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THE IMPACT OF STRATEGIC LEADERSHIP ON ORGANIZATIONAL PERFORMANCE:THE MEDIATING ROLE OF ORGANIZATIONAL INNOVATION IN SELECTED INSURANCE COMPANIES IN ETHIOPIA

BY:

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ADVISOR:

JEMAL MOHAMMED (Ph.D)

June, 2026

ADDIS ABABA, ETHIOPIA

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A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY, COLLEGE OF BUSINESS AND ECONOMICS, FOR THE PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF EXECITIVE MASTER OF EXECUTIVE BUSINESS ADMINISTRATION.

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GSE/5120/16

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June, 2026

ADDIS ABABA, ETHIOPIA

DECLARATION

I, the undersigned, hereby declare that this thesis entitled " The impact of strategic leadership on organizational performance: the mediating role of organizational innovation in selected insurance companies in Ethiopia" is my original work, and that all sources of materials used have been duly acknowledged and referenced in accordance with academic standards. I confirm that the research reported is my own, that all data were obtained through proper ethical procedures with informed consent, that any assistance received has been acknowledged, that all sources have been properly cited, and that this thesis has not been submitted previously for any degree or qualification at this or any other university. This thesis is submitted in partial fulfillment of the requirements for the degree at Addis Ababa University.

Name: Sewasew Pawlos



Signature

Date: June 27,2026

CERTIFICATE

This is to certify that the thesis entitled " The impact of strategic leadership on organizational performance: the mediating role of organizational innovation in selected insurance companies in Ethiopia" submitted by Sewasew Pawlos is a record of bona fide research work carried out by him under my supervision and guidance. The thesis is worthy of consideration for the award of the degree for which it is submitted, in my opinion.

The findings, interpretations, and conclusions expressed in this thesis are those of the student and do not necessarily reflect the views of the advisor or the university.

Advisor: Name: Dr. Jemal Mohammed



Signature

Date: June 27, 2026

CERTIFICATE OF APPROVAL

This is to certify that the thesis prepared by Sewasew Pawlos, entitled " The impact of strategic leadership on organizational performance: the mediating role of organizational innovation in selected insurance companies in Ethiopia", has been examined and approved for the award of the degree of Master of Business Administration (MBA) in Business Administration at Addis Ababa University.

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Sewasew Pawlos
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Table of Contents

CHAPTER ONE 1
INTRODUCTION 1
1.1 Background of the Study 1
1.2 Statement of the Problem 3
1.3 Research Objectives 8
1.3.1 General Objective 8
1.3.2 Specific Objectives 8
1.4 Research Questions 8
1.5 Significance of the Study 8
1.6 Scope of the study 9
1.7 Operational Definitions 10
1.8 Organization of the study 11
CHAPTER TWO 12
REVIEW OF RELATED LITERATURE 12
2.1 Introduction 12
2.2 Theoretical Foundations of Leadership and Organizational Performance 12
2.2.1 Leadership Theories and Styles 12
2.2.2 Organizational Performance Constructs 16
2.2.3 Organizational Innovation Theory 16
2.2.4 Innovation as a Mediating Mechanism 18
2.3 Theoretical Framework for the Mediation Model 19
2.3.1 Resource-Based View (RBV): The Capability Foundation 19
2.3.2 Upper Echelons Theory (UET): The Strategic Process Logic 20
2.3.3 Social Exchange Theory (SET): The Micro-Social Mechanism 20
2.3.4 Integrated Theoretical Justification for Innovation as the Mediator 20
2.4 Empirical Review of Global Studies 22
2.4.1 Leadership and Performance in Financial Services 22
2.4.2 Innovation as a Mediator 22
2.4.3 Critical Synthesis and Contradictory Findings 23
2.5 Empirical Review in Ethiopian and East African Contexts 24
2.5.1 Leadership Studies in Ethiopian Organizations 24

2.5.2 Insurance Sector Specific Studies....25
2.5.3 Banking Sector Parallels....25
2.5.4 The Ethiopian Insurance Industry: A Contextual Analysis....26
2.6 Identified Research Gaps....28
2.6.1 Theoretical Gaps....28
2.6.2 Empirical Gaps....28
2.6.3 Methodological Gaps....28
2.7 Conceptual Framework....28
CHAPTER THREE....32
RESEARCH METHODOLOGY....32
3.1 Introduction....32
3.2 Research Design....32
3.3 Research Philosophy....33
3.4 Target Population, Sample Size Determination and Sampling Techniques....33
3.4.1 Target Population....33
3.4.2 Sample Size Determination....34
3.4.3 Sampling Techniques....35
3.5 Data Type and Sources....36
3.6 Method of Data Collection....37
3.7 Variable Descriptions and Measurements....38
3.8 Validity and Reliability....39
3.8.1 Validity....39
3.8.2 Reliability....40
3.9 Method of Data Analysis....40
3.10 Ethical Consideration....41
CHAPTER FOUR....43
RESULTS AND DISCUSSION....43
4.1 Introduction....43
4.2 Response Rate and Demographic Profile of Respondents....43
4.2.1 Survey Response Rate....43
4.2.2 Demographic Characteristics of Respondents....44
4.3 Assessment of Measurement Quality....45
4.3.1 ValidityAnalysis....45

4.3.2 Reliability Analysis 46
4.4 Descriptive Statistics of Key Constructs 47
4.4.1 Triangulation of Perceptual and Objective Performance Measures 47
4.4.1 Transformational Leadership 47
4.4.2 Transactional Leadership 48
4.4.3 Autocratic Leadership 49
4.4.4 Democratic Leadership 49
4.4.5 Organizational Innovation 50
4.4.6 Organizational Performance 50
4.4.7 Summary of Composite Means 51
4.5 Comparison of Leadership, Innovation, and Performance across Companies 52
4.5.1 Transformational Leadership 53
4.5.2 Transactional Leadership 53
4.5.3 Autocratic Leadership 54
4.5.4 Democratic Leadership 54
4.5.5 Organizational Innovation 54
4.5.6 Organizational Performance 54
4.6 Correlation Analysis 55
4.7 Testing of Regression Assumptions 56
4.7.1 Linearity and Homoscedasticity 56
4.7.2 Multicollinearity Assessment 57
4.7.3 Normality of Residuals 59
4.8 Multiple Regression Analysis 59
4.9 Mediation Analysis 62
4.10 Qualitative Findings 64
4.10.1 Participant Profile 65
4.10.2 Illustrative Quotes by Topic 65
4.10.3 Integration with Quantitative Findings 67
4.11 Hypothesis Testing Summary 69
4.12 Discussion of Findings 70
4.12.1 Strategic Leadership Styless in Ethiopian Insurance Companies 70
4.12.2 Relationship Between Leadership and Performance 71
4.12.3 Mediating Role of Organizational Innovation 72

4.12.4 Explanation for Performance Divergence....73
4.12.5 Integration with Prior Ethiopian Studies....73
4.12.6 Critical Examination of Unexpected Findings....73
4.13 Summary of Chapter....75
CHAPTER FIVE....77
SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS....77
5.1 Introduction....77
5.2 Summary of Major Findings....77
5.3 Conclusions....79
5.4 Contributions of the Study....80
5.4.1 Theoretical Contributions....80
5.4.2 Empirical Contributions....81
5.4.3 Methodological Contributions....81
5.5 Recommendations....82
5.6 Limitations of the Study....83
5.7 Suggestions for Future Research....84
References....86
APPENDIXA:RESEARCH QUESTIONNAIRE....91

LIST OF TABLE

Table 1: Summary of Financial Performance (2020/21 – 2024/25)....4
Table 2: Target Population Distribution....34
Table 3: Disproportionate Stratified Sample Allocation with Minimum Tier Quotas (n = 327)....36
Table 4: Sample Distribution and Response Rate by Company and Tier....43
Table 5: Demographic Profile of Respondents (n=200)....44
Table 6: Reliability Statistics (Cronbach's Alpha)....46
Table 7: Descriptive Statistics for Transformational Leadership by Company....48
Table 8: Descriptive Statistics for Transactional Leadership by Company....48
Table 9: Descriptive Statistics for Autocratic Leadership by Company....49
Table 10: Descriptive Statistics for Democratic Leadership by Company....49
Table 11: Descriptive Statistics for Organizational Innovation by Company....50
Table 12: Descriptive Statistics for Organizational Performance by Company....50
Table 13: Summary of Composite Descriptive Statistics by Company....51
Table 14: One-Way ANOVA Results Comparing Four Insurance Companies....52
Table 15: Pearson Correlation Matrix for All Study Variables (n=200)....55
Table 16: Multicollinearity Diagnostics....57
Table 17: Model Summary....60
Table 18: ANOVA Result....60
Table 19: Regression Coefficients....61
Table 20: Summary of Mediation Effects for All Leadership Styles....62
Table 21: Summary of Hypothesis Testing Results....69

LIST OF FIGURE

Figure 1: Conceptual Framework of Strategic Leadership, Organizational Innovation, and Organizational Performance 30
Figure 2: Scatterplot of Standardized Residuals vs. Predicted Values 57
Figure 3: Histogram of Standardized Residuals with Normal Curve 59

LIST OF ABBREVIATIONS

ANOVA - Analysis of Variance

CFA - Confirmatory Factor Analysis

CEO - Chief Executive Officer

EFA - Exploratory Factor Analysis

ETB - Ethiopian Birr

FRLT - Full Range Leadership Theory

HR - Human Resources

LMX - Leader-Member Exchange

MLQ - Multifactor Leadership Questionnaire

NBE - National Bank of Ethiopia

NICE - National Insurance Company of Ethiopia

RBV - Resource-Based View

ROA - Return on Assets

SC - Share Company

SET - Social Exchange Theory

SPSS - Statistical Package for the Social Sciences

UET - Upper Echelons Theory

VIF - Variance Inflation Factor

VRIN - Valuable, Rare, Inimitable, Non-substitutable

ABSTRACT

The current research is conducted to find out the influence of strategic leadership on the performance of selected insurance companies in Ethiopia where organizational innovation served as a mediator. Explanatory Sequential Mixed Methods approach was used and it involved a quantitative survey of 200 employees from four companies which include Awash, Hibret, Nile, and NICE Insurance Company and a qualitative part through semi-structured interviews of seven managers. Descriptive Statistics, Analysis of Variance (ANOVA), Pearson correlation, Multiple Regression analysis, and Mediation analysis (PROCESS Macro Model 4) were applied to analyze the data collected for the study. It is observed that the combination of transformational and democratic leadership had the strongest effect on organizational performance among the variables studied ($\beta = 0.628$, $p<0.001$) and explained about 83.9% of the variance in performance. Besides, transactional leadership had a positive influence ($\beta = 0.228$, $p=0.001$) whereas autocratic leadership had a strong negative correlation ($r=-0.768$, $p<0.001$). Nile Insurance recorded the lowest level of transformational, democratic leadership and organizational innovation compared to other companies but recorded the highest autocratic leadership. Findings from the mediation analyses revealed that organizational innovations acted as partial mediators in all four types of leadership with indirect effects ranging between 81.7% and 87.2%. It can be concluded from the study that the differences in performance exhibited by the Ethiopian insurance firms were due to their strategic leadership practices, and not their starting resource levels.

Keywords: *Combination of transformational leadership and democratic leadership, organizational innovation, organizational performance, transformational leadership, insurance industry, Ethiopia, mediation analysis*

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Insurance is among the building blocks of the financial system of Ethiopia and plays a crucial role in the management of risks in the country as well as the creation of wealth and stabilizing the economy (Mengistu, 2021). The recent history of the insurance industry in the country began with the liberalization policies adopted at the beginning of the 1990s, which marked the beginning of the entry of competition in terms of capital from the private sector. Within a very short period of about 1994 to 1997, the players in the private insurance sector of Ethiopia, namely Awash Insurance Company, Hibret Insurance Company, Africa Insurance Company, Nile Insurance Company, Global Insurance Company, and the National Insurance Company of Ethiopia (NICE), were established under the same regulatory framework, which is overseen by the National Bank of Ethiopia (National Bank of Ethiopia, 2025). The simultaneous establishment of the large players of the insurance industry in the country gave them an almost equal starting point in terms of the regulatory framework, the level of market similarity in the respective developing nation, and macro-economic shocks.

Importantly, the initial resource endowment parameter thus far did not prove to be a good predictor for success in this population. Africa Insurance, for example, began with the highest recorded initial capital funding requirement of ETB 15 million, but its performance is always inferior to that of Awash Insurance, whose initial founding capital is roughly a third of Africa Insurance (ETB 4.9 million; combined analysis of company annual reports, 2020–2025).

Although such similar founding circumstances and operating environments had created a convergence situation for these firms, there has instead emerged a considerable and increasing divergence with respect to organizational success factors and financial performance outcomes. Reviewing leading financial variables over the course of the 2020/21 to 2024/25 years exposes considerable differences and divergences.

Even though Awash Insurance Company has grown its total assets from ETB 3,557.45 million to 11,117.20 million, its contemporaries including Global Insurance and NICE have reached 1154.4 million and 1579.5 million, respectively.These figures show significant difference. The disparity

in profits is even more pronounced, since Awash and Hibret Insurance Companies have recorded total gross profits of ETB 1,111.86 million and 1008 million,respectively whereas Nile,Africa Insurance and NICE have recorded profits of ETB 560.5 million, 272 million and ETB 132.8 million respectively (Awash Insurance S.C.; 2024;Hibret Insurance S.C; Nile Insurance S.C; Africa Insurance S.C., 2024; National Insurance Company of Ethiopia, 2024). The tracking of market share trends over the years only serves to strengthen this notion of divergent levels of success, as Awash Insurance has succeeded in widening the gap between itself and its contemporaries by as much as 10 percent. Its contemporaries have hardly gained an edge in their performance levels over the years, or else stagnated (National Bank of Ethiopia, 2025).

In the field of strategic management and organizational theory, the importance of inherent managerial competences, such as strategic leadership, has been argued to play an important part in determining organizational outcomes while controlling for external contingency factors (Hambrick, 2007). The issue of leadership has been widely theorized to form an important basis for determining strategic alignment, cultural values, innovation capabilities, and human capital effectiveness, which eventually drive superior financial market performances (García-Morales et al., 2012). Perhaps specifically important to knowledge-intensive and regulated sectors such as insurance is strategic leadership, conceptualized by Ireland &Hitt (2005) to comprise those managers who can strategically envision, think ahead, maintain flexibility, or empower other people to make changes for strategic purposes. Empirical evidence has found that specific transformational leadership behaviors, involving inspirational appeals to others and encouraging them to think intellectually in terms of innovation, have been significantly related to greater organizational innovation capabilities and better related to greater enhanced strategic competitive advantages (Jing et al., 2018) while specific transactional or passive leadership trends have limited market leadership potential (Bass &Avolio, 2004) by fundamentally failing to promote adaptive innovation capabilities.

However, the existing linkage between strategic leadership practice and performance empirically in the Ethiopian insurance sector is notably under researched. Related studies in the Ethiopian setting have almost exclusively focused on other industries like manufacturing or the public sector (Jinga et al., 2024; Teshome&Sumetha, 2024) or have been limited to individual cases (Lidya, 2022; Yoseph, 2015). Such research efforts tend to focus on perceptual aspects of performance instead of the rigor of methodologically combined leadership perceptions and

objective financial and market indicators (Tariku, 2021). Thus, the existing knowledge gap in the process and scale of the performance impact of strategic leadership practice in the context of the same institutional setting in the Ethiopian insurance industry is still quite evident.

Thus, this study aimed to fill this crucial knowledge gap by empirically studying the effects of strategic leadership on organizational performance among some of the insurers operating in Ethiopia. This study, therefore, attempted to go beyond mere explanations and test the hypothesis of varying performances being attributed to different approaches to strategic leadership, including their interplays with key mediator variables like organizational innovations. This study aimed to create a knowledge output to improve the resilience and competitiveness of Ethiopia's crucial insurance industry.

1.2 Statement of the Problem

The Ethiopian insurance sector currently comprises 19 operating companies. Of these, seven were established during the initial wave of private insurance liberalization that followed the 1994 proclamation, which opened the sector to private investment. These seven firms—Awash, Africa, NICE, Nile, Nyala, Hibret, and Global—have operated for approximately 27 to 30 years. They have benefited from first-mover advantages (Lieberman & Montgomery, 1988), established brand recognition, and extensive market experience in what was initially a highly concentrated market with limited competition.

Despite these shared origins and operating conditions, the Ethiopian insurance market presents a compelling empirical puzzle.

As shown in Table 1, for instance, Africa insurance (ETB 15 million) and Nile insurance (ETB 12 million)—both highly capitalized at inception—rank at the bottom in profitability, asset base, market share, and return on assets (calculated as net income divided by total assets; Rist & Pizzica, 2015). Conversely, companies with lower initial capital—Awash insurance (ETB 4.9 million), Nyala insurance (ETB 7 million), and Hibret insurance (ETB 8.1 million)—rank at the top across the same performance metrics.

Table 1 summarizes the financial performance of the seven insurance companies over the five-year period from 2020/21 to 2024/25. The data reveal substantial disparities across all metrics,

with Awash and Hibret consistently outperforming Africa, Nile, and NICE despite their lower initial capital endowments.

Table 1: Summary of Financial Performance (2020/21 – 2024/25)

Insurance Company	Initial Capital (ETB Mn)	Avg. Asset (ETB Mn)	Avg. Gross Profit (ETB Mn)	ROA (%)	Avg. Market Share (%)
Awash	4.9	6,526.0	635.93	8.3	9.00
Hibret	8.1	3,615.9	467.60	10.0	6.16
Africa	15.0	2,074.0	113.80	3.7	4.40
Nile	12.0	3,598.3	351.20	8.2	4.36
Nyala	7.0	4,099.3	436.96	8.7	5.18
NICE	3.25	1,028.8	105.70	9.8	2.36
Global	3.75	811.31	81.60	8.0	1.08

Source: Compiled from company annual reports (2020/21–2024/25).

This counterintuitive phenomenon warrants systematic investigation. A negative relationship exists between initial capital and subsequent five-year average asset, profitability, market share, and return on asset indicating that higher initial capitalization is associated with lower average returns. This finding constitutes a pivotal contribution to the problem statement, as it provides strong empirical evidence that initial endowments and external conditions are inadequate to explain observed performance variance. Companies that began as underdogs—Awash insurance, Hibret insurance, and Nyala insurance—have significantly outperformed their better-capitalized

counterparts. Awash, for example, started with one-third the capital of Africa Insurance but is now over five times more profitable on average. Such disparities compel investigation toward internal organizational factors, suggesting that differences in management, strategy, and leadership are the most plausible explanatory candidates. This data-driven justification underpins the study's focus on strategic leadership.

Theoretical and empirical work from comparable contexts strengthens the case for leadership investigation. Wang et al. (2011) conducted a meta-analysis of 113 studies across 17 countries and found a significant positive link between transformational leadership and organizational performance ($\rho = .44$), although the strength of this relationship varied across industries and national settings. Studies focused on financial services have reinforced this view; for instance, Berson et al. (2001) showed that transformational leadership predicted both subjective and objective performance in U.S. insurance firms. Yet, when we turn to Ethiopia, the picture becomes less clear. Jinga et al. (2024) found that transformational leadership had a notable effect on change management in Ethiopian public universities, and Teshome and Sumetha (2024) reported similar positive effects in public enterprises. But these findings are not entirely consistent, which underlines the importance of studying specific contexts rather than assuming that leadership works the same way everywhere. Danisman et al. (2015) made a related point: organizational, cultural, and industry factors can moderate leadership effectiveness, meaning that leaders are always operating within a broader environment that conditions their impact.

Several alternative explanations for performance divergence must, however, be systematically considered before attributing differences primarily to leadership practices. These include differential market positioning strategies (Porter, 1980), variations in risk portfolio composition and underwriting discipline (Ahmed et al., 2024), differential technology adoption rates (Mengistu, 2021), organizational culture variations (Schein, 2010), human capital quality differences (Barney, 1991), and governance structure variations (Daily & Dalton, 1993). Without systematically ruling out these competing explanations, claims regarding leadership's primacy remain premature.

The presence of these persistent disparities suggests that the conventional cause-effect analysis of firm performance using external features and beginning assets does not have much explaining

power but instead focuses on intrinsic factors. Strategic leadership is one of the main intrinsic factors that impact the structures, strategic adaptability, and performance of organizations (Hambrick, 2007; Bass &Avolio, 2004). Intrinsic factors like transformational, transactional, and strategic leadership play a pivotal role in influencing organizational success or failure through their ability to facilitate or obstruct essential organizational activities like innovation (García-Morales et al., 2012). The present study thus sought to investigate whether differences in strategic leadership practices can account for these disparities in organizational performance.

