

Research Article

Decoding the Mechanistic Pathways of Transformational Leadership Dynamics: (A Structural Examination of the Behavioral Spillover Effects and Mediating Role of Organizational Citizenship Behavior in Optimizing Employee Performance)

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Abstract: This study aims to examine the influence of Transformational Leadership on Employee Performance by emphasizing the mediating role of Organizational Citizenship Behavior (OCB). The research was conducted on 90 employees of Batik SMEs in Sumenep Regency using a quantitative approach. Data were collected through purposive sampling and analyzed with WarpPLS. The results reveal that Transformational Leadership has a positive and significant effect on OCB. Moreover, Transformational Leadership also positively and significantly influences Employee Performance. In addition, OCB is found to have a positive and significant impact on Employee Performance. Further analysis demonstrates that OCB significantly mediates the relationship between Transformational Leadership and Employee Performance. These findings highlight the essential role of OCB as a behavioral mechanism through which Transformational Leadership enhances employee performance outcomes within Batik SMEs. This study contributes to the strategic development of human resource management by emphasizing leadership practices that foster discretionary behavior and drive optimal performance in small–medium enterprises.

Keywords: Batik SMEs; Employee Performance; Organizational Citizenship Behavior; Transformational Leadership; WarpPLS.

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1. Introduction

In today's rapidly evolving business landscape, organisations—especially small and medium enterprises (SMEs)—face mounting pressure to deliver higher employee performance in the face of uncertainty, competition, and resource constraints. Leadership practices that inspire beyond task-completion are becoming ever more critical to organisational survival and growth. For instance, a recent meta-analysis of transformational leadership found that it significantly influences citizenship behaviour, task performance, and innovation outcomes across cultures. (Agag, 2025). Within the context of SMEs engaged in traditional industries, such as batik production, the ability of leaders to foster voluntary, discretionary contributions beyond formal role expectations may be a key differentiator. It is therefore imperative to study how transformational leadership dynamics operate mechanistically, to accelerate employee performance in such contexts.

The decision to focus on the batik-SMEs in Sumenep Regency stems from two considerations. First, batik enterprises represent a culturally rich but resource-constrained SMEs segment in Indonesia where human capital remains a distinguishing factor in quality, innovation and competitiveness. Second, unlike large organisations studied extensively in prior research, batik SMEs typically feature informal structures, limited HR systems, and leadership that is often embedded in the owner-manager or artisan context; these conditions



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may render the leadership–behaviour–performance relationships different (Purwanto, 2022). Thus the selected object offers a distinct setting: smaller size, craftsmanship orientation, and dynamic behavioural spillovers—not just routine task execution—thus differing from more industrialised or service-sector SMEs. Studying this context helps uncover whether the transformational leadership → OCB → employee performance mechanism holds in less formalised, craft-based SMEs (Purwanto, 2022; Aristana et al., 2024).

In this study, the key variables are (1) transformational leadership (TL) as the independent variable, (2) organizational citizenship behavior (OCB) as the mediating mechanism (behavioural spillover), and (3) employee performance (EP) as the outcome. Transformational leadership—characterised by idealised influence, inspirational motivation, intellectual stimulation and individualised consideration—serves to shape the motivational climate and discretionary behaviour of employees. Several studies suggest that TL enhances OCB by empowering followers, fostering trust and pro-social behaviour (Lee et al., 2024). In turn, OCB—behaviours that go beyond formal role requirements—has been shown to contribute positively to employee performance, by enhancing cooperation, resource sharing and organisational efficiency (Qalati et al., 2022). Accordingly, there is a hypothesised pathway whereby transformational leadership stimulates OCB, which then channels into higher employee performance. Additionally, a direct path between transformational leadership and employee performance is posited, enabling examination of both direct and mediated effects.

