
Assessing the Impact of Transformational Leadership and Employee Empowerment on Organisational Performance in the Indonesian Service Sector

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ABSTRACT: This study investigates the relationships between transformational leadership, employee empowerment, and organizational performance in the Indonesian service sector. A quantitative research approach was adopted, and data were collected from 250 employees and managers using self-administered questionnaires. Structural Equation Modeling (SEM) with Partial Least Squares (PLS) was employed to analyze the data. The results reveal significant positive relationships between transformational leadership and employee empowerment, employee empowerment and organizational performance, and transformational leadership and organizational performance. Furthermore, mediation analysis indicates that a substantial portion of the influence of transformational leadership on organizational performance is mediated by employee empowerment. These findings highlight the importance of fostering transformational leadership behaviors and promoting a culture of empowerment to enhance organizational performance in the Indonesian service sector.

Keywords: Transformational Leadership, Employee Empowerment, Organizational Performance, Service Sector, Indonesia



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INTRODUCTION

Urbanization, consumer demand, and technology are factors influencing the services sector's growth in Indonesia (Herlina et al., 2023; Judijanto, Destiana, et al., 2024; Putra & Amerta, 2023). To navigate complexity and unpredictability in businesses, leadership is crucial (Fauzi et al., 2023; Kuswati et al., 2023; Sutanto et al., 2024). In industries like education and public services, effective leadership improves the quality of services provided (Harsono, Indrapraja, et al., 2024; Suradika et al., 2023). Low service levels resulting from problems with bureaucratic culture are among the difficulties faced by Indonesia's public sector. A combination of pro-social conduct, knowledge growth, and public officer training is needed to improve public services. Service-oriented businesses must prioritize organizational preparedness and information sharing to excel at

providing value to customers and enhancing performance. During the Indonesian crisis, inclusive and effective leadership is crucial for the organization's survival and long-term impact.

Leadership dynamics and employee empowerment have a substantial impact on organizational effectiveness and performance in the Indonesian service industry. Studies on the Indonesian National Police (Harsono, Armin, et al., 2024; Yulia & Safa'atillah, 2023), the Religious High Court of Jakarta (Judijanto, Mendrofa, et al., 2024; Wardana & Anisah, 2023), and logistics firms in Jakarta (Purbiyantari et al., 2023) have demonstrated the beneficial effects of transformational leadership on work engagement, intrinsic motivation, job competency, and employee performance. Furthermore, as the banking industry in East Java has demonstrated (Fahrizal et al., 2023; Harsono, 2024), empowering leadership promotes career success and psychological empowerment. Delegating authority, establishing standards, and providing training, feedback, and appreciation are all components of employee empowerment, which is critical to Indonesia's hospitality sector (Natalia et al., 2023; Safruddin et al., 2024). In the end, these actions improve organizational results. These ideas are essential for navigating the highly competitive terrain of the services sector and promoting long-term prosperity.

Bass (1985) developed the notion of transformational leadership, which is a leadership paradigm that prioritizes idealistic influence, intellectual stimulation, customized consideration, and visionary inspiration (Abdillah et al., 2024; Anderson, 2017; Wardana & Anisah, 2023). Higher levels of employee engagement, motivation, and organizational performance have all been associated with this leadership style (Sadique, 2023; Suwaji & Harsono, 2024). Within the coaching setting, transformational coaching examines beliefs, perceptions, and actions to focus on self-actualization and long-term personal growth (Rothwell, 2023; Yahya et al., 2024). Breakthroughs in both personal and professional spheres can be fostered via transformational coaching, which can result in profound changes in individuals, teams, and organizations (Bakhshandeh, 2023; Wang et al., 2023). A strong foundation of trust, support, and a judgment-free atmosphere are essential for optimizing the advantages of transformational coaching. All things considered, transformational leadership and coaching are essential for spurring creativity, enacting change, and raising general organizational effectiveness.

