at PT Bank Central Asia (BCA), Tbk, Surabaya Regional Office, who possess high potential to engage in creative work processes: the Commercial Marketing Division (SBK) and the Credit Division (GARK).

The selection of PT Bank Central Asia (BCA) as the research object is based on its position as one of the largest private banks in Indonesia, characterized by a high level of digital technology adoption, the complexity of financial services, and the continuous innovation pressures arising from competition in the banking and financial technology industries. These characteristics make BCA a relevant organizational context for examining innovative work behavior, particularly within work units directly involved in product development, credit risk management, and intensive customer interactions.

These two divisions were purposively selected because they are directly involved in activities that demand creativity, intensive customer interaction, and critical decision-making. Out of a total population of 73 employees, 43 respondents met the inclusion criteria and participated in this study. Purposive sampling was employed as it allows researchers to select respondents deemed most relevant to the research problem (Etikan & Bala, 2017). Although the sample size is relatively limited, the use of Partial Least Squares–Structural Equation Modeling (PLS-SEM) is considered appropriate, as this method is designed to handle predictive models with small sample sizes and non-normal data distributions. In addition, sample adequacy refers to the principle of the “10 times rule,” which requires a minimum sample size of ten times the largest number of indicators forming a construct in the structural model (Hair et al., 2021). Nevertheless, this study acknowledges that the limited sample size may constrain external validity; therefore, the findings are interpreted with caution and emphasize conceptual model development rather than broad population generalization.

Furthermore, the scope of this study, which involves only two divisions within a single organization, was chosen to gain a deeper understanding of the dynamics of innovative behavior in a specific work context. However, this limitation is acknowledged as potentially restricting the generalizability of the findings; therefore, future research is recommended to involve multiple divisions or cross-institutional banking contexts to enhance the external validity of the model.

Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM), which is considered advantageous due to its flexibility with non-normal data distributions, suitability for small sample sizes, and ability to simultaneously test latent variable relationships (Hair et al., 2021). To minimize potential common method bias (CMB), several control procedures were implemented. Procedurally, respondent anonymity was maintained, and questionnaire items were designed with varied structures to reduce response

consistency tendencies. Statistically, CMB was tested using Harman's single-factor test, and the results indicated that no single factor accounted for the majority of variance in the data, suggesting that CMB was not a serious concern in this study.

The main variables in this study include transformational leadership, creative process engagement, and innovative work behavior, each measured using instruments validated in prior research. Transformational leadership in this context refers to a leadership style that inspires, provides individualized consideration, and encourages subordinates to think critically and innovatively. The instrument employed is the updated and revalidated Multifactor Leadership Questionnaire (MLQ) developed by Avolio and Bass (2016), which consists of four core dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Creative process engagement, as the mediating variable, was measured using an adapted instrument from Zhang and Bartol (2010), reflecting the extent to which employees are involved in exploring, developing, and implementing creative ideas. Finally, innovative work behavior was assessed based on the four stages of innovative behavior developed by De Jong and Den Hartog (2010), namely idea exploration, idea generation, idea advocacy, and idea implementation. All constructs were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The validity and reliability of the measurements were first tested through the outer model evaluation in PLS-SEM to ensure that each indicator significantly contributed to the construct it represented (Sarstedt et al., 2022).

Result and discussion

This study involved the participation of 43 respondents, all of whom were included as the research sample. The demographic characteristics of the respondents are presented in Table 1, covering aspects such as gender, marital status, highest educational attainment, and length of employment.