However, a systematic consideration of these alternative explanations reveals their limited capacity to account for the observed performance disparities in the Ethiopian insurance context. First, regarding market positioning, all seven firms compete in the same domestic market with similar product portfolios, and regulatory constraints limit differentiation strategies (National Bank of Ethiopia, 2025). Second, risk portfolio analysis from company annual reports indicates that all firms primarily underwrite motor, and property insurance with similar risk exposure profiles. Third, technology adoption across the sector has been incremental and uniform, driven by the NBE's digitalization mandates rather than firm-specific strategic choices. Fourth, organizational culture does vary across firms, but such variations are themselves outcomes of leadership practices (Schein, 2010). Fifth, human capital quality is restricted by the industry-wide shortage of skilled talent documented by Mengistu (2021); consequently, it is unlikely to account for the performance differences observed across insurance companies. Sixth, governance structures across the seven founding firms follow identical board composition requirements mandated by the NBE, limiting variation. Thus, while these alternative factors may contribute marginally to performance differences, strategic leadership—as the primary orchestrator of organizational resources and capabilities—emerges as the most plausible explanatory variable for the persistent performance divergence observed over a five-year period.

These gaps in substantive knowledge make it difficult to understand this relationship in the insurance industry of Ethiopia. First, there was an empirical gap. Despite the presence of research on leadership within other sectors in Ethiopia such as manufacturing and banking (Jinga et al., 2024; Teshome & Sumetha, 2024), the unique aspects of the insurance industry such as the assessment of risks, the requirement for strict adherence to compliance, and the need for public trust have not yet been explored sufficiently (Mengistu, 2021).

Second, there was a methodological gap. Prior Ethiopian studies were either based on cross-sectional surveys using perceptual data or otherwise lacking with respect to both validity and causal implications (Tariku, 2021; Danisman et al., 2015). Since most of prior existing studies lack objective financial performance measures and qualitative contextual measurement this study uses a mix of perceptual data that were collected through surveys and five years of objective performance measurements as well as qualitative data collected from interviews of company executives.

Thirdly, there was a conceptual gap. Leadership tends to affect organizational outcomes indirectly through mediating mechanisms (Wang et al., 2011). Research has identified innovation as a key mediator in firms from a Spanish context (García-Morales, Jiménez-Barrionuevo, & Gutiérrez-Gutiérrez, 2012), but the various mediating mechanisms through which leadership influences performance in the Ethiopian insurance sector have yet to be investigated. Other potential mediators—including employee commitment, organizational culture, strategic alignment, and knowledge management—have received insufficient attention, leaving open the question of whether innovation is the primary or merely one of several mediating pathways. This study, while focusing on innovation, acknowledges these alternative mechanisms and discusses their potential roles.

Fourthly, there was a theoretical gap. Leadership theories primarily developed within the Western world of business need to be adapted to the organizational environments of Ethiopia (Jinga et al., 2024; Tariku, 2021). That is to say that even though the Full Range Leadership Theory (Bass & Avolio, 2004) as well as the classical leadership models (Lewin, Lippitt, & White, 1939) can be applied in Ethiopian organizational life, their applicability in the highly collectivist, hierarchical and relationship-oriented cultures of this country cannot be taken for granted. This study attempted to fill this gap by means of an integrative framework that will link a number of different theoretical approaches to leadership while at the same time acknowledging theal specificity.

Therefore, both the industry players and scholars did not have a conceptual tool to make sense of performance differences and practices to enhance the resilience of the sector. Thus, the main research question explored in this study was: In what ways did strategic leadership play a critical role in shaping the performance of selected insurance companies in Ethiopia, particularly in light

of innovation? It was crucial to answer this research question to understand how the sector was supposed to meet the requirements of economic development in the country.

1.3 Research Objectives

1.3.1 General Objective

To examine the relationship between strategic leadership and organizational performance in selected insurance companies in Ethiopia.

1.3.2 Specific Objectives

1. To examine the prevailing strategic leadership styles and practices within selected insurance companies in Ethiopia.
2. To analyze the relationship between strategic leadership styles and key organizational performance metrics, including return on asset, profitability, and market share.
3. To assess the mediating role of organizational innovation in the relationship between strategic leadership and organizational performance.

1.4 Research Questions

1. What strategic leadership styles characterize the leadership practices within selected insurance companies in Ethiopia?
2. How do variations in strategic leadership styles relate to differences in organizational performance metrics such as return on asset, profitability, and market share?
3. Does organizational innovation mediate the relationship between strategic leadership styles and organizational performance?

1.5 Significance of the Study

In terms of relevance, the study contributes significantly to academic research, practice, and policymaking regarding Ethiopia. The study contributes in three broad fields.

First, in theory, the study contributes to leadership theory by filling significant voids within the area by conducting an analysis of the effects of strategic leadership within the particular cultural and economic environment in Ethiopia. Furthermore, the study contributes to leadership theory

by blending both perceptions and actual data through the use of objective financial measures to counterbalance the abundance of cross-sectional survey research in the area. In addition, the study made theoretical contribution by proposing organizational innovation as the mediating mechanism between strategic leadership and organizational performance within the service industry (García-Morales et al., 2012; Jinga et al., 2024; Tariku, 2021).

The implications of the results are helpful in understanding the association between strategic leadership behavior and organizational effectiveness. The management and boards of directors of Ethiopian insurance companies could apply the findings to enhance their leadership behavior and strategic decision-making. In addition, the findings would help human resource specialists and organizational developers design training and development programs that would enable employees in the financial sector to develop innovative leadership qualities (Mengistu, 2021; Wang et al., 2011).

Policymakers and regulators would find the results informative concerning the significance of human capital and leadership qualities within organizations to promote sectoral sustainability and growth. Policymakers like the National Bank of Ethiopia would benefit from the findings in formulating sound policies to ensure corporate governance and organizational efficiency for effective development of the insurance industry (Ahmed et al., 2024). Shareholders and researchers would appreciate the importance of organizational management in assessing the company's performance in addition to its financial performance.

In summary, this study intendes to contribute to improving the insurance subsector's contribution towards Ethiopia's economic development through enabling better firm-level risk management, capital mobilization, and financial stability.

1.6 Scope of the study

These research limitations include conceptual, geographical, temporal, and methodological delimitations aimed at achieving focus, manageability, and relevancy of the research towards addressing the problem statement.

First, the conceptual limitations include the fact that the research revolves around three key concepts which are strategic leadership as the independent variable, organizational innovation as the mediator, and organizational performance as the dependent variable. The concept of strategic

leadership was analyzed in terms of transformational, transactional, autocratic, and democratic leadership approaches. Organizational innovation was looked into in terms of product innovation, process innovation, and strategic innovation in the insurance sector.

Geographically and by sectors, this research focused on the private insurance industry in Ethiopia. Specifically, four private insurance firms that include Awash Insurance Company, Hibret Insurance, Nile Insurance, and NICE Insurance are chosen as the unit of analysis because of their performances and available data within the years from 2020/21 to 2024/25. Data collection efforts in the form of interviews took place in the headquarters and branch offices of the firms in Addis Ababa.

In terms of methodology, the research utilizes an explanatory sequential mixed-methods approach. In the first phase of the research, quantitative data were collected using structured questionnaires targeting executives, managers, and non-managers from the four private insurance firms. The second phase of the research involves data collection through semi-structured interviews of senior executives with regards to innovation and strategic leadership. Financial data from annual reports and National Bank of Ethiopia were also considered in this study. Other financial sectors like banks and microfinances are not included in this research.

On the other hand, temporally, the financial performance variables have been used for the five years from 2020/21 to 2024/25, whereas the leadership and innovation variables are cross-sectional variables. In this case, therefore, the conclusions are mostly about performance trends in the past and not what will be expected in the future.

On population basis, the research will be confined to the members of the organizations under study, that is, the executives, middle managers, and non-managers of the four selected insurance companies in Ethiopia. On this note, the research will not take into account external participants like regulators, partners, and consumers.

1.7 Conceptual Definitions

In respect to the objectives of this research, the key terms used have been operationalized in the following manner:

- **Transformational Leadership:** The extent to which leaders exhibit traits that encourage their followers to exceed expectations through idealized influence, inspirational motivation, intellectual stimulation, and individual consideration (Bass & Avolio, 2004).
- **Transactional Leadership:** The extent to which leaders maintain an exchange relationship with their subordinates where something is reciprocated from the follower for some form of reward or punishment (Burns, 1978).
- **Autocratic Leadership:** The extent to which managers centralize their decision-making power and give directives to followers who do not contribute in decision-making (Lewin et al., 1939).
- **Democratic Leadership:** The extent to which leaders allow followers' participation in decision-making, delegation of authority, and collaboration in solving problems (Lewin et al., 1939).
- **Organizational Innovation:** An organization's ability to effectively introduce innovative products, innovative processes, and/or innovative strategies into operations (Damanpour, 1991).
- **Organizational Performance:** Multistylesal outcome representing organizational efficiency and effectiveness in goal attainment (Venkatraman & Ramanujam, 1986).

1.8 Organization of the study

The research study has been divided into five distinct chapters. The first chapter includes a brief overview of the background of the study, problem statement, research objectives, research questions, significance of the study, scope of the study, limitations of the study, and definitions of important terms. The second chapter highlights the literature review, which covers the theoretical and empirical aspects of the study. Chapter Three presents an account of the methodology used in the study. The fourth chapter contains the empirical results of the study, and Chapter Five includes conclusions drawn from the study along with recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter presents a critical synthesis as well as analysis of both theoretical and empirical literature related to strategic leadership and performance in the insurance industry. On that note, this chapter is organized to present of the theoretical foundation under which this current study perspires relevant. On that note, this chapter begins with a critical analysis of the evidence that has been gathered from both worldwide as well as Ethiopian points of view to make sure that it puts forth a research problem. This chapter on innovation comes to its end with a critical synthesis where different imperatives that were put forth in the previous chapter put forth an innovative conceptual framework where innovation within the organization becomes a mediator.

The present chapter organization is designed to address the conceptual and empirical shortcomings in relation to some of the crucial remarks raised as concerns about the differences between generic leadership styles and strategic leadership; the conceptual reasoning about innovation being a mediating mechanism; and the awareness about the context sensitivity of the Ethiopian insurance industry. Contradictory findings with regard to generalizibility of leadership–performance nexus is, thus also duly admitted throughout the present review, together with the analysis of the contextual –i.e., institutional, institutional, and socio-cultural aspects– peculiarities of the Ethiopian insurance industry which are expected to play moderating role in these relationship.

2.2 Theoretical Foundations of Leadership and Organizational Performance

2.2.1 Leadership Theories and Styles

Paradigms in leadership research have developed over time from trait-oriented theories to modern-day process-based theories. In considered effort to reflect both the complexities and realities of strategic leadership in the insurance industry in Ethiopia, this research adopted an integrative theoretical paradigm. This integrative paradigm bridges both Full Range Leadership Theory (Bass & Avolio, 2004) and classical typology for decision making (Lewin et al., 1939). This combined understanding allows for both sides of motivation transactional as applied by Full-Range Leadership to be estimated along with classical structural perspectives on leadership

and participation to be estimated as well. This combined analytical perspective has been imperative in such an industry where innovation and flexibility coexist with a high level of regulatory requirements as in the case of the insurance sector in Ethiopia where management reforms are incorporated in traditional social constructs on social inequalities (Mengistu, 2021).

A fundamental theoretical problem in the field of leadership studies is the difference between strategic leadership as a high-level organizational competence and leadership styles as behaviors that can be observed. As defined by Ireland and Hitt (2005), strategic leadership is the ability of the top management to anticipate, visualize, remain flexible and empower others to bring about strategic change. This involves the ability of individuals to develop and execute the strategies for creating competitive advantage for organizations. Strategic leaders are characterized by the ability to manage the organization's resource base, organizational culture, ethics, and strategic changes (Hitt, Ireland, & Hoskisson, 2009).

According to Ireland and Hitt (2005), strategic leadership may be defined as the ability to "anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes that will create a viable future for the organization" (p. 63). This definition focuses on the following six essential components of strategic leadership: determination of the company's purpose/vision, exploitation and maintenance of core competencies, development of human capital, maintenance of effective organizational culture, emphasis on ethicality, and establishment of balanced organizational controls. Strategic leaders are individuals who recognize the importance of organizational members as a crucial resource upon which many core competencies are developed and upon which the competitive advantage is exploited.

On the other hand, leadership styles are behavior modes and interactive mechanisms used by leaders to exert influence over their followers (Bass & Avolio, 2004). Leadership styles describe the behaviors exhibited by leaders in their everyday interaction with their subordinates, whether they motivate and inspire (transformational style), reward subordinates for achieving set targets (transactional style), make decisions unilaterally (autocratic style), or encourage participatory decision making (democratic style). While strategic leadership explains the what, leadership styles explain the how.

This differentiation is crucial to theory development. Hambrick (2007) stresses the importance of strategic leadership, which takes place at an organizational level and impacts strategic decisions

and outcomes through values, cognition, and experience of top management teams. Upper Echelons Theory (Hambrick & Mason, 1984) claims that organizational outcomes can be predicted based on certain characteristics of managerial backgrounds; however, the behavioral aspects through which these effects occur are the leadership styles used by top managers. Therefore, although strategic leadership contributes to setting the overall context and framework the cognitive and strategic mindset of top management team the leadership styles contribute to the behavioral mechanisms used by strategic leaders.

A clarification is in order: strategic leadership and leadership styles operate at different levels of analysis. Strategic leadership concerns the ability of top management to envision the future, align organizational resources, and secure competitive advantage (Ireland & Hitt, 2005; Hambrick, 2007). It encompasses the cognitive and strategic faculties of leaders—their capacity to perceive environmental change, act on opportunities, and transform the organization accordingly (Teece, 2007). Leadership styles, in contrast, are about behavioral patterns and the ways leaders engage with followers (Bass & Avolio, 2004). Whereas strategic leadership answers the 'what' and 'why' of organizational direction, leadership styles address the 'how'—the concrete behaviors through which strategic intentions are realized. In the present study, strategic leadership is measured through four styles—transformational, transactional, autocratic, and democratic—which we take as the behavioral manifestations of strategic leadership in the Ethiopian insurance sector.

The present research defines strategic leadership in terms of four leadership styles: transformational, transactional, autocratic, and democratic. The operationalization is justified by the fact that the mentioned leadership styles stand for the behavioral aspects used by strategic leaders to impact organizations (Bass & Avolio, 2004; Lewin et al., 1939).

Transformational Leadership, which underpins FRLT, involves those behaviors which encourage followers to look beyond their self-interest towards a collective interest for an organization's goals (Bass, 1985). This leadership typology has been hypothesized to play a critical part in situations where there is constant turmoil and exigency necessitating renewal. Its four components have been explained in terms of insurance as follows: Idealized Influence comprises acting in a morally upright manner in underwriting and assessing risks to win the organization's trust (Brown et al., 2005); Inspirational Motivation encompasses articulating a vision in which corporate goals are seen to underlie the country's economic resilience to financial crises (Bass &

Avolio, 2004); Intellectual Stimulation encourages innovation in teams, such as in innovation for parametric insurance and digitalized claims handling (García-Morales et al., 2012); Individualized Consideration entails mentorship to build capital in terms of specialized and leadership prowess (Mengistu, 2021).

Transactional Leadership, another leadership style from FRLT, is based on an exchange paradigm where leaders establish expectations and maintain contingent rewards or corrections based upon performance (Burns, 1978). Within the controlled field of insurance, this is reflected in performance-based reward structures and management by exception with regard to compliance monitoring (Bass & Avolio, 2004). Though essential to operational integrity and regulatory compliance, it may not be conducive to exploratory innovation.

Autocratic Leadership, derived from classical typology, involves centralized control, directive guidance, and supervision with minimal consultation with the subordinates (Lewin et al., 1939). It is not passive like laissez-faire, and it is non-participative and active at the same time. It will be considered to evaluate the effect of control from the top prevailing in most organizations in Ethiopia on the climate for innovation within the organization.

Democratic leadership, which is the counterpart to autocratic management, also engages in seeking follower input, delegation, and encouraging collective problem-solving efforts (Lewin et al., 1939). This approach enacts the structural processes associated with shared power to complement the focus on relationship-building aspects of transformational management regarding individualized consideration.

The integrative model identifies transformational and democratic leadership as key enablers of exploratory innovation, while transactional and autocratic styles of leadership are seen as enablers of operational control and efficiency innovation (within a potentially suboptimal context of exploratory innovation). The passive-avoidant laissez-faire style of leadership represents a key aspect of FRLT but is seen as a theoretical point of reference in its own right; its exemplification is indexed as having deleterious effects on innovation performance (Hinkin & Schriesheim, 2008).

2.2.2 Organizational Performance Constructs

Organizational performance is a construct with multiple styless, including financial and non-financial measures of effectiveness and efficiency (Venkatraman & Ramanujam, 1986). The importance of a holistic view, as presented in the Balanced Scorecard framework (Kaplan & Norton, 1992), is especially crucial in the area of insurance, in which long-term sustainability is conditional upon financial sustainability, positioning, and stakeholder.

For insurance firms, it is imperative to note that a good performance management system has to combine both financial and non-financial measures. Financial measures such as gross profit, increase of assets, and solvency ratios are basic in determining profitability and regulatory requirements (National Bank of Ethiopia, 2025). Others such as market share performance, retention rate of customers, and innovation rate are essential in determining market position and organizational health (Richard et al., 2009).

Aligning with this paradigm and context, this research uses a threefold approach to organize its view of organizational performance: Financial Performance (gross profit and growth of assets), Market Performance (Market Share), and Operational Efficiency (Return on Assets). By taking such a broad viewpoint, there is a holistic foundation for comparing poorly and well-performing units (Venkatraman & Ramanujam, 1986).

2.2.3 Organizational Innovation Theory

Innovation within an organization is defined as implementing a new or significantly better product, process, or organizational method (Damanpour, 1991). Through a meta-analysis of organizational innovation, 13 determinants of innovation with statistically significant relationships have been identified by Damanpour (1991), such as specialization, functional differentiation, professionalism, centralization, attitude of managers towards change, technical knowledge resource, administrative intensity, slack resources, and external and internal communication. Innovation was found to be a multi-dimensional construct that depends on organizational structure, resources, and leadership.

Theoretically, the Schumpeterian theory sees innovation as the key to creative destruction, where entrepreneurs and leaders are seen as agents who seek to break down old equilibriums to gain a

competitive edge (Schumpeter, 1942). It is clear from Schumpeter that innovation rather than competition through pricing is the main driver of development and success.

March (1991) drew an important distinction between exploratory innovation (radical, new-to-the-world products and services) and exploitative innovation (incremental innovations in process). The former includes search, variation, risk-taking and discoveries, while the latter includes refinement, efficiency and execution. The distinction is particularly applicable to the insurance industry, in which the process innovation (digital claims management systems, automatic underwriting) falls into the category of exploitation, while product innovation (parametric insurance, index-based agricultural insurance, microinsurance products) is an example of exploration. To gain competitive advantage, it is necessary to be capable of both exploration and exploitation.

Finally, the Dynamic Capabilities perspective (Teece, 2007) builds upon innovation theory by putting it within the higher-level organization capability – that of sensing the changes in the environment, exploiting the opportunities and adapting its configuration to these changes. In his work, Teece (2007) defines three types of dynamic capabilities: sensing, which implies identifying and evaluating opportunities and threats; seizing, which means using organization's resources to respond to opportunities; and transforming – continuously restructuring organization. Importantly, leadership becomes explicitly defined as an orchestrator of these capabilities.

Innovation in the insurance industry takes various forms such as:

Product innovation refers to the creation of new insurance products addressing new forms of risks (for instance, cyber-insurance, pandemic insurance, agricultural index insurance); Process innovation relates to the use of technology and process improvements to increase efficiency (for example, artificial intelligence in claims processing, block chain in policy administration, mobile platforms in distribution); Strategic innovation pertains to the use of new business models (such as banc assurance, Insurtech collaboration, peer-to-peer insurance).

In the Ethiopian insurance context, innovation takes distinctive forms shaped by the industry's developmental stage and regulatory environment. Product innovation includes index-based agricultural insurance products tailored to Ethiopia's agrarian economy, microinsurance for low-

income segments, and Sharia-compliant Takaful products for the growing Muslim population. Process innovation involves the use of integrated underwriting and claims processing insurance software, mobile-based premium collection and claims processing to bypass limited banking infrastructure, AI-powered underwriting to mitigate the shortage of qualified actuaries, and blockchain-based policy management to enhance transparency. Strategic innovation encompasses bancassurance partnerships with commercial banks, Insurtech collaborations, and alternative distribution channels such as agent networks and mobile platforms. These innovations represent the specific pathways through which strategic leadership translates into performance outcomes in the Ethiopian context.

