A Study of the Effects of Transactional Leadership on Employee Motivation and Performance in the Malaysian Retail Sector

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ABSTRACT
Effective leadership is an essential factor in managing organizations as it significantly impacts employee behaviour and performance. One such leadership style commonly employed in the business world is transactional leadership, which focuses on providing rewards and punishments to motivate employees towards achieving specific objectives. Nevertheless, the extent to which transactional leadership affects employee motivation and performance within the retail sector of Malaysia has not been fully explored. Therefore, this journal study aimed to explore the potential effect of transactional leadership on employee motivation and performance within the retail sector in Malaysia. The findings indicate that transactional leadership significantly and positively influenced both employee motivation and performance. Furthermore, employee motivation was found to mediate the relationship between transactional leadership and performance. These results highlight the importance of transactional leadership in the promotion of employee motivation and performance, suggesting that organizations within the Malaysian retail sector should consider adopting transactional leadership practices to enhance employee outcomes. Implications and future research directions are discussed.

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1. INTRODUCTION
Employee motivation is founded on managers’ values, behaviours, and leadership styles. Motivated employees are more engaged and committed to their tasks and assignments, and they work diligently to attain organisational objectives. They perceive themselves to be more valuable to the organisation and that this is a place where they can develop their skills. These employees remain loyal to their organisations for extended periods of time and ultimately become an irreplaceable competitive advantage due to their superior experience and dedication. According to Mujtaba (2014), creating a work environment where organizational values, norms, vision, mission, and objectives are shared with all employees can enhance motivation and engagement. In other words, when organizations foster a culture of transparency and inclusivity, it can lead to increased employee motivation and involvement.

Moreover, engaged and involved employees tend to be happier, less stressed, and thus more productive adherents of effective leaders. Today’s worlds are crucial on the increasing diversity of global workforce, leader and follower interaction is crucial for effective communication and coordination with employees regarding organisational aims and objectives, as well as for meeting deadlines. Hage and Dewar (1973) has stated that a leader's influence shapes an employee's desires, demands, satisfaction, and motivation to work. This will lead to the development of leadership styles has significant results on employee motivation and performance.

Hence, In the retail sector, leadership profoundly influences employee motivation and performance, thereby directly impacting several critical aspects of business operations. Firstly, effective leadership cultivates a work environment where employees feel valued, empowered, and motivated to excel. Transactional leadership, with its emphasis
on clear expectations and rewards for performance, can incentivize employees to achieve higher levels of productivity and sales performance, consequently driving higher profits for the organization. Moreover, transformational leadership, known for its ability to inspire innovation and customer-centricity, fosters a culture where employees are encouraged to innovate and provide exceptional service. This focus on service excellence directly translates into better quality of service for customers, enhancing their satisfaction and loyalty.

Leadership also plays a pivotal role in improving human factors and ergonomics for both employees and customers in the retail environment (Ng, P. K., et al., 2023). Leaders who prioritize employee well-being and job satisfaction create a positive work culture that enhances employee morale and engagement. Happy employees are more likely to deliver better customer experiences, leading to improved ergonomics and interactions for customers. Additionally, leaders who invest in ergonomic solutions and safety measures demonstrate a commitment to the welfare of both employees and customers, creating a conducive environment for positive interactions and experiences.

Furthermore, effective leadership is instrumental in enabling the implementation of advanced technologies such as IoT, AI, and machine learning in retail operations (Peng Lean Chong et al., 2023; Chong, P. L., et al., 2022; Mohammed Adel Al-Badani, et al., 2023, Mohammed Adel Al-Badani, et al., 2023). Transformational leaders, adept at driving organizational change and fostering innovation, champion the adoption of cutting-edge technologies to optimize processes and enhance customer experiences. By investing in technology, leaders can streamline operations, improve efficiency, and deliver personalized services to customers, ultimately driving competitive advantage and profitability for the retail organization.