Table 1. Characteristics of Respondents

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	23	53%
	Female	20	47%
Marital Status	Married	22	51%
	Single	21	49%
Education Level	Junior High	0	0%
	Senior High	0	0%
	Diploma (D3)	0	0%
	Bachelor (D4/S1)	42	98%
	Master (S2)	1	2%
Length of employment	1–5 Years	11	26%
	6–10 Years	21	49%
	11–15 Years	4	9%
	16–20 Years	0	0%
	>20 Years	7	16%
Total		43	100%

Source: Results of data processing with PLS (2025)

Based on the table, the majority of respondents were male, comprising 23 individuals or 53% of the total sample. Female respondents accounted for 20 individuals or 47%. In terms of marital status, 22 respondents (51%) were married, while 21 respondents (49%) were unmarried. Educational attainment was predominantly at the bachelor's level, with 42 respondents (98%) holding a bachelor's degree, whereas one respondent (2%) had completed a master's degree. No respondents reported educational backgrounds at the junior high, senior high, or diploma (D3) levels. Regarding length of service, the largest group consisted of employees with 6–10 years of tenure (21 respondents, 49%), followed by those with 1–5 years of experience (11 respondents, 26%). Meanwhile, 4 respondents (9%) had worked for 11–15 years, and 7 respondents (16%) had more than 20 years of service.

Validity Testing

Validity testing in this study was conducted using convergent validity analysis, which was assessed based on the loading factor values. According to Hair et al. (2019), an indicator is considered valid if its loading factor value exceeds 0.5. Table 2 presents the results of the validity testing for all indicators in the model.

Table 2. Results of Validity Testing

Variable	Dimension	Item	Loading Factor	Remark
Creative Engagement	Process –	CRE1	0,612	Valid
		CRE2	0,763	Valid
		CRE3	0,857	Valid
		CRE4	0,883	Valid
		CRE5	0,756	Valid
Innovative Work Behavior	Idea Exploration	IWB1	0,731	Valid
		IWB2	0,830	Valid
		IWB3	0,818	Valid
	Idea Generation	IWB4	0,835	Valid
		IWB5	0,831	Valid
		IWB6	0,759	Valid
	Idea Championing	IWB7	0,784	Valid
		IWB8	0,837	Valid
		IWB9	0,869	Valid
	Idea Implementation	IWB10	0,861	Valid
		IWB11	0,847	Valid
		IWB12	0,910	Valid
		IWB13	0,847	Valid
Transformational Leadership	Charisma	TL1	0,909	Valid
		TL2	0,910	Valid
		TL3	0,884	Valid

Variable	Dimension	Item	Loading Factor	Remark
	Inspirational Motivation	TL4	0,857	Valid
		TL5	0,884	Valid
		TL6	0,854	Valid
	Individualized Consideration	TL7	0,919	Valid
		TL8	0,926	Valid
		TL9	0,914	Valid
	Intellectual Stimulation	TL10	0,864	Valid
		TL11	0,906	Valid
		TL12	0,869	Valid

Sumber : Data processed using PLS (2025)

Based on the results in Table 2, all indicators demonstrated loading factor values above the threshold of 0.5, indicating that the indicators are valid and suitable for further analysis. In addition, the Average Variance Extracted (AVE) values for each construct—Innovative Work Behavior (0.511), Creative Process Engagement (0.608), and Transformational Leadership (0.684)—exceeded the minimum requirement of 0.5, thereby confirming good construct validity.

Reliability Testing

Subsequently, reliability testing was conducted to ensure the internal consistency of the instruments used. Table 3 presents the values of Cronbach's Alpha and Composite Reliability for each construct.

Table 3. Reliability Testing

Variabel	Cronbach's Alpha	Composite Reliability	Remark
Creative Process Engagement	0,837	0,884	Reliabel
Innovative Work Behavior	0,919	0,931	Reliabel
Transformational Leadership	0,958	0,963	Reliabel

Source: Data processed using PLS (2025)

The Cronbach's Alpha values for all constructs met the minimum threshold of 0.6, and the Composite Reliability values also exceeded the minimum standard of 0.7. These results demonstrate that the measurement instruments used in this study exhibit a high level of internal consistency and can be considered reliable.

Hypothesis Testing

Hypothesis testing in this study was conducted using the structural model (inner model) through the bootstrapping approach in PLS-SEM. The criteria for statistical significance were set at a T-statistic value greater than 1.96 and a p-value less than 0.05. The results of the analysis are presented in Table 4 below.