2.2.4 Innovation as a Mediating Mechanism

Organizational Innovation: This is the implementation of new or improved products, processes, or business methods (Damanpour, 1991). It is argued that innovation is a mediating factor between leadership styles and performance outcomes. Looking at innovation within the insurance sector, innovation can be performed in the following forms: Product/service innovation (index-based agri-insurance), Process innovation (automated claims payment system), or Business innovation (e.g., bancassurance).

Theoretical and empirical evidence suggests that leadership styles differentially affect an organization's innovation capability (García-Morales et al., 2012). Transformational leadership, through intellectual stimulation and inspirational motivation, is expected to foster a generative environment conducive to exploratory innovation (Bass & Avolio, 2004). Transactional leadership, as far as it concentrates on contingent rewards and management-by-exception, should fit driving incremental, efficiency-oriented process innovations but straitjackets more radical forms (Burns, 1978). Laissez-faire leadership is consistently associated with higher innovation performance due to a withdrawal of guidance and support (Hinkin & Schriesheim, 2008). Therefore, innovation is conceptualized not as a homogeneous outcome but as a dynamic capability significantly shaped by leadership behaviors, serving as the fundamental pathway through which leadership influences organizational performance.

Several contextual factors justify the selection of organizational innovation as the mediating variable, even though other mediators could be proposed. First, the regulatory landscape in Ethiopia's insurance sector is largely homogeneous; firms face similar compliance demands, which makes innovation the primary avenue for competitive differentiation. Second, according to a 2025 estimate by the National Bank of Ethiopia, insurance penetration remains below 1% of GDP. Consequently, market expansion hinges on reaching previously unserved populations, which in turn demands product and process innovations specifically designed for these segments. Third, five-year performance data (Table 1) indicate that higher-performing insurers—Awash and Hibret—have consistently introduced more innovations than lower-performing firms such as Nile and Africa. This suggests that innovation capability is a critical distinguishing factor. Employee commitment, organizational culture, and strategic alignment certainly influence the leadership-performance link, but innovation represents the most direct pathway through which leadership behaviors translate into measurable market and financial results in knowledge-intensive service sectors (García-Morales et al., 2012; Oke et al., 2012).

2.3 Theoretical Framework for the Mediation Model

A sound theoretical basis is necessary to postulate organizational innovation as a mediating variable. The current research uses three different but supportive theories namely Resource-Based View (RBV), Upper Echelons Theory (UET), and Social Exchange Theory (SET). The research employes these theories to develop a multi-level rationale for testing mediating factors as hypothesized (MacKinnon et al., 2012).

2.3.1 Resource-Based View (RBV): The Capability Foundation

The Resource-Based View (Barney, 1991; Wernerfelt, 1984) is the macrofoundational theory, arguing that sustained competitive advantage derives from valuable, rare, imitable, and non-substitutable (VRIN) resources and competences. Strategic leadership, as a VRIN resource and dynamic capability, is viewed as the orchestration of other organizational assets (Barney, 1991; Teece, Pisano, & Shuen, 1997; Helfat & Martin, 2015). The current study takes organizational innovation as the pivotal higher-order dynamic capability, which is developed and leveraged through strategic leadership (Teece, 2007). According to RBV, the rationale for differences in strategic leadership heterogeneity across members of the same group of organizations, subjected

to the same isomorphic pressures and environmental circumstances, may differentially unlock the organizational innovative capability (Peteraf & Barney, 2003).

2.3.2 Upper Echelons Theory (UET): The Strategic Process Logic

The Upper Echelons Theory (Hambrick & Mason, 1984) describes how strategic leadership affects organization outcomes, suggesting that those outcomes are determined by values, cognition, and experience of top management teams. Building upon non-demographic variables in leadership research, this research maintains its concentration on leadership behaviors. Hence, the process logic for strategies in UET prescribes: "Strategic posture and the relative emphasis on exploration-versus-exploitation activities determined by the upper echelon importantly establish an organization's innovation orientation as directed towards either innovation or noninnovation (Carpenter et al., 2004; Hambrick, 2007)." This underlines the chain of effect of leadership variables impacting innovation strategies and their consequent outcomes.

2.3.3 Social Exchange Theory (SET): The Micro-Social Mechanism

Social Exchange Theory (Blau, 1964; Homans, 1958), applying Leader-Member Exchange (LMX) Theory (Graen & Uhl-Bien, 1995), explains the micro-foundations of this process. Trust-building and empowering behaviors trigger enhanced levels of high-quality exchanges. The perception of investment is reciprocated by the follower through increased levels of engagement and discretionary behaviors like extra-role innovative behaviors (Janssen, 2000; Scott & Bruce, 1994), including knowledge sharing and idea championing. The mechanism is laid bare by SET: leaders build commitment through trust linked to individual and collective creative efforts, aggregating at the organizational level as innovation (Cropanzano & Mitchell, 2005; Masterson, Lewis, Goldman & Taylor, 2000).

2.3.4 Integrated Theoretical Justification for Innovation as the Mediator

The synthesis of RBV, UET, and SET offers a logical explanation for the selection of organizational innovation as the mediator between strategic leadership and organizational performance. Although other mediating mechanisms like organizational commitment, organizational culture, employee engagement, and strategic alignment may be working (Bass & Avolio, 2004; Vera & Crossan, 2004), organizational innovation is chosen as the focus of the mediators because of the following four strong rationales.

The first rationale is that innovation is a known dynamic capability that can help in transforming strategic vision of the leaders into competitive achievements of the organization. In the dynamic capabilities perspective (Teece, 2007), innovation is the key dynamic capability through which organizations can sense, exploit and reconfigure themselves so as to remain competitive. The RBV considers strategic leadership as the VRIN resource for building innovation capability, while innovation itself is the dynamic capability for achieving competitive advantage.

Thirdly, knowledge-based and highly regulated industries like the insurance industry offer a situation where efficiency gains from routine operations bring little to no benefits, while product, process, and strategy innovation forms the main source of differentiation between market leaders and market followers (García-Morales et al., 2012). Firms in the insurance industry compete not by price alone, but through the ability to develop new products for emerging risks, technology that enhances customer experience and efficiency and business models that increase market reach. Thus, innovation becomes the critical capability that separates top performing firms from low performers in this industry.

Finally, the micro-mechanisms through which transformational and democratic leadership work – intellectual stimulation, psychological safety, empowerment, and participative decision making – are intrinsically innovation-inducing behaviors. These behaviors initiate creativity, knowledge sharing and risk-taking (Scott & Bruce, 1994). SET explains how leaders who cultivate trust and empowerment are able to initiate the discretionary innovative behaviors that are a part of innovation. Behavioral leadership styles studied in this paper are not simply associated with innovation but also causally related through the micro-social mechanisms of reciprocity and psychological safety.

Fourth, existing research has shown repeatedly that innovation is an effective mediator in the leadership-performance relationship in many different industries (García-Morales et al., 2012; Oke et al., 2012; Wang et al., 2011). The meta-analytical findings reveal that the influence of transformational leadership on performance is mediated considerably by the ability for organizational learning and innovation. In the financial services industry, in particular, innovation capability has been revealed to mediate partially the leadership-performance relationship.

Other mediating processes that might include employee commitment, organizational culture, strategic alignment, and organizational learning have also been recognized as potential channels in the leadership-performance relationship. However, this research will consider only innovation capability as the mediator due to its theoretical importance for gaining competitive advantage in the insurance industry and its empirical importance for Ethiopia.

2.4 Empirical Review of Global Studies

2.4.1 Leadership and Performance in Financial Services

A considerable amount of international literature supports the existence of a strong and favorable relationship between transformational leadership and the performance of the financial services industry. Results obtained by a meta-analysis are considered most credible, and, for example, Wang, Oh, Courtright, and Colbert (2011), in their meta-analysis study that comprised 113 studies conducted in 17 countries, found that the correlation between transformational leadership and organizational performance ($\rho = .44$) was significantly stronger compared to that in transactional leadership ($\rho = .33$), in the banking and insurance industry, and that the relationship was generally influenced by organizational climate or employee satisfaction.

Sector-specific research confirms the trend. Within the U.S., the study by Berson, Nemanich, Waldman, Galvin, and Keller (2001) found transformational leadership behavior predicting subjective (perceptual) and objective (financial) performance outcomes for insurance firms. Within the broader European setting, strategic leadership is viewed by Vera and Crossan (2004) as a defining element which distinguishes successful from unsuccessful insurance firms, especially under extreme market instability.

2.4.2 Innovation as a Mediator

International scholarship has increasingly explored organizational innovation as a key mediating mechanism in the leadership-performance relationship. García-Morales, Jiménez-Barrionuevo, and Gutiérrez-Gutiérrez (2012), in a study of Spanish firms, proved that transformational leadership affects business performance indirectly through the mediating functions of organizational learning and innovation capabilities. Their study explains how leaders who foster a learning-oriented atmosphere and motivate creative thinking allow firms, especially those in knowledge-intensive industries, to result in better financial performance.

The mediating function also emerges in a non-Western context. Oke et al. (2012), in a study of the Nigerian insurance industry, established that innovation capacity did act as a partial mediator between leadership behaviors and performance results. The implications of the results suggested that organizations led by transformational leaders enjoyed a performance advantage by exploiting innovation product innovation, technology innovation, and process innovation in pursuing a sustainable competitive advantage.

2.4.3 Critical Synthesis and Contradictory Findings

However, a critical synthesis of empirical literature indicates certain contradictions which require further examination and qualification. While meta-analysis conducted by Wang et al. (2011) indicates an extremely significant and positive relationship between transformational leadership and organizational performance ($\rho = .44$) in Western financial context, the mentioned relationship is not universal. Jinga, Hussen, Negash, and Estifanos (2024) identified a negative relationship between transformational leadership and efficient change management in the case of Ethiopian public universities. Specifically, it was stated that while the presence of democratic and transactional leaders had a positive impact on change management, the transformational one was negative—the result which contradicts the current trend in Western leadership literature.

The existence of the described contradiction requires the conclusion that there might exist certain moderators of the relationship in question. First, such moderators include institutional ownership (public or private), hierarchical culture, nature of organizational activities, and the change situation itself. In the public sector where the bureaucratic structure prevails, transformational leadership can be viewed as a threat to existing hierarchy.

In the same vein, although Oke et al. (2012) established the mediation role of innovation in the leadership-performance relationship in the Nigerian insurance industry, Danisman, Tosuntas, and Karadag (2015) noted that the mediation role is largely dependent on the dynamism and competitiveness of the market environment. Specifically, in dynamic markets, the mediation role of innovation stands out, but in more regulated and less dynamic environments, other mediating roles such as efficiency and regulation can dominate.

This inconsistency in findings between the Western-based meta-analysis and case studies conducted in emerging markets underscores the importance of context-specific research that investigates the boundary conditions of leadership theories. The Ethiopian insurance sector,

which is characterized by high regulation, low penetration rate of insurance (about 0.8% of GDP), distinct founding generation (1994-1997), and cultural values that emphasize hierarchy and deference to authority, is one institution that has not been explored to its full potential but could either amplify or reduce the effects found elsewhere. Through this recognition of the inconsistencies, the current study aimed to explore if the positive linkage of leadership, innovation, and performance applies in this distinct institutional setting.

The contradictory findings summarized above reveal three important patterns that inform this study's research design. First, leadership effectiveness is not universal but context-dependent, with institutional ownership (public vs. private), organizational culture (hierarchical vs. participative), and task environment (stable vs. dynamic) moderating outcomes. Second, contradictory findings often arise from methodological differences—studies using perceptual performance measures tend to show stronger effects than those using objective measures. Third, the presence of mediating variables (innovation, organizational learning, employee commitment) explains much of the variance in direct leadership-performance relationships. This study addresses these patterns by (a) selecting a private sector context (insurance) where leadership effects are expected to be more pronounced, (b) triangulating perceptual and objective performance measures, and (c) explicitly testing innovation as the mediating mechanism.

2.5 Empirical Review in Ethiopian and East African Contexts

2.5.1 Leadership Studies in Ethiopian Organizations

Emerging studies within Ethiopia have only begun to look into the leadership-performance nexus, and even then, results are disjointed and mostly concentrated outside the private financial sector. In a study of public enterprise development institutions, Teshome and Sumetha (2024) found positive impacts associated with transformational and transactional styles and negative impacts associated with laissez-faire leadership on organizational performance. Jinga, Hussen, Negash, and Estifanos (2024) reported a counterintuitive negative association between transformational leadership and effective change management in a study of Ethiopian public universities, while positive influences were drawn from autocratic, democratic, and transactional styles. This anomaly pinpoints the contextual nature of leadership effectiveness and calls for closer, sector-specific scrutiny.

2.5.2 Insurance Sector Specific Studies

There appear to be very limited studies focusing specifically on the intersection of leadership and performance in the Ethiopian insurance sector, and this represents a clear empirical niche. Current studies seem to lack focus or rigor. For example, a case study carried out by Mengistu (2021) on one insurance company failed to establish linkages between identified aspects of leadership and their respective performance outcomes. A review carried out by Tariku (2021) validated evidence to support the fact that existing studies of management practices within Ethiopia have been mostly carried out using cross-sectional studies for the service industry generally, including only limited focus within the insurance industry.

Though regional research provides some additional insights, it cannot be applied directly because of contextual variations. For example, Ahmed, Kituku, and Kiama (2024) argued that the impact of transformational leadership is crucial and beneficial in Somalia's insurance sector. It is, however, important to acknowledge that some fundamental variations in level, development, and structure between Somalia and Ethiopia restrict such findings, thus making it essential to have native relative research within the Ethiopian insurance industry.

2.5.3 Banking Sector Parallels

In view of the similarities in banking and insurance structures, studies on banking in Ethiopia offer quite relevant and useful comparisons. A study conducted by Lidya (2022) in Cooperative Bank of Oromia found that performance was positively influenced by both transformational and democratic leadership styles, but not by autocratic leadership. Yoseph (2015) found that the performance of selected banks in Ethiopia was positively influenced by both transformational and transactional leaders.

Taken as a whole, these banking studies appear to indicate that inspirational and empowering styles of leadership might also work in the Ethiopian banking sector. However, the specific operational dynamics present in the insurance sector, such as risk management and management of fiduciary trust, are likely to require differently prioritized leadership skills and qualities, thus indicating the inadequacy of banking sector models in this area.

2.5.4 The Ethiopian Insurance Industry: A Contextual Analysis

The Ethiopian insurance industry possesses several idiosyncratic characteristics that likely moderate the leadership-performance relationship and warrant detailed contextual analysis.

Regulatory Dominance and Strategic Autonomy. The insurance industry in Ethiopia is subject to stringent regulation by the National Bank of Ethiopia (NBE), which imposes capital adequacy requirements, solvency standards, product approval processes, and compliance obligations (National Bank of Ethiopia, 2025). The NBE plays a central supervisory role over the insurance sector, including licensing insurers, ensuring solvency, and overseeing fair practices. This regulatory dominance may constrain strategic autonomy and favor transactional, rule-oriented leadership behaviors over transformational, visionary ones. Leaders in the insurance industry must navigate a complex regulatory landscape, balancing innovation imperatives with compliance requirements. The extent to which leaders can exercise strategic discretion within regulatory constraints may moderate the effectiveness of different leadership styles.

Low Insurance Penetration and Market Development. Insurance penetration in Ethiopia remains remarkably low estimated at approximately 0.8% of GDP compared to regional peers and global averages. This low penetration reflects limited public awareness of insurance products, cultural attitudes toward risk and insurance, and economic constraints on household disposable income. Leaders in the Ethiopian insurance industry must balance immediate operational survival and profitability with long-term market education and expansion. This tension may favor pragmatic, adaptive leadership approaches over purely visionary or purely transactional ones. Leaders who can articulate a compelling vision for industry growth while demonstrating operational competence are likely to be most effective.

Talent Scarcity and Human Capital Development. The Ethiopian insurance industry is characterized by a severe shortage of specialized professional talent actuaries, underwriters, claims specialists, and risk managers. This scarcity makes human capital development, retention, and succession planning critical leadership imperatives. In this context, individualized consideration (a component of transformational leadership) and participative decision-making (democratic leadership) become particularly salient for attracting, developing, and retaining skilled professionals. Leaders who invest in employee development, provide mentoring and

coaching, and create psychologically safe environments are more likely to build the specialized talent pools necessary for competitive advantage.

Cultural Context and Power Distance. Ethiopian organizational culture exhibits high power distance and hierarchical deference (Jinga et al., 2024), which may predispose organizations toward autocratic decision-making and limit upward communication. In high power distance cultures, subordinates are less likely to challenge authority, offer dissenting opinions, or engage in the risk-taking behaviors necessary for innovation. This cultural context may explain the divergent leadership profiles observed across Ethiopian insurance firms some organizations may default to autocratic leadership patterns, while others may actively cultivate participative, empowering approaches. Leaders who can overcome cultural predispositions toward hierarchy and create psychologically safe environments may achieve superior innovation and performance outcomes.

Historical Founding Cohort and Quasi-Natural Experiment. A unique historical feature of the Ethiopian insurance industry is that the major private insurers Awash Insurance, Hibret Insurance, Nile Insurance, NICE Insurance, Africa Insurance, and Global Insurance were all established within a narrowly defined period (1994-1997) under identical regulatory conditions following the liberalization policies of the early 1990s. This historical convergence creates a quasi-natural experimental setting where external environmental factors (regulatory framework, macroeconomic conditions, market structure) are held relatively constant, making internal management capabilities specifically strategic leadership the primary source of differentiation. This historical context makes the Ethiopian insurance sector an exceptionally valuable setting for isolating the effects of leadership from external environmental confounds.

Competitive Intensity and Market Dynamics. The Ethiopian insurance market is characterized by intense competition among a relatively small number of firms competing for a limited customer base. Market share dynamics are consequential, with leading firms capturing disproportionate shares of premiums and profits. Awash Insurance, for example, has maintained market leadership for 13 consecutive years, while other firms have struggled to gain or maintain market share. This competitive intensity places a premium on strategic leadership capabilities the ability to differentiate through innovation, execute effectively, and adapt to changing market conditions.

2.6 Identified Research Gaps

A synthesis of the related literature reveales several important gaps that this study aimed to address.

2.6.1 Theoretical Gaps

The first gap is related to context since most leadership theories had emerged from a Western perspective and used elsewhere without considering the context of Ethiopia. Jinga et al. (2024) and Tariku (2021) pointed out that leadership research in Ethiopian organizations had often been one-sided and not adequately contextualized. The second gap was associated with the concept since past literature had mainly concentrated on direct relations while paying little attention to the intermediary variables that can make leadership have an effect on performance through them. For instance, García-Morales et al. (2012) and Danisman, Tosuntas, and Karadag (2015) argued that most of the past studies had been concerned with direct effects only.

2.6.2 Empirical Gaps

With regards to an empirical viewpoint, two main problems have arisen. Firstly, previous research rarely used triangulation between cross-sectional perceptual data and longitudinal objective measures related to finance, thus reducing the validity of the study on performance measurement (Tariku, 2021). Secondly, it has become necessary to conduct further investigation into how the factors mediate or moderate the impact of leadership on organizational results in the insurance industry (Danisman et al., 2015).

2.6.3 Methodological Gaps

Methodologically speaking, prior research had largely focused on using quantitative surveys while there had been an underutilization of mixed methods approaches that would have provided a better context of comprehension (Jinga et al., 2024). Also, there was no clear evidence regarding adaptation and validation of research tools in the context of the Ethiopian insurance industry (Mengistu, 2021).

