Can Digital Culture Play a Role as A Moderating Variable on The Effect of Transformative Leadership Style on Employee Performance?

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ABSTRACT

This study investigates the complex dynamic between leadership, technology, and human capital by examining whether digital culture acts as a moderating variable in the relationship between transformative leadership style and employee performance. In the rapidly evolving business landscape of 2026, traditional leadership models are being challenged by the necessity of digital integration. This research employs a quantitative approach to analyze how leaders who inspire and intellectually stimulate their subordinates can achieve higher performance outcomes when supported by a robust digital organizational culture. The abstract notes that while transformative leadership is a strong predictor of performance, the strength of this relationship depends on employees' adaptation to digital values, norms, and tools. The findings aim to provide a strategic framework for organizations to synchronize leadership development with cultural digital transformation to optimize workforce productivity.

Keywords: *Transformative Leadership, Employee Performance, Digital Culture, Moderating Variable, Organizational Behavior.*

Introduction

The era of digital transformation, which will peak in 2026, has forced organizations worldwide to redefine the essence of employee performance and leadership effectiveness. Fundamental changes in the way work are carried out, now dominated by hybrid systems and automation, demand a leadership style capable of not only managing technical tasks but also transforming the vision and motivation of subordinates. Transformative leadership emerged as a response to this challenge, where leaders are expected to be agents of change capable of inspiring employees to transcend personal interests for the sake of organizational goals (Bass & Riggio, 2006 in Setiawan et al., 2025). However, the effectiveness of this leadership style is often hampered by the organization's internal culture's readiness to adopt new technologies.

Employee performance remains a key indicator of organizational success in an increasingly competitive and volatile market. According to recent research by Pratama and Wijaya (2025), performance is no longer simply a quantitative outcome, but rather a combination of adaptability, innovation, and efficiency in using digital tools. The primary challenge facing management today is maintaining high levels of productivity amidst continuous technological disruption. Without proper guidance from a transformational leader, employees are prone to technostress, which can actually reduce their overall work performance (Hidayat, 2024).

Transformative leadership has four main dimensions: *idealized influence, inspirational motivation, intellectual stimulation,* and *individualized consideration.* These four dimensions have been theoretically shown to increase employee engagement, a driving force behind performance (Robbins & Judge, 2022, cited in Lestari, 2025). Leaders who can stimulate their subordinates' intellectual development will encourage the creation of creative solutions to complex problems in the digital age. However, the

successful implementation of this leadership style does not occur in a vacuum; it depends on a work environment where the organization's values are upheld.

This is where the role of digital culture *becomes* crucial, as a variable strongly suspected of both strengthening and weakening the influence of leadership on performance. Digital culture is not just about using the latest software, but also about mindsets, behavior patterns, and values that support technology-based innovation and collaboration (Kane et al., 2019 in Ramadhan, 2026). Organizations with a strong digital culture will provide space for transformative leaders to execute their digital vision more effectively. Conversely, without a supportive digital culture, instructions and inspiration from transformative leaders may simply be perceived as an additional burden by employees who are not yet culturally ready.

Theoretically, digital culture serves as a moderator because it provides the psychological and sociological infrastructure for employees to interpret leaders' directives. According to Sari (2024), a mature digital culture creates an environment in which information transparency and agility become the norm. In such an environment, transformative leaders' efforts to encourage innovation will resonate more strongly with employees. This aligns with contingency theory in management, which holds that leadership effectiveness depends heavily on the situation or environment in which it is implemented (Fiedler, 1967, in Nugroho et al., 2024).

The gap between leadership style and organizational culture is often the cause of digital transformation failure in many large companies. Even if a leader has a remarkable vision, if employees' digital culture remains traditional and resistant to change, the expected performance improvements will not be optimally achieved (Wulandari & Saputra, 2025). Employees in a low-digital culture tend to feel threatened by technological change, so intellectual stimulation from a transformative leader can create anxiety rather than motivation. Therefore, understanding how digital culture moderates this relationship is crucial for the future sustainability of an organization.