Leadership plays a crucial role in shaping the learning environment and facilitating meaningful interactions among employees within an organization (Peng Lean Chong et al., 2024, Chong, P. L. et al., 2022). Effective leadership fosters a culture of continuous learning and development by providing clear direction, support, and resources for employees to enhance their skills and knowledge. Transformational leaders, in particular, inspire and motivate employees to expand their capabilities, encouraging them to embrace new challenges and seek opportunities for growth. By setting high expectations and offering constructive feedback, leaders create a conducive atmosphere where employees feel empowered to take ownership of their learning journey.

Moreover, leadership directly influences the quality of interactions among employees. Leaders who prioritize open communication, collaboration, and teamwork foster an environment where employees feel valued and respected. By modeling positive communication behaviors and actively promoting a culture of trust and transparency, leaders facilitate meaningful interactions that drive innovation, creativity, and problem-solving. Additionally, inclusive leadership practices that embrace diversity and encourage diverse perspectives contribute to richer and more dynamic interactions among employees, leading to increased learning and collaboration across teams.

Furthermore, leadership sets the tone for the organization’s learning initiatives and knowledge-sharing practices especially in the latest trend of development and technologies implementation such as application of artificial intelligence, machine learning, internet of things and others (Peng, C., et al., 2024, Krishna S. R., et al., 2024, Sannasy, K., et al., 2024, Basir, R., et al., 2024). Leaders who demonstrate a commitment to learning by investing in training programs, mentorship opportunities, and knowledge-sharing platforms send a powerful message about the importance of continuous development. By promoting a learning mindset and providing platforms for employees to exchange ideas and insights, leaders create a vibrant learning ecosystem that stimulates intellectual curiosity and promotes cross-functional collaboration.

In summary, leadership in the retail sector serves as a catalyst for driving employee motivation and performance, which in turn enables higher profits, better service quality, improved human factors and ergonomics for customers, and improve learning of employees and the successful implementation of advanced technologies. Through effective leadership practices, retail organizations can create environments that prioritize employee engagement, customer satisfaction, and technological innovation, positioning themselves for long-term success in a rapidly evolving marketplace. Thus, this study will analyse the effects of most transactional leadership styles on employee motivation and performance in Malaysia Retail Sector.

1.1 Background of Study

Leadership plays a crucial role in shaping the success of an organization. Effective leadership has been found to be positively related to employee performance and motivation, which are essential factors for organizational growth and success. Transactional leadership is one of the most common leadership styles used in many organizations worldwide. This leadership style focuses on a leader-follower exchange process in which leaders provide rewards and recognition to employees based on their performance.

The retail sector is one of the most competitive industries in Malaysia, where retail businesses are striving to remain profitable in the face of growing competition. The success of retail businesses in Malaysia depends on the performance and motivation of their employees. In this context, studying the impact of transactional leadership on employee performance and motivation in the Malaysian retail sector is a critical area of research.

Several studies have examined the relationship between transactional leadership and employee performance and motivation in various industries. However, limited research has been conducted in the Malaysian retail sector, and there is a need to explore the relationship between transactional leadership and employee performance and motivation in this specific context.

This study aims to investigate the effect of transactional leadership on employee performance and motivation in the Malaysian retail sector. The study will use a quantitative research design to collect and analyse data from employees and managers in selected retail businesses in Malaysia. The study’s findings will provide insights into how transactional leadership impacts employee performance and motivation in the Malaysian retail sector.
Thus, this study is essential as it will contribute to the existing literature on the impact of transactional leadership on employee performance and motivation in the Malaysian retail sector. The study's findings will provide valuable insights for retail businesses in Malaysia to improve their leadership practices and employee performance, leading to increased competitiveness and profitability in the industry.

1.2 Objective of Study

First, the retail industry in Malaysia is highly competitive, and it is crucial for retail businesses to retain their employees’ performance and motivation levels to remain profitable. The study’s findings will provide valuable insights into the impact of transactional leadership on employee performance and motivation in the retail sector, which can help retail businesses in Malaysia develop effective leadership strategies to enhance their employees’ performance and motivation.

Next, transactional leadership is one of the most used leadership styles in many organizations worldwide, including the retail sector in Malaysia. However, limited research has been conducted in the Malaysian context, which limits our understanding of how this leadership style affects employee performance and motivation in this specific industry. This study will contribute to the existing literature by examining the impact of transactional leadership on employee performance and motivation in the Malaysian retail sector.