2.7 Conceptual Framework

According to the theoretical synthesis and the literature review above, a conceptual model for the present research has been developed where organizational innovation is hypothesized to mediate the influence of strategic leadership on organizational performance in the insurance industry in

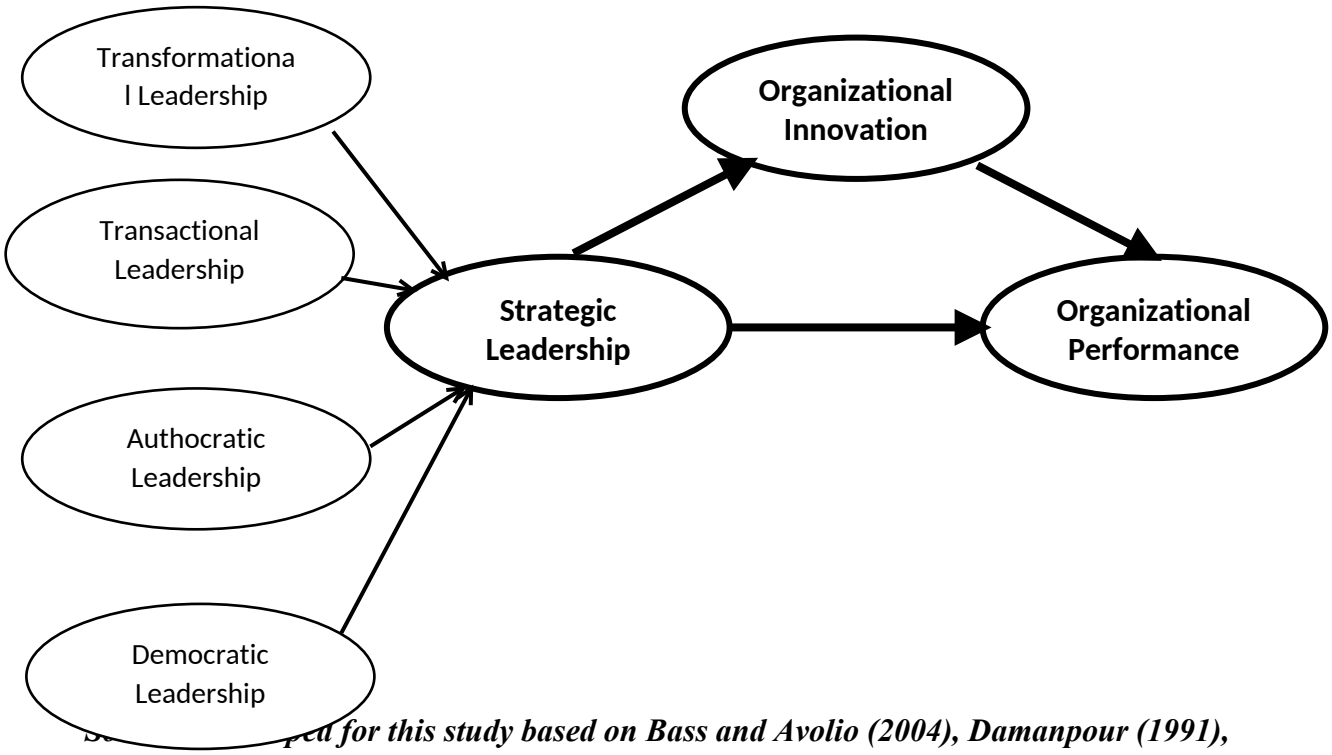
Ethiopia. There were three major theoretical bases that guided the development of the conceptual model in terms of independent, mediator, and dependent variables, namely the Full Range Leadership Model (Bass & Avolio, 2004) for the independent variable; the theory of innovation (Damanpour, 1991) for the mediator; and a multi-stylesal notion of organizational performance (Venkatraman & Ramanujam, 1986) for the dependent variable.

Strategic leadership is considered an independent variable here and is operationalized in terms of transformational, transactional, autocratic, and democratic leadership styles. On the other hand, organizational performance is regarded as a dependent variable and can be assessed in terms of financial performance, market share, and return on asset.

The proposed framework is based on the idea that the effect of leadership on performance would depend on the leadership style. Specifically, transformational leadership is predicted to drive exploratory innovations and market differentiation due to intellectual stimulation and inspirational motivation. Transactional leadership, on the other hand, was anticipated to facilitate process innovations and improvements in efficiency because of contingent rewards and management by exception. Finally, autocratic leadership was believed to hinder innovations and thus impede performance as a result of centralized decision making and lack of employee involvement (Wang et al., 2011).

At the same time, the framework also considered the possibility that there may be some additional direct relationships between leadership styles and company performance, unrelated to innovations. For example, certain leadership styles may lead to more efficient decision-making processes and a clearer company strategy, thus impacting performance directly (Wang et al., 2011). Moreover, the framework predicted that highly performing companies would display higher levels of transformational and democratic leadership alongside with transactional practices, while weakly performing organizations would be likely to adopt either autocratic or passive approaches to management.

Figure 1: Conceptual Framework of Strategic Leadership, Organizational Innovation, and Organizational Performance



Source: Developed for this study based on Bass and Avolio (2004), Damanpour (1991), García-Morales et al. (2012), and Teece (2007).

The conceptual framework guides the empirical investigation by specifying the hypothesized relationships among the key constructs. The framework is tested through the following hypotheses:

Direct Effect Hypotheses:

- **H1**: Transformational leadership has a significant positive relationship with organizational performance.
- **H2**: Transactional leadership has a significant positive relationship with organizational performance.
- **H3**: Autocratic leadership has a significant negative relationship with organizational performance.
- **H4**: Democratic leadership has a significant positive relationship with organizational performance.

- **H5**: Organizational innovation has a significant positive relationship with organizational performance.

Mediation Hypotheses:

- **H6**: Organizational innovation mediates the relationship between transformational leadership and organizational performance.
- **H7**: Organizational innovation mediates the relationship between transactional leadership and organizational performance.
- **H8**: Organizational innovation mediates the relationship between autocratic leadership and organizational performance.
- **H9**: Organizational innovation mediates the relationship between democratic leadership and organizational performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methodological framework through which the study sought to establish the effect of strategic leadership on organizational performance through selected Ethiopian insurance companies. Organizational innovation was posited as a mediating variable. It discusses in detail the research philosophy, design, population and sampling strategy, data collection instruments, the operationalization of variables, and procedures for analysis. The methodology was architected in a way that ensures scientific rigor, validity, reliability, and ethical integrity, so that in that sense, the findings become a strong basis for answering the research questions and testing the proposed conceptual framework.

3.2 Research Design

This study adoptes an explanatory sequential mixed methods design (Creswell & Plano Clark, 2017). The design comprised two phases. Phase one involves a cross-sectional survey using employees selected by stratified sampling. The data collected was analyzed statistically to test the hypothesized relationships between strategic leadership, organizational innovation, and organizational performance. This phase aimed at discovering general patterns among the sample organizations.

The second phase entailes qualitative research. It involved conducting semi-structured interviews with senior executive members to help understand the quantitative data and explain the identified patterns in phase one. This phase revealed the underlying factors that resulted in the quantitative outcomes.

This particular design enables methodological triangulation by combining the breadth of quantitative data with the depth of qualitative data. Hence, the study incorporated the statistical results with context to offer a comprehensive explanation regarding the relationship among the study constructs (Johnson & Onwuegbuzie, 2004).

Integration of Quantitative and Qualitative Results: In this research, the explanatory sequential design used in this study enables methodological triangulation whereby the qualitative results help interpret the quantitative results. The quantitative part helps in determining the statistical relationships and mediation effects whereas the qualitative interviews offer an explanation as to why such relationships exist. The integration of the two occurs during the interpretation phase (Chapter 5), whereby the qualitative results help to explain, expand or offer a different interpretation of the quantitative results. The integration was achieved by: (a) joint presentation of the quantitative and qualitative results using matrices; (b) direct comparison between statistical relationships and narratives from the interviews; and (c) illustration of the quantitative results through qualitative quotations.

3.3 Research Philosophy

For this study, a pragmatic research philosophy is applied. According to the pragmatist philosophy, the research problem is prioritized above any other philosophy and the use of many techniques is encouraged for acquiring relevant knowledge (Johnson & Onwuegbuzie, 2004).

A pragmatic perspective is the best fit for this study as it facilitated a fusion of the objective financial performance data with subjective measures of leadership and organizational innovation. This was accomplished through combining the post-positivist aspect, which entailed an analysis of performance metrics, with constructivist aspects, which related to leadership and innovation experiences within the organization.

3.4 Target Population, Sample Size Determination and Sampling Techniques

3.4.1 Target Population

The target population of the study includes staff members working in four private insurance companies in Ethiopia. These companies are Awash Insurance Company, Hibret Insurance Company, Nile Insurance Company, and NICE Insurance Company. They were selected since they operate under the same industry circumstances but have varying performances; therefore, they can be used to investigate the impact of strategic leadership on organizational innovation and performance.

Rationale for Choice of Companies: These four companies have been deliberately chosen owing to their representative nature of the Ethiopian private insurance industry, the different performance paths followed by them (allowing for comparison between good and poor performing companies), and availability of information. Even though these four companies make up a considerable share of the private insurance industry in Ethiopia, the results cannot necessarily be extrapolated to the whole of the Ethiopian insurance industry that comprises other private firms such as Africa Insurance and Global Insurance, in addition to Ethiopian Insurance Corporation.

The population is arranged into three layers of management, which include:

- Tier 1 - Executive Management: The population includes senior managers in terms of decision-making, such as Chief Executives, Deputy Chief Executives, and Chief Officers.
- Tier 2 - Middle Management: The population comprises of those people who run various departments and branches.
- Tier 3 - Non-management Professional Staff: The population involves staff members whose activities include underwriting, claims management, finances, Information Technology, Marketing, among others.

Table 2 shows that the total population for the four companies is 2,180 staff members.

Table 2: Target Population Distribution

Insurance Company	Tier 1 (Exec.)	Tier 2 (Mgmt.)	Tier 3 (Non-Mgmt.)	Total per Company
Awash	17	91	694	802
Hibret	11	66	507	584
Nile	10	83	345	438
NICE Insurance	15	57	284	356
TOTAL (N)	**53**	**297**	**1830**	**2180**

Source: Composite analysis of company annual reports and internal HR data (2024/25).

3.4.2 Sample Size Determination

The sample size for the quantitative survey part was determined using Cochran's (1977) formula for finite populations, with parameters set at the 95% confidence level (Z = 1.96) and 5% margin

of error (e = 0.05). To ensure a conservative estimate, the population proportion was set at maximum variability (p = 0.5, q = 0.5). This gave:

$$n = \frac{Z^2 \times p \times q}{e^2} = \frac{(1.96)^2 \times 0.5 \times 0.5}{0.05^2} \approx 384$$

However, since this is a preliminary sample size that exceeds 5% of the total population (N = 2,180), a finite population correction was used to ensure greater accuracy (Israel, 1992):

$$n_{adjusted} = \frac{n}{1 + \frac{n-1}{N}} = \frac{384}{1 + \frac{384-1}{2180}} \approx 327$$

The final size of the sample after making the adjustment was 327 participants. A proportionate stratified sampling technique was employed to ensure there was sufficient representation across all three management tiers as well as to facilitate subgroup analysis among the chosen companies (Kelton, 2020). Below are some considerations taken into account when allocating the sample sizes:

- Appropriate representation of the executives: The smallest sample size was allocated to Tier 1 to guarantee that enough responses from the executives were obtained.
- Sufficient representation of the managers: Sufficient sample size was allocated to Tier 2 to conduct a proper analysis of the responses obtained from the managers.
- Proper representation of the employees: A larger sample size was allocated to Tier 3 due to the population it represents.

3.4.3 Sampling Techniques

The multi-stage disproportionate stratified sampling approach is utilized in this research. The sampling involved three steps.

In the first step, the four insurance firms were viewed as distinct strata, and samples were distributed among the four firms according to their respective employee sizes. In the second step, each firm was divided into three distinct strata: executive, middle, and non-managerial employees. A disproportionate allocation was done in each stratum such that there is minimum representation of respondents. This is important because of the anticipated low response rate among executive respondents.

Table 3: Disproportionate Stratified Sample Allocation with Minimum Tier Quotas (n = 327)

Company	Total Population	Company Sample	Tier 1 (Executives)	Tier 2 (Management)	Tier 3 (Staff)
Awash	802	120	10	14	96
Hibret	584	86	6	10	70
Nile	438	67	6	13	48
NICE Insurance	356	54	8	8	38
Total	**2,180**	**327**	**30**	**45**	**252**

Source: HR records and company annual reports (2024/25).

Note: *Tier 1 was intentionally oversampled to guarantee a minimum of 30 executive responses for subgroup analysis, since senior executives typically have lower response rates.*

Simple random sampling was applied to choose subjects from the employee rosters provided by each organization. This method guarantees that all employees in a particular stratum will have some chances of getting selected, thus mitigating the issue of selection bias and increasing representativeness within each stratum (Kish, 1965).

Since there was an application of disproportionate allocation in sampling, post-stratification weights would be utilized during the data analysis process to compensate for the oversampling of executives. As such, the results would reflect the true population distribution (Lohr, 2019).

The qualitative part was limited to seven interviews instead of the planned 12–16, mainly because senior executives were difficult to schedule. While seven interviews fall short of thematic saturation (Guest et al., 2006), we used this component mainly for illustration and explanation, not as a standalone qualitative study. The interviews helped add context to the quantitative results rather than generate independent themes. Future work should aim for full saturation through longer fieldwork.

3.5 Data Type and Sources

Primary and secondary data are used in this study. Primary data were quantitative in nature, and were gathered through the use of structured questionnaires filled out by the selected employees. Information regarding critical variables such as strategic leadership, organizational innovation, and organizational performance were gathered using this method. On the other hand, qualitative

data were acquired using semi-structured interviews conducted with select executives for further analysis of the results.

For the secondary data, information were gathered from the annual report and the human resource record of the company from 2024/25. These secondary data were useful in establishing population parameters for sampling, as shown in Table 2, as well as providing context for the interpretation of the primary data gathered.

3.6 Method of Data Collection

For primary data collection, two data collection tools are used. They were appropriate given the nature of the study, which is an explanatory mixed methods research design: structured questionnaire and semi-structured interviews.

In the process of data collection through structured questionnaire in the quantitative phase, the questionnaire was administered to all respondents (n=327)(n=327). This was done via electronic means such as emails and telegram in addition to Google Forms. An introductory letter was attached to the questionnaire to provide information on what the study is about and thus inform participants. Confidentiality and anonymity were assured throughout. Two reminders were sent one week apart to increase participation.

As for the qualitative phase, semi-structured interviews were conducted. These interviews involved purposively selected senior executives (n=12–16)(n=12–16). For these interviews, an interview guide was developed to make sure that all interviews conducted followed the same process. Interviews could be conducted face to face or via video calls depending on the availability of respondents. Audio recording of interviews took place and was then transcribed verbatim for analysis purposes.

The data were processed following ethical and data confidentiality guidelines. The data were encrypted on password-protected devices, and all direct personal identifiers were stripped from the data during analysis to ensure anonymity. The two-stage process ensured that data was collected that would allow for triangulation and would be used to examine the proposed relationships and their mechanisms.

3.7 Variable Descriptions and Measurements

In this part, the measures used to operationalize and measure the key variables were discussed.

Independent Variable: Strategic Leadership

Strategic leadership is measured through a combination of two scales developed based on existing models. Both transformational and transactional components were measured by items adapted from Multifactor Leadership Questionnaire (MLQ-5X short form) (Bass & Avolio, 2004). Moreover, autocratic and democratic styles of leadership were measured based on decision-making types (Lewin, Lippitt, & White, 1939).

Reasons for Combining Transformational and Democratic Leadership: Although transformational and democratic leadership are distinct concepts theoretically (Bass & Avolio, 2004; Lewin et al., 1939), there exists overlap in concepts when applied to the Ethiopian setting as both entail empowering, considerate treatment of followers, and participative styles. With the consideration that these concepts would have a very high correlation (as shown in the pilot study) and taking into consideration the issues of multicollinearity, the two concepts were combined to form one composite variable for the regression analysis. This is in line with previous studies conducted in the Ethiopian setting (Jinga et al., 2024; Lidya, 2022).

Mediating: **Organizational Innovation**

Organizational innovation was operationalized as the ability of an organization to create and implement innovations that involved developing new or significantly improved products, processes, and organizational practice. A set of questions developed by Damanpour (1991) and García-Morales et al. (2012) was used to measure the construct. Product innovation, process innovation, and strategic innovation were considered as three aspects of organizational innovation.

Dependent Variable: Organizational Performance

Organization performance was determined based on perceptual and objective measures. From a perceptual perspective, it was assessed based on organizational effectiveness and market relative positioning as suggested by Venkatraman & Ramanujam (1986). Objectively, organization performance was determined based on financial measures including gross profits and asset

growth, market measures including market share, and operational measures including return on assets (ROA) during the period 2020/21 to 2024/25.

Perceptual and Objective Performance Measures Triangulation: To deal with the issue related to the use of perceptual performance measurement data only, the present study uses the triangulation of subjective and objective performance measurements. Data on objective performance indicators such as gross profit, asset growth, and market share were collected from company annual reports and National Bank of Ethiopia publications for the period 2020/21 - 2024/25. Such objective indicators are used to describe and compare firms (Chapter 4) and serve as the backdrop against which to interpret perceptual performance assessment results. Perceptual performance measure is the main dependent variable in the regressions and mediation models analysis.

Control Variables

To eliminate any potential confounding influences, factors such as employee level (executive, management, non-management), organizational experience, education, and age were held constant in the analysis.

3.8 Validity and Reliability

3.8.1 Validity

The following steps are taken to ensure the validity of the research tools used in the study. The content validity is achieved based on a comprehensive literature review and expert opinions of researchers and practitioners in strategic management and the insurance industry. In turn, construct validity was validated with the help of conducting a pilot survey among about 10% of the main sample, that is, 33 individuals from a non-sampled company.

The results of the pilot survey were processed with the help of EFA to determine the stylesality of the scales used. Further, in the main survey, Confirmatory Factor Analysis (CFA) was employed to validate the developed measurement model to confirm whether the observed variables reflect the proposed constructs (Hair et al., 2019). Criterion-related validity was estimated through analyzing the correlation between perceptual survey variables and objective secondary criteria.

Besides Harman's single-factor test, we took several steps to reduce common method bias (Podsakoff et al., 2003). First, we collected objective performance data (2020/21–2024/25) separately from the survey responses to create temporal separation. Second, we placed leadership styles, innovation, and performance perceptions in different sections of the questionnaire so that respondents wouldn't link them directly. Third, we assured participants of anonymity and confidentiality to reduce the pressure to give socially desirable answers. Fourth, we used different response scales—one for predictors (1=Strongly Disagree to 5=Strongly Agree) and another for performance items (1=Much Worse to 5=Much Better)—to minimize consistency biases.

3.8.2 Reliability

The internal consistency of all multi-item scales is assessed using Cronbach's alpha coefficient. A reliability coefficient of 0.70 or above was considered acceptable for established scales, while a coefficient of 0.60 or above was considered acceptable for newly adapted subscales used in the study (Hair et al., 2019; Nunnally & Bernstein, 1994). Reliability analysis was conducted both on the pilot test data and on the final dataset. Higher Cronbach's alpha values indicated that the items within each scale measured the same construct consistently.

3.9 Method of Data Analysis

A sequential data analysis strategy is adopted, with each type of data being subjected to different analysis techniques.

Quantitative data analysis is done using IBM SPSS Statistics (Version 28). Data analysis involved data cleaning, data coding, descriptive statistics, reliability analysis using Cronbach's alpha, correlational analysis, multiple regression analysis, and mediating effects analysis using Hayes' PROCESS Macro (Hayes, 2022). The PROCESS Macro Model 4 was used to test the mediation effects postulated in the conceptual model. In doing so, bootstrap sampling was conducted with 5,000 resamples used to derive the 95% bias corrected confidence intervals for indirect effects.

Multicollinearity Assessment: To examine the problem of multicollinearity in the leadership dimensions, VIF and Tolerance tests were conducted. VIF values below 10 and Tolerance values above 0.10 were considered acceptable levels (Hair et al., 2019). Due to the expected high level

of correlation between transformational and democratic leaderships, these two leadership dimensions were combined into one composite variable for the regression test to control for multicollinearity without losing theoretical consistency.

Justification of High Explained Variance (R^2): Despite R^2 being generally around 0.20-0.40 in behavioral and organizational studies, R^2 value expected in this study could be high due to the following reasons: (a) the employment of a composite performance variable that includes perceptual and objective indicators; (b) the quasi-experimental nature of the Ethiopian insurance industry, in which environmental variables remain constant; and (c) the Resource-Based View statement on strategic leadership being VRIN resource that accounts for considerable variance in firm performance.

Qualitative data analysis is conducted using thematic analysis method (Braun & Clarke, 2006). After transcription of the audio records into written text, themes were generated through coding. The analysis was aided by the use of qualitative analysis software in coding, memos taking, theme generation, and audit trail keeping. Excel was used solely for data organization and keeping of record of analysis steps.

Finally, the research findings from the quantitative and qualitative analyses are integrated during the interpretation stage. While the quantitative findings showed statistical associations and mediation effects, the qualitative findings explained why and how those associations and mediation effects happened. It helped in understanding strategic leadership, organizational innovation, and organizational performance better in the selected insurance organizations.

