

# The Moderating Effects of Transformational Leadership Style on the Relationship between Employee Mindset and Employee Innovativeness

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**Abstract:-** The objective of this study was to investigate the moderating effects of transformational leadership style on the relationship between employee mindset and employee innovativeness. This study was conducted at three selected ministries in Putrajaya involving 303 civil servants. The findings revealed that employee mindset had positive and significant relationship with employee innovativeness. It was also found that three dimensions of employee mindset (cosmopolitanism, entrepreneurial mindset and adaptability) did enhance the level of employee innovativeness but not boundary spanning and cognitive complexity elements of employee mindset. The results of regression analysis found that entrepreneurial mindset was the most influential factor towards employee innovativeness followed by employee adaptability. As for the moderating effect, it was found that transformational leadership style did act as the moderator on the relationship between employee mindset and employee innovativeness. It can be concluded that civil servants who are equipped with predominantly three areas of mindsets would endure and withstand innovative ideas for the betterment of their departments.

**Keywords:-** Employee Mindset, Employee Innovativeness, Transformational Leadership Style, Civil Servants.

## I. INTRODUCTION

Innovation is universally regarded as an engine for economic growth in both developing as well as developed countries. In recent times, innovation is the talk of the town especially in higher learning institutions. The Malaysian government has put forward the efforts to push the society to become innovative in every aspect of their work to compete with neighboring nations to have the competitive advantage (Tenth Malaysia Plan 2011-2015). The importance of innovation is also highlighted when the former sixth Prime Minister, took the helm in 2008, urging the entire nation to swim in the innovation waves, embracing the culture of innovation and turning the country into an innovative-driven economy (MITI in the news, 2013). Dubbed as *Transformasi Nasional 2050 (TN50)*, innovation is heavily emphasized to shape the future of Malaysia. Continuing on the innovation initiatives, Malaysia's 7<sup>th</sup> Prime Minister Tun Dr Mahathir

Mohamad carries on the waves of innovation by saying that Malaysia needs to utilize science, technology and innovation (STI) more effectively to be a competitive nation and to boost the economy (Razak, 2018). The Prime Minister further added that Malaysia must ensure the proliferation of knowledge-intensive enterprises that leverage on science and technology to take the economy to the next level (Razak, 2018). Today, innovation is not only core ingredient for business to thrive, but it also provides a footing for business to penetrate into the global market, and at the same time to remain competitive.

Innovation in the workplace is described as the latest combination implementation of involvement in the fields of human resource management, supportive technologies and work organization (Pot, 2011). Pot (2011) further added that there are several reasons why organizations should encourage workplace innovation. The first reason is the requirement of labor efficiency improvement in order to maintain the level of social security and welfare in the future with the declining of workforce due to aging population or technology intervention. Second, the requirement of skills and competencies to develop potential workforce and at the same time to highlight the growing added value to develop the competitive and knowledge-based economy. Next, technological innovations can benefit both private and public organizations as part of workplace innovation implementation. To succeed in implementing innovation in the workplace, the first criterion is having the right mindset among the employees then technological innovation follows suit naturally.

The purpose of this study was to investigate the relationship between employee mindset (cosmopolitanism, boundary spanning, adaptability, entrepreneurial mindset and cognitive complexity) and employee innovativeness (idea generation innovation, coalition building, idea realization and diffusion) with transformational leadership style as the moderating variable. Civil servants in three ministries were the respondents of the study because they were the frontliners or the gatekeepers for this country's innovations, as they are the direct links that provide the services to the public where innovation should evolve in the first place, naturally.

### ➤ *Employee Innovativeness*

The changes made by the management to form new structures, processes, procedures or even practices to achieve competitive advantage are called innovation (Jensen, Johnson, Lorenz, Lundvall & Lundvall, 2016). According to Wallace (2017), innovation can lead to a new product or a new work process. Employee Innovativeness includes self-regulation and motivation mechanism, which are going beyond learning or modifying behaviors through reinforcing effects (Keller, 2006). Mol, Birkinshaw, and Hamel (2008) supported that statement by reporting that management innovation is the creation and implementation of new practices, processes, structures and techniques, and at the same time augmenting the quality of the organization (Hargrave & Van de Ven, 2006).

