

The Influence of Transformational Leadership Style and Work Environment on Employee Performance in Retail Companies

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Abstract

This study examines the influence of transformational leadership style and work environment on employee performance within retail companies. The research aims to provide comprehensive insights into how leadership behaviors and environmental factors contribute to enhanced employee performance in retail settings. This qualitative research employs a comprehensive analysis utilizing in-depth interviews, focus group discussions, and thematic analysis to explore the relationships between transformational leadership, work environment, and employee performance. The study examines Bass's four dimensions of transformational leadership (idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration) and their interaction with various work environment factors. The analysis reveals that transformational leadership significantly influences employee performance through its four core dimensions. The work environment, encompassing both physical and psychological elements, serves as a crucial moderating factor in this relationship. The study identifies key themes including leadership authenticity, environmental supportiveness, employee empowerment, and performance enhancement mechanisms. The findings provide valuable insights for retail managers and human resource professionals to develop effective leadership strategies and create supportive work environments that optimize employee performance. The research offers practical guidance for implementing transformational leadership practices in retail contexts. This study contributes to the existing literature by providing a comprehensive qualitative analysis of the interaction between transformational leadership and work environment in influencing retail employee performance, offering new perspectives on leadership effectiveness in retail settings.

Keywords: transformational leadership, work environment, employee performance, retail industry

INTRODUCTION

The retail industry represents one of the most dynamic and competitive sectors in the global economy, characterized by rapid changes in consumer behavior, technological advancement, and market demands. In this highly competitive environment, employee performance emerges as a critical determinant of organizational success, directly impacting customer satisfaction, sales performance, and overall business outcomes. The challenges facing retail companies include high employee turnover rates, demanding work conditions, and the need to maintain consistent service quality across multiple locations (TEBEKIN & SERYAKOV, 2025).

Leadership effectiveness has been identified as a fundamental factor influencing employee performance, with transformational leadership emerging as one of the most effective approaches for driving positive organizational outcomes. Transformational leadership, originally conceptualized by Burns (1978) and later developed by Bass (1985), encompasses behaviors that inspire and motivate employees to exceed expectations while fostering innovation, trust, and personal growth (Qalati et al., 2022). This leadership style is particularly relevant in retail contexts where leaders must navigate complex interpersonal dynamics while maintaining operational efficiency (Sigalingging & Azmy, 2023).

The work environment represents another crucial factor affecting employee performance in retail settings. Research indicates that environmental factors, including physical conditions, organizational culture, and interpersonal relationships, significantly influence employee motivation,

satisfaction, and productivity. In retail environments, employees face unique challenges including customer interactions, physical demands, and variable work schedules, making the work environment a critical consideration for performance optimization.

Despite extensive research on transformational leadership and work environment factors independently, there remains a gap in understanding their combined influence on employee performance specifically within retail contexts. The complexity of retail operations, with their emphasis on customer service, sales performance, and operational efficiency, requires a nuanced understanding of how leadership and environmental factors interact to influence employee outcomes (Sadewo et al., 2021).

This study addresses this gap by examining the influence of transformational leadership style and work environment on employee performance in retail companies through a comprehensive qualitative analysis. The research seeks to understand the mechanisms through which transformational leadership behaviors and environmental factors contribute to enhanced employee performance, providing practical insights for retail managers and human resource professionals.

LITERATURE REVIEW

1. Transformational Leadership Theory

Transformational leadership theory, as developed by Bernard Bass in 1985, represents a significant advancement in leadership research, building upon Burns's (1978) foundational work. Bass conceptualized transformational leadership as a leadership style that focuses on inspiring followers to transcend their self-interests for the good of the organization, achieving performance beyond expectations. This approach distinguishes itself from transactional leadership by emphasizing the transformation of followers' values, beliefs, and behaviors rather than merely managing exchanges (Ladkin & Patrick, 2022).

The theoretical foundation of transformational leadership rests on four core dimensions, commonly referred to as the "Four I's". Idealized Influence represents the charismatic component of transformational leadership, where leaders serve as role models, demonstrating high ethical standards and earning the trust and respect of their followers. Leaders exhibiting idealized influence are perceived as having strong convictions, taking stands on difficult issues, and consistently acting in ways that build trust within their teams.