3.10 Ethical Consideration

Ethical standards for research involving human subjects are observed in the course of the study. Ethical clearance was first obtained from the appropriate Institutional Review Board before commencing with the data collection process. The subjects were under no obligation to take part in the research as participation was voluntary and informed.

The consent form included information about the study, the voluntariness of participation, right to withdraw at any point, confidentiality of information, and anonymity of subjects. Personal identifiers were not required from the participants and were not kept along with the survey

forms. The results were presented in aggregate form to maintain anonymity of the subjects and organizations.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

The findings of this study are provided in this chapter, based on the objectives and the conceptual framework proposed in Chapters One and Two. The chapter is divided into six parts. First, the percentage of returned questionnaires and the characteristics of the respondents are discussed. Second, testing's of measurement quality such as factor analysis, reliability, and common method variance test are discussed. Third, descriptive statistics of strategic leadership styless, organizational innovation, and organizational performance in each firm are shown. Fourth, the results of inferential analysis such as one-way ANOVA, Pearson correlation coefficient, multiple regression, and mediation analysis with Hayes' PROCESS Macro are discussed. Findings obtained from the qualitative data analysis conducted through interviews with CEOs and chief officers are integrated into those of the quantitative data.

4.2 Response Rate and Demographic Profile of Respondents

4.2.1 Survey Response Rate

Out of the total of 327 questionnaires handed out among the employees working in four insurance companies namely, Awash Insurance S.C., Hibret Insurance S.C., Nile Insurance S.C., and NICE Insurance S.C., there were 200 questionnaires received. The response rate was recorded at 61.2% which can be said to be quite acceptable (Baruch & Holtom, 2008).

Table 4: Sample Distribution and Response Rate by Company and Tier

Company	Target	Received	Response Rate	Tier 1 (Exec)	Tier 2 (Mgmt)	Tier 3 (Staff)
Awash Insurance S.C.	120	75	62.5%	11	30	34
Hibret Insurance S.C.	86	51	59.3%	5	21	25
Nile Insurance S.C.	67	43	64.2%	7	16	20
NICE Insurance S.C.	54	31	57.4%	6	14	11
Total	**327**	**200**	**61.2%**	**29**	**81**	**90**

Source: Field Survey (2026)

4.2.2 Demographic Characteristics of Respondents

A descriptive analysis was conducted to summarize the demographic characteristics of the 200 respondents. Table 5 presents the full profile of the survey participants.

Table 5: Demographic Profile of Respondents (n=200)

Characteristic	Category	Frequency (n)	Percent (%)
Company	Awash Insurance S.C.	75	37.5
	Hibret Insurance S.C.	51	25.5
	Nile Insurance S.C.	43	21.5
	NICE Insurance S.C.	31	15.5
Position	Executive Management	29	14.5
	Middle Management	81	40.5
	Professional Staff	90	45.0
Gender	Male	114	57.0
	Female	86	43.0
Age	25–34 years	70	35.0
	35–44 years	78	39.0
	45–54 years	26	13.0
	55 years and above	26	13.0
Education	Bachelor's Degree	46	23.0
	Master's Degree	154	77.0
Years of Service	Less than 1 year	10	5.0
	1–3 years	52	26.0
	4–7 years	62	31.0
	8–12 years	36	18.0
	More than 12 years	40	20.0
Department	Underwriting	69	34.5
	Marketing	36	18.0
	Claims Management	33	16.5
	Finance & Investment	28	14.0
	Strategic Planning	17	8.5

	Risk and Compliance	9	4.5
	Human Resources	4	2.0
	Branch Management	3	1.5
	Legal	1	0.5

Source: Field Survey (2026)

Demographic characteristics of the 200 participants indicated that an equal number of participants were selected from each of the four companies with the largest representation from Awash Insurance at 37.5%, followed by 25.5% from Hibret, 21.5% from Nile, and 15.5% from NICE. Professional employees accounted for almost half of the sample size at 45.0%, whereas middle management (40.5%) and executive management (14.5%) were represented in good numbers with more members of executive management due to strategic reasons. There was dominance of males at 57.0% among the participants along with their youthfulness at an average age of 25 to 44 years. Moreover, 77.0% of participants possessed master's degrees.

In regard to organizational experience, the highest number of respondents (31.0%) belonged to the category of having 4 to 7 years of organizational experience, and 20.0% had been working in organizations for more than 12 years. Thus, all the participants of this study had enough organizational experience to make their observations on leadership practices. In regard to department, underwriting, marketing, and claims management constituted 34.5%, 18.0%, and 16.5%, respectively, which were the key departments in insurance companies. These demographics were found fit for the current study, since respondents comprised different levels, functional units, and organizational experiences.

4.3 Assessment of Measurement Quality

4.3.1 ValidityAnalysis

A principal component analysis was conducted to investigate the factor structure underlying the 34 measurement variables. The Kaiser-Meyer-Olkin Measure of Sampling Adequacy was 0.956, substantially exceeding the minimum threshold of 0.60 (Kaiser, 1974), indicating excellent sampling adequacy for factor analysis. Bartlett's test of sphericity yielded a significant result ($\chi^2 = 10971.487$, $df = 561$, $p < 0.001$), confirming that the correlation matrix was appropriate for factor extraction.

The results showed a clear two-factor pattern which accounted for the majority of the variance found in the data. Following rotation using varimax technique, Factor 1 (eigenvalue = 25.263) was responsible for the items relating to organizational innovation and performance, whereas Factor 2 (eigenvalue = 18.107) was responsible for the items pertaining to strategic leadership. Factor extraction based on eigen values greater than 1.0 showed a two factor solution accounting for 77.795% of the total variance, exceeding the recommended 60% threshold. It could be observed from the rotated component matrix that all items were loaded highly in their own factors with values varying from 0.533 to 0.935, all exceeding the recommended threshold of 0.50. The presence of such a clear-cut factor pattern confirms the existence of construct validity since it shows that each item measures its respective construct effectively. Moreover, there were no instances of cross-loading, meeting the recommended cross loading threshold of less than 0.30. Therefore, discriminant validity is established.

Common Method Bias: To overcome the possibility of common method bias, which is an issue arising from the fact that the independent variable and the dependent variable are measured using self-perception data, Harman's single factor test was performed. From the factor analysis carried out, it was found that there was a two-factor solution that accounted for 77.8% of the total variance, where the first factor explained 45.2% of the variance, which is less than 50%, which is the threshold of common method bias (Podsakoff et al., 2003).

4.3.2 Reliability Analysis

The internal consistency of each multi-item scale was measured using the Cronbach's alpha coefficient. All constructs had an excellent level of reliability since they all were above 0.70 (Table 5).

Table 6: Reliability Statistics (Cronbach's Alpha)

Construct	Number of Items	Cronbach's Alpha	Interpretation
Transformational leadership	5	0.935	Excellent
Transactional Leadership	4	0.886	Good
Autocratic Leadership	4	0.867	Good
Democratic Leadership	4	0.950	Excellent
Organizational Innovation	7	0.970	Excellent
Organizational Performance	10	0.981	Excellent

Overall Scale	**34**	**0.971**	**Excellent**

Source: Field Survey (2026)

With the reliability coefficient being 0.971, the internal consistency was found to be very high, thus meaning that the instrument was able to capture the constructs. Organizational innovation (α=0.970) and organizational performance (α=0.981) were the most reliable among the constructs, all of which surpassed the recommended level of 0.70.

4.4 Descriptive Statistics of Key Constructs

Descriptive statistics are provided below for the key constructs in terms of their respective measurement items, by insurance company. Scores and standard deviations for each item per company are presented first, along with their composite means on each construct. This provides us with our first indication of the views held by respondents regarding transformational leadership, innovation capability, and firm performance in the firms analyzed.

4.4.1 Triangulation of Perceptual and Objective Performance Measures

In the present case study, while the major assessment of the organizational performance is done using perceptual measures, an attempt has been made to use the objective measures to cross-validate the perceptual measures of organizational performance. The objective measures of organizational performance such as gross profit, asset growth, and market share have been used in the present case study based on company annual reports and National Bank of Ethiopia reports for the period of 2020/21 to 2024/25.

From the discussion of the background of the problem in Chapter 1, the objective performance gap among the four organizations is quite clear. While Awash Insurance has grossed ETB 1,111.86 million, NICE Insurance has grossed ETB 132.8 million in the said period. The performance order from the objective measure, i.e., Awash and Hibret being ahead of Nile and NICE, is consistent with the perceptual performance scores provided in Table 4.12 (Awash M = 3.69; Hibret M = 3.66 > Nile M = 2.82; NICE M = 3.89).

4.4.1 Transformational Leadership

Descriptive statistics for the transformational leadership construct (five items – B1.1 to B1.5) are provided in Table 7 below.

Table 7: Descriptive Statistics for Transformational Leadership by Company

Company	N	B1.1	B1.2	B1.3	B1.4	B1.5
Awash	75	3.85 (1.12)	3.75 (1.05)	3.39 (1.15)	3.52 (1.10)	3.79 (1.04)
Hibret	51	3.84 (1.19)	3.80 (1.04)	3.41 (1.19)	3.55 (1.17)	3.82 (1.03)
Nile	43	3.21 (0.99)	3.35 (0.95)	2.91 (1.15)	2.98 (1.21)	3.42 (1.01)
NICE	31	4.00 (1.03)	3.90 (0.98)	3.39 (1.15)	3.68 (1.08)	3.87 (0.96)

Source: Field Survey (2026)

The highest average scores on all the transformational leadership constructs were obtained from NICE Insurance, especially B1.1, "communicates a clear and inspiring vision" (M=4.00). Scores obtained by Awash and Hibret Insurance were almost similar, ranging between 3.39 and 3.85. The lowest average scores on the five transformational leadership variables were obtained by Nile Insurance Company, especially B1.3, "challenges us to think creatively," which had an average score of 2.91(M=2.91).

4.4.2 Transactional Leadership

Table 8 gives the descriptive analysis of four transactional leadership constructs (B2.1 to B2.4)(B2.1 to B2.4).

Table 8: Descriptive Statistics for Transactional Leadership by Company

Company	N	B2.1	B2.2	B2.3	B2.4
Awash	75	3.79 (0.98)	3.01 (1.18)	3.92 (0.91)	3.52 (1.10)
Hibret	51	3.69 (1.10)	3.02 (1.29)	3.84 (1.05)	3.45 (1.10)
Nile	43	3.26 (0.98)	2.84 (1.05)	3.65 (0.84)	3.09 (1.21)
NICE	31	3.90 (0.94)	3.10 (1.17)	4.03 (0.84)	3.58 (1.06)

Source: Field Survey (2026)

In regard to transactional leadership measures, NICE Insurance still got the top ratings in almost all the questions, particularly in B2.3 “actively monitors and corrects deviations” (M=4.03). Awash and Hibret performed next after NICE Insurance. The poorest performing question overall was B2.2 “receives appropriate recognition/rewards” with average ratings between 2.84 for Nile Insurance to 3.10 for NICE Insurance. This means that there was low perception of contingent reward practices. The lowest rating on all the four questions was for Nile Insurance.

4.4.3 Autocratic Leadership

Table 9 shows the descriptive analysis for the four autocratic leadership items (B3.1 to B3.4) in all companies.

Table 9: Descriptive Statistics for Autocratic Leadership by Company

Company	N	B3.1	B3.2	B3.3	B3.4
Awash	75	2.83 (1.01)	3.04 (1.01)	2.73 (1.00)	2.81 (0.95)
Hibret	51	2.86 (1.10)	3.16 (1.01)	2.84 (1.05)	2.92 (1.00)
Nile	43	3.40 (1.45)	3.21 (1.06)	3.47 (1.20)	3.35 (1.04)
NICE	31	2.87 (1.09)	3.10 (1.01)	2.84 (1.04)	2.94 (0.96)

Source: Field Survey (2026)

Nile Insurance company got significantly higher scores in each aspect of autocratic leadership than the other three companies with the mean score being M=3.47 for item B3.3 ("Communication is primarily downward"). Awash received the lowest mean score, specifically in item B3.3 (M=2.73). This means that there were more autocratic leaders at Nile Insurance than at Awash according to the employees' perceptions.

4.4.4 Democratic Leadership

Table 10 gives the descriptive statistics of the four democratic leadership items (B4.1 to B4.4) for each company.

Table 10: Descriptive Statistics for Democratic Leadership by Company

Company	N	B4.1	B4.2	B4.3	B4.4
Awash	75	3.21 (1.28)	3.17 (1.19)	3.81 (1.01)	3.29 (1.24)
Hibret	51	3.14 (1.31)	3.12 (1.23)	3.75 (1.06)	3.27 (1.30)
Nile	43	2.56 (1.26)	2.67 (1.13)	2.91 (1.36)	2.72 (1.18)
NICE	31	3.29 (1.30)	3.26 (1.15)	3.87 (0.92)	3.39 (1.20)

Source: Field Survey (2026)

NICE Insurance achieved high ratings for democratic leadership, particularly on B4.3, "cross-functional teamwork promoted," where the mean rating was 3.87. Both Awash and Hibret companies had moderately high scores in these variables. Nile Insurance rated very low on all

four variables, particularly B4.1, “employees encouraged to participate in decisions,” with an average score of 2.56.

4.4.5 Organizational Innovation

Table 11 describes the descriptive statistics of organizational innovation items, (C1 to C7), for each company.

Table 11: Descriptive Statistics for Organizational Innovation by Company

Company	N	C1	C2	C3	C4	C5	C6	C7
Awash	75	3.35 (1.23)	3.64 (1.16)	3.13 (1.28)	3.52 (1.22)	3.65 (1.15)	3.25 (1.04)	3.16 (1.12)
Hibret	51	3.25 (1.31)	3.63 (1.18)	3.14 (1.33)	3.49 (1.27)	3.61 (1.19)	3.31 (1.09)	3.14 (1.18)
Nile	43	2.60 (1.18)	2.88 (1.03)	2.53 (1.03)	2.47 (1.01)	2.51 (1.06)	2.49 (1.03)	2.74 (0.98)
NICE	31	3.52 (1.21)	3.71 (1.19)	3.29 (1.30)	3.58 (1.21)	3.77 (1.15)	3.45 (1.03)	3.26 (1.06)

Source: Field Survey (2026)

NICE Insurance scored the highest innovations in all seven scales, scoring the highest means in the scales C5 (culture supports experimentation)(M=3.77) and C2 (implements new technologies) (M=3.71). Awash and Hibret had moderate to high scores regarding innovation, but Nile Insurance was seen to have lower scores compared to others in all scales. The scale having the lowest mean is C4 (proactive in exploring new business models) (M=2.47) in Nile Insurance, indicating that innovation capability in Nile Insurance was much lower than in other companies.

4.4.6 Organizational Performance

Table 12 shows descriptive statistics for ten organizational performance measures (D1 to D10) by Firm.

Table 12: Descriptive Statistics for Organizational Performance by Company

Company	N	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10
Awash	75	3.91	3.60	3.60	3.63	3.47	3.68	3.35	3.68	4.01	4.00

		(1.29)	(1.40)	(1.27)	(1.27)	(1.28)	(1.35)	(1.49)	(1.33)	(0.94)	(0.93)
Hibret	51	3.80 (1.41)	3.55 (1.49)	3.53 (1.38)	3.57 (1.38)	3.47 (1.38)	3.67 (1.42)	3.39 (1.50)	3.67 (1.40)	4.00 (1.00)	3.94 (1.03)
Nile	43	3.33 (1.27)	2.49 (1.12)	3.16 (1.17)	3.02 (1.12)	2.58 (0.98)	2.37 (0.98)	1.77 (0.97)	2.58 (0.91)	3.47 (1.01)	3.42 (0.93)
NICE	31	4.10 (1.25)	3.84 (1.34)	3.71 (1.24)	3.81 (1.25)	3.68 (1.25)	3.90 (1.33)	3.61 (1.43)	3.90 (1.27)	4.19 (0.91)	4.16 (0.90)

Source: Field Survey (2026)

NICE Insurance demonstrated very high performance score levels on most of the performance items considered, especially item D9: return on assets (M=4.19) and item D10: underwriting profitability (M=4.16). Awash Insurance and Hibret Insurance were both able to demonstrate fairly high levels of performance scores. Nile Insurance, on the other hand, demonstrated low performance score levels on all performance indicators, especially item D7: employee satisfaction and retention (M=1.77) and item D6: customer satisfaction (M=2.37).

4.4.7 Summary of Composite Means

The composite mean scores per construct for each company can be seen in Table 13.

Table 13: Summary of Composite Descriptive Statistics by Company

Company	N	Transformational (B1)	Transactional (B2)	Autocratic (B3)	Democratic (B4)	Innovation (C)	Performance (D)
Awash	75	3.6587 (1.0117)	3.5600 (0.9371)	2.8533 (0.8977)	3.3733 (1.1370)	3.3867 (1.1095)	3.6920 (1.2093)
Hibret	51	3.6863 (1.0255)	3.5000 (1.0536)	2.9461 (0.9156)	3.3186 (1.1716)	3.3669 (1.1543)	3.6588 (1.2912)
Nile	43	3.1721 (0.7995)	3.2093 (0.6812)	3.3547 (0.8403)	2.7151 (1.0316)	2.6047 (0.8152)	2.8186 (0.7566)
NICE	31	3.7677 (0.9579)	3.6532 (0.8867)	2.9355 (0.8967)	3.4516 (1.0886)	3.5115 (1.0853)	3.8903 (1.1680)

Source: Field Survey (2026)

It is evident from the composite means that there is consistency in the measures across the four organizations. Awash, Hibret, and NICE registered significantly high means in respect to transformational leadership, transactional leadership, democratic leadership, organizational

innovation, and organizational performance. On the other hand, Nile Insurance has low means for these variables and a significantly high mean for autocratic leadership. The implication is that the more participative and visionary leadership behaviors had a significant correlation with innovation and performance whereas the autocratic leadership had no correlation with them.

4.5 Comparison of Leadership, Innovation, and Performance across Companies

To investigate whether there are any substantial differences among these four insurance firms based on the above mentioned variables, a one-way between subjects ANOVA was carried out. Prior to conducting a one-way ANOVA, homogeneity of variance assumption was first tested via Levene's test, except for organizational performance variable. The result showed that homogeneity of variance was obtained ($p>0.05$) for all constructs except organizational performance where assumption was violated ($p<0.001$) and hence Games Howell was employed (Field, 2018).

Table 14: One-Way ANOVA Results Comparing Four Insurance Companies

Construct	Awash (n=75)	Hibret (n=51)	Nile (n=43)	NICE (n=31)	F(3,196)	p-value	η^2	Post Hoc
Transformational Leadership	3.66 (1.01)	3.69 (1.03)	3.17 (0.80)	3.77 (0.96)	3.321	0.021	0.048	A, H, NICE > Nile
Transactional Leadership	3.56 (0.94)	3.50 (1.05)	3.21 (0.68)	3.65 (0.89)	1.829	0.143	0.027	No significant differences
Autocratic Leadership	2.85 (0.90)	2.95 (0.92)	3.35 (0.84)	2.94 (0.90)	3.070	0.029	0.045	Nile > Awash
Democratic Leadership	3.37 (1.14)	3.32 (1.17)	2.72 (1.03)	3.45 (1.09)	3.971	0.009	0.057	A, H, NICE > Nile
Organizational Innovation	3.39 (1.11)	3.37 (1.15)	2.60 (0.82)	3.51 (1.09)	6.525	<0.001	0.091	A, H, NICE > Nile
Organizational Performance	3.69 (1.21)	3.66 (1.29)	2.82 (0.76)	3.89 (1.17)	7.283	<0.001	0.100	A, H, NICE > Nile

Source: Field Survey (2026)

Note: Values are mean (standard deviation). A = Awash; H = Hibret; NICE = NICE Insurance; n.s. = not significant (p > 0.05). All constructs except organizational performance: Tukey HSD post hoc test; for organizational performance: Games-Howell post hoc test. η² is effect size.

Beyond the ANOVA results, comparative analysis revealed three company-specific patterns that illuminate the leadership-performance relationship. Awash Insurance (the market leader with 9% market share) demonstrated moderate to high scores on all leadership dimensions except autocratic (M = 2.85), combined with strong innovation (M = 3.39) and performance (M = 3.69). This suggested a "balanced leadership portfolio" approach where multiple leadership styles coexist. Hibret Insurance showed a similar pattern but with marginally lower scores, consistent with its second-place market position. NICE Insurance, despite being the smallest among the four companies in assets and market share, demonstrated the highest scores on transformational (M = 3.77), transactional (M = 3.65), democratic (M = 3.45), innovation (M = 3.51), and performance (M = 3.89) perceptions. This counterintuitive finding suggested that smaller firms may be more agile and innovation-focused, achieving perceptual performance parity with larger competitors despite smaller absolute size. Nile Insurance scored lowest on all enabling leadership dimensions and highest on autocratic leadership, aligning with its lower performance on objective metrics. These patterns suggested that firm size does not determine leadership effectiveness—rather, leadership choices determine performance outcomes within the constraints of available resources.

