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Does Transformational Leadership Impact Organizational Resilience? The Mediating And Moderating Role Of Organizational Innovation

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Abstract

The leadership role is essential to promote resilience when handling the crises and organization shall focus for recovery to maintain competitive advantage. The study investigates transformational leadership to organizational innovation and organizational resilience and how organizational innovation act as a mediator between transformational leadership to organizational resilience. Quantitative research was used in this study and SEM PLS 4.0 was used to process data from 125 respondents in MNC manufacturing. The result shown that transformational leadership unable to influence organizational resilience but organizational innovation has effect to influence organizational resilience. When organizational innovation applied as mediating role, it can affect the transformational leadership to organizational resilience. This study only focus on how the transformational leadership and organizational innovation affect organizational resilience, in MNC manufacturing. The future study advised to broaden the scope to other places in Riau Islands or Indonesia more generally. Other variables such as adaptive capacity and self-efficacy can be used to further test the factors that influence Organizational Resilience in an organization. This study contributes theoretically to advancing knowledge on how organizational resilience and leadership styles correlate in multinational companies. In practice, this study can provide guidance for professionals in encouraging innovation and transformational leadership to enhance the resilience of multinational companies.

Keywords: Transformational Leadership, Organizational Innovation, Organizational

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Resilience, Manufacturing

INTRODUCTION

Organizations today are faced with a chaotic business environment where new competition and challenges must be addressed immediately for organizations to survive and be more adaptive (Moreno et al., 2024). Innovation is becoming an important strategy for businesses to remain competitive despite outside disturbances in a complex environment that includes market turbulence, inflation, related uncertainties, quick technological advances, and rapidly changing customer needs (Forliano *et al.,* 2023). In order to maintain competitiveness, the digital era has also placed strategic demands on companies to rethink their business plans, innovation techniques, and business models. The transition to a digital business environment sparked these developments, which were expedited by the pandemic (Kraus *et al.,* 2022).

An organization's capability for adaptation to the change and carry out the transformation is considerable (Alharbi *et al.,* 2023). Innovation is key to enabling organizations to achieve the competitive advantage over their competitors (Tohidi & Jabbari, 2012). In order to achieve higher innovation, successful organizations especially those with strong leaders. prioritize ideas and undertake continuous improvement. It is undeniable that organizational innovation is essential to a company's continued growth and survival. Innovations enable businesses to become more resilient and align with shifting consumer demands, market conditions, and environmental factors (Do *et al.,* 2024). Organizational resilience can be impacted by a number of reasons since modern organizations are complex. These elements consist of transformational leadership (Zadok *et al*., 2024; Wamalwa & Ochola, 2022; Verma *et al*., 2022; Odeh *et al.,* 2021) and innovation (Moreno *et al.,* 2024; Heredia *et al.,* 2022; Do *et al.,* 2022).

Organizations must be able to adapt and respond to unexpected events in order to survive longer (Herbane, 2018). They should also recognize the gaps that are hiding beneath them (Costanza *et al.,* 2015). This calls for a fundamental shift in organizational structure that is fundamentally different from the standardized, traditionally centralized, and formalized hierarchical structures that are based on fear (Odeh *et al.,* 2021). Additionally, this is frequently necessary in response to the global shift in the economy from one centred on manufacturing and generation to one centred on knowledge (Nurunnabi, 2017). Leadership is crucial in the current situation and contributes significantly to the resilience of the business (Wang *et al.,* 2022).

A leadership approach that works well for crisis-stricken firms is transformational leadership (Cherry, 2023). According to Greimel *et al.* (2023), transformational leadership

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is a strategy used by leaders to try to fulfil the organization and include individuals in order to achieve goals, also encourages and facilitates members' initiative (Bass, 1985; Zhang & Cui, 2022). In transformational leadership, leaders make their following more positive and inspire, stimulate, listen, and guide them to achieve organizational goals and ideals (Prabhu *et al.,* 2019; Dvir *et al.,* 2002; Bass, 1985).

Previous research by Odet et al. (2021) who conducted research in the service industry in Vietnam found that corporate resilience is positively influenced by transformational leadership. Of course, this study offers important insights that can be applied to the function of transformational leadership traits so that nanou survives in the midst of crisis conditions and must be able to maintain balance during difficult times. Another study by Wang et al. (2022) conducted on megaprojects in China found that organizational resilience allows transformational leadership to provide business and ultimately have a long-term competitive advantage.