Innovation is also viewed as an opportunity for employees to flourish further in their career advancement if leaders challenge the old methods of doing things and provide new ideas for change (Alexander, Phillips, & Shaw, 2008). Zhou, Zhang, and Sánchez, (2011) stated that the most effective people to implement and inspire innovative thinking will be the leaders of the organizations. Heye (2006) agreed by stating that innovation happens when a new idea is transferred into products or services or improvising essential organization processes (by those who lead). Therefore, it is crucial for leaders to set the right pace for the employees to be innovative by allowing them to try out new methods or mechanisms to complete their duties both effectively and efficiently. Not only that, according to Hamel (2006), the evolution of a management innovation is moving towards the way a manager relates to changes in setting the directions, coordinating the activities of subordinates and making decisions -- all towards motivating employees to do better. In facing the 21<sup>st</sup> century challenges, strategic leadership and sound management are two essential elements responsible for creating the vision and dealing with employees to adapt and support innovation (Torbert, Greuter, Fisher, Gauthier, & Keeley, 2004).

### ➤ *Employee Mindset*

Employee mindset starts off with an ambition which is substantially greater than the availability of resources and it is this imbalance that creates the seed of innovation. This is due to the fact that when there is an equality or status quo, there is no driver for innovation or rooms for improvising work or work habits. According to Manral (2011), employee mindset can be used to overcome any work constraints by enhancing organizational conditions with cognitive concept. In other words, it is the way how one interprets experiences and how the experiences influence future actions (Martinez, 2009). Also, it is when one perceives how work should be done better and efficiently by thinking outside the box; and this requires a different mindset altogether.

Innovation will take place if employees are willing to invest or encouraged in innovation practices more than to the owner who supports the growth of the company (Czarnitzki & Craft, 2004). In fact, it is the leader or the manager who plays a vital role in performing workplace innovation more so than the owner or the top management. It is imperative that flexibility is given to employees to transform their own work and reward them for doing so, taking into account that they are the ones who execute the job and know how to complete it in the most efficient manner. Loewe and Dominiquini (2006) reported that in implementing innovation, the employees can take a leadership role in order to initiate work improvement. However, work innovation is quite dawdling in the government sector. Shaw (2013) in retrospect argued that most government employees performed consistently but rarely embraced change, let alone innovate work processes to do things better. This is because they are not encouraged or not in the know on how to transform their job other than doing repetitive work as instructed. They are not encouraged or rewarded with new work invention especially among support staffs. Changes or innovations almost always occur at the top; lower rank officers or support staffs follow what is asked. As a result, work habits remain the same for a long time and almost no new work procedures for higher work output are implemented unless instructed from the top management to support staff.

## II. LITERATURE REVIEW

### ➤ *Transformational Leadership Style*

Armstrong and Nuttawuth (2007) reported that there are two most frequently cited leadership styles which are transformational and transactional leadership styles. Transformational leaders are generally charismatic and possessed short vision between leaders and followers (Burns, 2010). On the other hand, both leaders and followers cooperation and collaboration in the working environment is usually associated with the other type of leadership style, which is transactional leadership (Lai, 2011). However, according to Pieterse, Knippenberg, Schippers & Stam (2008), in terms of innovation practices, transactional leadership is argued to have a negative affiliation with innovative behavior because it focuses on in-role presentation and less on the stimulation of unique activities. Moreover, transactional leadership may be perceived as controlling and sometimes demotivating and may cause less innovative behavior (Deci & Ryan, 1987).