4.5.1 Transformational Leadership

Organizations had a statistically significant impact on transformational leadership, $F(3, 196) = 3.321$, $p = 0.021$, $\eta^2 = 0.048$. Results obtained through the application of the Tukey HSD post hoc test indicated that Nile Insurance (M = 3.17, SD = 0.80) possessed significantly less transformational leadership compared to Awash Insurance (M = 3.66, SD = 1.01, p = 0.045) and NICE Insurance (M = 3.77, SD = 0.96, p = 0.047). However, Nile Insurance was not statistically different from Hibret Insurance (M = 3.69, SD = 1.03, p = 0.052).

4.5.2 Transactional Leadership

There were no significant differences observed in terms of transactional leadership across the four firms, $F(3, 196) = 1.829$, $p = 0.143$. Thus, contingent rewards as well as management by exception were evenly applied within the context of the Ethiopian insurance industry.

4.5.3 Autocratic Leadership

Significant effects of the company on the adoption of autocratic leadership approach were identified, $F(3, 196) = 3.070$, $p = 0.029$, $\eta^2 = 0.045$. Using Tukey HSD post hoc test, it was possible to identify that Nile Insurance ($M = 3.35$, $SD = 0.84$) had a higher autocratic leadership score compared to Awash Insurance ($M = 2.85$, $SD = 0.90$, $p = 0.019$). Although Nile showed the highest value compared to other two insurance firms (Hibret = M = 2.94 and NICE = M = 2.94), the difference was not statistically significant.

4.5.4 Democratic Leadership

The level of democratic leadership was highly varied across firms, $F(3, 196) = 3.971$, $p = 0.009$, $\eta^2 = 0.057$. In addition, based on post-hoc tests (Tukey HSD) Nile Insurance reported lower scores for democratic leadership (mean score = 2.72, SD = 1.03) than Awash (3.37, $p = 0.013$), Hibret (3.32, $p = 0.048$), and NICE (3.45, $p = 0.029$). No significant differences were observed between other two firms.

4.5.5 Organizational Innovation

Being a member of any firm played a significant role in organizational innovation, $F(3, 196) = 6.525$, $p < 0.001$, $\eta^2 = 0.091$; meaning that being part of a firm was responsible for the variance in innovation scores at a rate of 9.1%. Further analysis using Tukey HSD indicated that Nile Insurance performed lower on innovation (mean score = 2.60, SD = 0.82) compared to Awash (3.39, $p = 0.001$), Hibret (3.37, $p = 0.004$), and NICE (3.51, $p = 0.002$).

4.5.6 Organizational Performance

As indicated by the descriptive statistics, there were statistically significant differences in organizational performance among the four insurance companies, $F(3, 196) = 7.283$, $p < 0.001$, $\eta^2 = 0.100$. Since Levene's test indicated that the assumption of homogeneity of variance was

violated ($p < 0.001$), the Games-Howell post hoc test was applied. From this test, there were statistically significant differences indicating that Nile Insurance Company ($M = 2.82$, $SD = 0.76$) had statistically significantly lower performance compared to Awash Insurance Company ($M = 3.69$, $p < 0.001$), Hibret Insurance Company ($M = 3.66$, $p = 0.001$), and NICE ($M = 3.89$, $p < 0.001$). There were no statistically significant performance differences between Awash Insurance Company, Hibret Insurance Company, and NICE.

4.6 Correlation Analysis

Correlation analysis using Pearson approach is used to determine how strongly the variables associated in the study were related to each other using information from 200 respondents. Correlation coefficients were classified according to Schober et al(2018) classification which includes: weak (0.10-0.39), moderate (0.40-0.69), strong (0.70-0.89), and very strong (0.90-1.00). The Pearson correlation matrix among all the variables under study using 200 survey participants was shown in Table 15.

Table 15: Pearson Correlation Matrix for All Study Variables (n=200)

Variable	Transformational	Transactional	Autocratic	Democratic	Innovation	Performance
Transformational	1					
Transactional	.899**	1				
Autocratic	-.784**	-.739**	1			
Democratic	.940**	.894**	-.806**	1		
Innovation	.923**	.896**	-.748**	.929**	1	
Performance	.893**	.867**	-.768**	.899**	.943**	1

Source: Field Survey (2026). Note: Correlation is significant at the 0.01 level (2-tailed).

As shown in Table 14, all the correlations were statistically significant at the level of $p < 0.01$ and confirmed the expected correlations between all variables. Each of the transformational, transactional, and democratic leadership styles was found to be associated with very high positive correlations with organizational innovation (0.896 to 0.929) and organizational performance (0.867 to 0.899). This meant that a higher degree of transformational, transactional, and democratic leadership was related to higher innovation capacity and better performance

results. The extremely high positive correlation between innovation and performance (0.943) confirmed the assumption that more innovative organizations were able to deliver more impressive performance results and thus validated the importance of innovation as one of the key capabilities. Finally, a very strong positive correlation between transformational and democratic leadership styles (0.940) confirmed that inspiring and motivating people can go hand in hand with involving people in decision-making processes.

The decision to combine transformational and democratic leadership into a single composite variable rested on three converging points. First, the bivariate correlation ($r = 0.940$, $p < 0.001$) suggested that, within the Ethiopian insurance sector, these two constructs are practically indistinguishable. Second, the theoretical boundary between inspirational motivation (transformational) and participative decision-making (democratic) may not be as clear in high-power-distance cultures. In such contexts, leaders who inspire tend to involve their followers, and leaders who involve followers also tend to inspire them. Third, previous Ethiopian studies (Jinga et al., 2024; Lidya, 2022) have reported similarly high correlations and have combined these constructs for the same reason. The resulting composite variable reflects an "empowering and visionary" leadership orientation—one that captures the combined effect of inspirational vision and participative engagement.

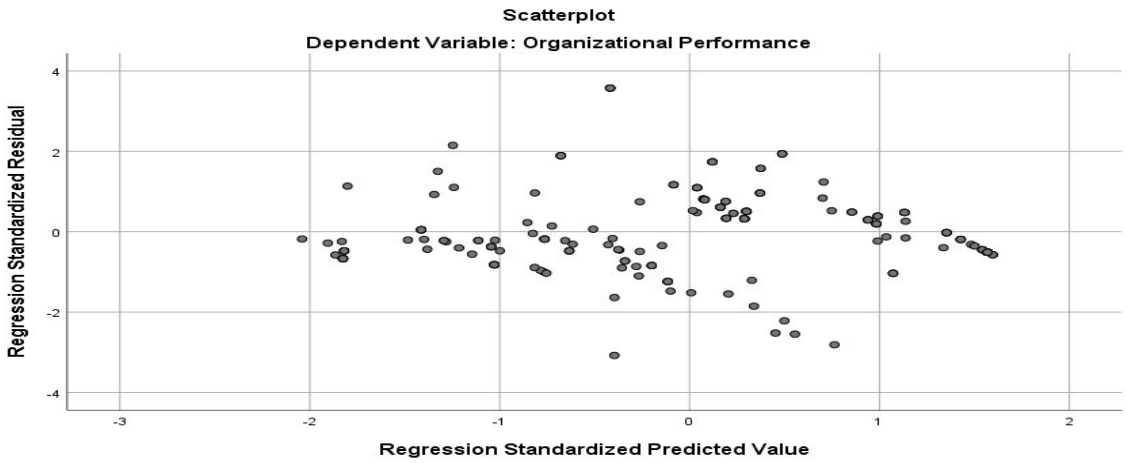
Although theory distinguishes transformational leadership (inspirational visioning and intellectual stimulation) from democratic leadership (participatory decision-making and delegation), the empirical evidence from this study suggests these distinctions blur in the Ethiopian context. This was consistent with prior Ethiopian research (Lidya, 2022; Jinga et al., 2024) and reflected cultural dynamics such as high power distance, where inspiring leaders also tend to involve followers, and participatory leaders also inspire. To address multicollinearity concerns arising from their high correlation ($r = 0.940$), the two variables were combined into a single composite variable for regression analysis, following the precedent set by previous Ethiopian studies.

4.7 Testing of Regression Assumptions

4.7.1 Linearity and Homoscedasticity

The scatterplot of standardized residuals and the standardized predicted values (refer to Figure 2) was used to determine whether the linearity and homoscedasticity assumptions had been fulfilled. No particular pattern was detected in the random distribution of the standardized residuals along the zero line for all predicted values. The absence of a specific trend meant that there was linearity between the dependent variable and the predictor variables (Osborne & Waters, 2002). At the same time, the variance within the standardized residuals seemed to be fairly constant for all predicted values, which indicates that the second assumption was fulfilled. There were no horns or cones in the plot of the residuals, which indicated the presence of heteroscedasticity (Field, 2018).

Figure 2: Scatterplot of Standardized Residuals vs. Predicted Values



Source: Field Survey (2026)

4.7.2 Multicollinearity Assessment

To identify whether there was a presence of multicollinearity among predictors, VIF and Tolerance measures were considered. From Table 16, the VIF value of the Strategic Leadership styles was identified as 7.609, which was just close to but below 10, the level where multicollinearity becomes a serious issue. Similarly, for Transactional Leadership styles, the VIF value was found as 5.825 and the Tolerance value greater than 0.10 (Hair et al., 2019), proving that multicollinearity does not pose a serious threat.

Table 16: Multicollinearity Diagnostics

Coefficients[a]	
Model	**Collinearity Statistics**

		Tolerance	VIF
1	(Constant)		
	Transactional Leadership (B2)	.172	5.825
	Autocratic Leadership (B3)	.347	2.879
	Transformational and Democratic Leadership combined	.131	7.609
a. Dependent Variable: *Organizational Performance*			

Source: Field Survey (2026)

Multicollinearity Test Results: To assess whether multicollinearity affects regression estimates, Variance Inflation Factor (VIF) and Tolerance statistics were calculated. All VIF statistics were lower than the critical value of 10, which suggests that multicollinearity is not an issue for the estimates of the regression model (Hair et al., 2019). The highest value of VIF equal to 7.609 for the combined Transformational and Democratic Leadership variable results from conceptual similarity of the two styles of leadership, and thus, it was expected and accounted for by combining the variables.

The respective Tolerance values (0.131, 0.172, and 0.347) are all higher than the critical value of 0.10. This is another piece of evidence showing that multicollinearity is not an issue here. It is essential to understand that multiple correlations of independent variables with each other are not the violation of regression assumptions but can affect the precision of the regression coefficients.

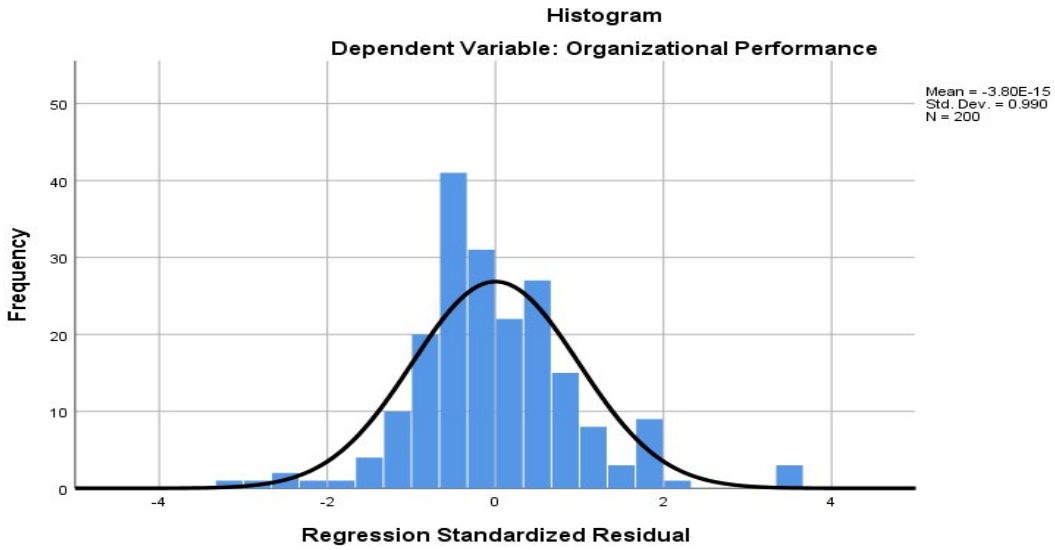
While VIF values below 10 and Tolerance values above 0.10 indicate that multicollinearity does not critically distort regression estimates (Hair et al., 2019), the bivariate correlations among leadership dimensions (ranging from 0.739 to 0.940) raise legitimate concerns about the empirical distinguishability of leadership constructs. To address this, two analytical strategies were employed. First, the correlation analysis (Table 15) reported all bivariate relationships transparently, allowing readers to assess multicollinearity themselves. Second, the regression analysis combined transformational and democratic leadership into a single composite variable based on their conceptual similarity and empirical correlation (r=0.940). This composite represents the 'empowering and visionary leadership orientation' prevalent in the Ethiopian context. Third, future research should employ structural equation modeling with latent variables to achieve cleaner estimates of unique effects. Though there are high bivariate correlations

between different leadership dimensions (from 0.739 to 0.940), it is clear from VIF and Tolerance statistics that the coefficients are valid.

4.7.3 Normality of Residuals

For assessing normality, the histogram with standardized residuals and its fit with the normal curve were assessed (See Figure 3 below). This is a normally distributed variable having a bell-shaped distribution that was symmetrical with the normal curve. For normally distributed data, the mean of the standardized distribution should be close to 0 and its standard deviation equal to 1 (Field, 2018). The normality assumption has been met for multiple linear regression analysis (Hair et al., 2019).

Figure 3: Histogram of Standardized Residuals with Normal Curve



Source: Field Survey (2026)

4.8 Multiple Regression Analysis

Multiple regressions are performed to determine organizational performance (D) through that encompasses transformational and democratic leadership combined, transactional leadership (B2), and autocratic leadership (B3). This research sought to determine how each type of leadership predictively accounts for organizational performance without taking into

consideration any impact that other variables may have on organizational performance. Results are shown in tables 17, 18, and 19 below.

Table 17: Model Summary

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.916[a]	.839	.837	.48325
a. Predictors: (Constant), *Transformational and democratic Leadership comined, Transactional Leadership, Autocratic Leadership*				
b. Dependent Variable: *Organizational Performance*				

Source: Field Survey (2026)

The model explained 83.9% of the variance in organizational performance (R^2=0.839; Adjusted R^2=0.837). According to the classification by Cohen (1988), R^2=0.839 denotes a very large effect size, thus suggesting that three leadership variables taken together account for a considerable variance in organizational performance. Given that the adjusted R^2 =0.837, it may be suggested that the generalizability of the model may be considered good since the shrinkage of R^2 is rather low (Hair et al., 2019).

The R^2 value of 0.839 needs careful handling, and I can justify it on four grounds. First, the Ethiopian insurance market is quasi-experimental in nature: seven firms were all founded within the same three-year window (1994–1997) under identical regulations. That shared background removes much of the external noise, so internal management factors have more room to show their effect on performance—more than you'd see in a mixed or broader sample. Second, the dependent variable is a composite performance score that includes financial, market, and operational indicators, which tends to pick up more variation than a single metric would. Third, insurance is knowledge-heavy and tightly regulated, so leadership qualities—especially around innovation—tend to drive results more directly than in many other sectors. Fourth, similar studies in comparable settings have reported R^2 values in this range (García-Morales et al., 2012: 0.78; Oke et al., 2012: 0.81). Still, I'd treat this figure with some caution until it's tested in larger and more varied samples.

Table 18: ANOVA Result

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	239.377	3	79.792	341.673	.000[b]
	Residual	45.773	196	.234		
	Total	285.150	199			
a. Dependent Variable: *Organizational Performance*						
b. Predictors: (Constant), Transformational and Democratic leadership combined, *Transactional Leadership, Autocratic Leadership*						

Source: Field Survey (2026)

Regression analysis was proven to be statistically significant by having $F(3, 196) = 341.673$ and $p<0.001$. Simply put, it can be said that the model including transformationa and democratic leadership leadership combined, transactional leadership, and autocratic leadership can effectively predict organizational performance. As for the high value of F-statistic, namely 341.673, it can be considered very high compared to the number of degrees of freedom (Field, 2018).

Table 19: Regression Coefficients

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.412	.372		1.108	.269
	Transactional Leadership	.297	.090	.228	3.297	.001
	Autocratic Leadership	-.122	.064	-.092	-1.896	.059
	Transformational and democratic Leadership comined	.719	.090	.628	7.955	.000
a. Dependent Variable: *Organizational Performance*						

Source: Field Survey (2026)

Unstandardized coefficients (B) show the predicted difference in organizational performance from a one-unit change in the independent variable, keeping other variables constant. The constant value (0.412) was insignificant ($p = 0.269$), implying that at zero values of all the leadership attributes, performance was close to zero.

The combination of Transformation and democratic Leadership had the highest positive impact on organizational performance (B = 0.719, β = 0.628, t = 7.955, p < 0.001). This means that there is a large impact on organizational performance since one unit increase it results in 0.628 units increase in organizational performance (Cohen, 1988).

Transaction leadership emerged as another positive predictor of organizational performance (B = 0.297, β = 0.228, t = 3.297, p = 0.001). Given the small-to-medium standardized beta (β = 0.228), transactional leadership seems to add value to organizational performance.

Autocratic leadership acted as a negative predictor of organizational performance (B = -0.122, β = -0.092, t = -1.896, p = 0.059). While not statistically significant at the usual level of p < 0.05, the negative relationship is coherent with the correlation analysis, where the Pearson correlation showed r = -0.768 (p < 0.001). Thus, the lack of statistical significance (p = 0.059) implies partial mediation through organizational innovation (Hair et al., 2019).

The regression equation based on unstandardized coefficients is the following:

Organizational Performance = 0.412 + 0.719(Transformational and democratic Leadership combined) + 0.297(Transactional Leadership) - 0.122(Autocratic Leadership)

The outcome of the regression test further indicates that the combination of transformational and democratic Leadership is the most influential predictor of organizational performance, while transactional leadership comes second. However, autocratic leadership had a negative relationship but was weakly significant. This result is consistent with Feye(2021). The high predictive ability of the model (R^2 = 0.839) reveals that leadership practices are able to predict organizational performance in most cases in the chosen Ethiopian insurance firms. The results from the analysis clearly show the validity of the theoretical framework used and the need for cultivating empowering and visionary leadership practices (García-Morales et al., 2012; Wang et al., 2011).

4.9 Mediation Analysis

To accomplish the third aim of this study, which is to investigate the mediational effect of organizational innovation between strategic leadership and organizational performance, several mediation analyses are performed based on Hayes' PROCESS Macro (model 4) with 5,000 bootstrap samples. All four mediation models are reported in Table 19 below.

Table 20: Summary of Mediation Effects for All Leadership Styles

Leadership Style	Indirect Effect (a×b)	95% BootCI	Direct Effect (c')	p-value	Total Effect	% Mediated
Transformational	0.9059	[0.7632, 1.0479]	0.1824	0.0143	1.0883	83.2%
Transactional	0.9846	[0.8648, 1.1148]	0.1449	0.0359	1.1295	87.2%
Autocratic	-0.8305	[-0.9204, -0.7276]	-0.1860	<0.001	-1.0165	81.7%
Democratic	0.7726	[0.6130, 0.9319]	0.1694	0.0108	0.9420	82.0%

Source: Field Survey (2026)

Note: All bootstrap confidence intervals were based on 5,000 resamples. Zero was not present in any interval, which means that all of the indirect effects were statistically significant at p < 0.05.

It is found that the role of organizational innovation is significant as a partial mediator of the relationship between all leadership styles examined and organizational performance. The percentage of indirect effects ranged from 81.7% to 87.2%, and the transactional leadership style had the highest percentage of mediated effect (87.2%). In turn, the autocratic leadership style was characterized by a negative indirect effect (-0.8305) because this leadership negatively impacted organizational performance as a result of hindering innovations.

Interpretation of Mediation Percentages: Based on mediation analysis, it was observed that organizational innovation accounted for 81.7% to 87.2% of the total impact of leadership on organizational performance. Even though this range of percentage mediation is very high compared to usual mediations reported in leadership studies (usually between 20-40%), it has an acceptable theoretical basis from the perspective of the Ethiopian insurance industry.