Moreno et al. (2024) investigate the relationship innovation to organization resilience and his study found that innovation has significant effect to OR. Indeed, previous researchers have found that innovation is one of the potential frameworks that can make organizations survive in very challenging and unpredictable conditions (Li *et al*., 2021). Despite being separate ideas, innovation and resilience can support one another (Richtner & Lofsten, 2014). To get returns on their investments, businesses often boost innovation when faced with obstacles. This makes them more robust to thrive in today's unstable circumstances (Richtner & Lofsten, 2014). Beside that Nguyen & Sharma (2024) found that TL has significant effect to OI in service industry in Vietnam.

Although the previous research has studied relationship between TL to OR (Vakilzadeh & Haase, 2021; Odeh et al.,2021; Tvedt et al., 2023; Zadok et al., 2024) and OI to OR (Moreno *et al*., 2024; Wamalwa & Ochola, 2022; Do *et al*, 2021) in different industry but it is rare the research conducted in MNC manufacturing. In addition, there is still rarely any research between TL and OR using innovation as a mediator or as a moderator. This study will contribute as follows, first to improve operational efficiency and the ability of MNCs to react in a more complex and uncertain environment, it is important to first understand the interrelationships (Golan et al., 2019). Second, this research can generate insightful information that can guide the development of leadership, stakeholder, and policy-making initiatives to help MNCs' operational processes become more resilient and adaptable to conditions faced by both local and global issues (Schechter & Shilon, 2015).

In the other hand, this study will contribute the both theoretical and managerial. The objective of this research is to present experimental findings on leadership and

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organizational resilience, which are influenced by organizational innovation within the manufacturing sector, to assist organizations in enhancing their competitive edge.

LITERATURE REVIEW

Dynamic Capability

The core of DC theory is an organization's ability to integrate, develop, and reconfigure internal and external competencies to deal with rapidly changing environments. This is reflected in the firm's capacity to organize activities and resources (Teece et al., 1997). According to Moreno et al. (2024), DC theory is the perfect theoretical framework for analysing the value development process of the company in a digital environment that is marked by swift and significant structural change. DC theory is a useful approach to strategic management that explains how businesses gain and maintain a competitive edge. According to DC theory, a business gains a sustainable competitive advantage when it can allocate its resources to adjust to the changing environment (Barney, 1991, Eisenhardt & Martin, 2000).

Transformational leadership

According to Burns (1978), transformational leadership is a style of leadership where followers and leaders support one another in reaching greater moral and motivational levels. Idealized characteristics, idealized behavior, intellectual stimulation, inspiring motivation, and personalized attention are the five subdimensions used by Bass and Avolio (1997) to construct that theory. Seven traits of transformational leadership were identified by Carless *et al*. (2000): charisma, innovative thinking, support, empowerment, staff development, vision, and leadership by example. According to Shah et al. (2023), transformational leadership is seen as a successful leadership style in the context of organizations. It has the potential to improve psychological capital, work satisfaction, and organizational commitment in a positive setting. In addition to lowering employee fatigue and turnover intention, transformational leadership may promote empowerment, job engagement, teamwork, and career achievement (Hasan *et al*., 2023). Additionally, this leadership style may improve staff quality and productivity (Alanazi *et al*., 2023).

Organizational Innovation

According to Chen and Huang (2009), innovation is the term used to describe novel concepts, procedures, or combined materials that call for cooperation between individuals, groups, or organizational departments. Implementing a new or greatly enhanced product, process, marketing strategy, or organizational approach in business operations, workplace structure, or external relations is known as organizational innovation (Toe & Tantasanee,

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2022). The multi-stage process by which businesses turn concepts into new or enhanced goods, services, or procedures in order to progress, compete, and set themselves apart in their market is known as organizational innovation (Phan, 2019). Hui et al. (2013) stated the organizational innovation is the use of novel concepts and their application to organizational management.

This study uses dynamic capabilities theory to examine the relationships among creativity, resilient, and creating value in the digital realm. DC theory is based on the idea that organizational resources and capacities are dynamic (Teece et al., 1997). It is believed that innovation is more challenging and intricate than product innovation. Procedures become less uniform and more dynamic when collaboration with clients and other network partners is required (Lutjen et al., 2019).