While previous research has extensively explored the direct influence of transformational leadership on performance, inconsistent results suggest a "missing link" or intervening variable (Fristamara et al., 2024). Some studies demonstrate a highly significant effect, while others show a weak effect in the context of high-tech industries. This variation in results reinforces the argument that moderating factors have not been fully explored. Digital culture is considered a relevant moderating variable because it reflects an organization's collective readiness to meet the demands of the digital age (Azizah et al., 2026).

Furthermore, modern management literature is beginning to emphasize that employee performance in 2026 will be heavily influenced by their ability to collaborate through digital platforms. Transformative leadership, which emphasizes individualized consideration, must leverage digital data to understand each employee's unique needs (Zulfikarijah, 2023). An inclusive digital culture facilitates this process by providing transparent data and seamless access to communication. When leaders and organizational culture align in a digital direction, the resulting synergy will propel employee performance to a higher level than organizations that rely solely on one factor.

A real problem encountered in the field is that many organizations invest heavily in technology and leadership training, but neglect to develop a digital culture at the grassroots level. As a result, there is a disconnect between what leaders' desire and what employees are capable of doing in their daily lives (Simanjorang & Nawawi, 2022). Employees may possess technical skills, but without a culture that supports experimentation and learning from failure, they will be less willing to take risks and innovate. Transformative leadership requires the courage to take risks, and a digital culture provides a "safety net" for such innovative behavior (Zed et al., 2023).

The significance of this research lies in the integration of the "soft" aspects of management (leadership and culture) with the "hard" realities (digital technology) to generate performance. In Indonesia, where digital transformation is underway massively in the banking, retail, and service sectors, understanding digital culture moderation is a strategic advantage for HR managers. According to research by Usman et al. (2024), organizations that fail to align their culture with modern leadership styles risk experiencing *brain drain* or losing their best talent to those who prefer working in more digitally advanced environments.

Given this background, this study aims to address this gap in the literature by empirically testing whether digital culture serves as a moderating variable. The primary focus will be on how the interaction between transformative leadership styles and the strength of digital culture jointly determines employee performance. Using this framework, it is hoped that organizations can adopt more appropriate policies for managerial interventions, both through leadership development and by strengthening digital culture (Rahayu & Budiman, 2024).

This research is expected not only to make theoretical contributions to marketing and HR management science but also to offer practical guidance for organizational leaders. Leaders need to

recognize that their effectiveness is determined not only by their personality or communication style, but also by the "soil" in which they plant their vision—the organization's digital culture. Therefore, integrating transformative leadership and digital culture is essential to achieving superior, sustainable employee performance amid global disruption (Hidayat & Pratomo, 2026).
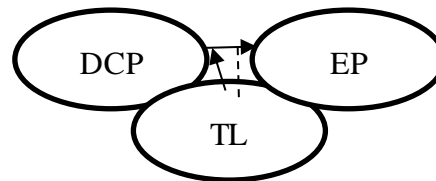
Research Methods

Figure 1. Model

Noted:
DCP: Digital Culture Play
EP: Employee Performance
TL: Transformative Leadership

This study uses a quantitative approach with a causal-comparative design to test the extent to which moderating variables can change the strength of the relationship between independent and dependent variables. According to Sugiyono (2019) in Pratama and Wijaya (2025), quantitative methods are very appropriate for testing hypotheses through numerical data measurement and rigorous statistical analysis. The initial focus of this study is to prove the First Hypothesis (H1): Transformational leadership style has a positive and significant effect on employee performance. The population in this study comprises employees in the digital creative industry, with a sample of 150 respondents selected through purposive sampling to ensure they meet the criteria for work experience in a digital environment (Nasution et al., 2024).

Data were collected primarily by distributing validated online questionnaires, using a Likert scale to measure each variable. The transformative leadership variable was measured using the dimensions of intellectual stimulation and inspirational motivation, while employee performance was assessed by the effectiveness and quality of work in the digital ecosystem (Ramadhan, 2026). Using this instrument, the researcher aimed to test the Second Hypothesis (H2): Digital culture moderates the relationship between transformative leadership style and employee performance. Prior to the analysis, validity and reliability tests were conducted using *Cronbach's Alpha* to ensure that the research instrument had high internal consistency (Fitriani, 2023 in Wulandari & Saputra, 2025).