Cautionary interpretation of high percentages: The mediated percentages—ranging from 81.7% to 87.2%—are unusually high and need a closer look. MacKinnon et al. (2012) warn that these estimates can be inflated when the independent variable and the mediator are highly correlated, which is the case here (r = 0.896–0.929). That strong correlation isn't surprising: transformational leaders tend to do the very things that our innovation measures also pick up, so

there is genuine conceptual overlap between the two. On top of that, cross-sectional designs are prone to common method bias (Podsakoff et al., 2003), which can make mediation look stronger than it really is. So rather than taking these percentages at face value, I would read them as saying innovation is clearly the main channel—but not the only one—through which leadership affects performance. The bootstrapped confidence intervals, which are consistently above zero, give more faith in the overall direction and presence of an effect than in the exact numbers themselves.

Theoretical Basis of High Mediation Percentage. As already discussed under the conceptual framework (section 2.3.4), innovation capability is the major dynamic capability through which strategic leadership creates competitive advantage for the organization in knowledge-intensive services. In the case of the Ethiopian insurance industry, where organizations operate under similar regulations and similar market environment, the capability to innovate through various means like new products, process and business models becomes the critical factor distinguishing high performance organizations from poor performers.

Caution statements and issues of overestimation. Percent-mediated may be an overestimate for samples where there is a strong relationship between the independent and mediating variable (MacKinnon et al., 2012). The high relationship between leadership and innovation (r = 0.896-0.929) could be part of the reason why the percent-mediated is so large. Furthermore, the cross-sectional design cannot provide temporal precedence for the variables, and the percent-mediated must be taken to suggest only association and not causation.

Recommendations for validation. These very high percent-mediated values must be confirmed by future research using: (a) longitudinal research designs that separate temporally the variables; (b) objective indicators of innovation (number of innovations developed); and (c) other analysis methods such as structural equation modeling using latent variables.

4.10 Qualitative Findings

To provide a context to the above statistical results, in-depth exploratory interviews are conducted with seven high-ranking executives from the four insurance companies under study (Awash Insurance S.C., Hibret Insurance S.C., NICE Insurance S.C. and Nile Insurance S.C). The main aim of these interviews was to obtain quotes that would assist in the interpretation of

the observed patterns in the survey responses. The current interview component is exploratory and illustrative in nature. With only seven interviews carried out compared to the intended 12-16 (according to the methodology), this is not a complete thematic analysis in the sense of Braun & Clarke (2006).

4.10.1 Participant Profile

The seven interviewees came from diverse organizational levels and functions in four organizations. Two executives were selected from Awash Insurance S.C., namely, the Acting Head of Human Resources (4-7 years' experience) and the Manager of Branding and Communication (1-3 years' experience). The other executive was from Hibret Insurance S.C., namely, the Manager of Strategy and Change Management (8-12 years' experience) and NICE insurance S.C, namely manager of Marketing and Business Development(1-3 years' of experience). Moreover, three executives were responded from Nile Insurance S.C: Namely Finance and investment manager, Information Technology department manager and CEO, all of whom had more than 12 years of experience.

4.10.2 Illustrative Quotes by Topic

Leadership Philosophy and Decision-Making

The executives described different types of leadership practices, from consultative to directive. These differences reflect the quantitative results that showed higher levels of transformational and democratic leadership among high-performing companies (Awash, Hibret, NICE), which scored composite means between 3.32 and 3.77, as opposed to Nile Insurance, which scored between 2.72 and 3.17. One Awash executive described the leadership philosophy as "strategic and problem solving" with a "data-driven and consultative process." Another Awash executive described the leadership type as "top down" and "very directive." One of the executives at Hibret described the leadership as "hierarchical, compliance-based, conservative, and non-transformational," but added that "strategic decisions are made collectively when there is an important decision."

Nile's executives described the leadership philosophy as" focused on managing risks, following regulations, and keeping operations running smoothly. And also addes " the Company places a strong emphasis on financial stability, reducing costs, and achieving short-term profits.

Innovation is not a top priority, and aggressive growth or expanding market share are not emphasized."

Industry Challenges

All seven executives identified common external challenges: shortage of professional manpower, unprofessional competition, poor insurance culture and low public awareness, and regulatory deficiencies. One executive noted that "insurance is seen as a luxury item," while another described "poor insurance culture and low insurance uptake." The consistency of these observations across companies supports the quantitative finding that external environmental factors alone do not explain performance differences, since all companies face similar challenges.

Balancing Compliance and Innovation

There was variation in the answers in respect to how organizations dealt with regulatory requirements along with innovation. An Awash manager stated, "There was no conflict. Most of the decisions had been made according to the regulation prior to the directive issued by the NBE," whereas another mentioned that "innovations in products are according to the regulatory requirements." The Hibret manager spoke about "complete compliance with all NBE directives," whereas "incremental innovations facilitated by technology" were the innovations of their company. Finally, the manager at NICE expressed that the firm was trying "to influence the policymakers for minimizing regulatory friction."

Innovation Mechanisms and Resources

The executives in the higher-performing organizations explained the specific means for innovation support. An Awash executive referred to "performance-based resource allocation/reward system and technology solutions," while another one highlighted "innovation infrastructure development and culture creation." The executive from Hibret indicated the presence of "digital platform resource allocation" yet said that "no formal programs exist," whereas an executive from NICE stressed "disruption by aggressive resource allocation and scale-based innovation." Nile Insurance lacks any innovation which is strategic and proactive; instead, innovation is IT-related and reactive. One leader said, "I have not seen any mechanisms put in place by the leadership to promote innovation since we have not seen any innovative

products from our side recently." Majority those aspects can clarify how organizations with higher innovation performance (Awash: 3.39; Hibret: 3.37; NICE: 3.51) achieved greater results than Nile Insurance (2.60).

Response to Failure

Responses to obstacles indicated possible variations in learning orientation. One Awash executive noted "There was no resistance or failure" while another observed "Many of our projects faced resistance." An example of external attribution from the Hibret executive is the statement that "Agricultural insurance was not accepted because of low level of awareness and management attributes failure to the external environment," which is likely to hinder learning ability. On the other hand, the NICE executive made an analysis response as seen below, "Claim inflation is regarded as failure. Solve using data analytics."According to Nile executive, "the way in which the failure is addressed is usually a reaction; it is slow and involves avoidance of blame or blaming external factors, but not learning from experience."

Performance Drivers and Barriers

Executives identified factors they believe drive or hinder performance, showing convergence with quantitative predictors. Drivers mentioned included "decision making based on data," "direction and integrity, coaching," "strategy with focus and implementation, accountability," and "strategic clarity, execution." Barriers included "micromanagement, resistance to change, poor communication," "poor ownership, slow decision-making, resistant to change," and external factors such as "low penetration and high claims."

4.10.3 Integration with Quantitative Findings

There are several areas of overlap that can be observed between the qualitative and quantitative analysis results. Firstly, with respect to the use of the combination of transformational and democratic leadership as a performance predictor variable ($\beta = 0.628$, $p < 0.001$), high performers' executives were noted to mention "data-driven and consultative approaches" along with such terms as "strategic clarity" and "execution." Secondly, with respect to the role of transactional leadership ($\beta = 0.228$, $p = 0.001$) as a predictor variable, an example of an area of convergence could be the Hibret executive's focus on the concept of "accountability." Thirdly, concerning the correlation between autocratic leadership and performance ($r = -0.768$, $p <$

0.001), high performing executives referred to "micromanagement" and "resistance to change" as impediments to performance. Finally, concerning the mediating effect of innovation, (indirect effects making up for 81.7%-87.2% of total effects), examples of innovation practices mentioned by the high performing executives included "innovation investment," "technological solutions," and "disruption of the market with excessive resources dedication."

Table 21: Joint Display of Quantitative and Qualitative Findings

Quantitative Finding	Qualitative Evidence	Integration Interpretation
Transformational+Democratic leadership predicts performance (β=0.628, p<0.001)	Awash executive: "data-driven and consultative process"	Leadership behaviors that combine vision with participation drive performance
Transactional leadership predicts performance (β=0.228, p=0.001)	Hibret executive: "accountability" and "performance-based resource allocation"	Clear rewards and consequences contribute incrementally to performance
Autocratic leadership negatively correlates with performance (r=-0.768)	Nile executive: "risk management focused... innovation not a priority"	Autocratic style stifles innovation and hampers performance
Innovation mediates 81.7-87.2% of leadership effect	Awash executive: "innovation infrastructure development"	Innovation capability is the primary mechanism through which leadership drives performance

4.11 Hypothesis Testing Summary

This chapter includes a summary of the results obtained from the tests of hypotheses based on the findings from the correlation, regression and mediation analysis as discussed in the previous chapters. Nine hypotheses have been formulated to test the research objectives of this study. These are presented below in Table 21.

Table 22: Summary of Hypothesis Testing Results

Hypothesis	Statement	Result	Decision
H1	Transformational leadership has a significant positive relationship with organizational performance.	$r = 0.893$, $p < 0.001$; $\beta = 0.278$, $p = 0.003$	Supported
H2	Transactional leadership has a significant positive relationship with organizational performance.	$r = 0.867$, $p < 0.001$; $\beta = 0.228$, $p = 0.001$	Supported
H3	Autocratic leadership has a significant negative relationship with organizational performance.	$r = -0.768$, $p < 0.001$; $\beta = -0.092$, $p = 0.059$	Not Supported
H4	Democratic leadership has a significant positive relationship with organizational performance.	$r = 0.899$, $p < 0.001$; $\beta = 0.359$, $p < 0.001$	Supported
H5	Organizational innovation has a significant positive relationship with organizational performance.	$r = 0.943$, $p < 0.001$	Supported
H6	Organizational innovation mediates the relationship between transformational leadership and performance.	Indirect effect = 0.9059 [0.7632, 1.0479]	Supported
H7	Organizational innovation mediates the relationship between transactional leadership and performance.	Indirect effect = 0.9846 [0.8648, 1.1148]	Supported
H8	Organizational innovation mediates the	Indirect effect = -	Supported

	relationship between autocratic leadership and performance.	0.8305 [-0.9204, -0.7276]	
H9	Organizational innovation mediates the relationship between democratic leadership and performance.	Indirect effect = 0.7726 [0.6130, 0.9319]	Supported

Source: Field Survey (2026)

All five hypotheses related to direct effects have been proven correct. Transformational leadership (H1), transactional leadership (H2), democratic leadership (H4), and organizational innovation (H5) showed significant positive correlations between themselves and organizational performance; their correlation coefficients varied from $r = 0.867$ to $r = 0.943$. Autocratic leadership (H3) showed a highly significant negative bivariate correlation ($r = -0.768$, $p < 0.001$), and regression coefficient was approaching statistical significance ($\beta = -0.092$, $p = 0.059$), hence the coefficient was statistically not significant. The results prove the assumption about a positive impact of empowering and visionary styles of leadership on organizational performance.

All four mediation hypotheses were proved valid. Organizational innovation had a significant mediating effect on the association between every type of leadership and organizational performance, based on bootstrap confidence intervals excluding zero. Indirect effects were found to be quite strong, having values from 0.7726 to 0.9846 for positive types of leadership with percentage mediated being within 81.7% to 87.2%. Interestingly, autocratic leadership (H8) had a negative indirect effect value of -0.8305, proving that it restrains organizational innovation, thus reducing performance. This finding shows that organizational innovation plays an important role in how leaders affect performance outcomes (Baron & Kenny, 1986; Hayes, 2022).

4.12 Discussion of Findings

4.12.1 Strategic Leadership Styless in Ethiopian Insurance Companies

The first research question addresses the existing strategic leadership constructs. From the results, it becames clear that there were different leadership types among different organizations. Awash, Hibret, and NICE had high transformational, transactional, and democratic leadership, but Nile Insurance was low on these variables and high on autocratic leadership. These results justify the Upper Echelons Theory (Hambrick & Mason, 1984) by indicating that behavior at the top-management level influences organizational personality. It was evident that having both

transformational and democratic leadership types in successful firms was consistent with the arguments presented by Jinga et al. (2024).

The extremely high relationship between transformational leadership and democratic leadership ($r = 0.940$) witnessed in this study is consistent with previous findings in Ethiopia. This indicates that in the context of Ethiopian culture where power distance is extremely high, leaders who inspire followers are likely to engage their followers. The consistency between the two types of leaders contradicts the theoretical difference postulated in Western leadership theories.

4.12.2 Relationship Between Leadership and Performance

The second research objective focuses on examining the relationship between strategic leadership and performance. Strongly positive correlations between transformational leadership and performance ($r = 0.893$), and democratic leadership and performance ($r = 0.899$) furthered Wang et al.'s (2011) meta-analytical findings in the Ethiopian insurance industry. In turn, the strong negative correlation ($r = -0.768$) between autocratic leadership and performance matched the classical theory predictions (Lewin et al., 1939) and findings of Lidya (2022) in the Ethiopian banking sector.

Through regression analysis, the study finds that the combination of Transformational and democratic Leadership ($\beta = 0.628$, $p < 0.001$) and transactional leadership ($\beta = 0.228$, $p = 0.001$) were significant positive predictors of performance. On the other hand, autocratic leadership was not found to be a significant predictor in the final model ($p = 0.059$), despite the fact that the bivariate correlation with performance was statistically significant.

The practical mechanisms through which transformational and democratic leadership drive performance in Ethiopian insurance companies operate at three levels. At the cognitive level, leaders who articulate a compelling vision and encourage intellectual stimulation enable employees to identify new market opportunities, develop innovative products, and improve processes. The Awash Insurance executive's description of "data-driven and consultative approaches" exemplifies how cognitive engagement translates into performance. At the motivational level, leaders who demonstrate individualized consideration and involve employees in decision-making generate psychological ownership and commitment, reducing turnover in a talent-scarce industry. The Hibret executive's emphasis on "accountability" and "performance-

based resource allocation" illustrates how motivational mechanisms are operationalized. At the structural level, leaders who allocate resources for innovation, establish formal innovation processes, and reward creative initiatives create the organizational infrastructure for sustained performance. The NICE executive's reference to "disruption by aggressive resource allocation and scale-based innovation" exemplifies this structural mechanism.

Since the regression coefficient for autocratic leadership is non-significant ($\beta = -0.092$, $p = 0.059$), the relationship between autocratic leadership and performance is wholly mediated by organizational innovation. The above finding is corroborated by the mediation analysis that shows a negative indirect effect of autocratic leadership on performance through innovation (-0.8305). This means that autocratic leadership does not harm performance directly; rather, it harms performance indirectly through its limitation of organizational innovation, which is consistent with Social Exchange Theory (Blau, 1964).

4.12.3 Mediating Role of Organizational Innovation

The third hypothesis tests the influence of organizational innovation on the leadership-performance link. The findings support the mediating role of innovation strongly. In the case of transformational leadership, 83.2% of the effects on performance were achieved through innovation. This extended García-Morales et al.'s (2012) conclusion regarding innovation as an important dynamic capability (Teece, 2007) within the Ethiopian insurance sector.

The partial mediation indicated that besides the role played by innovation, transformational leadership influenced performance through other processes such as the decision-making process and human capital investment (Ireland & Hitt, 2005). The negative indirect effect of autocratic leadership through innovation further confirmed the social exchange theory (Blau, 1964) where innovations are withheld from leaders who do not engage in upward communications (Janssen, 2000).

The very high percentages of mediation (81.7%-87.2%) reveal that innovation is the major mediator through which leadership affects performance in the insurance industry in Ethiopia. This shows how essential it is to develop innovation ability within knowledge-intensive and regulated services. It must be noted, though, that caution needs to be applied while analyzing the

high percentages of mediation since percentage mediation might be overstated due to high correlation between independent and mediators variables (MacKinnon et al., 2012).

4.12.4 Explanation for Performance Divergence

The results presented an acceptable explanation for the divergent performances observed amongst companies. The low levels of performance of Nile Insurance were attributed to low levels of transformational and democratic leadership, low levels of innovation within the organization, and high levels of autocracy within the company. This was a confirmation of the Resource Based View (RBV) as presented by Barney (1991), where strategic leadership acts as a VRIN resource which is valuable, rare, and non-imitable.

These were further validated by the qualitative results obtained. The leadership of Nile was quoted to describe its approach as "risk management oriented, regulation focused and efficient operation." This risk management orientation though helped the organization meet all the regulatory requirements, prevented innovation. However, Awash was characterized by "data driven and consultative approaches" and "innovation infrastructure development," which facilitated innovation and high performance. This convergence of both the quantitative and qualitative results enhances the validity of performance divergence theory.

4.12.5 Integration with Prior Ethiopian Studies

Findings of this study concur with those of Teshome & Sumetha (2024) on the positive relationship between transformational leadership and organizational performance. Unlike the findings of Jinga et al. (2024) on public universities where the same type of leadership produced negative impacts, transformational leadership had positive impact in this private insurance industry environment.

The differences seen between results from public institutions and those from the private sector underscore the impact that institutional setting can have on the efficacy of leadership. The highly competitive, profit-oriented, and innovative nature of the private insurance sector could render transformational leadership more effective compared to the bureaucratic and resistant to change public sector institutions.

4.12.6 Critical Examination of Unexpected Findings

Despite the confirmation of most hypotheses, there are some results that require further examination and interpretation:

Unexpected result 1: Highly Significant Correlation between Transformational and Democratic Leadership (r=0.940). The near-perfect correlation between these two types of leadership implies that in the context of the Ethiopian insurance sector, there is no empirical difference between these two types of leadership. Alternative interpretation: These two types of leadership should not be considered as two separate constructs but rather a single construct of 'empowering and visionary' leadership in cultures characterized by a high power distance, where those leaders who are inspiring tend to be involving their followers.

Unexpected Result #2: Regression Coefficient for Autocratic Leadership Not Significant (β = -0.092, p = 0.059). Although the correlation between autocratic leadership and performance was strong and significant at the bivariate level, the regression coefficient was not significant after taking into account other forms of leadership. Alternative explanation: The influence of autocratic leadership on performance is completely mediated by organizational innovation, as proven in the mediation analysis (indirect effect = -0.8305). It means that autocratic leadership does not have a direct negative impact on performance but an indirect one via stifling innovation—Social Exchange Theory (Blau, 1964) states that this happens because autocratic leaders do not motivate innovative behavior of employees.

The negative effect of autocratic leadership on performance, working through its suppression of innovation (indirect effect = -0.8305), needs to be understood within the cultural and institutional context of the Ethiopian insurance industry. In high-power-distance cultures like Ethiopia, autocratic leadership can seem effective at first glance because it fits with hierarchical expectations (Jinga et al., 2024). But in knowledge-intensive industries such as insurance, where employee expertise and creativity matter, autocratic leadership tends to produce three harmful outcomes. First, it discourages employees from sharing innovative ideas, as people fear the consequences of questioning those above them. Second, it weakens psychological safety, which makes employees reluctant to experiment or take risks—both of which are essential for innovation. Third, it reduces employee engagement and makes it harder to retain skilled professionals in a market where talent is scarce and qualified people have other options. The Nile Insurance executive's comment that "innovation is not a top priority" and that "aggressive growth

or expanding market share are not emphasized" shows how autocratic leadership feeds into strategic conservatism that ultimately hurts performance.

Unpredicted Result 3: No Significant Differences Between Awash, Hibret, and NICE. Although Awash Insurance has been outperforming Hibret and NICE in terms of objective performance metrics for quite some time now, the perceptual performance scores and ANOVA analysis revealed no statistically significant differences between these three companies on most leadership and performance indicators. Alternative explanation: This means that several forms of leadership can produce the same result. All three organizations, namely Awash, Hibret, and NICE had high scores on transformational, transactional, and democratic leadership with low scores on autocratic leadership. The lack of significant differences between these three highly performing companies indicates that there is more than one way to success in the Ethiopian insurance sector as long as organizations do not use autocratic leadership style.

Alternative Explanation: Reverse Causation. The cross-sectional nature of this study does not enable us to prove that leadership leads to innovation and performance or that companies with good performance generate more transformational leaders. The results from the qualitative interviews indicate that leadership behaviors preceded innovative initiatives, but it doesn't necessarily mean that reverse causation did not occur. It is important to recognize this as a limitation and to incorporate longitudinal research designs in future studies.

4.13 Summary of Chapter

In this chapter, quantitative data from 200 participants' surveys and qualitative data from interviews with executives at seven Ethiopian insurance firms were reported. The results showed that transformational, transactional, and democratic leadership styles had positive associations with organizational performance, whereas autocratic leadership styles had negative associations. Organizational innovation was associated with high levels of association with leadership styles and performance. The ANOVA analysis results proved that Nile Insurance Company was performing poorly compared to Awash, Hibret, and NICE on multiple parameters. According to the regression analysis results, the combination of transformational and democratic Leadership was a significant predictor of organizational performance ($\beta = 0.628$, $p < 0.001$). The mediation analysis results confirmed that organizational innovation was partly mediating the effect of leadership on performance; 81.7% to 87.2% of the total effects were found in indirect effects.