Organizational Resilience

Resilience is a company's capacity to adapt, grow, and survive in a dynamic and uncertain environment (Sawik, 2013). Resilience is also defined as the capacity to return to a stable state after being exposed to a disruptive environment. Many environmental factors, both internal and external, will certainly cause disruption to the organization (Rai et al., 2021). The concept of organizational resilience is analyzed from two perspectives by Zehir & Narcıkara (2016). According to one perspective, resilience is the ability to bounce back from unexpected, stressful, and adverse situations in physics. The opposite viewpoint on resilience focuses on creating new skills and increasing the capacity of the company to create and seize opportunities. Two methods for theorizing organizational resilience were presented by Teo *et al.* (2017) in their analysis of the literature on crises. While the second approach looks at resilience as a developmental process, the first approach proposes a trait-based understanding of resilience.

Hypothesis

The Influence of Transformational Leadership on Organizational Innovation

Efficiency, optimistic outlooks, and the effective application of innovation can be fostered by transformational leadership (Farahnak *et al.,* 2020). This happens because the leader himself plays an important role in increasing motivation so that followers are influenced to do something so that it exceeds expectations based on agreement and mutual acceptance by both parties so can boost an innovation in an organization (Jia et al., 2018). Leaders by applying transformation are found to be correct and able to build personal and social relationships with their followers in achieving organizational goals (Ng, 2017).

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Organizational innovation, which is a significant contribution, is directly tied to transformational leadership. It can also be indirectly associated through the process of change and the development of an innovation support culture that aggressively encourages and supports new ideas (Verma et al., 2022). It can also be mentioned that transformational leadership produces organizational innovation, and is therefore fostered when leaders change the change the workplace become innovation so that employees are highly motivated to go beyond expectations and think differently (Khalili, 2016). Furthermore, leaders facilitate unit-level management innovation given the company's empowering climate which refers to how empowering it is in terms of knowledge sharing, role autonomy, and accountability teams. Transformational leadership encourages the search for change both internally and externally so as to adopt new things as a form of innovation. The support provided by leaders to work teams as a form of trust so that they can implement the changes needed in business practices in order to overcome the challenges faced (Chang, 2016). Therefore, the hypothesis proposed:

H1: Transformational Leadership has a positive effect on Organizational Innovation

The Influence of Transformational Leadership on Organizational Resilience

According to Odeh et al. (2021), transformational leadership has the greatest effect on eliciting positive emotional to an individuals and groups, which are essential for fostering organizational resilience. According to Southwick et al. (2017), leaders in the organization who resilient consistently uphold the organization's mission; they effectively convey it with a clear strategy, envision it in a positive light, and inspire their followers to be dedicated to the course of action. This leads to increased commitment, which improves one's capacity to accept uncertainty and meet it head-on. Sommer et al. (2016), a lot of study has been done on Bass's (1985) leadership styles, but little is known about how they affect resilience.

To ensure the company is able to adapt to changes in the external environment, transformational leadership can swiftly modify the change in organization (Suryaningtyas et al., 2019). One important aspect of organizational resilience is strong leadership that supports reliable and cooperative teams (Southwick et al., 2017). Another is sense-making, which helps the organization and its members understand and interpret unusual situations and events, which helps the organization become more resilient (Hall et al., 2011). According to Teo et al. (2017), leadership style plays a significant role in influencing both organizational performance and people's attitudes during times of crisis. Transformational leadership is characterized by a strong sense of resolve, a clear mission and vision, and high-performance standards (Waldman et al., 2001). Therefore, the hypothesis proposed:

H2: Transformational Leadership has a positive effect on Organizational Innovation

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The Influence of Organizational Innovation on Organizational Resilience

Innovation is essential for enhancing an organization's ability to adapt, learn, and recover from difficult situations (Do et al., 2023). Organizations become more agile and resilient to challenges and disruptions when they adopt and integrate new technology, procedures, and systems. By consistently creating and implementing creative strategies, organizations can build resilience to handle uncertainty and bounce back from setbacks (Anggadwita et al., 2021). It follows that technology innovation makes organizations more resilient and helps them thrive in dynamic and unpredictable environments. Research suggests that technical capacities enhance and promote resilience in a good way (Trieu *et al*., 2023). Organizations can improve their operation, increase efficiency, and react quickly to changes in the market by implementing digital transformation and utilizing technology.