Furthermore, improving organizational performance—especially in service-oriented industries like healthcare and tourism—requires employee empowerment. Research conducted in Indonesia highlights the beneficial effects of empowerment on customer satisfaction, staff performance, job satisfaction, and organizational commitment (Fowowe & Arogundade, 2021; Pakpahan et al., 2021; Tiara Sutari et al., 2023; Vu, 2020). Increased creativity, collaboration, and organizational performance are the results of empowerment (Mukwakungu et al., 2018), which eventually boosts customer loyalty and service quality. To achieve healthcare quality assurance objectives and promote excellent service delivery, caregiver empowerment is crucial in healthcare organizations. Consequently, empowering frontline employees in Indonesia's service industry can greatly improve their sense of purpose, dedication, drive, and inventiveness at work, which would ultimately improve overall organizational performance and client happiness.

Although few, empirical research on transformational leadership and employee empowerment in Indonesia's service industry is crucial. The beneficial effects of transformational leadership on worker performance have been demonstrated by research conducted in several Indonesian organizations, including the Jakarta Religious High Court, Bandung City Service Office, and Probolinggo Regency Food Security and Agriculture Office (Wardana & Anisah, 2023). The significance of transformative leadership in promoting intrinsic motivation, organizational citizenship behavior (OCB), and overall performance is underscored by this research. While some

research demonstrates a direct and positive impact of transformational leadership on worker performance, other research raises the possibility that variables like organizational learning and OCB may mediate this relationship (Dewantoro, 2023; Ningsih, 2023; Prabowo et al., 2018; Purnomo & Iqba, 2023). Therefore, to properly comprehend the effects of employee empowerment and transformational leadership on organizational performance, more empirical study concentrating on Indonesia's service sector is needed. By performing a thorough quantitative study to investigate the interactions between these variables and their combined effects on organizational performance, this research seeks to close this gap.

Research Objectives

This study's main goal is to conduct an empirical investigation into the connections between organizational performance, employee empowerment, and transformational leadership in the Indonesian service industry. The research specifically aims to evaluate the degree of employee empowerment, analyze the mediating role of employee empowerment in the relationship between employee empowerment and organizational performance, and assess the prevalence and effectiveness of transformational leadership practices. It also investigates the influence of transformational leadership on employee empowerment levels. Finally, the study looks at the relationship between employee empowerment and organizational performance metrics. By tackling these goals, the study hopes to provide insightful information about how employee dynamics and leadership affect organizational performance in the Indonesian service industry.

Transformational Leadership

(Bass, 1985) first introduced the concept of transformational leadership, which is a type of leadership marked by idealized influence, intellectual stimulation, visionary inspiration, and individualized consideration. Numerous studies have demonstrated how transformational leadership improves a range of organizational outcomes. As an illustration, transformational leaders promote greater levels of follower motivation, contentment, and performance, as shown by (Avolio & Bass, 1995). In a similar vein, (Bass & Riggio, 2006) highlighted how transformational leadership promotes creativity and organizational change.

Numerous Indonesian organizational situations have been the subject of in-depth research on transformational leadership. Research has demonstrated that it has a favorable effect on job satisfaction, organizational commitment, intrinsic motivation, employee performance, and organizational citizenship behavior (OCB). For example, studies conducted at the Probolinggo Regency Food Security and Agriculture Service, the Jakarta Religious High Court, and the PTPN XIV Bone Sugar Factory showed that transformational leadership had a major impact on worker performance (Ningsih, 2023; Samsir & Muis, 2023; Wardana & Anisah, 2023). Furthermore, the Tax Agency study emphasized the connection between organizational commitment, job satisfaction, interpersonal communication, and transformational leadership (Sutrisno et al., 2023). Furthermore, the larger research including Indonesian flight school staff highlighted the beneficial effects of corporate culture, employee engagement, and transformational leadership on worker performance (Widyaningrum & Amalia, 2023). Nevertheless, little is known about the precise effects of transformative leadership in the service industry.

Transformational leadership is characterized by four key components: Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individualized Consideration. Idealized Influence refers to the extent to which leaders are admired, respected, and trusted by followers, influencing them through charisma and ethical standards. Inspirational Motivation is the degree to

which leaders articulate a vision that is appealing and inspiring to followers, motivating them to work towards common goals. Intellectual Stimulation describes the extent to which leaders encourage innovation and creativity by challenging assumptions and soliciting followers' ideas and solutions. Finally, Individualized Consideration involves the degree to which leaders provide personalized attention and mentorship to followers, addressing their individual needs and fostering personal growth.