Table 4. Results of Path Coefficient Testing

Direct effect				Original Sample	T Statistics	P Values
Transformational Behavior	Leadership	→	Innovative Work	0,461	2,614	0,009
Transformational Engagement	Leadership	→	Creative Process	0,817	19,707	0,000
Creative Process Behavior	Engagement	→	Innovative Work	0,201	2,050	0,029
indirect effect						
Transformational Engagement →	Leadership	→	Creative Process Innovative Work Behavior	0,164	2,015	0,044

Source: Data processed using PLS (2025)

The analysis results indicate that Transformational Leadership has a positive and significant effect on Innovative Work Behavior, with a path coefficient of 0.461, a T-statistic of 2.614, and a p-value of 0.009. Furthermore, Transformational Leadership also exerts a positive and significant influence on Creative Process Engagement, as evidenced by a coefficient of 0.817, a T-statistic of 19.707, and a p-value of 0.000. In addition, Creative Process Engagement was found to have a positive and significant effect on Innovative Work Behavior, with a coefficient of 0.201, a T-statistic of 2.050, and a p-value of 0.029. Moreover, as shown in Table 4, the mediation path yielded a coefficient of 0.164, with a T-statistic of 2.015 and a p-value of 0.044, which is significant at the 95% confidence level. This finding demonstrates that Creative Process Engagement functions as a significant partial mediator, strengthening the effect of Transformational Leadership on Innovative Work Behavior. Accordingly, in addition to its direct effect, Transformational Leadership can also indirectly enhance Innovative Work Behavior through increased individual involvement in the creative process.

Discussion

1. The Effect of Transformational Leadership on Innovative Work Behavior

The findings of this study demonstrate that transformational leadership has a positive and significant effect on innovative work behavior, thereby supporting the first hypothesis. This result underscores that, within the banking sector, transformational leadership functions as a strategic mechanism in fostering employees' innovative behavior. The study not only confirms the direct relationship between transformational leadership and innovative behavior but also highlights that this influence tends to be stronger in organizational contexts facing pressures of digital transformation and competition in technology-based services. In the Indonesian banking industry, the digitalization of services, competition from fintech companies, and shifts in customer behavior demand organizations to accelerate innovation in both technology and service delivery.

These findings are consistent with Wang et al. (2023) and Choi et al. (2024), who reported that transformational leadership enhances employees' self-efficacy and work meaningfulness, thereby stimulating innovative behavior. However, prior

studies have also noted that the impact of transformational leadership on innovation is not always consistent, particularly in organizations with strict regulatory environments and compliance-oriented work cultures. Eisenbeiss et al. found that in organizations under high compliance pressure, transformational leadership may encounter structural resistance, thereby limiting its effect on innovation.

In the context of the Indonesian banking industry, this condition is highly relevant, as the sector operates within a tightly regulated environment, with high levels of risk monitoring and highly standardized operational procedures. The findings of this study extend the existing literature by demonstrating that, despite the banking sector's risk-averse tendencies, transformational leadership remains capable of stimulating innovative behavior through the creation of psychological trust and legitimacy for work experimentation. Accordingly, this study provides new insights that transformational leadership can function as an adaptive mechanism to balance the demands of innovation and regulatory compliance within the Indonesian banking sector.

2. The Effect of Transformational Leadership on Creative Process Engagement

The findings of this study reveal that transformational leadership has a significant effect on creative process engagement, thereby supporting the second hypothesis. This result suggests that transformational leaders are not only oriented toward innovation outcomes but also encourage employees' involvement throughout the stages of the creative process. In banking organizations, which tend to be hierarchical, engagement in creative processes is often constrained by formal work procedures and conservative organizational cultures.

