THE TRANSACTIONAL LEADERSHIP AND EMPLOYEE JOB SATISFACTION: EXPLORING THE MEDIATING EFFECT OF JOB ENVIRONMENT INSIDE SMES HUMAN RESOURCE IMPROVEMENT

Inriani Inriani[1*], Andi Farid Baso Rachim[2], Salma Abdullah[3], Muh. Yushar Mustafa[4]

[1]*Program Studi Sistem Informasi, Institut Teknologi Pendidikan dan Bisnis Qana'ah, Indonesia.*
[2]*Satuan Polisi Pamong Praja Kota Palopo, Indonesia.*
[3-4]*Program Studi Manajemen, Sekolah Tinggi Ilmu Ekonomi Makassar Bongaya, Indonesia.*
[4]*Program Studi Manajemen, Fakultas Ekonomi dan Bisnis, Universitas Negeri Makassar, Indonesia*
Corresponding Email: inrianiar76@gmail.com

Abstract

Despite numerous studies having been conducted in explaining the role of transactional leadership on employee job satisfaction, this study finds that there is a lack of research in examining the mediation effect of job environment on the relationship of transactional leadership and job satisfaction, specifically in the context of SMEs in emerging countries. Therefore, this study aims to investigate the relationship between transactional leadership and employee job satisfaction within SMEs, with the special emphasis on the mediating effect of job environment. By examining the phenomenon above through a quantitative methodology approach and the application of partial least square measurement, this study finds that in a sample size of 101 SMEs, transactional leadership positively and significantly affects both job environment and employee job satisfaction. Likewise, the role of job environment does affect employee job satisfaction positively and significantly. Intriguingly, this study also finds that job environment has a positive and significant mediating effect on the relationship between transactional leadership and employee job satisfaction. Moreover, the outcome of this study is correspondingly expected to contribute theoretically and managerially to the body of knowledge by offering an insight that later helps managers of SMEs to enhance their employee satisfaction.

Keywords: transactional leadership, job environment, employee job satisfaction, SME, human resource management

1. INTRODUCTION

Employee job satisfaction is widely recognised as a critical determinant of organisational success, particularly within small and medium-sized enterprises (SMEs) (Akbar et al., 2024; Haeruddin 2024). In an increasingly competitive business landscape, where SMEs often operate with limited resources, fostering a satisfied and motivated workforce becomes essential for achieving strategic objectives and maintaining operational efficiency (Amran et al., 2024; Mustafa et al., 2024). Job satisfaction not only influences employee retention and productivity but also impacts overall organisational culture and performance. Furthermore, leadership styles significantly influence employee attitudes and behaviours, thereby shaping job satisfaction levels (de Araujo et al., 2021; Gathenya, 2022; Jensen et al., 2020). Among various leadership styles, transactional leadership has garnered attention for its structured approach, which emphasises clear expectations, defined roles, and a system of rewards and penalties based on performance (Bass et al., 2003). This leadership style is particularly relevant in SMEs, where leaders often take on multifaceted roles and must ensure that employees remain focused on achieving specific organisational objectives. Transactional leadership operates on the premise of an exchange relationship between leaders and followers, where leaders provide tangible rewards (such as bonuses or recognition) in return for the completion of tasks and the achievement of goals. This approach can create a sense of security and predictability for employees, leading to higher job satisfaction when expectations are met. While

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transactional leadership can positively influence job satisfaction, it is essential to consider the job environment as a potential mediator in this relationship (Leder et al., 2018). The job environment encompasses various factors, including physical workspace, organisational culture, interpersonal relationships among colleagues, and the level of support provided by management (Hajiali et al., 2022; Lund, 2003). A positive job environment can amplify the effects of transactional leadership, fostering an atmosphere where employees feel valued and motivated. Research suggests that when employees perceive their job environment as supportive and conducive to growth, they are more likely to experience higher job satisfaction, even under transactional leadership. Thus, understanding how job environment interacts with leadership style is crucial for developing effective management practices in SMEs.

Moreover, despite numerous studies having been conducted in explaining the role of transactional leadership on employee job satisfaction, this study finds that there is a lack of research in examining the mediation effect of job environment on the relationship of transactional leadership and job satisfaction, specifically in the context of SMEs in emerging countries. Therefore, this study aims to investigate the relationship between transactional leadership and employee job satisfaction within SMEs, with the special emphasis on the mediating effect of job environment. By examining the phenomenon above, this study is correspondingly expected to contribute theoretically and managerially to the body of knowledge by offering an insight that later helps managers of SMEs to enhance their employee satisfaction. The outcomes of this study are also intended to inform the leadership development programmes and organisational policies aimed at improving workplace culture and employee engagement.