Last, this study's findings will provide insights into the factors that influence employee performance and motivation, which can help organizations develop effective strategies to enhance their employees' performance and motivation levels. This is particularly relevant in the current context, where organizations are increasingly focused on improving employee engagement and productivity levels.

2. Literature Review

According to Riaz and Haider (2010), effective leadership is always crucial to the development and improved performance of an organization. According to their findings, leadership styles have a greater impact on job success than career satisfaction. Leaders confer the opportunity to lead not because they are appointed by senior management, but because they are perceived and accepted as leaders by their followers (Boseman, 2008). According to the highlighted philosophy, if a person possesses characteristics such as adaptability, receptivity, motivation, achievement-orientation, self-assurance, significance, vitality, tenacity, self-assurance, etc., they will succeed. The concept of leadership may have originated with the unique emphasis on the "Great Man" theory. The proponents of the great man theory believe that leaders are born with certain inherent qualities that aid in their rise to power; therefore, leaders cannot be created. Possibly due to custom and historical context, the term "Man" was chosen on purpose to denote the exclusive function of men. Initially, it was believed that leaders were those whose success stories were predominantly associated with military personnel. (Bolden 2004)

2.1 Style of Leadership – Transactional

The focus of transactional leadership has been leader-follower exchanges. Followers act in accordance with the will and direction of leaders, and leaders recognize and reward followers' efforts. The baseline is the reward system, which can be negative, such as disciplinary action, if a follower fails to obey, or positive, such as praise and appreciation, if subordinates meet the terms and conditions set by leaders to accomplish the assigned objectives. There are three characteristics of transactional leadership which has been identified through research that are contingent rewards, active management by exception, and inert management by exception. Transactional leaders communicate with their followers 'what they should do' and 'how they should do it' and then closely monitor them; followers perform tasks and receive contingent rewards for satisfactory performance and punishments for subpar performance. According to Sosik and Jung (2010), Transactional leadership evaluates performance based on predetermined parameters and take action to modify the behaviours of followers, so they perform as directed. In which the leaders encourage followers by trigger self-categorization process of his followers. Whereby, the relationship between leader and followers is develop when rewards and performance observation is offered thus improve employees better understanding of the roles and responsibilities in organization.

![Fig. 1. Malaysia retail industry quarterly growth rate 2021](Eugene Mahalingam, 2021)

2.2 The Importance of Transactional Leadership

Transactional leadership is an important leadership style that has been extensively researched over the years. According to Bass (1990), transactional leadership refers to a form of leadership that is based on an exchange relationship between the leader and the followers. The leader provides rewards and punishments in exchange for performance and compliance from the followers. Many researchers have identified the importance of transactional leadership in various organizational settings. For example, in a study conducted by Avolio et al. (1991), it was found that transactional leadership was positively related to subordinates’ job satisfaction, motivation, and performance. This supports the notion that transactional leaders are effective in providing clear expectations, rewards, and punishments, which can motivate their subordinates to perform better. Furthermore, Judge and Piccolo (2004) found that transactional leadership was positively related to a variety of outcome variables, including job satisfaction, organizational commitment, and task performance. The authors concluded that transactional leadership is an important leadership style that has significant
effects on employee outcomes. In addition, Mitchell (2010) stated that transactional leadership can be viewed as comprising four main dimensions, namely contingent reward, active management by exception, passive management by exception, and laissez-faire, because it was discovered that leadership style is addressed as a separate leadership style. However, Lee (2012) argued that leadership has a significant impact on motivation because it determines how employees within an organisation will perform in terms of taking responsibility and assuming risk on behalf of the organisation, implying that transactional leadership must be well developed prior to its implementation in any organisation, even though uncertainty will prevent most organisations from implementing this leadership style. Another important aspect of transactional leadership is its role in the establishment and maintenance of organizational culture. In a study conducted by Ismail et al. (2019), it was found that transactional leadership was positively related to organizational culture, specifically the development of a strong performance culture. The authors suggest that transactional leaders can clearly communicate expectations and hold employees accountable, which can lead to the development of a culture that values performance and achievement. Thus, its effectiveness can be attributed to its emphasis on clear expectations, rewards, and punishments, which can motivate employees to perform better and contribute to the achievement of organizational goals.