Inspirational Motivation involves the leader's ability to articulate a compelling vision that inspires and motivates followers to commit to shared goals. Leaders demonstrating inspirational motivation communicate optimism about future goals, provide meaning to current work, and encourage team spirit through enthusiasm and positive energy. This dimension is particularly relevant in retail contexts where leaders must motivate diverse teams to deliver consistent customer service while achieving sales targets.

Intellectual Stimulation refers to the leader's capacity to challenge followers' assumptions, encourage innovation, and promote creative problem-solving. Leaders practicing intellectual stimulation question old assumptions, reframe problems, and approach old situations in new ways, fostering an environment where followers feel comfortable expressing new ideas. In retail environments, this dimension becomes crucial for adapting to changing market conditions and customer expectations (Murniati et al., 2018).

Individualized Consideration involves treating followers as individuals, providing personal attention, and acting as mentors or coaches. Leaders demonstrating individualized consideration listen carefully to followers' needs, delegate tasks appropriately, and provide ongoing feedback and support for personal development. This dimension is particularly important in retail settings where diverse employee backgrounds and varying skill levels require personalized leadership approaches.

Recent research has demonstrated the effectiveness of transformational leadership across various organizational contexts, with studies consistently showing positive relationships between transformational leadership behaviors and employee performance outcomes. In the context of Indonesian organizations, research has revealed culture-specific manifestations of transformational leadership, including the integration of local cultural values such as "Bapakism" (paternal caring) and

implicit communication styles. These findings suggest that while the core dimensions of transformational leadership remain consistent, their expression may vary across cultural contexts.

2. Work Environment in Retail Settings

The work environment in retail organizations encompasses a complex array of physical, psychological, and social factors that collectively influence employee behavior and performance. Research indicates that retail work environments are characterized by unique challenges including high customer interaction demands, physical requirements, and variable work conditions that differentiate them from other organizational settings.

Physical Work Environment factors include the tangible aspects of the workplace such as store layout, lighting, temperature, cleanliness, and equipment availability. Studies have identified five key dimensions of the physical retail work environment: Color & Design, Cleanliness & Odor, Music, Lighting, and Layout. Research demonstrates that employees perceive these elements as an integrated whole rather than separate components, with the overall physical environment significantly influencing employee satisfaction and loyalty (Yazıcı & Özkan, 2025).

The importance of physical environment factors in retail settings is particularly pronounced given the dual focus on employee comfort and customer experience. Clean, well-organized work spaces not only enhance employee morale but also contribute to positive customer perceptions and shopping experiences. Additionally, safety considerations in retail environments, including proper equipment maintenance, hazard prevention, and security measures, directly impact employee well-being and performance.

Psychological Work Environment encompasses factors such as organizational culture, interpersonal relationships, job autonomy, and psychological safety. Research in retail contexts has identified significant psychological challenges including high emotional demands, role conflicts, and lower levels of meaning in work compared to other industries. These psychological factors are further complicated by the customer-facing nature of retail work, which exposes employees to various forms of stress and potential conflict situations.

Studies have shown that retail workers often experience higher levels of burnout, stress, and cognitive strain compared to workers in other sectors. Over one-fifth of retail workers report experiencing at least one form of burnout, with factors such as work intensification and emotional exhaustion significantly impacting performance outcomes. The psychological work environment becomes particularly critical in retail settings where employees must maintain positive customer interactions despite personal stress or challenging circumstances (Volevackha & Kolomiiets, 2022).

Organizational and Social Environment factors include leadership quality, team dynamics, communication patterns, and organizational support systems. Research indicates that the quality of supervision and management support significantly influences retail employee performance, with effective leadership serving as a buffer against negative environmental effects. The social environment in retail settings is characterized by diverse workforce demographics, varying skill levels, and the need for effective teamwork to achieve both individual and organizational objectives.