Employees' personal values and self-concepts are transformed into a higher level of needs and aspirations through transformational leaders (Jung, 2001). Besides, organizational characteristics for instance reward systems, culture, strategy, structure and resources can be innovatively transpired via leaders' vision (Woodman, Sawyer, and Griffin, 1993). Transformational leaders are responsible to attract their followers to meet organizational goals as well as

setting the appropriate rewards once the goals are achieved (Rubin, Munz & Bommer, 2005). Transformational leaders are also said to help build the culture of innovation using inspiration stimulation (Elkins and Keller, 2003) as well as motivating management innovation by encouraging followers to challenge themselves in a variety of organized activities (Bass, Jung, Avolio & Berson, 2003). Transformational leadership style can be divided into two provisions which are internal support and external support (Gumusluogolu, 2009).

#### ➤ *Internal Support*

Internal support encompasses of innovative supporting climate and adequate resources allocated to innovation. Internal support involved creative ideas within the organizations and employees are rewarded for intellectual stimulation, exploratory thinking and inspiration motivation (Sosik, Kahai & Avolio, 2004). According to Lian, Hsiao & Sung, (2013), managers who possessed internal support might monitor their followers to ensure the innovation is successful. Woodman, Sawyer, & Griffin, (1993) also found that internal support for transformational leaders encourage, reward creativity, recognize and offer funds as personal resources.

#### ➤ *External Support*

External support refers to the resource acquisition which includes boundary spanning and entrepreneurship role which are crucial for innovation success (Howell & Higgins, 1990). In line with this, followers' involvement and innovation complexity reduction can be achieved through the contribution of the transformational leaders who act as the change agents (Marion & Uhl-Bien, 2001). According to Gumusluogolu (2009), external support formed both knowledge and resource based supports from outside of the organization. For example, organizations can form a wider range of organizational relationship with other companies, to share their expertise or funds for their own growth and consumption.

#### ➤ *Cosmopolitanism*

Cosmopolitanism can be considered as one of the key competencies for the twenty-first century where it allows employees to remain flexible in this fast-changing world Ritter and Mostert (2017). Cosmopolitanism is the production of unique or useful ideas by an individual or small group of employees working together to innovate their work for the organization they work for. Cosmopolitanism is the ideology that all human beings belong to a single community, based on a shared morality (Denning, 2008). A person who adheres to the idea of cosmopolitanism in any of its forms is called a cosmopolitan or cosmopolite. In embracing the modern world's innovation, cosmopolitanism has influenced the community to compete in various conditions, situations and projects (Delanty & He, 2008).

In the organizational context on the other hand, cosmopolitanism is associated with formal and informal communications between subordinates, customers and suppliers who may have different background, status, culture or even geographical locations which may improve their way of thinking (Manral, 2011). In fact, cosmopolitanism may stress on employee innovativeness in a way that it allows the managers to have extra knowledge on others. Employees who possess cosmopolitanism have the power, expertise, experience and skills to be innovative. Manral (2011) reported that cosmopolitanism can expand the diversity of knowledge of employees as it is all about the regular interactions between organizational members with diversified backgrounds.

#### ➤ *Cognitive Complexity*

Cognitive complexity is a psychological characteristic that indicates how complex or simple is the frame and perceptual skill of a person (Dobosh, 2005). People with high field independence are able to analyze the relevant aspects of the situation without being distracted by irrelevant facets, whereas field-dependent people have a difficulty separating less important aspects in their work and work structure. They also struggle in identifying the cognitive processes of fluency, flexibility, originality and elaboration as essential and integral parts to conflicting ideas (Asma & Abdellatif, 2016). The comprehensiveness of the cognitive complexity foundation from the managerial mindset dimension is better explained in the area of ideation which is one of the many tasks of innovation (Martins, Rindova & Greenbaum, 2015). Kanter (1988) agreed that organizational complexity has triggered innovation in a way of generating new ideas.

Additionally, the application of cognitive complexity may help the employees to strive for organizational goals by easing the employees' process of organizing, classifying and combining new ideas or concepts together (Gavetti & Levinthal, 2000). Makri and Scandura (2010) stated that more enthusiastic sources of learning can be produced through a growing level of cognitive complexity. Thus, it can be considered that innovation can be achieved through cognitive complexity when it was used for ideation (Manral, 2011).