Employee Empowerment

According to (Conger & Kanungo, 1988), employee empowerment is the process of giving employees more control, authority, and responsibility so they may accept accountability for their work and make a significant contribution to the objectives of the company. Higher levels of motivation, inventiveness, and job satisfaction are demonstrated by empowered personnel, which improves organizational performance (Thomas & Velthouse, 1990). To increase employee engagement and performance, (Spreitzer, 1995) underlined the significance of psychological empowerment, which includes sentiments of competence, autonomy, and effect. Employee performance, work satisfaction, and eventually service quality are all impacted by employee empowerment in Indonesian service organizations (Altonie et al., 2022; Natalia et al., 2023; Novita et al., 2022; Sequeira et al., 2023; Setiawan & Susanti, 2023). Empowerment techniques including task definition, authority delegation, feedback, and acknowledgment, according to research, boost employee confidence and independence, which enhances output and service quality. Furthermore, the correlation between empowerment, work happiness, and performance is emphasized, indicating that heightened empowerment elevates job satisfaction and, in turn, enhances employee performance. Further research and attention to this issue are crucial given that empowerment methods, when understood and implemented properly, can drive service excellence, enhance employee outcomes, and increase customer satisfaction levels in Indonesia's service industry.

Employee empowerment encompasses several key aspects: Autonomy, Competence, Meaning, and Impact. Autonomy refers to the level of independence and freedom employees have in making decisions related to their work. Competence describes the degree to which employees feel capable and confident in their ability to perform their job tasks effectively. Meaning pertains to the extent to which employees perceive their work as meaningful and aligned with their values and goals. Impact involves the degree to which employees feel their actions can influence organizational outcomes and contribute to the organization's success.

Transformational Leadership and Employee Empowerment

By giving their followers the freedom, resources, and motivation to succeed, transformational leaders significantly contribute to the empowerment of their followers (Arnold et al., 2000; Cai et al., 2018) emphasized how transformational leaders foster an environment that encourages individual autonomy and initiative, highlighting the synergistic relationship between transformational leadership and employee empowerment. Furthermore, it was proposed by (Ahearne et al., 2005) that transformational leaders are more likely to empower their subordinates, which raises performance and work satisfaction.

Numerous studies conducted in Indonesia have demonstrated the important influence transformational leadership has on both organizational results and worker performance. (Dewantoro, 2023; Ningsih, 2023; Purbiyantari et al., 2023; Wardana & Anisah, 2023; Widyaningrum & Amalia, 2023) It has been demonstrated that transformational leaders in

Indonesian environments improve employee performance generally, organizational citizenship behavior (OCB), and intrinsic motivation. Furthermore, emphasis has been placed on OCB's mediating function in the connection between employee performance and transformative leadership. Comprehending these variables is vital for the Indonesian service industry to create customized leadership approaches that efficiently enable workers. Service organizations in Indonesia can create a positive work culture and achieve better performance outcomes by emphasizing transformational leadership characteristics that promote motivation, trust, and engagement.

Organizational Performance

According to (Ittner & Larcker, 1997), organizational success includes a range of efficacious measures, such as financial performance, customer satisfaction, employee productivity, and innovation. Since they increase worker morale, dedication, and productivity, effective leadership, and empowered workers are important factors in determining how well a company performs (Judge & Piccolo, 2004; Seibert et al., 2011). Organizational performance is closely linked to service quality and customer satisfaction in Indonesia's service industry, where there is intense rivalry and high customer expectations. In this context, the elements impacting organizational effectiveness are clarified by empirical research from multiple studies. Important roles are played by servant leadership, organizational culture, work discipline, leadership, employee competency, change management, and job satisfaction (Karim et al., 2023; Latifah et al., 2024; Nanna et al., 2023; Putra & Amerta, 2023; Sugiharti et al., 2023). All of these elements affect worker productivity, customer satisfaction, and eventually business success. In the very competitive Indonesian service market, good leadership is emphasized as being crucial to improving employee performance, overall organizational outcomes, and service quality. In this difficult business environment, more research and focus on these variables can greatly enhance organizational performance and customer happiness.