Despite a growing body of research on the TL–OCB–EP nexus, several gaps remain. First, many extant studies focus on large organisations or public sector settings, thus leaving craft-based SMEs underexamined (Budur & Demir, 2022). Second, while the mediating role of OCB has been tested, recent findings indicate inconsistent direct effects of TL on performance—Aristana et al. (2024) found in SMEs that transformational leadership did not significantly affect employee performance directly, but did via OCB. Third, multi-level and longitudinal investigations are still relatively sparse—Lee et al. (2024) using multilevel data pointed to trust as an important mechanism between TL and OCB, but less so on performance in SME craft contexts. And fourth, context-specific studies in Indonesian batik SMEs remain largely absent. Thus our research addresses these gaps by conducting a structural examination of the TL → OCB → EP pathway within the batik SME context, using the state-of-the-art SEM tool (WarpPLS) and purposive sampling.

In sum, this study fills a niche by exploring the behavioural spillover effect of transformational leadership in a craft-oriented SME environment, with a mediating focus on organisational citizenship behaviour. The novelty of this research lies in applying a structural (WarpPLS) examination of TL–OCB–EP in a geographically and culturally specific setting (Sumenep batik SMEs), thereby extending the applicability of leadership theory beyond large or highly formalised organisations. The benefit of this research is twofold: theoretically, it refines our understanding of how discretionary behaviours (OCB) function as behavioral mechanisms linking leadership to performance; practically, it offers SME managers actionable insights into leadership practices that foster OCB and thus optimise employee performance in resource-tight craft settings. The objectives are: (1) to determine the effect of transformational leadership on organisational citizenship behaviour; (2) to examine the effect of transformational leadership on employee performance; (3) to assess the influence of organisational citizenship behaviour on employee performance; and (4) to evaluate the mediating role of organisational citizenship behaviour in the relationship between transformational leadership and employee performance.

2. Literature Review

2.1 Transformational Leadership

Transformational leadership (TL) continues to be central within organisational behaviour research due to its proven ability to motivate employees beyond transactional expectations. TL emphasises four core components: idealised influence, inspirational motivation, intellectual stimulation, and individualised consideration (Bass & Avolio, 1995). Recent studies have consistently demonstrated that TL enhances affective responses, job attitudes and positive behavioural outcomes such as creativity and performance (Lee et al., 2024). A comprehensive cross-industry meta-analysis also confirmed that TL promotes innovation, task performance, and contextual behaviour across cultures (Asif et al., 2025).

In SMEs, where structures are informal and managerial roles are closely tied to ownership, TL enables deeper psychological engagement and empowerment among employees (Purwanto, 2022). Evidence suggests that TL fosters pro-social behaviours by

building trust, relational closeness, and shared goals (Lee et al., 2024). More specifically, TL's performance effect frequently operates through behavioural-relational mediators such as organisational citizenship behaviour (OCB) (Aristana et al., 2024).

Interestingly, the direct effect of TL on employee performance remains inconsistent. Aristana et al. (2024) found TL did not significantly affect performance directly but did indirectly through OCB, while other scholars still report strong direct effects depending on industry context and structural formality (Hermawan et al., 2024). These inconsistencies reinforce the need for deeper examination of behavioural spillover mechanisms such as OCB — particularly in traditional, craft-based SME environments.

2.2 Organizational Citizenship Behavior (OCB)

OCB refers to voluntary, discretionary behaviour that is not part of formal job requirements but contributes to organisational functioning (Organ, 1990; Podsakoff et al., 2000). The construct has evolved into a central mediator in leadership research because of its positive contributions to cooperation, service quality, and organisational effectiveness (Qalati et al., 2022).

Transformational leadership has emerged as one of the strongest antecedents of OCB. Leaders who empower, trust and inspire their employees stimulate extra-role behaviour driven by internal motivation and emotional attachment (Lee et al., 2024; Hermawan et al., 2024). Within SMEs, OCB becomes even more essential given limited formal roles, making mutual support and proactive efforts crucial for operational success.

OCB also plays a direct role in improving performance outcomes. Research in SMEs shows that employees who willingly exceed expectations demonstrate higher productivity and contribute significantly to value creation (Aristana et al., 2024). Another study confirmed OCB as a significant predictor of individual and organisational performance outcomes, especially when mediated by motivational and attitudinal factors (Athapaththu & Rebecca, 2025).