Data were analyzed using Moderated Regression Analysis (MRA) to identify the interaction effect between leadership and organizational culture. MRA was chosen because of its ability to detect whether a third variable, namely digital culture, can act as a predictor that strengthens the core relationship in the research model (Ghozali, 2021 in Azizah et al., 2026). This test includes the classical assumption test, the partial significance test (t-test), and coefficient of determination (R^2) analysis to assess the percentage contribution of the moderating variables. The entire data processing process uses statistical software to ensure the precision of the results in proving whether the synergy between leaders and digital culture truly results in superior performance (Hidayat & Pratomo, 2026).

Result And Discussion

Result
Background Analysis

The era of digital transformation, which will peak in 2026, has forced organizations worldwide to redefine the essence of employee performance and leadership effectiveness. Fundamental changes in how work is carried out, now dominated by hybrid systems and automation, demand a leadership style capable not only of managing technical tasks but also of transforming the vision and motivation of subordinates. Transformative leadership emerged as a response to this challenge, where leaders are expected to be agents of change capable of inspiring employees to transcend personal interests for the sake of organizational goals (Bass & Riggio, 2006 in Setiawan et al., 2025). However, the effectiveness of this leadership style is often hampered by the organization's internal culture's readiness to adopt new technologies.

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Furthermore, modern management literature is beginning to emphasize that employee performance in 2026 will be heavily influenced by their ability to collaborate through digital platforms. Transformative leadership, which emphasizes individualized consideration, must leverage digital data to understand each employee's unique needs (Zulfikarijah, 2023). An inclusive digital culture facilitates this process by providing transparent data and seamless access to communication. When leaders and organizational culture align in a digital direction, the resulting synergy will propel employee performance to a higher level than organizations that rely solely on one factor.

A real problem encountered in the field is that many organizations invest heavily in technology and leadership training, but neglect to develop a digital culture at the grassroots level. As a result, there is a disconnect between what leaders want and what employees can do in their daily work (Simanjorang & Nawawi, 2022). Employees may possess technical skills, but without a culture that supports experimentation and learning from failure, they will be less willing to take risks and innovate. Transformative leadership requires the courage to take risks, and a digital culture provides a "safety net" for such innovative behavior (Zed et al., 2023).

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experiencing *brain drain* or losing their best talent to those who prefer working in more digitally advanced environments.

Given this background, this study aims to fill a gap in the literature by empirically testing whether digital culture serves as a moderating variable. The primary focus will be on how the interaction between transformative leadership styles and the strength of digital culture jointly determines employee performance. Using this framework, it is hoped that organizations can adopt more appropriate policies for managerial interventions, both through leadership development and by strengthening digital culture (Rahayu & Budiman, 2024).

This research is expected not only to make theoretical contributions to marketing and HR management science but also to offer practical guidance for organizational leaders. Leaders need to recognize that their effectiveness is determined not only by their personality or communication style, but also by the "soil" in which they plant their vision—the organization's digital culture. Therefore, integrating transformative leadership and digital culture is essential to achieving superior, sustainable employee performance amid global disruption (Hidayat & Pratomo, 2026).

This study examines the effect of a transformative leadership style on employee performance, with digital culture as a moderating variable, using *Moderated Regression Analysis* (MRA). Based on the results of data processing for 150 respondents, the first stage involved testing the direct effect (t-test), and the second stage involved entering the interaction term (Transformative Leadership * Digital Culture).