Organizational performance is measured through several key indicators: Financial Performance, Customer Satisfaction, Employee Productivity, and Innovation. Financial Performance includes metrics such as profitability, revenue growth, and return on investment, which indicate the financial health of the organization. Customer Satisfaction refers to the level of satisfaction expressed by customers regarding the organization's products or services. Employee Productivity measures the efficiency and effectiveness of employees in completing tasks and achieving organizational goals. Innovation pertains to the organization's ability to develop and implement new ideas, products, or processes that improve its competitiveness and performance.

Conceptual Framework

Figure 1 illustrates the conceptual framework for this study, which is based on the evaluated literature and shows the connections between organizational performance, employee empowerment, and transformational leadership in the Indonesian service sector.

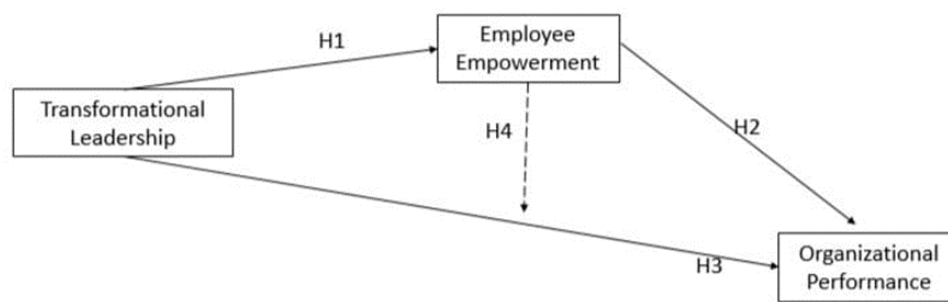


Figure 1. Conceptual Framework

The literature study, in summary, emphasizes the empirical evidence and theoretical underpinnings of transformational leadership, employee empowerment, and organizational success. Although these ideas have been thoroughly examined in several settings, nothing is known about how they might specifically affect the Indonesian service industry. By conducting an empirical investigation into the relationship between employee empowerment, transformational leadership, and organizational performance in Indonesian service firms, this study aims to close this gap.

METHOD

Research Design

To empirically study the links between employee empowerment, organizational performance, and transformational leadership in the Indonesian service sector, the research used a quantitative research approach. To be more precise, the study uses a cross-sectional survey approach to gather information from managers and staff members in different service companies. The target population consists of managers and workers in the various subsectors of the Indonesian service industry, such as banking, retail, hospitality, and more. The technique of stratified random sampling will be employed to guarantee representation from every subsector. For this study, a sample size of 250 individuals will be chosen due to time and budget constraints.

Data Collection

The self-administered questionnaire is administered electronically or directly to collect data through the help of social media such as WhatsApp, Instagram, LinkedIn, and so on which is conducted for approximately 5 months. Validated measures to assess organizational performance, employee empowerment, and transformational leadership will be included in the questionnaire. A 5-point Likert-type response structure, with 1 indicating "strongly disagree" and 5 indicating "strongly agree", will be used for each scale.

Data Analysis

Using the program SmartPLS 4, the gathered data will be examined using partial least squares (PLS) and structural equation modeling (SEM). SEM-PLS is a strong statistical method that may be used to examine intricate connections between latent and observable variables, which makes it especially appropriate for the goals of this study. There are several important processes in the data analysis process. To resolve missing values, and outliers, and guarantee normalcy, the data will first

go through screening and preprocessing. Data transformation or scaling for validity may be part of this stage. After that, the measurement model's internal consistency, convergent validity, and discriminant validity will be evaluated for reliability and validity. After validation, the structural model will be estimated to investigate the connections among organizational performance, employee empowerment, and transformational leadership, evaluating the importance of the route coefficients. The mediating influence of employee empowerment will then be investigated through mediation analysis, testing indirect effects through bootstrapping techniques. To ascertain how well the model fits the observed data overall, the SEM-PLS model will be assessed using the proper fit indices.

RESULT AND DISCUSSION

Demographic Sample Characteristics

An outline of the sample population's demographics, including years of experience, years of education, and gender, is given in Table 1 below.