Thus, OCB functions as a behavioural transmission mechanism — translating leadership influence into tangible performance outcomes. Still, varying organisational contexts — especially culturally embedded craft industries — demand more nuanced investigation of how and when OCB emerges.

2.3 Employee Performance

Employee performance encompasses both quality and quantity of work contributions, goal achievement, and behavioural alignment with organisational expectations (Mathis & Jackson, 2016). Transformational leadership has widely been linked to improved employee performance; however, the strength and nature of such influence differ across contexts.

Adawiyah and Sopiah (2023) noted mixed evidence regarding leadership's direct effects, while multiple SME-oriented studies suggest that TL's impact is more indirect than direct, often operating through mediating variables such as OCB (Aristana et al., 2024). In Indonesian SMEs, Meilinda et al. (2025) confirmed that TL positively influences OCB and performance, but the direct TL → performance path was statistically insignificant.

These findings indicate that in resource-limited SME environments — especially those relying on craftsmanship — leadership styles matter most when they foster behavioural and relational enablers like OCB. This view supports deeper structural modelling to understand performance-enhancement mechanisms within SMEs.

2.4 Transformational Leadership and Organizational Citizenship Behavior

Transformational leadership is characterised by behaviours that inspire, motivate, intellectually stimulate, and provide individualised support to employees (Bass & Avolio, 1995). In recent empirical developments, transformational leadership has consistently been found to improve employee motivation and contribute to organisational citizenship behavior. Lee (2024), in a multilevel study, demonstrated that employees under transformational leaders develop stronger relational trust, which encourages voluntary behaviours beyond formal assignments. Similarly, Purwanto (2022) showed that within Indonesian SMEs, transformational leadership significantly strengthens extra-role contributions due to the close-knit relationship between leaders and employees. When employees feel empowered, respected, and connected to a shared vision, they are more inclined to display loyalty, cooperation, and initiative that benefit the organisation (Cho & Kao, 2022). Based on this logic and strong empirical reinforcement:

H1: Transformational Leadership has a positive and significant effect on Organizational Citizenship Behavior.

2.5 Transformational Leadership and Employee Performance

Transformational leadership has been widely acknowledged as a driver of improved performance because leaders elevate employees' intrinsic motivation and sense of purpose. A meta-analysis by Qalati et al. (2025) revealed that transformational leadership fosters job enthusiasm and capability growth, leading to improved individual and team performance. In creative and service-driven industries, Helalat et al. (2025) reported that employees under transformational leaders show heightened work behaviours that enhance both task quality and adaptability. In Indonesian SMEs, the influence of transformational leadership on performance tends to vary due to contextual constraints, although leaders still play an inspiring role in setting performance standards (Aristana et al., 2024; Meilinda et al., 2025). Therefore, even within batik SMEs where structure is informal and resources are limited, transformational leaders remain a critical element in enhancing achievement levels. Hence:

H2: Transformational Leadership has a positive and significant effect on Employee Performance.

2.6 Organizational Citizenship Behavior and Employee Performance

Organizational citizenship behavior encompasses voluntary, discretionary contributions made by employees that exceed their contractual job requirements (Organ, 1990; Podsakoff et al., 2000). These behaviours improve collaboration, resource sharing, efficiency, and service outcomes within organisations. Evidence continues to confirm that employees who actively support co-workers and organisational goals tend to achieve superior performance. Qalati et al. (2022) found that employees with high citizenship behaviour demonstrated greater productivity and problem-solving initiative. In the creative industry sector, Ndruru and Abadi (2024) further emphasised that employees expressing strong OCB achieved much better performance results than those who focused solely on basic duties. Within SME settings, where job roles are fluid and teamwork is essential for sustainability, citizenship behaviour becomes an indispensable contributor to operational success. Thus:

H3: Organizational Citizenship Behavior has a positive and significant effect on Employee Performance.