2. MATERIAL AND METHOD

2.1 Transactional Leadership

Transactional leadership (TL) is a leadership style that emphasises structured tasks, clear expectations, and a system of rewards and penalties based on performance. According to Bass (1985), transactional leaders engage in a quid-pro-quo exchange with their followers, where compliance is rewarded, and non-compliance is penalised. This approach is particularly beneficial in organisational settings that require consistency, efficiency, and goal-orientated behaviour. Subsequently, TL has several key indicators, which are (1) transactional leaders establish well-defined roles and responsibilities, or RR, enabling employees to understand their tasks and the outcomes expected of them; (2) TL also relies heavily on extrinsic motivators, or EM, such as financial incentives, recognition, and disciplinary actions, to drive performance; and (3) transactional leaders prioritise short-term goals, or STG, that foster a results-driven culture within the organisation. In addition, the TL approach can foster motivation by providing employees with clear incentives for performance (Akbar et al., 2024; Andoko et al., 2022; Bass et al., 2003; Judge & Piccolo, 2004; Kaltiainen & Hakanen, 2022).

2.2. Employee Job Satisfaction

Employee job satisfaction, or EJS, refers to the level of contentment individuals feel towards their job roles and responsibilities (Hajiali et al., 2022). It is a multifaceted construct influenced by various factors, including leadership style, work environment, and individual attributes. Literature also implies that there are several factors that affect JS; three of them, which constantly attract scholars' attention, are: (1) Leadership Style, or LS: The way leaders interact with their employees significantly affects job satisfaction levels. Transactional leadership, for instance, can enhance satisfaction through clear expectations and rewards; (2) Personal Attributes, or PA: Individual factors such as personality, values, and work-life balance also contribute to overall job satisfaction. Moreover, high job satisfaction is linked to numerous positive outcomes, including increased productivity, lower turnover rates, and improved organisational commitment,

and (3) Interpersonal Relationships, or IR, which includes the quality of relationships with colleagues, the opportunities for teamwork and collaboration, and the level of conflict and resolution among team members (Hajiali et al., 2022; Lund, 2003; Ramli, 2018)). Conversely, low job satisfaction can lead to absenteeism, disengagement, and negative workplace culture, which is particularly detrimental for SMEs that depend on their workforce for stability and growth.

2.3. Job Environment

Literature shows that the job environment, or JE, encompasses the physical, social, and psychological conditions under which employees work. A positive JE is essential for fostering employee satisfaction and performance. Scholars, such as Judge and Piccolo (2004), explain that although many indicators of JE are explained in relevant literature, nonetheless, there are 3 of the said indicators that are not quite explored in the context of SMEs, especially those which are from emerging countries, namely: (1) Physical Environment, or PHE, which covers the layout, safety, and comfort, all of which can impact employees' ability to perform their tasks effectively and comfortably; (2) Social Environment, or SE, which is comprised of interpersonal relationships among colleagues, collaboration, and the level of support from management that contribute to a positive social climate that enhances job satisfaction; and (3) Psychological Environment, or PSE, which consists of the mental and emotional climate of the workplace, including stress levels, organisational culture, and employee recognition, significantly influences how employees perceive their work. In addition, literature indicates that a supportive job environment enhances employee satisfaction, particularly when combined with effective leadership (Akbar, 2024; Barinua et al., 2023; Haeruddin 2024; Odor, 2018). Employees who feel valued and supported in their work environment are more likely to exhibit higher levels of engagement and commitment.

2.4. Research Framework and Hypothesis

This study proposes a research framework (Figure 1) to guide this study to organise the existing theories and concepts, facilitating understanding and interpretation of the research topic, as well as to identify key variables and relationships, ensuring that the research focuses on relevant factors.