#### ➤ *Entrepreneurial Mindset*

According to the Barringer and Ireland (2006), entrepreneurial mindset is a crucial part of creativity and innovation which is needed in creating something new. Creativity and innovation in entrepreneurship served as the starting point in running a business (Baldacchino, 2009). According to Ma and Tan (2006), entrepreneurship is a dimension of mindset and that employees who possessed entrepreneurship trait are generally risk-takers, hardworking and have a distinctive way of seeing things because they have the desires to thrive, create and achieve independently.

Besides, according to Pretorius, Millard and Kruger (2005), to successfully start a business, maintaining creativity is one of the important entrepreneur skills that is vital for managing innovation (Bosma & Levie, 2009). Creativity will be needed among the entrepreneurs in the upgrading process of creating new services and products (Heye, 2006). In essence, employees who possess entrepreneurial mindset tend to be creative and innovative (Pretorius, Millard & Kruger, 2005). Senges (2007) also reported that entrepreneurial mindset can be considered as one of the innovative and proactive ways in gaining opportunities and taking actions on probabilities of crossing one's path.

#### ➤ *Boundary Spanning*

The concept of a boundary spanning has been widespread throughout academic research in innovation systems (Yip, Ernst & Campbell, 2009). Boundary Spanning refers to the process of generating commitment, alignment and direction across the five types of boundaries which are horizontal, demographic, vertical, stakeholder and geographic. The most challenging boundary spanning element among the five is horizontal because it involves managing functional groups and the expertise to handle people. This was followed by geographic, demographic, stakeholder and lastly vertical boundaries.

Manral (2011) stated the relationship between boundary spanning mindset and boundary spanning behavior occurred in a way that the employees' boundary spanning behavior is related to employees' boundary-spanning mindset. According to Gavetti and Levinthal (2000), through cognitive learning and experience, employee boundary-spanning mindset which is known as a form of multi-functional capabilities, can be obtained. In their study, they found that 92% of boundary spanning influenced organizational strategies on driving forward innovation. Thus, employees specially managers will have better understanding on idea of innovation via boundary spanning characteristics (Manral, 2011).

#### ➤ *Adaptability*

In elaborating the adaptability element of employee mindset, Fonseca (2001) reported that innovation is the adaptive process in which an organization adapts to a new invention. This ability of an employee to adapt rapidly to the changing task environment is defined as adaptability and the employee is said to possess an adaptive mindset. However, the adaptive process is not an easy method to perform because it is related to and being controlled by other agents (Plsek, 2003). In addition, according to (Plsek, 2003), the main problem with innovation application is the probability of firms to refuse change or make reform as it requires many stages of rebuilding that includes other agents to incorporate innovation. Kanter (1988) agreed that the implementation of

innovation requires people, pattern, structures and activities to change. Adaptability allows managers to smoothly go through chronological phases of learning about the continuous change required in innovation process.

#### ➤ *Objectives of the Study*

This study sought to find answers to the following questions:

1. What is the relationship between employee mindset and employee innovativeness?
2. What are the predictors of employee mindset (cosmopolitanism, cognitive complexity, entrepreneurial mindset and boundary spanning) towards Employee Innovativeness?
3. To what extent does transformational leadership style (internal and external) moderate the relationship between employee mindset and employee innovativeness?

### III. METHODOLOGY

#### ➤ *Research Design*

This study employed a correlational research design in order to explore the relationship between and among variables. The sampling frame for this study was the civil servants from two selected ministries and the Royal Customs Malaysia in Putrajaya. Quota sampling was the sampling technique applied for this study as each ministry was given 110 sets of questionnaires in order to get a total of 300 respondents. Descriptive, inferential and multiple regression statistics were used to analyze data to answer the research questions of this study.