2.7 The Mediating Role of Organizational Citizenship Behavior

Although transformational leadership directly contributes to performance, several studies highlight that the improvement often occurs through behavioural enablers such as organizational citizenship behaviour. Lee (2024) showed that trust fostered by transformational leaders encourages employees to adopt citizenship behaviours that ultimately reflect in improved performance outcomes. Aristana et al. (2024), focusing on SMEs, concluded that transformational leadership does not always directly increase performance but exerts a significant indirect effect through OCB, indicating a full mediation process. Asif et al. (2025) added that within resource-constrained organisational environments, the ability of leaders to inspire extra-role behaviours is a crucial pathway for performance enhancement. Therefore, it is reasonable to assert that transformational leadership first increases citizenship behaviour, and such behaviour then translates into performance outcomes. Thus:

H4: Organizational Citizenship Behavior mediates the relationship between Transformational Leadership and Employee Performance.

3. Method

This study employed a quantitative approach to evaluate causal relationships among transformational leadership, organizational citizenship behavior, and employee performance within the structural model. Quantitative methods are widely recognized for providing objective and measurable findings that allow precise estimation of variable interactions (Hair et al., 2025). Structural Equation Modeling using Partial Least Squares (PLS-SEM) was adopted due to its robustness in handling complex behavioural models, small sample sizes, and data with non-normal distribution characteristics — common within SME research contexts (Henseler et al., 2023; Alavi et al., 2024; Kock, 2024). This analytical method was chosen because it enables simultaneous examination of both measurement and structural

models, thereby strengthening causal inferences and empirical validity (Ringle et al., 2024; Kline, 2015).

The population of this research consisted of employees working in Batik SMEs located in Sumenep Regency, known for its culturally embedded artisanal industry. The sample size comprised 90 employees selected through purposive sampling. The use of purposive sampling aligns with research requiring respondents who possess specific knowledge and engagement relevant to transformational leadership practices and behavioural contributions in workplace settings (Creswell & Creswell, 2024; Taherdoost, 2023). Inclusion criteria included: (1) employees with a minimum tenure of one year, (2) direct involvement in batik production or operational business activities, and (3) employment status recorded by SME owners or managers. This sampling strategy ensures that participants have adequate exposure to leadership behaviours and organisational dynamics, improving data accuracy and relevance (Etikan, 2016; Field, 2018).

Data were collected using a structured questionnaire composed of three measurement constructs on a 5-point Likert scale ranging from “strongly disagree” (1) to “strongly agree” (5). Transformational Leadership was measured using indicators adapted from Bass and Avolio’s conceptual framework, emphasizing idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration, with recent reliability validations reported in managerial behaviour studies (Helalat et al., 2025; Lee et al., 2024). Organizational Citizenship Behavior was assessed using indicators covering altruism, conscientiousness, civic virtue, courtesy, and sportsmanship, reflecting the operationalization widely employed in recent citizenship behaviour literature (Qalati et al., 2022; Cho & Kao, 2022). Employee Performance measurement included task performance, adaptability, and work quality dimensions, grounded in instruments validated by recent SME-focused studies advocating behavioural performance indicators (Aristana et al., 2024; Meilinda et al., 2025).

Before analysis, collected data underwent completeness checks, screening for missing values, duplicate responses, and potential response bias using statistical validation procedures recommended in behavioural science research (Tabachnick & Fidell, 2013; Pallant, 2020). Normality and multicollinearity assessments were conducted in alignment with PLS-SEM preliminary diagnostics protocols to ensure suitability for model evaluation (Hair et al., 2023; Kock, 2024).

The data were analyzed using WarpPLS software, which is specifically designed to address nonlinear relationships in social science structural models (Kock, 2024). The analysis consisted of two primary phases: (1) measurement model evaluation to ensure reliability and validity — using Cronbach’s Alpha, Composite Reliability, and Average Variance Extracted (AVE); and (2) structural model testing to determine direct and indirect effects through path coefficients, R^2 values, effect sizes, and predictive relevance (Hair et al., 2025; Henseler et al., 2023). Bootstrapping with 5,000 resamples was employed to test hypothesis significance and the mediating effect of OCB, providing robust inference power particularly relevant in studies with mediation pathways and modest sample sizes (Hayes, 2022; Alavi et al., 2024).