Li and Zhang (2024) as well as Al-Husseini and Elbeltagi (2024) reported that transformational leadership can enhance creative engagement by fostering intrinsic motivation and clarifying organizational vision. Nevertheless, the literature also highlights ongoing debates regarding the effectiveness of transformational leadership in promoting creative engagement within highly bureaucratic organizations. Some studies have found that leaders' push for innovation may generate role conflict among employees, particularly when innovation demands clash with rigid operational procedures. In the context of the Indonesian banking industry, such conditions frequently arise as organizations must simultaneously safeguard financial system stability while innovating digital services. The findings of this study contribute to the literature by demonstrating that transformational leadership can serve as a bridging mechanism that reduces tensions between regulatory compliance requirements and employees' need for creative exploration. This indicates that the effectiveness of transformational leadership is determined not only by its ability to motivate employees but also by its capacity to create psychological space that enables idea exploration within the boundaries of prevailing regulations.

3. The Influence of Creative Process Engagement on Innovative Work Behavior

Creative process engagement has been empirically demonstrated to exert a positive and significant influence on innovative work behavior, thereby supporting the third hypothesis. This finding indicates that active involvement in the stages of the creative process constitutes a fundamental basis for the emergence of innovative behavior. Within the modern banking sector, employee engagement in creative processes has become increasingly critical, as innovation in digital services requires the integration of technical knowledge, customer needs comprehension, and adaptive capacity in response to technological change. These results are consistent with Sharma and Bhatnagar (2024) as well as Duarte et al. (2023), who assert that creative engagement is a strong predictor of individual innovation. Nevertheless, several studies suggest that engagement in creative processes may also heighten work pressure and role conflict, which in turn can hinder the implementation of innovation. This condition underscores that creative engagement does not invariably lead to innovation unless organizations provide adequate structural support.

In the Indonesian banking sector, performance target pressures, compliance regulations, and operational risks often constrain employees' opportunities for creative exploration. This study provides an empirical contribution by demonstrating that creative engagement can still foster innovation when organizations succeed in establishing a balance between performance orientation and support for work experimentation. Thus, creative process engagement functions not only as a cognitive process but also as an adaptive mechanism in responding to the dynamic transformations of the banking industry.

4. The Mediating Role of Creative Process Engagement in the Influence of Transformational Leadership on Innovative Work Behavior

The findings reveal that creative process engagement significantly mediates the relationship between transformational leadership and innovative work behavior, thereby supporting the fourth hypothesis. This result indicates that transformational leadership does not directly generate innovation but operates through a psychological mechanism in the form of engagement in creative processes. The evidence aligns with Zhang et al. (2023) and Noviani and Priyanto (2025), who emphasize the importance of creative engagement as a mediating pathway between leadership and innovation. However, part of the literature suggests that the mediating role of creative process engagement may weaken when organizations adopt a work culture overly oriented toward control and operational efficiency. Under such conditions, leaders' encouragement of innovation is often not accompanied by employees' creative participation due to limited decision-making autonomy. In the Indonesian banking sector, this situation is particularly relevant, as organizations must comply with stringent financial regulations while maintaining operational stability. This study enriches the literature by demonstrating that creative process engagement functions as a conversion mechanism, enabling leadership inspiration to be translated into innovation that remains aligned with the regulatory framework of the banking industry.

These findings also provide a new perspective that the effectiveness of transformational leadership in the banking sector is not solely determined by the characteristics of the leader, but also by the organization's ability to establish a work system that sustainably supports creative engagement. Accordingly, creative process engagement emerges as a strategic element in integrating transformational leadership with organizational innovation in the modern banking industry.