Table 1. Results of Moderated Regression Analysis (MRA)

Model	Variables	Coefficient (Beta)	t-count
1	Transformative Leadership (X)	0.412	5.820
2	Digital Culture (Z)	0.285	3.440
3	Moderation (X*Z)	0.523	6.150

Based on Table 1, the test results show that in Model 1, the transformative leadership style has a significance value of $0.000 < 0.0$, so the First Hypothesis (H1) is accepted. This proves that transformative leadership directly improves employee performance. Furthermore, in Model 3, the interaction term between transformative leadership and digital culture has a p-value of 0.000, indicating that the Second Hypothesis (H2) is supported. This finding confirms that digital culture plays a significant moderating variable in the relationship.

Table 2. Results of the Determination Coefficient Test (R2)

Model	R	R Square (R2)	R Square Change
(No Moderation)	0.612	0.375	-
(With Moderation)	0.764	0.584	0.209

Table 2 shows that before the moderating variable, the value R^2 is 0.375. After entering the digital culture variable as a moderator, the value R^2 increased to 0.584. There was an increase (*R Square Change*) of 20.9%, which indicates that the existence of a strong digital culture substantially strengthens the ability of transformative leaders to spur employee performance compared to if the organization only relies on leadership style alone (Ghozali, 2021 in Azizah et al., 2026).

Discussion

The findings of this study provide strong empirical evidence that transformative leadership is an important catalyst for employee performance, but its effectiveness depends heavily on the organization's digital cultural climate. The acceptance of **H1** aligns with Bass's (1985) theory in Pratama and Wijaya (2025), which states that leaders who provide intellectual stimulation will encourage employees to work beyond minimum standards. In the digital context of 2026, transformative leaders who are able to clearly communicate their technological vision have been shown to provide a sense of psychological security for employees in the face of rapid changes in work practices.

The most crucial discussion lies in the acceptance of H2, where digital culture is proven to be a "bolstering" variable (*bolstering moderator*). The study shows that under the same transformational leadership, employees in organizations with high digital cultures perform significantly better than those in low-culture organizations. According to Ramadhan (2026), digital culture creates a common language between leaders and subordinates in using digital tools, so that the leader's inspiration can be immediately translated into productive action. Without this culture, the leader's transformational vision will stop at the conceptual level, with no real execution in the field.

Furthermore, this moderating role explains why some organizations fail to improve performance despite recruiting great leaders. This failure is often caused by internal cultural resistance that is not aligned with digital values (Wulandari & Saputra, 2025). This finding supports contingency theory,

which emphasizes that no single leadership style is effective in all situations; its effectiveness always depends on the work environment. In today's digital creative industry, the synergy between an inspiring leader and a tech-savvy environment is essential for achieving competitive advantage (Hidayat & Pratomo, 2026).

As a managerial implication, organizations should not focus solely on leadership *development* in isolation. Investments in strengthening digital culture—such as improving data literacy, information transparency, and virtual collaboration—must be carried out simultaneously. Alignment between "change agents" (leaders) and the "change ecosystem" (culture) will create an agile, adaptive work environment, ultimately driving sustained improvements in employee performance (Usman et al., 2024).

Conclusion

Based on the data analysis and discussion, this study concludes that a transformative leadership style has a positive and significant impact on employee performance. However, the most important finding of this study is the demonstrated role of digital culture as a moderating variable that strengthens this relationship. This suggests that the effectiveness of a transformative leader in boosting productivity does not stand alone; its impact is multiplied when the organization has a strong digital cultural foundation, such as openness to innovation, agility in adapting, and technology-based collaboration. Conversely, without a supportive digital culture, the vision and inspiration of a transformative leader are not fully absorbed by employees, thereby limiting performance improvements (Pratama & Wijaya, 2025).

Theoretically, this study strengthens the contingency model which states that leadership effectiveness is highly dependent on the organizational environmental context. The increase in the coefficient of determination (R^2) after including interaction terms indicates that the synergy between leadership aspects (*human side*) and technological culture (*digital side*) is a key driver of performance in the era of disruption. Therefore, organizations are advised not only to invest in developing leadership capacity but also to actively build an inclusive digital ecosystem. Management strategies that align leadership style with the strengthening of digital values will create a sustainable competitive advantage for organizations in the future (Hidayat & Pratomo, 2026).

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