This research methodology was designed to be replicable by future researchers in similar SME and artisanal environments, offering a transferable framework for examining leadership-driven behavioural outcomes across different cultural and industry contexts (Henseler et al., 2023; Fornell & Larcker, 1981). By utilizing validated constructs and advanced structural modelling techniques, this study strengthens empirical contributions to leadership and behavioural management literature, particularly within resource-constrained small enterprise settings.

4. Results

4.1 Descriptive Statistics

This research involved 90 respondents, consisting of employees working in Batik SMEs in Sumenep Regency. The descriptive analysis reveals that employees assessed Transformational Leadership with an average score of 4.12, suggesting that leaders are frequently perceived to inspire, motivate, and provide individualized support. Additionally, the measurement of Organizational Citizenship Behavior (OCB) shows a mean score of 4.08, indicating that employees often engage in voluntary behaviors beyond formal job requirements. Meanwhile, Employee Performance obtained the highest mean score at 4.21, illustrating that overall work outcomes, task accomplishment, and productivity are relatively high within these Batik SMEs. These descriptive results highlight that respondents generally

perceive leadership practices, discretionary employee behaviors, and performance outcomes positively.

Table 1. Evaluation of Outer Model.

Construct	Cronbach's Alpha	Composite Reliability	AVE
Transformational Leadership	0.893	0.923	0.637
Organizational Citizenship Behavior	0.876	0.912	0.622
Employee Performance	0.901	0.930	0.654

Source: Primary Data Processed (2025)

The evaluation of the outer model (Table 1) demonstrates that all constructs meet validity and reliability criteria. Each construct obtained Composite Reliability values above 0.70, indicating internal consistency reliability. The Average Variance Extracted (AVE) values are above 0.50, which confirms the presence of convergent validity. Additionally, the discriminant validity analysis using Fornell-Larcker and HTMT Ratio criteria meets the required thresholds (<0.90), indicating that the constructs measured are conceptually distinct and free from multicollinearity concerns.

Table 2. Inner Model Testing.

Relationship	Path Coefficient (β)	p-value	Significance
Transformational Leadership → OCB	0.512	< 0.001	Significant
Transformational Leadership → Employee Performance	0.298	0.001	Significant
OCB → Employee Performance	0.471	< 0.001	Significant

Source: Primary Data Processed (2025)

The inner model testing provides further insights into the causal relationships among variables examined. First, the influence of Transformational Leadership on OCB is positive and significant ($\beta = 0.512$; $p < 0.001$), implying that the greater the intensity of transformational leadership behaviors, the higher the level of discretionary prosocial behaviors exhibited by employees in Batik SMEs. Second, Transformational Leadership also has a positive and significant effect on Employee Performance ($\beta = 0.298$; $p = 0.001$), revealing that leadership practices that inspire and motivate directly contribute to performance improvements. Third, OCB significantly enhances Employee Performance ($\beta = 0.471$; $p < 0.001$), indicating that voluntary behaviors such as helping peers and demonstrating organizational loyalty play a crucial role in boosting productivity and task outcomes within these SMEs.

In addition, the model fit statistics indicate that R^2 OCB = 0.262 and R^2 EP = 0.486, meaning that Transformational Leadership explains 26.2% of the variance in OCB, while the combination of Transformational Leadership and OCB explains 48.6% of the variance in Employee Performance. These values indicate that the structural model has moderate predictive power.

Table 3. Mediation Testing.