Successful businesses implement innovations by recognizing and meeting the requirements of their customers and responding to the strategies of their rivals, in accordance with Christensen (1997) concept of "disruptive innovation." According to Christensen and Raynor (2003), managers must implement innovations by strategically choosing which products to develop, which customers to target, which processes to develop, how to prevent commoditization, how to set up an organization that can grow disruptively, and how to implement funding and leadership in disruptive growth. According to other academics, resilient businesses need to be able to create new business procedures that are judged appropriate for efficacy and efficiency (Mafabi *et al.,* 2012; Deselnicu *et al.,* 2007). Therefore, the hypothesis proposed:

H3: Organizational Innovation has a positive effect on Organizational Resilience

The Influence of Transformational Leadership on Organizational Resilience mediated by Organizational Innovation

A leadership approach that works well for crisis-stricken firms is transformational leadership (Cherry, 2023). According to Greimel et al. (2023), transformational leadership is a strategy used by leaders to try to fulfil the organization and include individuals in order to achieve goals. also encourages and facilitates members' initiative (Zhang & Cui, 2022). In transformational leadership, leaders believe that members have inspire, stimulate, listening, and guide them to achieve organizational goals and ideals (Bass, 1985; Prabhu et al., 2019).

According to Rauch et al. (2009), innovation is a company's propensity to support creativity and experimentation and introduce new products and services by pursuing technological leadership in creative processes. Businesses can develop resilience in the face of disasters by implementing both closed and open innovation (Ahn et al., 2018). By demonstrating how employees' ability to innovate is a useful strategy for overcoming

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obstacles, Senbeto & Hon (2020) emphasized the significance of innovation during a crisis. Innovations can also involve the creation of a new concept or method that relies on cooperation between individuals or groups at any stage of the company's structure (Do et al., 2022 Therefore, the hypothesis proposed:
H4: Transformational Leadership has a positive effect on Organizational resilience mediated by Organizational Innovation

The Influence of Transformational Leadership on Organizational Resilience moderated by Organizational Innovation

Nguyen and Malik (2020) stated that process improvement and the introduction of new or improved products and services are generally associated with organizational innovation. Organizational innovation has been emphasized as a competitive advantage for companies in the OR literature (Verma et al., 2022; Hillmann & Guenther, 2021). Creative business leaders often provide opportunities for their employees to be more flexible, which has an impact on the organization to grow (Estrada et al., 2016). When innovation in an organization is higher, it has an impact on transformative leaders who inspire their staff to think differently and dare to take action. In addition, employees feel more able to manage their responsibilities and take initiatives without constant supervision from their managers (Estrada et al., 2016).

Leaders who have innovation often emphasize their role in motivating followers to contribute to the growth of the company (Azeem et al., 2021). Because they can thrive in creative environments with few constraints, employees generally feel more support, encouragement, and assistance from leaders who adopt a transformational style (Nguyen and Malik, 2020; Rossi et al., 2020a). Thus, employees' psychological and intellectual barriers are affected by transformational leadership, especially in creative businesses (Rossi et al., 2022). Therefore, the hypothesis proposed:
H5: Organizational innovation moderates the effect of transformational leadership on organization resilience.

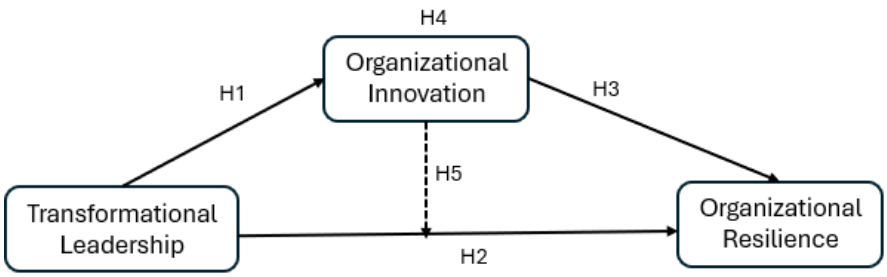


Figure 1. Conceptual Framework (2025)

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METHODS

This study employed qualitative approaches that included describing, classifying, and connecting phenomena with the researcher's conceptions (Rofiah, 2022) as well as quantitative methods that employed statistics to gather the data (Hermawan & Yusran, 2017). Quantitative research focuses on the collection and analysis of numerical data. Quantitative research uses statistics to analyse data from representative samples of the population (Sekaran & Bougie, 2020). The population that is the object of this research is multinational companies (MNCs) working in manufacturing. One measurement at a time is how the researchers' collected data on the sample using a cross-sectional approach (Ryan et al., 2023). The sample in this study was obtained from 125 respondents who worked at the managerial level in a manufacturing MNC. Respondents were given a questionnaire, which researchers used to gather data. In order to assess this study, primary data was gathered from 125 respondents who completed questionnaires.