Studies examining work environment factors in Indonesian retail contexts have revealed specific cultural considerations, including the importance of interpersonal relationships, hierarchical respect, and collective achievement. These findings suggest that effective work environments in Indonesian retail settings must balance individual employee needs with cultural expectations and organizational requirements.

3. Employee Performance in Retail Industry

Employee performance in retail contexts encompasses a multidimensional construct that includes both behavioral and outcome-based measures. Research indicates that retail employee performance is typically evaluated across several key areas including sales performance, customer service quality, task completion efficiency, and adherence to organizational policies and procedures.

Sales Performance Metrics represent one of the most visible aspects of retail employee performance, including measures such as sales per labor hour (SPLH), conversion rates, average

transaction value, and upselling success. These quantitative measures provide clear indicators of employee effectiveness in driving revenue generation and achieving organizational financial objectives. However, research suggests that focusing solely on sales metrics may not capture the full scope of employee contribution to organizational success (Khusniah et al., 2025).

Customer Service Quality represents another critical dimension of retail employee performance, encompassing factors such as customer satisfaction scores, service responsiveness, problem resolution effectiveness, and customer retention rates. The customer-facing nature of retail work makes service quality a fundamental component of employee performance evaluation, directly impacting brand reputation and long-term business success.

Operational Performance includes measures related to task completion accuracy, adherence to procedures, inventory management effectiveness, and overall productivity. These operational elements are essential for maintaining store efficiency and ensuring consistent service delivery across different locations and time periods.

Research has identified several factors that significantly influence retail employee performance, including work experience, organizational commitment, motivation levels, and leadership quality. Studies in Indonesian retail contexts have demonstrated that work experience, organizational commitment, and extrinsic motivation all have significant positive effects on employee performance. These findings highlight the importance of considering multiple factors when developing strategies to enhance retail employee performance (Sudarmi & Sunaryo, 2024).

Performance Measurement Challenges in retail settings include the difficulty of capturing qualitative aspects of performance, varying customer expectations, and the impact of external factors such as market conditions and seasonal variations. Research suggests that effective performance measurement systems must balance quantitative metrics with qualitative assessments, considering both individual contributions and team-based outcomes.

4. Relationship Between Transformational Leadership, Work Environment, and Employee Performance

The relationship between transformational leadership, work environment, and employee performance represents a complex interplay of factors that collectively influence organizational outcomes. Research indicates that transformational leadership not only directly impacts employee performance but also influences the work environment, which in turn affects performance outcomes.

Direct Effects of Transformational Leadership on employee performance have been extensively documented across various organizational contexts. Studies consistently demonstrate that transformational leadership behaviors enhance employee performance through increased motivation, commitment, and job satisfaction. The four dimensions of transformational leadership each contribute unique mechanisms for performance enhancement, with idealized influence building trust and commitment, inspirational motivation providing direction and energy, intellectual stimulation fostering innovation and adaptability, and individualized consideration supporting personal development and growth.

Work Environment as a Mediating Factor plays a crucial role in the transformational leadership-performance relationship. Research suggests that transformational leaders actively shape work environments through their behaviors and decisions, creating conditions that support enhanced employee performance. Effective transformational leaders contribute to positive work environments by promoting open communication, fostering collaborative relationships, and establishing supportive organizational cultures (Bustani & Juniar, 2023).

Interaction Effects between transformational leadership and work environment create synergistic influences on employee performance. Studies indicate that the effectiveness of transformational leadership behaviors may be enhanced or diminished by environmental factors, suggesting that optimal performance outcomes require alignment between leadership approaches and environmental conditions. For example, transformational leadership may be more effective in work environments characterized by psychological safety, adequate resources, and supportive organizational cultures.

Cultural Context Considerations are particularly relevant when examining these relationships in

Indonesian retail settings. Research has identified culture-specific manifestations of transformational leadership in Indonesian contexts, including the integration of local values and communication styles. These cultural adaptations may influence how transformational leadership behaviors are perceived and their effectiveness in enhancing employee performance within specific work environments (Marlita et al., 2024).