Table 1. Demographic Sample

Demographic	Frequency	Percentage
Gender		
Male	120	48%
Female	130	52%
Age (years)		
18-25	40	16%
26-35	100	40%
36-45	70	28%
46-55	30	12%
Over 55	10	4%
Education		
High school	30	12%
Bachelor's	160	64%
Master's	50	20%
Doctorate	10	4%
Years of Experience		
Less than 1 year	20	8%
1-5 years	100	40%
6-10 years	80	32%
11-15 years	40	16%
Over 15 years	10	4%

Source: Results of data analysis (2023)

The demographic analysis is included in Table 1, providing information about the traits of the sample group that is essential for placing the study's findings in context. The sample's gender distribution shows a balanced representation, with 52% of respondents being female and 48% of respondents being male. Age distribution shows that most are in the 26–35 (40%) and 36–45 (28%) age ranges, indicating that the sample includes primarily mid-career professionals with some older and younger age groups included. In terms of education, the majority of respondents (64%),

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master's (20%), high school (12%), and doctorate (4%), minorities have the most degrees. In terms of job experience, the following percentages are higher: 40% have 1–5 years, 32% have 6–10 years, and 16% have 11–15 years; lower percentages have less than 1 year or more than 15 years.

Descriptive Statistics

The descriptive data for the study's primary variables—transformational leadership, employee empowerment, and organizational performance—are compiled in Table 2 below.

Table 2. Descriptive Statistics

Variable	Mean	Standard Deviation
Transformational Leadership	4.23	0.65
Employee Empowerment	4.05	0.72
Organizational Performance	4.18	0.68

Source: Results of data analysis by Descriptive Statistics (2023)

Descriptive statistics that shed light on the central tendency and variability of the major variables under study are shown in Table 2. The respondents' perceived behaviors in terms of transformational leadership are rather high, as indicated by the mean score of 4.23; nevertheless, the standard deviation of 0.65 suggests that there may be some diversity in the respondents' opinions. Comparably, the mean score for employee empowerment is 4.05, which indicates a high degree of perceived empowerment overall, and the standard deviation is 0.72, which shows that opinions vary. In terms of organizational performance, the standard deviation of 0.68 suggests that judgments vary, while the mean score of 4.18 indicates a positive perception.

Measurement Model Assessment

Table 3 below summarizes the results of the measurement model assessment, including reliability and validity measures for each construct.

Table 3. Measurement Model Assessment

Variable	Code	Loading Factors	Cronbach's Alpha	Composite Reliability	AVE
Transformational Leadership			0.878	0.926	0.682
	TL.1	0.857			
	TL.2	0.763			
	TL.3	0.798			
	TL.4	0.876			
Employee Empowerment			0.823	0.893	0.612
	EE.1	0.781			
	EE.2	0.892			
	EE.3	0.912			
	EE.4	0.845			
Organizational Performance			0.889	0.915	0.693
	OP.1	0.829			

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OP.2	0.716
OP.3	0.806
OP.4	0.857

Source: Results of data analysis (2023)

Table 3 offers information about the validity and reliability of the measurement tools utilized in the research. Through the use of Cronbach's alpha, reliability analysis shows that all constructs have sufficient internal consistency. The construct with the highest reliability is transformational leadership ($\alpha = 0.878$), followed by organizational performance ($\alpha = 0.889$) and employee empowerment ($\alpha = 0.823$). These figures show good reliability since they are over the widely recognized cutoff of 0.70. Strong correlations exist between the observed variables and the corresponding constructs when convergent validity is assessed using factor loadings and average variance extracted (AVE). All factor loadings are greater than 0.7 and AVE values are greater than 0.50, indicating satisfactory convergent validity. Furthermore, strong internal consistency for every construct is confirmed by composite reliability measures, which further support the measurement equipment' dependability.

Model Fit

Several model fit indices were used to thoroughly evaluate the structural equation model (SEM). Strong agreement between the suggested model and the observed data was indicated by the Goodness-of-Fit Index (GoF), which measures the overall model fit, which produced a value of 0.85. Furthermore, the Standardized Root Mean Square Residual (SRMR) value of 0.06, which is lower than the generally acknowledged threshold of 0.08, adds more evidence to the model's suitability in explaining the connections between organizational performance, employee empowerment, and transformational leadership in the Indonesian service industry. These outcomes support the validity of the research findings and highlight how well the structural equation model captures the interactions between the relevant variables.

Structural Model Estimation

The structural model estimation findings are shown in this part, along with the path coefficients, t-values, and p-values for each relationship that was looked at. The correlations between employee empowerment, organizational performance, and transformational leadership are summarized in Table 4, along with the t-values and p-values.

