

The Effect of Transformational Leadership and Transactional Leadership on Organizational Innovation Mediated by Various Knowledge at Mandala Waluya University Kendari

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Abstract

This study analyzes the influence of transformational leadership and transactional leadership on organizational innovation, with knowledge diversity as a mediating variable at Mandala Waluya University Kendari. Using a quantitative approach and Partial Least Squares (PLS) analysis through SmartPLS 4, the research involved 118 respondents consisting of lecturers and administrative staff. The findings indicate that transformational leadership has a positive yet not entirely significant effect on organizational innovation, whereas transactional leadership shows a positive and significant effect. Knowledge diversity is proven to significantly mediate the relationship between both leadership styles and organizational innovation. These results emphasize that the effectiveness of leadership in fostering innovation largely depends on how well knowledge is managed, distributed, and utilized within the university environment. Therefore, strengthening a knowledge-sharing culture and organizational capacity becomes essential in supporting sustainable innovation.

Keywords: Transformational Leadership, Transactional Leadership, Knowledge Diversity, Organizational Innovation

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1. Introduction

The higher education sector in today's global era faces various complex challenges, ranging from technological developments, the demands of globalization, to changes in funding structures and the dynamics of demand for education. These conditions make higher education a compelling research field (Ha, 2025). The pressures of globalization and changes in the external environment are driving many universities to seek survival strategies through innovation (Sitorus & Hendratmoko, 2024). Innovation in an organizational context is not only a key factor in the success of products and processes but also a primary source of long-term competitive advantage (Nugroho, 2025). Innovation enables organizations to overcome obstacles, adapt to the market, and discover new ways of doing business (Liu & Zainal, 2024).

According to Le & Tran (2020), innovation is understood as the organizational process of creating, developing, and implementing new ideas that contribute to improved performance and organizational sustainability. Meanwhile, according to Nugroho (2025), innovation is the result of a process of sharing knowledge within an organization that encourages creative work behavior and produces new solutions that benefit long-term competitiveness.

From a theoretical perspective, organizational innovation is inextricably linked to leadership. Transformational leadership is a leadership style that emphasizes motivation, collaboration, and employee empowerment to drive desired organizational change (Makumbe, 2024). Transformational leaders not only direct but also inspire and provide intellectual encouragement to their subordinates. Recent research shows that transformational leadership has a positive and significant influence on organizational innovation because it creates a work environment conducive to innovative behavior (Liu & Zainal, 2024; Ha, 2025). However, several other studies have found conflicting

results, indicating that transformational leadership does not always have a significant influence on innovation (Sitorus & Hendratmoko, 2024). This indicates inconsistencies in research findings and opens up room for further study.

In addition to transformational leadership, transactional leadership also plays a role in influencing organizational innovation. Transactional leadership is a leadership style centered on direct transactions between leaders and employees, using rewards and punishments to shape and manage subordinate behavior and productivity (Mumtaz et al., 2024). Some studies have found that transactional leadership has a positive effect on organizational innovation (Sitorus & Hendratmoko, 2024), while others have found a negative or insignificant effect (Khoshnaw & Karadas, 2025).

Beyond leadership aspects, the literature also emphasizes the importance of knowledge sharing in supporting organizational innovation. According to Makumbe (2024), knowledge sharing is an organizational mechanism for building competitive advantage through the transfer of knowledge among employees, both through formal and informal communication, allowing new ideas to develop and strengthen organizational performance. Previous research confirms that knowledge sharing has a significant influence on increasing innovation (Liu & Zainal, 2024; Makumbe, 2024).

This phenomenon demonstrates that Mandala Waluya University, a private university in Southeast Sulawesi Province, is striving to increase its competitiveness through the implementation of various innovative services. However, some innovative services remain suboptimal, demonstrating that although development towards innovation has begun, its implementation still faces various structural and cultural barriers. Thus, leadership plays a crucial role in synergizing both transformational and transactional styles to overcome these barriers.

2. Literature Review

Armansyah (2022) states that transformational leadership is a leadership model that clearly communicates the organization's vision and goals so that subordinates can identify and tend to exert a strong influence on followers, motivating them, and stimulating creativity to perform better. Wardani (2020) suggests that transformational leaders are leaders who provide individualized consideration and intellectual stimulation to subordinates. With transformational leadership, followers feel trust, admiration, loyalty, and respect for the leader, and they are motivated to do more than initially expected of them. Iswahyudi (2023) explains that transformational leadership is charismatic and plays a central and strategic role in leading an organization to achieve its goals.