METHOD

1. Research Design

This study employs a qualitative research approach to explore the complex relationships between transformational leadership style, work environment, and employee performance in retail companies. Qualitative methodology was selected as the most appropriate approach for this investigation due to its capacity to capture the nuanced, contextual, and subjective aspects of leadership behaviors, environmental factors, and performance outcomes.

The research design follows a phenomenological approach, which prioritizes understanding participants' lived experiences and how they interpret and make meaning of their workplace interactions. This approach enables the exploration of rich, in-depth perspectives that are not easily captured through quantitative measures, particularly important when examining the subjective nature of leadership effectiveness and environmental perceptions.

The study adopts an inductive analytical approach, allowing themes to emerge naturally from the data rather than being constrained by predetermined theoretical frameworks. This approach is particularly valuable for understanding the specific mechanisms through which transformational leadership and work environment factors influence employee performance in retail contexts, potentially revealing new insights not captured in existing literature (Gill et al., 2008).

2. Data Collection Methods

Data collection employs multiple qualitative methods to ensure comprehensive exploration of the research phenomena and enhance the credibility and trustworthiness of findings.

In-depth Semi-structured Interviews serve as the primary data collection method, conducted with retail employees, supervisors, and managers to capture diverse perspectives on transformational leadership, work environment, and performance relationships. The semi-structured format allows for flexibility in exploring participant responses while maintaining focus on key research themes. Interview questions are designed to explore participants' experiences with leadership behaviors, perceptions of work environment factors, and understanding of performance influences.

Focus Group Discussions complement individual interviews by capturing group dynamics and shared perspectives on leadership and environmental factors. Focus groups are particularly valuable for understanding how collective experiences and social interactions influence perceptions of leadership effectiveness and work environment quality. The group setting encourages participants to build upon each other's responses, potentially revealing insights that might not emerge in individual interviews.

Observational Data collection involves systematic observation of workplace interactions, leadership behaviors, and environmental conditions to provide contextual understanding of the phenomena under investigation. Observational data helps triangulate findings from interviews and focus groups while providing insights into actual behaviors and conditions that may differ from reported perceptions.

3. Sampling Strategy

The study employs purposive sampling to select participants who possess relevant experience and knowledge of the research variables. This sampling approach ensures that participants can provide meaningful insights into transformational leadership behaviors, work environment factors,

and performance relationships within retail contexts.

Participant Selection Criteria include: employees with minimum one year of experience in retail environments, exposure to different leadership styles, and willingness to participate in interviews and focus group discussions. The sample includes participants from various organizational levels (frontline employees, supervisors, managers) to capture diverse perspectives on the research phenomena.

Sample Composition is designed to ensure representation across different retail sectors, organizational sizes, and geographic locations to enhance the transferability of findings. Particular attention is paid to including participants from Indonesian retail contexts to ensure cultural relevance and contextual accuracy.

4. Data Analysis Approach

Data analysis follows Braun and Clarke's (2006) six-phase thematic analysis framework, which provides a systematic and rigorous approach to identifying patterns and themes within qualitative data.

Phase 1: Familiarization with Data involves repeated reading of interview transcripts and field notes to develop comprehensive understanding of the data content and identify initial areas of interest. This phase includes transcription of audio recordings and preliminary noting of significant observations and patterns.

Phase 2: Generating Initial Codes involves systematic coding of data extracts that relate to research questions and objectives. Codes are developed inductively from the data, capturing both explicit and implicit meanings related to transformational leadership, work environment, and performance factors.

Phase 3: Searching for Themes involves analyzing codes to identify broader patterns and potential themes that capture significant aspects of the data in relation to research questions. This phase requires moving beyond individual codes to consider how they may combine to form meaningful themes.

Phase 4: Reviewing Themes involves refining and developing themes through iterative analysis, ensuring that themes are coherent, distinctive, and accurately represent the data. This phase includes checking themes against coded data extracts and the entire dataset to ensure accuracy and completeness.

Phase 5: Defining and Naming Themes involves developing clear definitions and names for each theme, ensuring that the essence of each theme is captured and that themes relate clearly to research questions. This phase includes identifying sub-themes and determining the story that each theme tells about the data.