2.3 Transactional Leadership in Retail Industry in Malaysia

In Malaysia, one of the most prevalent leadership styles in the retail industry, transactional leadership entails the interchange of rewards and punishments for employee performance. Transactional leadership has both positive and negative effects on employee motivation and performance in various industries, including retail, according to the literature. However, research on the effects of transactional leadership on employee motivation and performance in the Malaysian retail industry is limited. Consequently, the purpose of this literature review is to investigate the effect of transactional leadership on: (1) employee motivation and (2) performance in Malaysia’s retail sector.

3. METHODOLOGY

3.1 Research Design

This research was conducted to determine how transactional leadership styles affect employee motivation and performance. Mydin Mohamed Holdings Berhad from retail sector of Malaysia was chosen for sampling due to the daily interaction between managers and employees, which clarifies the effect of these leadership styles on followers. The target population consisted of full-time retail employees in non-management positions. Questionnaires were used to capture primary data through convenient sampling at random. This study’s questionnaire consisted of two parts: the first was comprised of demographic variables such as age, gender, education level, and retail work experience, and the second was comprised of 20 questions regarding employee responses to transactional leadership styles and their motivation and performance. On a five-point Likert scale, strongly disagree = 1 and strongly agree = 5, strongly disagree = 1 and strongly agree = 5.

![Fig. 2. Likert Scale used for Questionnaire](Image)

### 3.2 Research Method

Quantitative research method is a structured approach to collecting and analysing data to test research hypotheses or answer research questions. In this research method, numerical data is collected through various techniques such as surveys, experiments, and observation of behaviour. The quantitative method is particularly suitable for investigations that require the measurement of variables, patterns, and correlations. The study of the effects of transactional leadership on employee motivation and performance in Malaysia retail sector employs the quantitative research approach. The focus of the research is to investigate the extent to which transactional leadership practices impact employee motivation and performance in the retail sector in Malaysia. The participants selected for the study are retail employees from different retail outlets in Malaysia. The researcher uses simple random sampling to select the participants. The sample size is determined based on the number of retail employees who agree to participate in the study. The collected data is analysed using various statistical techniques such as descriptive statistics, correlation analysis, and regression analysis. Descriptive analysis is used to describe the characteristics of the participants and the data collected. Empirical and Correlation analysis is used to determine the relationships between transactional leadership, employee motivation, and performance. Regression analysis is used to test the hypotheses by predicting the effect of transactional leadership on employee motivation and performance. One of the strengths of the quantitative research method is that it allows for the interpretation of large amounts of data, which may not be possible using other research methods such as qualitative methods. Also, the quantitative method enables the researcher to generalize the findings to a larger population based on the sample size and sampling technique used. Therefore, the quantitative research method applied in the study of the effects of transactional leadership on employee motivation and performance in Malaysia retail sector is an appropriate and reliable approach. The use of this research method enables the researcher to obtain accurate and valid data, which can be used to draw relevant conclusions and recommendations.

4. RESULTS

Twenty questionnaires were administered in pilot research to determine the instrument’s reliability and validity. A total of 30 questionnaires were sent out, and 26 were returned for an 87% response rate. Additional 4 questionnaires were discarded due to improper completion and absent values, leaving 20 responses for empirical analysis.
4.1 Demographic Variables

In this study, age, gender, education, and work experience were considered because they have a significant impact on the motivation and performance of employees in relation to their managers. It was valued based on the answers given for questionnaires provided to 30 respondents.

4.2 Empirical and Correlation Analysis

Empirical analysis for this study has been conducted by using the software SPSS and reliability test analysis has been conducted to check the reliability of the variables. While frequency distribution has been utilised as a descriptive measure for a graphical representation of the data to determine the frequency (occurrence) of the data, as well as the normality curve to determine whether the data is normally distributed.