Mediation Path	Path Coefficient (β)	p-value	Significance	Mediation Type
TL → OCB → EP	0.241	< 0.001	Significant	Partial Mediation

Source: Primary Data Processed (2025)

The mediation analysis summarized in Table 3 confirms that OCB plays a significant mediating role in the relationship between Transformational Leadership and Employee Performance. The indirect coefficient of 0.241 ($p < 0.001$) shows that part of the influence of leadership on performance is transmitted through the enhancement of employees' voluntary contributions. The Variance Accounted For (VAF) analysis further supports this finding, where 44.7% of the total effect is mediated by OCB, indicating partial mediation. These results emphasize that while transformational leadership has a direct effect on employee performance, it is the presence of strong organizational citizenship behaviors that substantially strengthens performance outcomes in Batik SMEs.

5. Discussion

5.1 The Positive Effect of Transformational Leadership on OCB

The finding that transformational leadership positively and significantly influences organizational citizenship behavior (OCB) aligns with a growing body of research indicating that leaders who articulate compelling vision, foster intellectual stimulation, and provide individualized consideration encourage employee behaviours beyond formal role requirements. For example, a longitudinal multilevel study found that transformational leadership enhanced followers' perceptions of leader trustworthiness (ability, benevolence, integrity), which in turn elevated OCB (Lee, 2024). Similarly, Hermawan et al. (2024) reported that within SMEs, transformational leadership significantly predicted OCB through mechanisms of job satisfaction and organisational commitment. Theoretically, this relationship can be grounded in social exchange theory: when employees perceive that leaders invest in them, they reciprocate through discretionary behaviours beneficial to the organisation (Ng & Chan, 2023). Hence, the result supports H1 and underscores that, in the batik-SME context, leadership style matters not just for tasks, but for fostering extra-role effort.

5.2 The Positive Effect of Transformational Leadership on Employee Performance

The evidence that transformational leadership also has a positive, significant direct effect on employee performance indicates that leaders' transformational behaviours yield outcomes beyond discretionary behaviours; they also impact core task performance, quality and productivity. This is consistent with findings in hospitality and manufacturing sectors where transformational leadership increased job performance directly (Wang et al., 2022). Yet, the magnitude of this direct path is often smaller compared to the path to OCB, suggesting that leadership's strongest influence may first lie in developing the behavioural context. In SME environments with informal structures, transformational leaders' clear vision, empowerment and support may raise clarity, motivation and skill application — thus improving performance. That the direct effect remains significant suggests transformational leadership has dual channels: one directly enhancing performance, another via behavioural spillover.

5.3 The Positive Effect of OCB on Employee Performance

The strong and significant impact of OCB on employee performance confirms that discretionary, extra-role behaviours matter in driving tangible performance outcomes. As shown by Qalati et al. (2022) in SMEs, OCB boosts cooperation, resource sharing and role expansiveness, which enhance efficiency and performance. In artisanal SMEs like batik production, where formal processes may be less structured and interpersonal collaboration is essential, OCB becomes a key performance lever. Employees who go beyond their job description assist peers, innovate subtly, and manage quality proactively — all of which improve output and reliability. Thus H3 is firmly supported and highlights why fostering OCB is strategically important for SMEs.

5.4 The Mediating Role of OCB Between Transformational Leadership and Employee Performance

The analysis further demonstrates that OCB significantly mediates the effect of transformational leadership on employee performance. This implies that a substantial portion of leadership's impact on performance is transmitted through the behavioural channel of citizenship behaviours. This mediating role is in line with recent models (Aristana et al., 2024; Ndruru & Abadi, 2024) which highlight that transformational leadership creates a behavioural climate (via trust, empowerment, engagement) that leads to OCB, which then enhances performance. The partial mediation found in this study denotes that while some of leadership's influence is direct, a meaningful share is indirect through OCB — emphasising that the behavioural spillover mechanism is crucial. Practically, this suggests that leadership development initiatives should not only target task-oriented leadership behaviours but also focus on enabling environments where employees willingly engage in discretionary behaviours.

6. Conclusion

This study set out to examine the effect of transformational leadership on employee performance with the mediating role of organizational citizenship behavior (OCB) among employees of Batik SMEs in Sumenep Regency. The findings demonstrate that

transformational leadership plays a crucial role in shaping positive employee outcomes. Leaders who are able to inspire, intellectually stimulate, and individually support their subordinates significantly enhance the emergence of OCB within their organizations. These discretionary behaviors, in turn, contribute meaningfully to improving overall employee performance.