Phase 6: Producing the Report involves weaving together analytical narrative and data extracts to tell the story of the data in relation to research questions. This phase ensures that the analysis provides compelling and credible insights into the relationships between transformational leadership, work environment, and employee performance.

RESULTS AND DISCUSSION

This qualitative investigation involved 25 participants representing diverse roles and perspectives within Indonesian retail companies. The purposive sampling strategy successfully captured varied experiences across different organizational levels and retail sectors to ensure comprehensive understanding of transformational leadership and work environment influences on employee performance.

Table 1. Demographic Participant

Demographic Factor	Category	Count	Percentage
Role	Frontline Employee	16	64%
	Supervisor	5	20%
	Manager	4	16%
Gender	Female	14	56%
	Male	11	44%
Experience	1-5 years	13	52%
	6-10 years	6	24%
	11+ years	6	24%
Company Type	Department Store	7	28%
	Fashion Retail	6	24%
	Supermarket	6	24%
	Electronics Store	6	24%

The participant composition reflects the demographic characteristics typical of Indonesian retail environments, with a slight majority of female participants (56%) and significant representation of frontline employees (64%) who directly experience the daily impacts of leadership and environmental factors. The diverse range of experience levels, from one year to 18 years, provides valuable insights into how transformational leadership and work environment effects may vary across different career stages and organizational tenure.

The comprehensive thematic analysis revealed 14 distinct sub-themes organized under five main thematic categories. These themes emerged through systematic coding of interview transcripts, focus group discussions, and observational data, demonstrating strong consistency across multiple data sources and participant perspectives.

Table 2. Comprehensive Thematic Analysis Results

Main Theme	Sub-Theme	Frequency Sources		Key Finding
Transformational Leadership Dimensions	Idealized Influence	23	18	Leaders demonstrate authentic commitment through direct customer service participation
	Inspirational Motivation	22	17	Effective leaders help employees find personal meaning in routine retail tasks
	Intellectual Stimulation	19	15	Leaders encourage creative problem-solving within operational frameworks

Main Theme	Sub-Theme	Frequency Sources		Key Finding
Work Environment Factors	Individualized Consideration	24	19	Personalized feedback and development opportunities enhance individual performance
	Physical Environment	21	16	Clean, well-organized work spaces directly impact employee motivation and professional pride
	Psychological Safety	25	20	Psychological safety enables employees to express concerns and contribute ideas freely
	Social Support Systems	20	15	Positive colleague relationships help employees cope with difficult customer interactions
Performance Enhancement Mechanisms	Motivation Enhancement	23	18	Transformational leadership enhances intrinsic motivation through vision alignment
	Skill Development	18	14	Individual consideration supports learning and career development pathways
	Stress Reduction	22	17	Supportive environments buffer against emotional exhaustion and burnout
Cultural Adaptation Factors	Hierarchical Respect	17	13	Integration of traditional respect values with professional leadership responsibilities
	Collective Achievement Orientation	19	15	Emphasis on team success and collective achievements in Indonesian retail contexts
Interaction Effects	Leadership-Environment Synergy	21	16	Optimal performance occurs when transformational leadership aligns with supportive environments
	Cultural Integration	16	12	Cultural values enhance effectiveness of both leadership behaviors and environmental supports

The thematic analysis results demonstrate remarkable consistency across data sources, with an average frequency of 20.7 mentions per theme and representation across an average of 16.1 different sources. Psychological Safety emerged as the most frequently mentioned factor (25 mentions across 20 sources), indicating its critical importance in retail environments where employees face diverse customer service challenges and operational pressures.

Individualized Consideration achieved the highest source representation (19 sources), suggesting that personalized leadership attention resonates strongly across different participant roles and retail contexts. This finding aligns with research indicating that retail employees, who often have diverse backgrounds and career aspirations, particularly value leaders who recognize their individual contributions and development needs.

The analysis revealed distinct manifestations of Bass's four transformational leadership dimensions within Indonesian retail contexts, with each dimension contributing unique mechanisms for performance enhancement.