This research uses two kinds of research data, in the form of primary data and secondary data. Primary data is data that has been collected directly such as surveys, experiments, observations. Meanwhile, secondary data is data obtained indirectly or second-hand such as libraries, written sources from the government, reports and so on (Ahyar et al., 2020). To manage and test data the author uses Smart PLS 4.0. The purpose of using PLS is to support the author when describing everything there is a link between variables (Suhartanto, 2020).

RESULT AND DISCUSSION

This study processed data on the characteristics of respondents using SPSS 27 divided according to gender, age, education, length of work, and position.

Table 1. Demographic Respondents

Gender	Frequency	(%)
Male	86	69
Female	39	31
	125	**100**
Position		
Manager	92	74
Senior Manager	18	14
General Manager	10	8
Director	5	4
	125	**100**

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Lenght of Service		
3 – 5 year	25	20
> 5 – 10 year	45	36
>10 - 15 year	36	29
>15 – 20 year	19	15
	125	**100**
Age		
21 - 30 year	8	6
> 30 - 40 year	51	41
> 40 - 50 year	57	46
> 50 year	9	7
	125	**100**
Education		
Senior High School	7	6
Diploma	38	30
Bachelor	68	54
Master	12	10
	125	**100**

Based on table 1, the demographics of respondents are obtained where the majority are male (69%), Manager (74%), which means that there is more man in managerial level in MNC. The number of respondents based on length of service dominated with >5 – 10 year (36%), age with >40 - 50 years and education with bachelor at 54%.

Furthermore, conducting an outer loading test which aims to measure whether each question is valid or invalid and can be seen from the load factor value. The value of each external load must be greater than 0.70 so that the data is declared valid (Hair *et al.,* 2019). After the loading factor test is carried out, it is continued with the reliability test, where the Construct Reliability (CR) value is> 0.70 and Variance Extracted (AVE)> 0.50 and from the test results that the variable is declared reliable (Hair et al., 2019).

Table 2. Validity and Reliability Test

Variable	Indicator	Outer Loading	AVE	CA	CR
TL	TL1	0,735	0,573	0,904	0,922
	TL2	0,798			
	TL3	0,810			
	TL4	0,709			

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Variable	Indicator	Outer Loading	AVE	CA	CR
	TL5	0,742			
	TL6	0,811			
	TL7	0,717			
	TL8	0,835			
	TL9	0,631			
OI	OI 1	0,622	0,512	0,902	0,919
	OI 2	0,752			
	OI 3	0,765			
	OI 4	0,737			
	OI 5	0,691			
	OI 6	0,716			
	OI 7	0,730			
	OI 8	0,661			
	OI 9	0,671			
	OI 10	0,701			
	OI 11	0,798			
OR	OR 1	0,744	0,592	0,880	0,908
	OR 2	0,821			
	OR 3	0,792			
	OR 4	0,794			
	OR 5	0,630			
	OR 6	0,854			
	OR 7	0,798			

Hypothesis Test

Hypothesis testing is done by looking at the path coefficient value and the resulting t-statistic value. The t-statistic value is calculated by dividing the path coefficient by the standard error. If the t-statistic value $\geq$ 1.96 or the p value $\leq$0.05 (Hair et al., 2019), then the hypothesis is accepted.

Table 3: Hypothesis Test

Variable	Original sample	P values	Remark
TL -> OI	0,630	0,000	H1: Supported
TL -> OR	0,151	0,055	H2: Not supported
OI -> OR	0,745	0,000	H3: Supported
TL -> OI -> OR	0,469	0,000	H4: Supported
OI x TL -> OR	0,036	0,433	H5: Not supported

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The test result in table 3 shows that there are four relevant hypotheses. The p-values are less than 0.05, demonstrating the direct effect between the variables accepted. H1 is approved due to TL has a positive impact on the original sample value of 0,630 and is significant to OI with a p-value of 0.000 (<0.05). H2 is not accepted due to TL has a positive impact on the initial sample value of 0,124and is not significant to OR, with a p value of 0.084 (>0.05). H3 is accepted due to OI has a positive impact on the initial original value of 0.609 and is significant, with a p value of 0.000 (<0.05). Beside that the indirect effect for H4 accepted due to OI can be a mediation with original value of 0,469 and significant with p value of 0.000 (<0.05).