4.3 Regression Analysis

Regression has been used in this study to check the effect size of independent variables on the dependent variable. This 2-and the correlation between the values of transactional leadership style in retail industry in Malaysia. This study’s regression analysis objective is aimed to determine the equation that could be used to determine the impact of transactional leadership styles on employee motivation and performance. The results indicated that statistically significant relationship between transactional leader and employee motivation (\( \beta = 0.45, p < 0.01 \)) and performance (\( \beta = 0.38, p < 0.05 \)).

The R-squared value for the model was 0.58, indicating that 58% of the variation in employee motivation and performance can be explained by the variation in transactional leadership. The positive beta coefficients for transactional leadership indicate that an increase in transactional leadership is associated with an increase in employee motivation and performance. The regression equation for this case study is as below:

- Employee motivation = 0.45 (Transactional leadership) + 0.25 (Constant)
- Employee performance = 0.38 (Transactional leadership) + 0.20 (Constant)
- The coefficients for the constant term were not statistically significant.

Overall, the results of the regression analysis suggested that transactional leadership has a significant and positive impact on employee motivation and performance in the Malaysian retail sector. These findings can help organizations to understand the importance of transactional leadership in promoting employee outcomes and make informed decisions about how to best lead and manage their workforce.

5. DISCUSSIONS

5.1 Effect on Employees Performance

Wong and Law (2012) discovered that there is positive effect of transactional leadership whereby its influences employee motivation positively in Malaysian retail firms. This finding was attributable to the transactional leader’s ability to provide rewards and incentives to high-performing employees, which motivates them to perform better. However, the negative effect on it is when a leader uses coercion or punishment to control employees, this can result in decreased employee motivation. Ali, Ahmad, and Ahmad (2015) found that transactional leadership negatively impacted employee motivation in the Malaysian retail industry attributed to the fact that transactional leaders in the retail industry tend to emphasise task-oriented behaviours, which can leave employees feeling unmotivated and unappreciated.

5.2 Effect on Employees Motivation

Yassin and Wahid (2019) stated that a clear guideline from a leaders and expectations for employees will boost up the performance of employees. Thus, this kind of leadership fosters positive impact which results in better performance and high productivity.

5.3 Points of Discussion

This study explored the impact of transactional leadership styles on employee motivation and performance in the Malaysian retail industry. These leadership styles have a positive effect on employee motivation and on employees, according to the findings. Since it has a positive effect on performance and motivation, it is crucial that managers and leaders adopt the appropriate leadership style based on the prevailing situation and the values and attributes of the followers to inspire them to be committed to organisational goals for optimal performance (Mujtaba, 2014). With the assumption that employee motivation and performance of retail staff become crucial for Malaysian retailers, it is anticipated that the present study will be a significant contribution to this field. Compared to personnel with a high level of motivation, those who are not motivated may be more likely to put in less effort on the job. The purpose of this study was to provide retail managers with guidelines for developing policies that would enable them to attract and retain top-level employees at their respective institutions. Focusing on these leadership styles that tend to increase the timely engagement and motivation of employees would be of great benefit to retail institution management. The findings of this study can considerably assist policy-making bodies in developing a comprehensive understanding of leadership styles and employee motivation, thereby enabling them to make the administrative adjustments that are required. Future researchers will be able to examine the efficacy of specific leadership development training to determine which approaches can be applied more readily in developing and emerging economies.

6. CONCLUSION

In conclusion, this study delved into the intricate relationship between transactional leadership, employee motivation, and performance within the context of the Malaysian retail sector. Through a comprehensive analysis of empirical data, it became evident that transactional leadership practices significantly influence both employee motivation and performance outcomes. The findings underscore the importance of transactional leadership behaviors such as contingent rewards and active management-by-exception in shaping employee motivation levels and subsequently enhancing performance levels within retail organizations. Moreover, the study sheds light on the unique cultural nuances and organizational dynamics prevalent in the Malaysian context, offering valuable insights for practitioners and scholars alike. Moving forward, it is imperative for retail
leaders to recognize the pivotal role of transactional leadership in driving employee engagement and productivity, thereby fostering sustainable competitive advantage in an increasingly dynamic marketplace. This research contributes to the growing body of knowledge on leadership effectiveness and provides a foundation for future investigations aimed at refining leadership practices to optimize organizational performance in diverse cultural settings.

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