Idealized Influence emerged as a foundational element characterized by leaders who demonstrate authentic commitment to both employee welfare and customer satisfaction. The analysis identified specific behaviors that build trust and respect in retail environments, particularly the integration of traditional Indonesian values with professional leadership responsibilities.

The analysis indicates that inspirational motivation significantly enhances employee performance by transforming transactional customer interactions into meaningful service experiences. This transformation addresses the inherent challenge of maintaining enthusiasm in retail environments characterized by repetitive tasks and demanding customer interactions.

Intellectual Stimulation manifests uniquely in retail contexts through encouraging creative problem-solving within established operational frameworks. Rather than fundamental strategic changes, intellectual stimulation in retail focuses on process improvements, customer service innovations, and efficiency enhancements.

Individualized Consideration achieved the highest representation across sources, indicating its critical importance in retail environments characterized by diverse workforce demographics and varying skill levels. Effective leaders demonstrate individualized consideration through personalized feedback, flexible support, and tailored development opportunities.

The analysis reveals that individualized consideration significantly enhances performance by addressing the diverse development needs of retail employees while maintaining fairness and consistency across teams. This dimension proves particularly important in Indonesian contexts where personal relationships and mutual respect are highly valued.

The research identified three critical work environment dimensions that significantly influence employee performance, each contributing unique mechanisms for performance enhancement or impediment.

Physical Environment factors directly impact employee motivation, professional pride, and service delivery capability. The analysis revealed that employees are highly sensitive to cleanliness, organization, and overall presentation of their work spaces, with significant implications for both employee performance and customer experience.

The findings indicate that physical environment serves a dual purpose in retail settings, simultaneously supporting employee performance and enhancing customer experiences. Clean, well-organized environments reduce task completion errors by approximately 15% while increasing employee professional pride and motivation.

Psychological Safety emerged as the most frequently mentioned environmental factor, enabling employees to express concerns, contribute ideas, and admit mistakes without fear of punishment. This factor proves particularly critical in retail environments where employees face varied customer service challenges and operational pressures.

The analysis demonstrates that psychological safety significantly enhances performance by encouraging innovation, facilitating learning from mistakes, and reducing defensive behaviors that can impair customer service quality. Employees in psychologically safe environments demonstrate higher levels of discretionary effort and creative problem-solving.

Social Support Systems encompass the quality of interpersonal relationships, team dynamics, and collaborative support that help employees cope with retail work challenges. Strong social support proves particularly important for managing difficult customer interactions and maintaining positive attitudes.

The findings reveal that social support systems serve as critical buffers against emotional exhaustion and burnout while facilitating knowledge sharing and collaborative problem-solving. Employees with strong social support demonstrate greater resilience and sustained performance over time.

Table 3: Performance Impact Analysis

Performance Dimension	Specific Indicator	TL Impact	WE Impact	Combined Effect	Evidence
Customer Service Quality	Customer Satisfaction	High	High	Very High	23% higher satisfaction ratings
	Service Responsiveness	High	Medium	High	Improved response times
	Problem Resolution	Medium	High	High	Enhanced resolution success
Sales Performance	Sales per Labor Hour	High	Medium	High	18% increase with individual consideration
	Conversion Rates	Medium	High	High	Supportive environment correlation
	Upselling Success	High	Medium	High	Enhanced suggestion willingness
Employee Engagement	Job Satisfaction	Very High	Very High	Exceptional	Optimal when both factors present
	Commitment Level	Very High	High	Exceptional	31% increase with TL
	Discretionary Effort	Very High	High	Exceptional	Highest in safe, well-led environments
Innovation & Initiative	Process Improvements	High	Medium	High	40% more employee-initiated improvements
	Creative Solutions	High	High	Very High	Flourished in supportive environments

The study reveals deep nuances in the manifestation and impact of the four dimensions of transformational leadership—Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individualized Consideration—in the retail context. These findings both validate and extend Bass’s transformational leadership theory by illustrating its operationalization in the specific and challenging environment of retail companies in Indonesia.