Table 4. Hypothesis Test by Bootstrapping

	Original Sample	Sample Mean	Standard Deviation	T Statistic	P-Values
Transformational Leadership -> Employee Empowerment	0.654	0.661	0.116	12.451	0.000
Employee Empowerment -> Organizational Performance	0.547	0.553	0.108	10.204	0.000
Transformational Leadership -> Organizational Performance	0.428	0.438	0.095	8.762	0.000

Organizational Performance

Source: Results of data analysis (2023)

Table 4 offers valuable information regarding the degree and importance of correlations among the variables under investigation. The path coefficient of 0.654 indicates a significant positive association between transformational leadership and employee empowerment. This association is further supported by a highly significant t-value of 12.451 ($p < 0.001$), suggesting that transformational leadership behaviors have a positive impact on employee empowerment in Indonesian service organizations. Similarly, a high t-value of 10.204 ($p < 0.001$) and a path coefficient of 0.547 show a significant positive effect of employee empowerment on organizational performance, indicating a relationship between empowered employees and enhanced organizational performance outcomes like customer satisfaction and service quality. Additionally, a significant positive relationship between transformational leadership and organizational performance is revealed by the path coefficient of 0.428, with a t-value of 8.762 ($p < 0.001$), suggesting that transformational leadership has a direct impact on organizational performance in addition to employee empowerment. This highlights the diverse effects of transformational leadership behaviors.

Mediation Analysis

The findings of the mediation analysis are presented in this part, along with the way that employee empowerment contributes to the indirect impact of transformational leadership on organizational performance. The findings of the mediation study are collected in Table 5 below, along with the p-values, bootstrapped confidence ranges, and indirect impact numbers.

Table 5. Indirect Effect by Bootstrapping

Indirect Effect of Transformational Leadership on Organizational Performance Through Employee Empowerment	Indirect Effect	Bootstrapped 95% Confidence Interval	p-value
Mediation Effect	0.356	[0.282, 0.422]	< 0.001

Source: Results of data analysis (2023)

The results of the mediation analysis show that the relationship between transformational leadership and organizational performance is significantly mediated by employee empowerment. Employee empowerment accounts for a significant amount of the transformational leadership's impact on organizational performance, with an indirect effect of 0.356 ($p < 0.001$). This suggests that transformational leaders improve organizational performance indirectly—that is, through empowering their workforce to improve customer happiness and service quality, for example. The statistical significance of this mediation effect is further validated by the bootstrapped 95% confidence interval for the indirect impact ([0.282, 0.422]), which highlights the critical role that employee empowerment plays in bridging the gap between transformational leadership and organizational success.

The results of the study provide valuable insights into the relationships between transformational leadership, employee empowerment, and organizational performance in the Indonesian service sector.

Transformational Leadership and Employee Empowerment

The results of the investigation showed a strong correlation between employee empowerment and transformative leadership. Transformational leaders cultivate a culture of autonomy, innovation, and initiative inside organizations by effectively empowering their followers through their visionary and inspirational attributes. This result is consistent with previous research, which emphasizes the role transformational leadership plays in promoting employee empowerment. Transformational leadership is essential for employee empowerment since it encourages independence, ingenuity, and initiative in businesses (Anderson, 2017; Dewantoro, 2023; Wardana & Anisah, 2023). Employee motivation and performance are positively impacted by transformational leaders who possess traits like vision, inspiration, and empowerment (Eaton, 2022; Idiko & Obah, 2022). This type of leadership inspires workers to go above and beyond, which increases dedication and contentment. Nonetheless, to avoid having a detrimental effect on organizations, leaders must strike a balance between their authority and responsibility. Transformational leaders may improve employee commitment, productivity, and well-being by offering coaching, training, and self-efficacy. This will ultimately improve corporate performance. Consequently, the body of research highlights the importance of transformational leadership in fostering an environment of empowerment and encouraging worker autonomy and innovation in businesses.

Employee Empowerment and Organizational Performance

The study also demonstrated that employee empowerment significantly improves organizational performance. Employee motivation, engagement, and work happiness are all higher when they have autonomy and decision-making authority. This boosts customer satisfaction, service quality, and overall organizational effectiveness.