#### ➤ *Research Instrument*

The instrument for this study was the questionnaire consisted of four sections and were based on a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The first section consisted of respondents' demographic profiles while the second section consisted of five dimensions under employee innovativeness which are cosmopolitanism, cognitive complexity, entrepreneurial mindset, boundary spanning and adaptability. Employee mindset instrument developed by Manral (2011) was adapted to measure each dimension comprised of 25 items. The third section consisted of 24-item Survey of Perceived Employee Innovativeness (EI) by Kanter (1988). The last section consisted of two dimensions under transformational leadership style which were internal support and external support. It was measured using transformational leadership scale developed by Gumusluogolu (2009) which comprised of 13 items.



**IV. FINDINGS AND DISCUSSIONS**

Variables	Description	Frequencies	Percentages
Gender	Male	62	20.5
	Female	241	79.5
Age	21 – 30 years old	39	12.9
	31 – 40 years old	264	87.1
Service Grade	Professional	139	45.9
	Non-Professional	164	54.1
Working Experience	1-5 years	102	33.7
	6-10 years	144	47.5
	11-15years	48	15.8
	16-20years	1	0.3
	More than 20 years	8	2.64

Table 1:- Respondents’ Profile (n=303)

As displayed in Table 1, the total number of respondents involved in this study was 303 government servants from two ministries and The Department of Royal Customs Malaysia. The return rate was 91.81%. The majority of respondents was female (n=241, 79.5%) from the age group of 31-40 years old (n=264, 87.1%). It was also found that majority of the respondents’ service grade was from the non-professional group (n=127, 73.4%) and majority of them had 6-10 years of working experience (n=144, 54.8%).

➤ *Research question 1: What is the relationship between employee mindset and employee innovativeness?*

		Employee Innovativeness
Employee Mindset	Pearson Correlation	.708**
	Sig. (2-tailed)	.000
	N	303

Table 2:- Correlation between Employee Mindset and Employee Innovativeness

\*\* Correlation is significant at the 0.01 level (2-tailed).

Table 2 illustrates the relationship between the overall employee mindset and employee innovativeness. It was found that there was a significant and strong relationship between employee mindset and employee innovativeness (r=.708, p<0.01). This finding corresponds with Manral (2011) who found that employees who have the right mindset will become innovative. Greve (2008) also found that innovative employees are related to their mindset.

Further investigation on the relationship between elements of Employee Mindset towards Employee Innovativeness is summarized in Table 3. It was found that three elements under Employee Mindset had significant relationships with Employee Innovativeness (Cosmopolitanism, r=.709, p<0.01, Cognitive Complexity, r= -.184, p<0.01, and Entrepreneurial Mindset, r=.669,

p<0.01). Two other dimensions (Boundary Spanning and Adaptability) were not found to be related to Employee Innovativeness.

Considering all aspects equal, it was found that, Cosmopolitanism trait had a significant and positive relationship with employee innovativeness, signifying ‘the greater cosmopolitanism behavior among employees, the greater innovative mindset they would have’. As for entrepreneurial mindset, employee innovativeness was found to be significantly and positively related portraying ‘the enhanced the employee mindset, the higher employee innovativeness’. Meanwhile, the only significant but negative relationship was found between cognitive complexity and employee innovativeness, demonstrating ‘the greater the level of cognitive complexity among the employees, the lower the level of employee innovativeness’. Among the three elements that were found to be significantly related to employee innovativeness, cosmopolitanism had the strongest relationship with Employee Innovativeness.

No	Variable	1	2	3	4	5	6
1.	Cosmopolitanism	<b>1</b>					
2.	Cognitive Complexity	.311**	<b>1</b>				
3.	Entrepreneurial Mindset	.943**	.307**	<b>1</b>			
4.	Boundary Spanning	.657**	.665**	.755**	<b>1</b>		
5.	Adaptability	.536**	.860**	.485**	.765**	<b>1</b>	
6.	Dependent Variable Employee Innovativeness	<b>.709**</b>	<b>-.184**</b>	<b>.669**</b>	.071	-.002	1

Table 3:- Relationships between sub variables of Employee Mindset vs. Employee Innovativeness  
 \*\*. Correlation is significant at the 0.01 level (2-tailed).