Fig. 1. Conceptual Framework
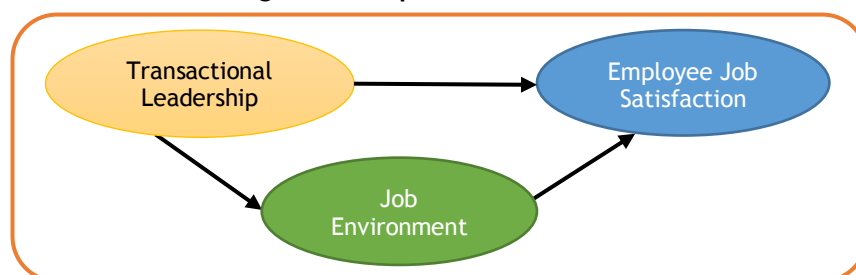
Source: Data Generated (2025)

Based on Figure 1 above, this study then proposes four (4) research hypotheses, that is displayed in Table 1 below.

Table 1. Research Hypothesis

	Hypothesis
H1	JE significantly and positively affects EJS
H2	TL significantly and positively affects EJS
H3	TL significantly and positively affects JE
H4	JE significantly and positively mediates the relationship between TL and JE

Source: Data Generated (2025)

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METHOD

This study practices the quantitative research method, and accordingly, this study conducts research questionnaire observation in order to collect primary data for this research and relevant published reports as the secondary data of this study. The research object of this study is culinary SMEs from Makassar that are active and officially registered at Makassar's Department of Cooperative and Micro, Small, and Medium Enterprises, or MSMEs (Dinas Koperasi dan Usaha Mikro, Kecil, dan Menengah Kota Makassar, or DKUMKM Makassar). Based on the report of DKUMKM of Makassar, within the year 2023, there are 211,496 MSMEs and around 19,000 registered and active SMEs (Amran et al., 2024). The report of DKUMKM of Makassar also displays that the population of active culinary SMEs in the year 2023 is around 600. As suggested by Sekaran and Bougie (2016), the ideal research sample size is 243 for a 600-research population. Over 243 questionnaires were distributed; only 101 SMEs responded to the questionnaires. Furthermore, this study applies structural equation modelling with a partial least squares approach to statistically calculate research data from September 2024 to March 2025.

3. RESULT AND DISCUSSION

3.1 Validity and Reliability Test Results

Table 2. The Results of Validity and Reliability Test

	Cronbach's α	rho_A	r-count	r-table	Results
EJS	0.806	0.838	0.885	0.194	Valid and Reliable
JE	0.843	0.852	0.905	0.194	Valid and Reliable
TL	0.831	0.888	0.899	0.194	Valid and Reliable

Source: Data Processed (2025)

Scholars, such as Bell et al. (2022), suggest that validity tests should be conducted to confirm the validity of the calculated research constructs, especially in the context of quantitative research methodology. The r-count score should also be prioritised in order to determine the validity of the research variable, and a construct is considered valid when its r-count score is higher than its r-table score, and vice versa (Angreyani et al., 2023). Subsequently, according to Bell et al. (2022), the reliability test is predominantly central for quantitative research since it aids in statistical calculation and measurement, which ensures that study methods and data collection produce reliable and consistent results. The study of Sekaran and Bougie (2016) also strongly recommends that the general guideline for validity test results is that if the r-count result is more than the r-table result, the indicator is considered genuine, and vice versa. This is in reference to the validity and reliability test on the obtained data. Furthermore, according to Table 2, all variables in this study, which are EJS, JE, and TL, have r-count scores that are larger than r-table scores (0.194), and consequently, this study finds that all research variables in this study are valid. In addition, a Cronbach' alpha value > 0.60 indicates that the variable under investigation is dependable, and vice versa for reliability test results [17-19]. The results in Table 2 demonstrate that the Cronbach's alpha score of all variables within this study are higher than 0.06. As such, all variables in this study are valid, reliable, and appropriate to be used for further statistical measurements.
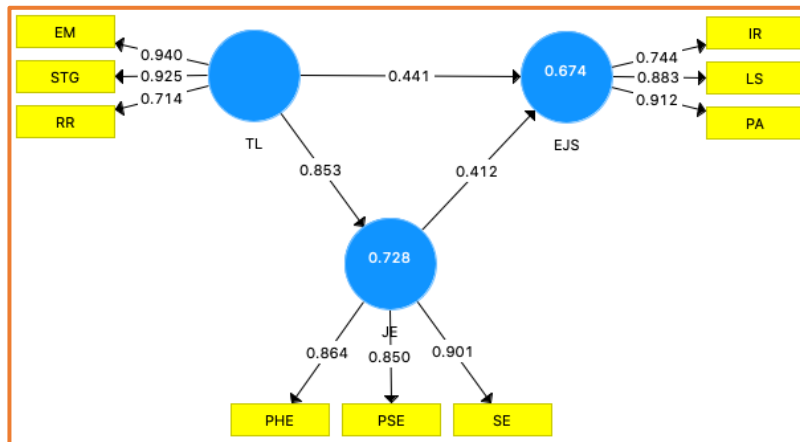
3.2 Path Coefficient Test Results