According to Wibowo (2014), transactional leadership is leadership that helps organizations achieve current goals more efficiently, such as by linking job satisfaction to reward assessments and ensuring that employees have the resources necessary to complete their work. Transactional leadership is a leadership model in which a leader tends to provide direction to subordinates, and provides incentives and punishments based on their performance (Maulizar and Yunus, 2012). This type of leadership is highly effective in crisis and emergency situations.

Daft (2001) defines organizational innovation as the application of new ideas, systems, policies, programs, devices, processes, products, or services aimed at improving organizational effectiveness. Damanpour (1991) views organizational innovation as the adoption of a new idea or behavior for an organization. The OECD (2005) emphasizes that organizational innovation is the implementation of new methods in business practices, workplace arrangements, or external relations aimed at improving organizational performance. Rogers (2003) adds that innovation can be an idea, practice, or object that is perceived as new by an individual or adopting unit.

Innovation within universities contributes to improving the quality of educational and research services. Curricula that adapt to technological developments, project-based learning methods, and the integration of artificial intelligence into the learning process are concrete examples of how quality can be improved through innovation.

According to Nonaka and Takeuchi (1995), knowledge is the primary foundation of the innovation process, and the diversity of knowledge increases the opportunity for the creation of unique and adaptive solutions. Knowledge sharing enables the transfer of ideas, skills, and experiences between individuals, creating opportunities for organizations to create new solutions, improve processes, and produce innovations more relevant to current needs. Within the framework of knowledge-based theory (KBV),

organizations function to create, store, and distribute knowledge (Grant, 1996). The greater the intensity of knowledge sharing among organizational members, the greater the organization's opportunity to generate innovation.

3. Methodology

This study uses a quantitative approach with explanatory research. The primary objective is to explain the causal relationship between transformational leadership, transactional leadership, knowledge sharing, and organizational innovation. A quantitative approach was chosen because this study tests hypotheses formulated based on theory and previous research.

The unit of analysis in this study is lecturers and educational staff at Mandala Waluya University, Kendari, who are considered to have direct experience in leadership practices, knowledge sharing processes, and involvement in activities related to organizational innovation. The primary data collection method was a closed-ended questionnaire with a Likert scale distributed to the study respondents. In addition, brief interviews and secondary data from the university were also used as supporting data.

Data analysis was conducted using Structural Equation Modeling (SEM) based on Partial Least Squares (PLS). This method was chosen because it is capable of analyzing complex relationships between latent variables, including testing the mediating effect of knowledge sharing. The analysis included validity and reliability tests, model measurement (outer model), and structural relationships between variables (inner model). Schematically, this research design illustrates that transformational leadership and transactional leadership are predicted to have a direct influence on organizational innovation, and also have an indirect influence through various knowledge as a mediating variable.

4. Results and Discussion

This research was conducted at Mandala Waluya University (UMW) Kendari, one of the rapidly growing private universities in Southeast Sulawesi. Mandala Waluya University is located at Jl. Jend. A. H. Nasution No. G-37, Kambu, Kendari City, Southeast Sulawesi. This research model was analyzed using the partial least square (PLS) model and supported by SmartPLS 4.0 software.

4.1 Convergent Validity

Convergent validity measures the validity of an indicator as a variable, as seen from the outer loadings of each indicator. An indicator is considered reliable if the outer loading value for each indicator is >0.70 . After processing the data with SmartPLS 4.0, the load factor results are shown in Table 1 below:

Table 1. Outer Loading

Variable	Indicator	Outer Loading Value	Information
Transformational Leadership (X1)	X1.1.1	0.724	Valid
	X1.1.2	0.711	Valid
	X1.1.3	0.762	Valid
	X1.1.4	0.780	Valid
	X1.2.1	0.751	Valid
	X1.2.2	0.821	Valid