The results also show that transformational leadership has a direct positive impact on performance, confirming that employees tend to perform better when guided by leaders who communicate a compelling vision and cultivate a supportive work atmosphere. At the same time, OCB independently contributes to performance improvements by reinforcing teamwork, initiative, and voluntary contributions beyond mandated roles — elements that are essential within the operational context of small and medium batik enterprises.

Importantly, the mediating analysis indicates that OCB serves as a significant mechanism through which transformational leadership strengthens employee performance. This means that while leadership directly influences performance, a substantial portion of that influence operates behaviorally through employees' willingness to engage in citizenship behaviors. The mediation emphasizes that leadership development strategies should not only target operational guidance but also the creation of a positive socio-behavioral environment that encourages proactive contributions.

Overall, the study contributes both theoretically and practically by confirming OCB as a behavioral pathway that enhances the effectiveness of transformational leadership in driving employee performance. For Batik SMEs, these findings highlight the strategic importance of empowering leadership practices that build trust, motivation, and collective responsibility among workers. Strengthening such leadership behaviors is expected to sustain productivity, innovation, and business competitiveness in the evolving creative industry landscape.

7. Implications

The findings of this research provide several important implications for both theory and practice. Theoretically, the confirmation of Organizational Citizenship Behavior (OCB) as a significant mediator strengthens existing leadership frameworks by demonstrating that transformational leadership improves employee performance not merely through direct motivational pathways but through behavioral spillover in the form of voluntary and extra-role contributions. This extends the academic discourse by validating the mechanism within a traditionally informal and culturally embedded sector such as Batik SMEs. Practically, the results emphasize the need for SME leaders—who often serve dual roles as owners and supervisors—to adopt transformational leadership behaviors such as individualized support, inspirational communication, and empowerment strategies to encourage employees in contributing beyond what is formally required. By nurturing a workplace environment that values initiative and cooperation, SMEs can enhance productivity, product quality, and overall organizational resilience. HR implications also emerge, suggesting that even small enterprises should begin implementing structured yet flexible human resource practices that reinforce positive work behavior, including recognition systems, open communication channels, and collaborative work routines. Furthermore, the results provide guidance for policymakers and business support institutions to prioritize leadership development and behavioral competency programs tailored to the needs of craft-based SMEs, ensuring that the cultural and economic sustainability of batik industries can be maintained through strong leadership and optimal performance. Collectively, these implications highlight that transformational leadership is not only a managerial style but a strategic resource for maintaining competitive advantage in resource-constrained SME environments.

7.1 Recommendations

Based on the research findings, several strategic recommendations can be proposed for organizational leaders, stakeholders, and future researchers. First, Batik SME leaders are encouraged to actively develop transformational leadership capabilities by practicing inspirational motivation, fostering employee creativity, and offering individualized attention to strengthen voluntary behaviors that support organizational success. Leadership training and capacity-building programs tailored specifically for small craft-based enterprises should therefore be promoted through local government agencies and business development institutions. Second, SMEs should institutionalize recognition and reward mechanisms to reinforce Organizational Citizenship Behavior (OCB), ensuring that employees who engage in initiative-taking and cooperative actions feel valued and intrinsically motivated. Third, HR

management practices in Batik SMEs should gradually shift from informal, routine-focused structures to more people-centered frameworks that nurture trust, open communication, and participative decision-making—all of which are essential for optimizing employee performance. Fourth, policymakers should provide ongoing support through targeted empowerment programs, subsidies for training, and market access initiatives to help Batik artisans sustain competitive growth while maintaining cultural heritage. Finally, future research is recommended to incorporate larger samples and comparative approaches across different SME sectors, as well as adopting longitudinal and multilevel analyses to further understand how leadership behaviors influence evolving patterns of performance and OCB over time. Such developments will enhance generalizability and contribute to stronger theoretical refinement in behavioral leadership studies within the SME context.

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