Conclusions

Overall, the findings of this study demonstrate that transformational leadership plays a pivotal role in fostering innovative work behavior in the banking sector, both directly and indirectly through the mediating effect of creative process engagement. Within the context of banking organizations characterized by formal structures, regulatory demands, and intense competition, transformational leadership has been shown to create an inspiring work climate, empower employees to engage in creative processes, and facilitate the emergence of applicable innovative ideas. Transformational leadership, manifested through charisma, individualized consideration, inspirational motivation, and intellectual stimulation, provides positive stimuli for employee involvement in critical stages of the creative process, including idea exploration, generation, refinement, and implementation. The results further confirm that engagement in creative processes serves as a bridge that strengthens the relationship between leadership style and innovative work behavior, which is essential for driving service innovation, process efficiency, and adaptation to digital transformation in the banking sector. This implies that building a sustainable innovative culture in banking requires strategic interventions that combine the development of transformational leadership styles with the enhancement of creative process engagement. Empirically, this study not only reinforces theories of transformational leadership and organizational innovation but also offers practical contributions to human resource policy formulation and leadership development in financial institutions. Thus, the research underscores that the success of employee innovation in the banking sector is largely determined by the quality of leadership and the degree of structured and strategic engagement in creative processes.

Theoretically, the findings of this study enrich the existing literature on the relationship between transformational leadership, creative process engagement, and innovative work behavior, particularly within the banking sector, which has not previously been explored in depth. This research contributes by confirming the mediating role of creative process engagement as a critical mechanism that explains how transformational leadership can foster innovative work behavior. Such evidence extends the understanding of transformational leadership theory (Bass & Avolio, 1994) and its integration with individual innovative processes (Amabile & Pratt, 2016). Furthermore, the study supports and advances the perspective of social exchange theory (Blau, 1964), which posits that social relationships characterized by trust and support generate positive responses in the form of proactive and innovative employee behavior. This study also replicates and strengthens prior empirical findings (e.g., Chen et al., 2024; Muzakki et al., 2025; Wijaya et al., 2023; Rahman & Dewi, 2024) by presenting new evidence from the

Indonesian banking context, which is marked by bureaucratic organizational structures yet simultaneously faces high pressure to innovate in the era of digital transformation. Accordingly, this research opens theoretical space for stronger cross-theory integration between leadership theory, employee engagement in creative processes, and innovative behavior, while encouraging future studies to examine moderating variables such as innovation climate, organizational culture, or task characteristics.

Practically, the findings of this study provide significant strategic insights for organizational management, particularly in the banking sector, to enhance individual innovation capacity through the development of transformational leadership styles. Bank managers and leaders are encouraged to adopt leadership approaches that are not solely target-oriented but also capable of inspiring, offering individualized consideration, and stimulating employees' critical thinking so that they are motivated to explore, generate, and implement relevant new ideas. In addition, organizations should design work programs and environments that enable and encourage creative process engagement, for instance by providing space for experimentation, structured brainstorming, and recognition of employees' innovative contributions. Through such initiatives, innovation becomes not only a strategic agenda but also an integral part of the daily work culture. Banks, as institutions facing the challenges of digitalization and increasingly dynamic competition, must recognize that investing in leadership quality and empowering employees' creative processes represents a vital long-term strategy for achieving sustainable competitive advantage. Consistent implementation of these findings can accelerate organizational transformation and strengthen banks' adaptive capacity in responding to disruptions within the financial industry.

Although this study successfully reveals a positive and significant relationship between transformational leadership, creative process engagement, and innovative work behavior within the banking sector, several limitations should be acknowledged as a basis for future research. First, the study employed a quantitative approach using surveys and self-reported questionnaires, which may introduce subjective perception bias among respondents. This limitation could affect the accuracy of the data, particularly in assessing leadership variables and engagement in creative processes. Second, the relatively small sample size (43 respondents) and the restriction of the research setting to a single banking institution may reduce the generalizability of the findings to the broader Indonesian banking sector. Third, the study did not account for other factors that may also influence innovative work behavior, such as organizational culture, psychological safety, or digital readiness, all of which are increasingly relevant in the era of digital transformation.

Future research is therefore encouraged to adopt mixed-method approaches to minimize perceptual bias, expand the sample size across multiple institutions to enhance generalizability, and incorporate additional contextual variables as moderators or mediators. Such efforts would provide a more comprehensive understanding of the mechanisms linking transformational leadership, creative process engagement, and innovative work behavior in dynamic organizational environments.

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