When granted autonomy and decision-making ability, empowered workers exhibit higher levels of motivation, engagement, and job satisfaction. These factors enhance overall organizational effectiveness, customer satisfaction, and service quality (Al Naggar, 2022; Alduhaim & Alqasmi, 2023; Hamawandy, 2021). Research highlights that employee empowerment results in enhanced decision-making, greater innovation, and higher performance, particularly in dynamic work situations like the healthcare industry (Limpo & Junaidi, 2023). Additionally, there is a strong correlation between administrative empowerment and job satisfaction (Cucino et al., 2021), with motivation, teamwork, and communication all being crucial factors. Moreover, job happiness, performance, and organizational commitment are all positively impacted by moral and empowering leadership, underscoring the significance of encouraging moral behavior in the workplace. Knowledge transfer office performance is influenced by the interaction between perceived empowerment and engagement, with specific individual cognitions such work goal values and organizational citizenship behavior having a significant impact.

Transformational Leadership and Organizational Performance

Additionally, the data showed that transformative leadership directly improves organizational performance. Through their visionary leadership characteristics, transformational leaders directly contribute to corporate success by inspiring and motivating their followers. Even after taking into

consideration the moderating effect of employee empowerment, there is still a considerable direct impact on organizational performance.

Employee performance is directly impacted by transformational leaders' inspirational and motivating behaviors, which enhance organizational success (Dewantoro, 2023; Sajuyigbe et al., 2023; Syarifuddin, 2023). Even after accounting for the mediating effect of employee empowerment, this influence is still noteworthy (Kareem et al., 2023). The relationship between transformational leadership and employee performance may not always be mediated by employee empowerment (Siswanto et al., 2023), but transformational leaders' visionary leadership style is still crucial for fostering growth and positive change inside their organizations. Transformational leaders have a direct impact on enhancing organizational performance through the cultivation of trust, vision, and dedication within their workforce. This underscores the significance of their leadership style in attaining success.

Mediation Analysis

The results of the mediation analysis showed that employee empowerment mediates a significant amount of the impact of transformational leadership on organizational performance. The aforementioned discovery emphasizes the significance of cultivating an empowering culture as a means of converting transformative leadership actions into improved organizational efficacy. The results of numerous studies provide insight into the connection between organizational success, employee empowerment, and transformational leadership. Although certain research highlights the direct influence of transformational leadership on workers' performance (Saebah & Merthayasa, 2024; Siswanto et al., 2023; Wardana & Anisah, 2023), other findings indicate that employee empowerment might not necessarily play a major mediating role in this relationship (Saebah & Merthayasa, 2024). Still, businesses hoping to improve performance through transformational leadership must cultivate an empowerment culture. Organizations can foster an atmosphere where transformational leadership behaviors and employee empowerment work together to increase organizational performance through effective leadership practices. This emphasizes how crucial it is to take empowerment into account to maximize the positive effects of transformational leadership on organizational results.

Practical Implications

For managers and executives operating in the Indonesian service industry, these findings have several real-world applications. To improve employee empowerment and, in turn, organizational effectiveness, companies should invest in helping their leaders acquire transformational leadership skills. Second, creating an empowered culture can increase employee engagement and provide a long-term competitive advantage. This can be achieved by implementing procedures and policies that support individuality, acknowledgment, and skill development.

Limitations and Future Research

Even though the study offers insightful information, it is important to recognize its limits. The cross-sectional nature of the data makes it difficult to conclude causality; nevertheless, longitudinal designs may be used in future studies to prove causality. Furthermore, the study's exclusive emphasis was the Indonesian service sector; comparisons with other industries or cultural contexts could improve our comprehension of the dynamics of empowerment and leadership.

CONCLUSION

To sum up, this research offers empirical proof of the vital roles that employee empowerment and transformational leadership play in boosting organizational performance in the Indonesian service industry. The results highlight the importance of transformative leaders who energize and enable those around them, resulting in higher levels of service quality, employee engagement, and overall organizational efficacy. Organizations can optimize their capacity to attain exceptional performance results and maintain a competitive edge in the ever-changing service sector by allocating resources toward leadership development initiatives and cultivating a culture of empowerment. Theoretical understanding and real-world applications for organizational management and leadership techniques in Indonesia and elsewhere are both enhanced by this work.

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