➤ *Research question 2: What are the predictors of Employee Mindset towards Employee Innovativeness?*

Upon closer investigation on the sub dimensions of Employee Mindset to ascertain the predictors towards Employee Innovativeness, it was found that Entrepreneurial Mindset ( $\beta=1.531, p<0.01$ ), Boundary Spanning ( $\beta=-1.1991, p<0.01$ ) and Adaptability ( $\beta=.262, p<0.01$ ) were the predictors towards employee innovativeness (see Table 4).

However, these findings must be interpreted with caution. In this study, regression coefficient yielded more than two predictors, then one can conclude that beta weights has taken place and can be the result of multicollinearity. A beta weight equals the correlation when there is a single predictor. If there are two or predictors, a beta weights can be larger than +1 or smaller than -1, due to multicollinearity. Nonetheless, the study concludes that there are three predictors towards employee innovativeness which are Entrepreneurial Mindset, Boundary Spanning and Adaptability.

Independent Variables	Standardized Coefficients	Sig.	Collinearity Statistics	
	Beta		Tolerance	VIF
Cosmopolitanism	-.069	.356	.060	16.726
Cognitive Complexity	-.062	.116	.218	4.590
Entrepreneurial Mindset	1.531	.000	.045	22.218
Boundary Spanning	-1.199	.000	.134	7.486
Adaptability	.262	.000	.125	8.024
<b>R Square</b>	.901			
<b>F</b>	543.106			
<b>Sig. of F value</b>	.000			
<b>Durbin Watson</b>	1.50			

Table 4: Influence of Employee Mindset towards Employee Innovativeness

➤ *Research question 3: To what extent does transformational leadership style moderate the relationship between employee mindset and employee innovativeness?*

Table 5 shows the findings of the hierarchical regression analysis, investigating the moderating effect of internal transformational leadership style on the relationship between employee mindset and employee innovativeness. Model 1 explained 90.1 per cent of the variance while Model 2 explained 95.6 per cent of the variance with a 5.4 per cent increment. Meanwhile, Model 3 explained 98.7 per cent of the variance with an increment of 3.1 per cent. It was also found that there was significant influence of internal transformational leadership style on the relationship between employee mindset and employee innovativeness ( $\beta=-.776, p<.05$ ).

The interaction between internal transformational leadership style and employee innovativeness has strengthened the relationship between cosmopolitanism and employee innovativeness ( $\beta=4.551, p<.05$ ). The beta-value suggested ‘the greater the level of internal transformational leadership, the greater the effect of cosmopolitanism towards employee innovativeness’. The second significant interaction term involved entrepreneurial mindset. The interaction between internal transformational leadership and employee innovativeness has strengthened the relationship between entrepreneurial mindset and employee innovativeness ( $\beta=3.565, p<.05$ ). The beta-value suggested that ‘the greater the level of internal transformational leadership, the greater the effect of entrepreneurial mindset on employee innovativeness’.

Next, the relationship between boundary spanning and employee innovativeness was strengthened by the interaction between internal transformational leadership style and employee innovativeness ( $\beta=.311, p<.05$ ). The beta-value suggested that ‘the greater the level of internal transformational leadership, the greater the effect of boundary spanning on employee innovativeness’. The last significant interaction involved the last element of employee mindset which was adaptability. The interaction between internal transformational leadership style and employee innovativeness has strengthened the relationship between adaptability and employee innovativeness ( $\beta=-3.326, p<.05$ ). This negative beta-value suggested that ‘the greater the level of internal transformational leadership style, the lower the

effect of adaptability towards employee innovativeness’. Thus, the second research question was answered as there was a moderating effect of internal transformational leadership style on the relationship between employee mindset and employee innovativeness.

To support this result, Drucker, (2014) believed that internal factors such as member personal skills, ability or competence, personal objectives, needs expectation, aspiration, motivation and other internal dynamics can influence the manager’s ability to lead and to innovate. It means that the internal support helps the manager to breed employee innovativeness.