Hypothesis 1

TL had a positive and significant impact on OI, hence the H1 from this study supported. The results indicate that MNC in Batam shown that TL can increase OI. The reason for this OI is because the leader has a clear understanding of the goals of the company that will be pursued, which enables the leader to conduct evaluations and improvements that are beneficial. By carrying out the necessary improvement, MNC may develop and produce more innovative and efficient products and services that better meet customer needs and enable them to compete with rivals. This enhances a Leaders have a role in increasing the organization's readiness to face transformational changes that are more adaptive to market dynamics and new technologies (Wamalwa & Ochola, 2022). The managerial role in the manufacturing industry is very important by having a clear understanding of business's objectives to be achieved. Therefore, the results of this research hypothesis support Teece (2007) because the concept of integration is fulfilled through transformational leadership.

Hypothesis 2

TL has no significant impact on OR, therefore H2 of this study is not supported. The findings of this investigation illustrate that TL unable to improve or encourage employees to understand change as a situation full of opportunities for growth. Leaders also lack opportunities for employees to understand that by making changes, the organization will be able to compete and have a competitive advantage. In addition, leaders lack ideas that encourage employees to reconsider a few previously unquestioned ideas. The findings of this investigation correlate with (Walmalwa & Ochola, 2022) and do not support previous research (Zadok et al., 2024; Tvedt et al., 2023; Odeh et al., 2023). Therefore, the hypothesized results of this study do not support Teece's (2007) DC theory because the

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concept of building resources in the MNC manufacturing industry is due to the lack of encouragement for employees to make changes to the conditions that occur.

Hypothesis 3

OI had a positive and significant impact on OR, hence the H3 from this study supported. The results indicate that MNC company shown that OI can increase OR. The reason for the OR is because The company is very supportive when employees want to try something new and this will motivate employees to innovate. Innovation is something that is needed by organizations today so that they can solve problems, increase productivity, resilience for the company and even be able to produce something unique in the production process. This enhances the capacity of a business to succeed and contribute to OR achievement in a comprehensive manner (Forliano *et al*., 2023; Skare *et al*., 2023). The DC theory by Teece (2007) states that companies need to align resources (integrate, build and reconfigure) and outline strategies to achieve excellence.

Hypothesis 4

Innovation is regarded as a critical component of both enterprises' and nations' success and development (Verma *et al.,* 2022). OI had a positive and significant impact to mediate TL to OR, hence the H4 from this study supported. The results indicate that MNC company shown that OI can increase OR. The reason for the OR is because the company is very supportive when employees want to try something new and this will motivate employees to innovate. Innovation is something that is needed by organizations today so that they can solve problems, increase productivity, resilience for the company and even be able to produce something unique in the production process. Therefore, the results of this research hypothesis support DC theory Teece's (2007) because the developing resource is fulfilled through transformational leadership and organizational innovation in the MNC manufacturing industry and the company is able to modify its production methods very quickly for competitive leadership.

Hypothesis 5

This finding does not support the moderating role of organizational innovation in the influence of organizational resilience and transformational leadership. Therefore, H5 in this study is not supported. The influencing factors are that in MNC Manufacturing companies, employees who work in different ways are less tolerated, R&D or product development resources are limited to meet the demand for developing new goods and services, and over the past five years, the company has not produced many new management techniques.

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Therefore, companies need to optimize resources in developing innovation to experiment with new approaches and find solutions that are unique and different from other competitors.

CONCLUSIONS AND RECOMMENDATIONS

This study assesses the impact of transformational leadership and innovation on organizations in MNC Manufacturing. In an unpredictable and turbulent situation, where change is the only constant, it is difficult for businesses to remain competitive. Based on the DC theory, this study creates a research model that includes organizational resilience and creativity as key factors in improving firm performance. The findings add to the literature by reaffirming the importance of resilience and innovation as dynamic capacities that are essential to adapt to changing business environments and to maintain competitiveness. The findings of this investigation also show how innovation specifically affects organizational resilience and plays a mediating role between transformational leadership and organizational resilience. To obtain more in-depth results on the factors that influence organizational resilience, further research is suggested to expand the scope of the study to other regions in Indonesia and multinational companies in various industrial sectors. To get a different perspective on organizational resilience, future researchers are suggested to use some variables such as organizational change, adaptive capacity and organizational analysis ability (Sawalha, 2024; Rahi et al., 2024; Cedergren & Hassel, 2024; Bolton et al., 2023).

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