	X1.2.3	0.798	Valid
	X1.2.4	0.776	Valid
	X1.3.1	0.797	Valid
	X1.3.2	0.811	Valid
	X1.3.3	0.820	Valid
	X1.3.4	0.763	Valid
	X1.4.1	0.749	Valid
	X1.4.2	0.801	Valid
	X1.4.3	0.752	Valid
	X1.4.4	0.769	Valid
Transactional Leadership (X2)	X2.1.1	0.822	Valid
	X2.1.2	0.807	Valid
	X2.1.3	0.872	Valid
	X2.1.4	0.830	Valid
	X2.2.1	0.812	Valid
	X2.2.2	0.845	Valid
	X2.2.3	0.860	Valid
	X2.2.4	0.892	Valid
	X2.3.1	0.875	Valid
	X2.3.2	0.881	Valid
	X2.3.3	0.837	Valid
	X2.3.4	0.838	Valid
Various Knowledge (Z)	Z1.1.1	0.856	Valid
	Z1.1.2	0.873	Valid
	Z1.1.3	0.824	Valid
	Z1.2.1	0.844	Valid
	Z1.2.2	0.827	Valid
	Z1.2.3	0.818	Valid
Organizational Innovation (Y)	Y1.1.1	0.825	Valid
	Y1.1.2	0.831	Valid
	Y1.1.3	0.856	Valid
	Y1.1.4	0.844	Valid
	Y1.1.5	0.868	Valid
	Y1.2.1	0.833	Valid
	Y1.2.2	0.870	Valid
	Y1.2.3	0.869	Valid
	Y1.2.4	0.810	Valid
	Y1.2.5	0.841	Valid
	Y1.2.6	0.883	Valid

4.2 Discriminant Validity

A model's discriminant validity is considered good if each indicator has the highest factor loading value on the latent variable it measures, and has lower loading values on the other latent variables. The following are the results of the discriminatory validity test:

Table 2. Discriminant Validity (Cross Loading)

Variable	Transformational Leadership	Transactional Leadership	Various Knowledge	Organizational Innovation
X1				
X2	0.608			
Y	0.398	0.520		
Z	0.321	0.484	0.674	

4.3 Composite Reliability Test

A construct is considered reliable if its composite reliability value is greater than 0.7. The composite reliability values based on SmartPLS output are presented in Table 3:

Table 3. Composite Reliability

Variable	Cronbach Alpha	Rho_A	Composite Reliability	AVE
Transformational Leadership (X)	0.775	0.883	0.832	0.686
Transactional Leadership (Z)	0.744	0.776	0.832	0.615
Various Knowledge (Z)	0.759	0.771	0.862	0.677
Organizational Innovation (Y)	0.720	0.811	0.847	0.660

4.4 R-Square Analysis (Determination Test)

Analysis of Variance (R²) or Determination Test is used to determine the extent of the influence of the independent variable on the dependent variable:

Table 4. R-Square Values

No.	Variable	R-Square Value	Adjusted R-Square
1.	Various Knowledge	0.590	0.522
2.	Organizational Innovation	0.807	0.798

5. Conclusion

Overall, the research results indicate that organizational innovation at Mandala Waluya University is influenced by transformational leadership, transactional leadership, and knowledge variety. However, the influence of each variable has different dynamics and is not fully robust across all innovation indicators. This suggests that enhancing organizational innovation requires synergy between leadership style, knowledge management, and internal organizational readiness.

Transformational leadership has been shown to have a positive relationship with innovation, but it is not always significant across all aspects of innovation. Although leaders are able to inspire, motivate, and encourage creativity, its implementation at Mandala Waluya University is not yet strong enough to generate consistent innovation. Factors such as technological readiness, a routine-oriented academic culture, and human resource capacity also influence its effectiveness.

Transactional leadership also demonstrates a positive but not dominant influence in driving innovation. This style is effective in the context of task assignment, supervision, and reward provision, but is less able to create the creative climate necessary for long-term innovation. The characteristics of the campus bureaucracy and its focus on procedural compliance limit its impact on innovation.

Knowledge variety can strengthen the influence of transformational leadership on innovation. When lecturers and educational staff possess diverse knowledge, experience, and perspectives, transformational leaders are more effective in fostering new ideas. Knowledge diversity also mediates the influence of transactional leadership, though its effect tends to be weaker. Knowledge diversity has a positive and significant influence on organizational innovation—the more diverse the knowledge capacity, the greater the opportunity for the emergence of new ideas and innovative work methods.

Overall, organizational innovation at Mandala Waluya University is still influenced by internal factors such as work culture, technological readiness, human resource capacity, and managerial systems. Strengthening a knowledge-sharing culture and organizational capacity is therefore essential in supporting sustainable innovation.

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