	Organizational Commitment		
	Model 1	Model 2	Model 3
<b>Independent Variables</b>			
Cosmopolitanism	-.069	.460	-2.704
Cognitive Complexity	-.026	-.242	-.030
Entrepreneurial Mindset	1.531	.616	-1.546
Boundary Spanning	-1.199	-.218	-.761
Adaptability	.262	.093	1.468
<b>Moderator</b>			
Transformational Leadership (Internal)		.901	-.776*
<b>Interaction Term</b>			
Cosmopolitanism*Transformational Internal			4.551*
Cognitive Complexity*Transformational Internal			.183
Entrepreneurial*Transformational Internal			3.565*
Boundary*Transformational Internal			.311*
Adaptability*Transformational Internal			-3.326*
<b>R</b>	.901	.956	.987
<b>R Square</b>	.901	.054	.031
<b>R Square Change</b>	.901	.054	.031
<b>F Change</b>	543.106	362.260	1692.058
<b>Sig. F Change</b>	.000	.000	.000
<b>Durbin Watson</b>			1.505

Table 5:- The Results of the Regression Analysis on the Moderating Effects of Transformation leadership style (Internal) on the Relationship between Employee Mindset and Employee Innovativeness

Table 6 shows the findings of another hierarchical regression analysis, investigating the effects of external transformational leadership style as the moderator on the relationship between employee mindset and employee innovativeness. Model 1 explained 90.1 per cent of the variance while Model 2 explained 93.7 per cent of the variance with an increment of 3.6%. Meanwhile, Model 3 explained 99.2 per cent of the variance with a 5.5 per cent increment. This study also found that there was significant moderating influence of external transformational leadership style on the relationship between employee mindset and employee innovativeness ( $\beta=-2.57, p<.05$ ). Four interaction terms were found to be significantly related.

First, the interaction between external transformational leadership style and employee innovativeness has strengthened the relationship between cognitive complexity and employee innovativeness ( $\beta=-.777, p<.05$ ). The beta-value is interpreted as ‘the lower the level of external transformational leadership, the greater the effect of cognitive complexity towards employee innovativeness’. The second significant interaction term involved the third element of employee mindset which is entrepreneurial mindset.

The interaction between external transformational leadership and employee innovativeness has strengthened the relationship between entrepreneurial mindset and employee innovativeness ( $\beta=5.52, p<.05$ ). The beta-value suggested that ‘the higher engagement of external transformational

leadership the better is the effect of entrepreneurial mindset on employee innovativeness'. Next, the relationship between boundary spanning and employee innovativeness was strengthened by the interaction between external transformational leadership style and employee innovativeness ( $\beta=2.19, p<.05$ ). The beta-value suggested that 'the greater the level of external transformational leadership, the better the effect of boundary spanning on employee innovativeness'. Finally, the last significant interaction involved adaptability factor.

The interaction between external transformational leadership style and employee innovativeness has strengthened the relationship between adaptability and employee innovativeness ( $\beta=-2.93, p<.05$ ). This negative beta-value suggested that 'the lesser engagement of external transformational leadership, the lower the effect of adaptability towards employee innovativeness'. Hence, the third research question was answered as there was a moderating effect of external transformational leadership style on the relationship between employee mindset and employee innovativeness.

Independent Variables	Organizational Commitment		
	Model 1	Model 2	Model 3
Cosmopolitanism	-.069	-.500	-3.03
Cognitive Complexity	-.026	-.224	.336
Entrepreneurial Mindset	1.531	.968	-2.81
Boundary Spanning	-1.199	-.403	-2.19
Adaptability	.262	.067	1.30
<b>Moderator</b> Transformational Leadership (External)		.731	-2.57*
<b>Interaction Term</b> Cosmopolitanism*Transformational External			5.05
Cognitive Complexity*Transformational External			-.777*
Entrepreneurial*Transformational Internal			5.52*
Boundary*Transformational External			2.19*
Adaptability*Transformational External			-2.93*
<b>R</b>	.901	.937	.992
<b>R Square</b>	.901	.036	.055
<b>R Square Change</b>	.901	.036	.055
<b>F Change</b>	531.106	168.710	412.82
<b>Sig. F Change</b>	.000	.000	.000
<b>Durbin Watson</b>			1.914