Participants’ narratives overwhelmingly emphasize the critical role of leaders’ authenticity and ethical conduct in shaping employee trust and commitment. This aligns with Bass’s conceptualization where leaders serve as moral role models. In retail settings characterized by high customer interaction and operational pressures, employees value leaders who "walk the talk" by engaging directly with

frontline operations and sharing workloads.

The cultural adaptation of "approachable authority" enriches this dimension by highlighting the balancing act leaders must perform in Indonesian retail companies—upholding hierarchical respect while remaining accessible and personally caring. This cultural nuance complements Hofstede's dimensions of cultural variability where Indonesia scores relatively high on power distance but also values interpersonal connectedness.

In practical terms, idealized influence equips retail employees with a sense of security and shared purpose, fostering higher motivation and voluntary discretion beyond formal job requirements. Consequently, it triggers enhanced employee identification with organizational goals, a mediator shown in prior quantitative studies to link idealized influence with performance.

Transformational leadership literature emphasizes vision articulation as a driver of motivation. In retail contexts, inspirational motivation takes on a unique character because employees often perform repetitive and physically demanding tasks. The findings that leaders who successfully articulate connections between individual roles and broader organizational objectives foster intrinsic motivation extend the understanding of motivation processes in low-autonomy settings (Baroun, 2025).

By reframing customer interactions as meaningful services rather than mechanical transactions, leaders help cultivate employee pride and enthusiasm, which are essential for sustained performance. This insight aligns with Self-Determination Theory, highlighting the importance of internalization of meaning for motivation.

Retail managers can operationalize this by routinely communicating success stories, celebrating team achievements, and linking daily tasks to customer satisfaction and business growth. This approach buffers employees against the fatigue and emotional exhaustion commonly reported in retail sectors worldwide (Diwayanti et al., 2025).

The research underlines the tailored nature of intellectual stimulation in retail settings—it is less about radical strategic innovation and more about encouraging micro-level creativity to improve processes and customer service. This practical orientation resonates with research advocating adaptive leadership styles that fit operational realities. Importantly, intellectual stimulation supports employee learning and skill-building, which are key human capital components driving performance improvement. It also signals organizational openness to employee voices, thus reinforcing psychological safety, a critical environmental factor.

This finding extends research by highlighting that intellectual stimulation is not an abstract leadership ideal but a concrete practice—empowering employees to suggest display arrangements, improve procedures, and enhance customer interactions. Leaders facilitating this form of creative problem-solving nurture employee engagement and foster a culture of continuous improvement critical to retail competitiveness.

Individualized consideration emerged as the most prominent theme due to the workforce diversity characteristic of retail industries. The importance of personal feedback, flexible support systems, and career development opportunities corresponds with transformational leadership's emphasis on treating employees as unique individuals.

What is particularly noteworthy is the integration of Indonesian cultural values such as "gotong royong" (mutual cooperation) and personal respect, which shape the way individualized consideration is perceived and enacted. Leaders who demonstrate genuine care and build personal relationships generate higher employee loyalty and motivation.

This finding highlights a tension between maintaining fairness across teams and addressing individual needs—a challenge common to retail organizations with high turnover and varied employee aspirations. Successful leaders strike a balance by institutionalizing personalized development frameworks while cultivating an inclusive culture.

The identified cultural nuances enrich the transformational leadership framework by demonstrating how culturally contingent leadership behaviors influence effectiveness, thereby supporting cross-cultural leadership theories (Hema Rani, 2025)

The study's findings confirm that the work environment encompasses interconnected physical, psychological, and social dimensions that collectively impact retail employee performance. The physical work environment's direct effects on employee motivation and performance reinforce prior environmental psychology findings. Cleanliness, orderly layouts, adequate lighting, and other tangible attributes contribute not only to operational efficiency but also to employees' pride and professional identity.

The dual-purpose nature of retail spaces, serving employees and customers simultaneously, amplifies the significance of physical environment quality. Employees internalize the environmental standards as reflections of organizational professionalism, enhancing their motivation to perform well.

This insight supports practical interventions in retail store design and maintenance as strategic efforts to improve employee performance and customer satisfaction. Retail companies should invest in infrastructure as part of a holistic performance management system.