Table 3. The Results of Path Coefficient Test

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
JE -> EJS	0.412	0.411	0.147	2.811	0,005
TL -> EJS	0.441	0.442	0.141	3.127	0,002
TL -> JE	0.853	0.856	0.022	37.997	0,000

Source: Data Processed (2025)

Fig. 2. Path Coefficient Test Results Framework

Source: Data Processed (2025)

According to Table 3 and Figure 2, the results of the path coefficient test show that the effect of JE on EJS is positive. This is because the original sample score of JE on EJS is 0.412. Likewise, Table 3 also shows that the original sample scores of both TL on EJS and TL on JE are positive, which are 0.441 and 0.853; in other words, TL affects both EJS and JE positively. Additionally, for the significance level, Sekaran and Bougie (2016) recommend that if the P value score of the relationship among variables is lower than 0.05, it can be concluded that the relationship is significant between one variable and another. As such, based on Table 3, the results show that (1) JE affects EJS significantly due to the P-value score of 0.005; (2) TL affects EJS significantly with a P-value score of 0.002; and (3) TL affects JE significantly with a P-value score of 0.000. The results in Table 3, therefore, help this study to confirm that H1, H2, and H3 of this study are accepted, and H0 is rejected.

3.3 Specific Indirect Effects Test Results

Table 4. The Results of Specific Indirect Effects Test

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
TL -> JE -> EJS	0.352	0.353	0.128	2.739	**0.006**

Source: Data Processed (2025)

The specific indirect effects test is used in statistical analysis, particularly in the context of mediation models. It aims to determine whether a variable (the mediator) transmits the effect of an independent variable on a dependent variable. This test also helps this study: (1) to measure the role of a mediator in the relationship between an independent variable and a dependent variable; (2) to validate hypotheses about the indirect effects; and (3) to calculate the strength and significance of the indirect effect, providing insights into the magnitude of the mediation effect (Bougie and Sekaran, 2019). In line with Table 4, the results show that the mediation effect of JE on the relationship between TL and EJS is positive and significant. This is because the original sample score is 0.352 (positive), and the P-value score is lower than 0.05, which is 0.006. As such, this study confirms that H4 is accepted and H0 is rejected.

4. CONCLUSION AND RECOMMENDATION

In order to offer a theoretical contribution, this study concludes that the job environment affects positively and significantly employee job satisfaction. The reason is because the indicators of job environment affect positively and significantly employee job satisfaction. For example, the physical environment of the job environment, which covers

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the layout, safety, and comfort, all of which can impact employees' ability to perform their tasks effectively and comfortably, is found in this study to affect the personal attributes of employees, e.g., the work-life balance of employees that later contributes to overall employee job satisfaction.

Likewise, this study uncovers that the transactional leadership style, with its indicators, positively and significantly affects both employee job satisfaction and job environment. This is because the transactional leaders, who establish well-defined roles and responsibilities and enable employees to understand their tasks and the outcomes, help employees: (1) to increase their relationship quality level with colleagues, the opportunities for teamwork and collaboration, and the level of conflict and resolution among team members; and (2) to improve the job's psychological environment, such as the development of the employee's mental and emotional climate in the workplace. Interestingly, this study also finds that job environment positively and significantly mediates the relationship between transactional leadership and employee job satisfaction. This can be seen in the study findings that the employee's interpersonal relationships among colleagues, collaboration, and the level of support from management contribute to a positive social climate of the job environment that later enhances the linkage between transactional leaders and their employees job satisfaction.

Subsequently, as for managerial contribution, this study recommends that the findings of this study are expected to be valuable for SME leaders and policymakers in order to enhance their employee job satisfaction through the effective application of transactional leadership with an emphasis on the improvement of the job environment. Also, this study can be useful for other researchers, especially those who are interested in exploring and/or investigating the role of other leadership styles, such as transformational leadership style in other emerging countries.

DISCLAIMER (ARTIFICIAL INTELLIGENCE)

Author(s) hereby declares that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc.) and text-to-image generators have been used during the writing or editing of this manuscript.

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