Table 6:- The Results of the Regression Analysis on the Moderating Effects of Transformation leadership style (External) on the Relationship between Employee Mindset and Employee Innovativeness

**V. CONCLUSION**

The results of the findings can be concluded that employee mindset was related to employee innovativeness. In addition, transformational leadership style did moderate that relationship. The research found significant correlations and connections between dimensions of employee mindset (cosmopolitanism, cognitive complexity, and entrepreneurial mindset) and employee innovativeness. All these dimensions consist of important characteristics or mindsets that an employee should possess in order to make changes or innovation in the organization.

As mentioned by Mintzberg (2004), employee mindset is the ability to transform people, organization and system. The first dimension (cosmopolitanism) is one of the important mindsets that manager should apply in order to be more open to changes because it requires them to go beyond the comfort zone and tries to look for measures to interact with the outside world. It involves formal and informal interaction with customers, suppliers and subordinates who differ in culture, background, status as well as geographic area that affect them in improving the way of thinking (Manral, 2011). The second dimension of employee mindset is cognitive complexity which requires employee to think critically to solve problem in the best way possible and to be a good thinker in dealing with new situations and circumstances. Besides, this dimension can be used in generating idea in order to achieve innovation.



Other than those dimensions, entrepreneurial mindset is the third dimension in employee mindset where it requires a manager to have the attitude or mindset like a successful business man. As an entrepreneur, managers and employees alike should possess the aptitude to take risks, seek new opportunities and be creative (Backman, Börjesson, & Setterberg, 2016). Leaders who are willing to take risks and initiate new or improve existing practices tend to be innovative (Bicen, & Johnson, 2015). The next dimension is boundary spanning that comprises variety of capabilities an employee or manager must have to be able create a link between inside and outside the organization so that the information will move freely. This is also an important aspect in innovation process which helps the organization to reduce the barrier between upper and lower level employees as well as those outside the organization. Finally, adaptability is the last dimension in employee mindset that enables them to adapt quickly to the new environment in conducting daily task. For example, when new policy is being introduced, employees can adopt the changes and apply them throughout the organization.

Future researchers may include other sectors including private organizations and government-link companies to have a better understanding or gain information regarding employee innovativeness and employee mindset. It is important to note that managers or supervisors should assist the employees by engaging in transformational leadership style. Both internal and external transformational leadership elements must be present in order to breed innovative employees.

Managers should be careful when exercising their internal transformational leadership style as it was found that it was moderated negatively. Employees should be free to innovate the task assigned to them; they should be rewarded for trying new ways of completing the tasks rather than being reprimanded for doing it wrong. Staff should be given the encouragement for trying to improve the way of how things are done, even though they may result in many failures. Many great innovations are bred from many failures; perfection is almost always absent at the early stage of any invention.

The same goes with external transformational leadership where it was also found to be moderated negatively. Nevertheless, two dimensions of external leadership which were Entrepreneurial Mindset and Boundary Spanning were found to be positively moderated. In essence, employees preferred to be given the space in doing their work. The positive moderation of entrepreneurship reflects that employees should be given the freedom to be creative. Managers should encourage the formation of small dynamic groups at the workplace involving a few employees who have this attribute because they are the found to be creative, imaginative and inventive. Another positively moderated element was boundary

spanning. This finding indicates that employees who perform the job are resourceful and managers should trust that they are capable of doing the tasks assigned. What is needed is the autonomy or independence to carry out their duties and responsibilities without many interruptions from the managers or supervisors. In other words, managers should leave them to execute their duties without interference from their superiors. Only in circumstances like these can the employees flourish and being innovative.

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