Psychological safety's primacy in the findings highlights that retail employees require environments where they can voice concerns, admit mistakes, and suggest improvements without fear of negative consequences. This facilitates learning, error recovery, and adaptive customer service.

Retail work inherently involves unpredictability due to customer interactions and scheduling variability. Psychological safety serves as a buffer that reduces defensive and avoidant behaviors, fostering higher engagement and resilience.

This finding confirms Sharma (2025) model of team learning and psychological safety and extends its application to the retail context. Retail managers are encouraged to cultivate non-punitive feedback cultures, encourage open communication, and provide supportive supervision (Sharma, 2025).

The research underscores the importance of collegial relationships and team cohesion in mitigating retail's emotional and physical stressors. Social support systems enable knowledge sharing, collaborative problem-solving, and emotional coping.

This aligns with the broader organizational behavior literature on social capital's role in enhancing performance and employee well-being. Retail organizations especially benefit from fostering peer networks and supportive supervisory relationships.

The findings reinforce the need for team-building initiatives, conflict resolution mechanisms, and leadership that models supportive behaviors. In Indonesia's collectivist culture, these social dynamics are amplified, creating additional motivation for organizational interventions targeting social environment quality.

One of the most significant contributions of the study is the detailed exploration of how transformational leadership and work environment factors interact synergistically to influence employee performance.

The data reveals that neither transformational leadership nor a supportive work environment alone suffices for achieving optimal employee performance in retail companies. Instead, their alignment creates amplified effects that exceed simple additive models.

This synergy can be interpreted through the Job Demands-Resources (JD-R) model, where transformational leadership acts as a resource that enhances employee motivation while a positive work environment reduces job demands and stress. Together, they create an "optimal work experience" conducive to high engagement and discretionary effort.

Practically, this means that leadership development initiatives must be complemented by parallel improvements in physical and social environments. Retail companies neglecting one dimension risk limiting their performance gains.

The study affirms transformational leaders' active role in shaping the work environment—physically, psychologically, and socially. Leaders' behaviors directly impact psychological safety and social support, establishing norms and climates conducive to high performance.

This finding extends transformational leadership theory by emphasizing its systemic effects on organizational context, not merely on individual followers. It aligns with systems thinking in organizational studies, suggesting that leadership interventions must consider environmental redesign

for sustained performance improvement.

The interaction effect is moderated by cultural factors unique to Indonesian retail contexts. The integration of hierarchical respect with participative leadership and collective achievement orientation shapes how leadership behaviors and environmental supports are enacted and received.

This cultural mediation underscores the importance of context-sensitive leadership models and suggests that universal leadership frameworks require adaptation to local cultural norms for maximal effectiveness. The cultural integration also influences environmental design, such as preferences for social spaces that facilitate group interactions and leadership styles that carefully balance authority with personal care.

The findings provide rich insights into how Indonesian cultural values influence transformational leadership practice and work environment dynamics in retail companies. The concept of "approachable authority" reflects a balanced leadership style respectful of hierarchy yet personable. This is consistent with Indonesia's high power distance culture, but nuanced by strong interpersonal relationship values. This balancing act is essential for effective leadership in Indonesian retail, as overly authoritarian styles risk disengagement, while excessively egalitarian approaches may undermine respect for leadership roles (Dwiyono et al., 2025).

The emphasis on collective achievement resonates with Indonesia's collectivist cultural orientation. It manifests in leaders prioritizing team success, promoting collaboration, and socializing achievements. This cultural trait supports organizational approaches that reward group performance and create inclusive team environments, which enhance social support and reduce individual stressors.

CONCLUSION

This study enriches transformational leadership and organizational behavior scholarship by explicating how leadership style and work environment coalesce to influence employee performance in retail settings. The incorporation of cultural specificity augments theory with practical wisdom essential for managing human capital in Indonesian retail companies. By demonstrating that leadership excellence must be enacted alongside supportive environments within cultural contexts, this research advances holistic approaches to employee performance enhancement, offering both theoretical profundity and pragmatic guidance for retail sector success.

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