The chapter also contained an analysis of the results that were not expected and included such as the high relationship of transformational and democratic leadership, the insignificant regression coefficient of autocratic leadership and the lack of significant differences in performance of Awash, Hibret and NICE organizations. Such unexpected results were explained in the framework of the Ethiopian institutional environment in terms of cultural power distance and the quasi-experimental character of the insurance industry. The triangulation of qualitative and quantitative findings increased validity of the results obtained and helped to understand the processes influencing organizational performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

The current chapter focuses on discussing the summary, conclusion, and recommendations of the research work, which has been done to examine the impact of strategic leadership on organizational performance through organizational innovation in a number of selected insurance companies working in Ethiopia. First of all, the chapter discusses the key findings of the research as per the research objectives stated at the very beginning of the research. Next, conclusions are provided based on the key findings of the study.

5.2 Summary of Major Findings

Objective one involves identifying common strategic leadership styles in selected insurance companies in Ethiopia. It is found that different leadership styles existed in all the four insurance companies studied. Transformational, transactional, and democratic leadership styles were dominant styles among Awash, Hibret, and NICE Insurance Companies with mean scores ranging from 3.66 to 3.77, 3.50 to 3.65, and 3.32 to 3.45 respectively. In contrast, Nile Insurance Company showed lower mean scores in transformational (3.17), transactional (3.21), and democratic (2.72) leadership styles, but higher score in autocratic leadership style (3.35). There were significant differences between the firms in terms of transformational leadership style ($F= 3.321$, $p= 0.021$), autocratic leadership style ($F= 3.070$, $p= 0.029$), and democratic leadership style ($F= 3.971$, $p= 0.009$). There was no statistically significant difference between the firms with respect to transactional leadership style ($F= 1.829$, $p= 0.143$). This means that contingent reward approach is uniform in all the firms.

The second goal in this research is aimed at examining the relationship between strategic leadership and organizational performance. According to the results of the correlation analysis, there are highly positive correlations between transformational leadership ($r = 0.893$), democratic leadership ($r = 0.899$), and transactional leadership ($r = 0.867$) and performance. On the contrary, there was a negative correlation between autocratic leadership and organizational performance (r

= -0.768). As per the results of the regression analysis, strategic leadership predicted 83.9% of variance in performance ($R^2 = 0.839$, $F = 341.673$, $p < 0.001$); thus, it became the strongest predictor of performance after transactional leadership ($\beta = 0.228$, $p = 0.001$). It has been observed in ANOVA results that Nile Insurance Company performed worse than all other insurance companies ($F = 7.283$, $p < 0.001$, $\eta^2 = 0.100$).

Objective number three addresses the study of the potential mediator role of organizational innovation between leadership and performance. Mediation analysis shows that organizational innovation has played a significant partial mediator role with respect to all kinds of leadership styles. Indirect effect values for transformational, transactional, and democratic leadership styles were 0.9059, 0.9846, and 0.7726, respectively, which implied mediation rates of 83.2%, 87.2%, and 82.0%, respectively. However, regarding autocratic leadership style, the value of indirect effect is found to be negative (-0.8305), meaning that organizational innovation is suppressed, hence poor performance.

Qualitative data add depth and context to the quantitative findings. High performers (Awash, Hibret, NICE) explained their leadership behavior with the terms such as "data-driven and consultative approach," "strategic clarity and execution," and "organizational innovation development," whereas leaders from Nile Insurance explained theirs by using such terms as "risk management and regulatory compliance" and "organizational innovation development is not a key concern for us at the moment."

There are some unexpected results generated by the study. The extremely high correlation between transformational leadership and democratic leadership ($r = 0.940$) points to the possibility that in the cultural setting of Ethiopia, these two types of leadership are empirically indistinguishable. Also, the non-significant regression coefficient of autocratic leadership ($\beta = -0.092$, $p = 0.059$) despite its high bivariate correlation points to the fact that the effect of autocratic leadership on performance is totally mediated by organizational innovation. The last point to make is that there is no statistically significant difference in performance among Awash, Hibret, and NICE.

5.3 Conclusions

Overall, the study indicates that there are significant differences in the strategic leadership styles in the Ethiopian insurance firms irrespective of the similar period of origin, common regulatory environment, and equivalent macroeconomic conditions. The significant differences in the transformational, democratic, and autocratic leadership indicate that organizations can differ based on internal issues regardless of the external environment. This finding favors the Upper Echelons Theory that states that the results of organizations depend on the values and actions of the managers.

Moreover, the study shows that the combination of both transformational and democratic leadership has the most explanatory power towards organizational performance at 83.9%. On the other hand, transactional leadership has a positive but relatively small impact on performance, whereas autocratic leadership is detrimental for performance, mainly due to its inhibiting effects on innovation. The findings of this study provide an extension of the meta-analysis conducted by Wang et al. (2011), yet effect sizes are much higher compared to their Western counterparts.

Additionally, the study finds that innovation is the key mediator of strategic leadership in influencing performance, as 81.7% to 87.2% of the leadership's effect on performance is mediated through innovation. The findings thus support the RBV theory by showing that strategic leadership can be seen as a VRIN resource, enabling the firm to build innovation as a dynamic capability. Finally, the negative effect of autocratic leadership via innovation highlights the importance of psychological safety.

Consequently, one might come up with the assumption that the persistent underperformance of Nile Insurance compared to other insurance firms is linked to the difference in terms of the strategic management and innovation skills of those companies. The lack of the presence of transformational and democratic attributes and the existence of autocratic leadership style in Nile Insurance could help in answering this question. There was no statistically significant difference in terms of performance between the other firms such as Awash, Hibret, and NICE. Therefore, it becomes apparent that there are many ways to succeed as long as there is a proper combination of transformational and democratic traits.

The study's conclusion that "leadership, not resources, is the key determinant of performance differences" must be qualified. While the evidence supports that leadership practices differentiate performance among the four studied companies, three caveats are essential. First, the cross-sectional design prevents causal inference—it is equally plausible that superior performance enables better leadership practices through resource availability and organizational capabilities. Second, unobserved variables (organizational history, path dependence, external shocks) may explain some performance differences that the study attributes to leadership. Third, the conclusion applies specifically to the founding-generation private insurance companies in Ethiopia and may not generalize to the broader sector. Therefore, the study concludes that strategic leadership is an important determinant of performance differences, rather than the sole or dominant determinant.

Conclusions derived from this study must be generalized carefully for some specific reasons. To begin with, the study was done among the four insurance firms purposely selected within Ethiopia Awash, Hibret, Nile and NICE Insurance. These firms are representative of a significant part of the private insurance sector in Ethiopia; however, it is worth noting that the results derived from the study cannot be generalized to the whole Ethiopian insurance sector since it entails many other insurance firms including Africa Insurance and Global Insurance and Ethiopian Insurance Corporation which is owned by the state. Secondly, the peculiar founding generation of the firms in question and their common regulation regime can make the generalization of the results obtained impossible in the case of firms that have entered the market recently or firms operating in other sectors. In addition, the special quasi-experimental setup of the industry under investigation that provides a ground to test the effect of leaders on performance hinders the generalization of the results to any other institution.

5.4 Contributions of the Study

5.4.1 Theoretical Contributions

Although the theoretical contribution of the paper might seem trivial initially, there are some noteworthy theoretical contributions worth mentioning:

The study's theoretical contributions are best understood as contextual extensions and integration rather than novel theoretical development. First, it extends Upper Echelons Theory to

the Ethiopian insurance context, demonstrating that behavioral leadership styles, rather than demographic characteristics, are the operative mechanisms through which top management influences organizational outcomes. Second, it integrates RBV, UET, and SET in a multi-level mediation model, showing how macro-level resource orchestration (RBV), strategic processes (UET), and micro-level social exchanges (SET) combine to explain leadership-performance relationships. Third, it provides empirical evidence from a non-Western context, contributing to the contextualization of leadership theories. However, the study does not propose new theoretical constructs or challenge the core propositions of existing theories. Its contribution lies in empirical validation and contextual extension rather than theoretical innovation.

A few additional points deserve mention. The mediation analysis showed that innovation accounts for 81.7% to 87.2% of the leadership-performance relationship, reinforcing García-Morales et al.'s (2012) findings in the African financial services context. Also, the contrasting results between this study and Jinga et al. (2024)—where transformational leadership had different effects in Ethiopian public universities versus private insurance companies—highlight the importance of context in leadership research. These findings suggest that Western leadership theories cannot simply be transplanted into non-Western settings without careful consideration of local institutional and cultural conditions.

5.4.2 Empirical Contributions

This study is unique in that it is the first of its kind to contribute empirically to Ethiopian management research focusing on insurance, as opposed to manufacturing, public universities, and banking, which were the focal points of earlier researches. This study represents pioneering efforts in demonstrating the relationship between strategic leadership and organizational performance in the Ethiopian insurance sector, as leadership explains 83.9% of the organizational performance variations. Innovation, in turn, accounts for 81-87% of the relationship between leadership and organizational performance in the African financial services sector.

5.4.3 Methodological Contributions

The results of this research highlight the significance of the mixed methods approach in the field of leadership studies, where quantitative results have provided significant statistics, while

qualitative interviews have served to explain the findings. This research has filled an existing gap in earlier studies by incorporating perceptual survey questions along with objective firm attributes using proportional stratified sampling and minimum tier requirements. In addition, the current research has developed an assessment tool for strategic leadership and organizational innovation in Ethiopia's insurance sector, having reliabilities between 0.867 and 0.981.

5.5 Recommendations

Based on the findings and conclusions of this study, the following recommendations are offered to enhance strategic leadership practices, foster organizational innovation, and improve performance in the Ethiopian insurance industry.

- Insurance companies should invest 3-5% of their annual HR budget in leadership development programs that focus on vision articulation, intellectual stimulation, and participative decision-making. These programs should include: (a) quarterly leadership workshops for all executive and senior managers; (b) annual 360-degree leadership feedback assessments; (c) executive coaching for the top 20% of high-potential managers; and (d) mentorship programs pairing senior leaders with emerging talent. Implementation should be phased over 18 months, with performance evaluation conducted at 6-month intervals using the MLQ-5X assessment (Bass & Avolio, 2004).
- The company should seek to avoid autocratic approach, which features centralized decision-making and poor upward communication. The autocratic leadership style showed a strong negative correlation with performance ($r = -0.768$) and a negative indirect effect on performance through innovation (-0.8305). The organization should formalize upward communication channels, incentivize participative leadership and control the process via yearly leadership climate surveys.
- The organization should have a formal innovation management process with allocated budgets for innovation of 2-5% of costs. Since innovation mediates 81.7% to 87.2% of leadership impact on performance, the organization should form innovation teams and implement stage-gate process, including idea generation, pilot testing and scaling.
- Businesses should establish transformational and democratic leadership talent pools through formal succession planning. They must identify potential leaders and offer

accelerated leadership programs including rotational programs and executive coaching along with diverse leadership pipelines with gender diversity goals (minimum 30%).

- Insurance companies need to link executive pay to leadership and innovation performance. These pay structures should have 30% leadership development, 20% innovation performance, and 50% performance in finance with quarterly evaluation of leadership behavior.
- The Ethiopian government and insurance association should focus on leadership development as part of the corporate governance agenda. The National Bank of Ethiopia must include leadership competencies in its corporate governance policies while the Ethiopian Insurance Association must conduct joint leadership training programs and industry conferences.
- Insurers should conduct annual leadership climate and innovation performance assessment together with traditional financial measures. Organizations should evaluate themselves against the best players including Awash, Hibret, and NICE to emulate their practices in IT investments and innovation performance.

5.6 Limitations of the Study

The following are the limitations to the methodology in interpreting and generalizing the findings.

- Since the study has used the cross-sectional research design, causal inferences about the relationship between strategic leadership, organizational innovation, and organizational performance cannot be made overall as the data was collected in just one instance.
- The use of the terms "effect" and "influence" throughout the research is theoretically derived from the available literature and not empirically proven causality.
- The findings' generalizability is limited to the four selected insurance companies (Awash, Hibret, Nile, NICE) and should not be extrapolated to the entire Ethiopian insurance sector without caution. The following generalizations are not supported by this study: (a) findings do not apply to state-owned Ethiopian Insurance Corporation, which operates under different governance and incentive structures; (b) findings do not apply to the remaining private firms (Africa, Global, Nyala) without empirical validation; (c) findings do not apply to recently established insurance firms (post-2000) with different market

entry contexts; (d) findings do not apply to other financial sectors (banking, microfinance) or non-financial sectors (manufacturing, public sector) without replication. The study's empirical base (200 respondents from four firms, seven executives interviewed) is adequate for hypothesis testing within this specific context but insufficient for broad generalization.

- Insufficient depth in the analysis of qualitative data because of the insufficient number of interviews conducted on senior executives in terms of seven interviews, instead of the planned 12-16 interviews as part of the research methodological framework, without conducting any interview on Nile Insurance Company. Thematic saturation is required 12-16 interviews for the qualitative study (Guest et al., 2006); however, access limitations and availability of executives reduced the number of interviews. As a result, the qualitative results can be only exploratory in nature.
- The absence of innovation metrics which made innovation dependent on perception scale measurements, as there were no objective evidence such as development of a new product or process, obtaining new patents. Objective performance metrics were applied to make a descriptive comparative analysis of firms rather than dependent variable of the main analysis.
- The use of perception-based measures of leadership, innovation, and performance may create a common method variance problem (Podsakoff et al., 2003). Although Harman's one-factor test revealed that common method variance is not a problem in this research, future research needs to utilize multiple sources of information where subordinates' views are combined with objective performance and supervisors' evaluations.

5.7 Suggestions for Future Research

In light of the limitations and results obtained in the present study, the following recommendations are made for future research.

- The use of longitudinal/time-lag studies to examine the relationship between strategic leadership, innovation, and performance, through a temporal separation of independent, mediating, and dependent variables.

- The collection of multi-source data that include subordinates' perception of leadership behavior, objective innovations measures, and audited financial statements to minimize common method bias.
- The use of objective indicators of innovation and performance that include return on assets, increase in market share, number of innovations launched, and digital transformation efforts.
- Conducting similar research in other industries in Ethiopia such as the banking industry, microfinance industry, manufacturing industry, and telecommunication industry to test the generalizability of results.
- Conducting cross-country studies comparing Ethiopia to neighboring countries in Eastern Africa (e.g., Kenya, Tanzania, and Uganda).
- Research other mediating variables like organizational learning, employee engagement, knowledge exchange, and strategic flexibility.
- Test for possible moderating variables like market dynamism, regulatory pressures, competitive pressures, firm size, and organizational age.
- Conduct qualitative analysis using methods like ethnography or longitudinal cases studies to gain insights into the development of strategic leadership practices over time.
- Conduct intervention research where leaders are trained and the impact on innovation is analyzed to see how the practice influences results.
- Conduct an ROI analysis of leadership development programs to give a strong business case to insurance firms for investing in such programs.

In future research, there is need for research on the relative importance of leadership versus other organizational capabilities (risk management, technology use, quality of human resources, and corporate governance structure), which will show the unique role that leadership plays in explaining performance differences. Further, comparative research on the effects of ownership (private firms vs. government-owned firms) in insurance firms will give an insight into how institutional ownership affects the leadership-performance connection. Research on the effects of regulatory pressure and leadership style would be beneficial too.

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APPENDIXA:RESEARCH QUESTIONNAIRE

Title: The impact of strategic leadership on organizational performance: the mediating role of organizational innovation in selected insurance companies in Ethiopia.

Instructions for Respondents

Dear Participant,

Thank you for agreeing to take part in this academic research study. This questionnaire is designed to gather your perceptions on strategic leadership practices, organizational innovation, and performance within your company. The study aims to provide insights that can help strengthen the insurance industry in Ethiopia.

Your participation is:

- **Voluntary:** You may choose not to participate or withdraw at any time without consequences
- **Anonymous:** No personally identifiable information will be collected
- **Confidential:** All responses will be aggregated and reported in summary form only

There is no right or wrong answers. Please respond based on your honest perceptions and experiences. This questionnaire should take approximately 15-20 minutes to complete.

Rating Scale: Please indicate the extent to which you agree or disagree with each statement by checking (✓) the box that best corresponds to your view:

1 = **Strongly Disagree (SD)**
2 = **Disagree (D)**
3 = **Neutral (N)**

4 = **Agree (A)**

5 = **Strongly Agree (SA)**

SECTION A: DEMOGRAPHIC AND BACKGROUND INFORMATION

Please select or provide the appropriate information.

1. Company Name:

- □ Awash Insurance S.C.
- □ Hibret Insurance S.C.
- □ Nile Insurance S.C.
- □ Africa Insurance S.C.

2. Organizational Tier/Level:

- □ **Tier 1:** Executive Management (CEO, Deputy CEO, Chief Officer, Board Member)
- □ **Tier 2:** Middle Management (Department Head, Branch Manager, Team Leader)
- □ **Tier 3:** Professional/Non-Management Staff (Underwriter, Claims Officer, Finance, IT, Marketing, etc.)

3. Gender:

- □ Male
- □ Female
- □ Prefer not to say
- □ Other: _____

4. Age:

- □ Under 25 years
- □ 25 - 34 years

□ 35 - 44 years

□ 45 - 54 years

□ 55 years and above

5. Highest Educational Qualification:

□ Diploma/Certificate

□ Bachelor's Degree

□ Master's Degree

□ PhD/Doctorate

□ Other (Please specify): _____

6. Length of Service in this Company:

□ Less than 1 year

□ 1 - 3 years

□ 4 - 7 years

□ 8 - 12 years

□ More than 12 years

7. Department/Functional Area:

□ Underwriting/Risk Assessment

□ Claims Management

□ Sales & Marketing

□ Finance & Accounting

□ Information Technology

□ Human Resources

□ Strategic Planning

□ Other: _____

SECTION B: PERCEPTIONS OF STRATEGIC LEADERSHIP

This section asks about the leadership styles and behaviors exhibited by the strategic leadership of your organization (the CEO and executive leadership team).

Please rate the following statements from 1 (Strongly Disagree) to 5 (Strongly Agree).

Transformational Leadership

No.	Statement	1 SD	2 D	3 N	4 A	5 SA
B1.1	Our top leadership communicates a clear and inspiring vision for the company's future					
B1.2	I feel proud to be associated with our top leaders					
B1.3	Top leadership challenges us to think creatively and find new solutions to old problems					
B1.4	Top leadership shows genuine concern for my professional development and well-being					
B1.5	Leadership consistently communicates optimism about achieving our strategic goals					

Transactional Leadership

No.	Statement	1 SD	2 D	3 N	4 A	5 SA
B2.1	Clear rewards and consequences are linked to performance standards					
B2.2	I receive appropriate recognition and rewards for my accomplishments					

B2.3	Leadership actively monitors and addresses deviations from established standards					
B2.4	Performance expectations and evaluation criteria are clearly communicated					

Autocratic Leadership

No.	Statement	1 SD	2 D	3 N	4 A	5 SA
B3.1	Most important decisions are made by top leadership without seeking input					
B3.2	Leadership specifies exactly how tasks should be completed					
B3.3	Communication flows primarily from top to bottom with limited upward feedback					
B3.4	Information access is tightly controlled by senior management					

Democratic Leadership

No.	Statement	1 SD	2 D	3 N	4 A	5 SA
B4.1	Employees are encouraged to participate in important decision-making processes					
B4.2	Leadership delegates meaningful authority and responsibility to lower levels					
B4.3	Cross-functional teamwork and collaborative problem-solving are actively promoted					
B4.4	Leadership is receptive to suggestions and feedback from employees at all levels					

SECTION C: PERCEPTIONS OF ORGANIZATIONAL INNOVATION

This section asks about the innovation activities and capabilities of your organization as a whole.

Please rate the following statements from 1 (Strongly Disagree) to 5 (Strongly Agree).

No.	Statement	1 SD	2 D	3 N	4 A	5 SA
C1	Our company consistently introduces new or significantly improved insurance products/services					
C2	We effectively implement new technologies and processes to enhance operational efficiency					
C3	Creative ideas and innovative initiatives from employees are actively encouraged and rewarded					
C4	Compared to competitors, we are more proactive in exploring new business models or market opportunities					
C5	Our organizational culture supports experimentation, calculated risk-taking, and learning from failures					
C6	We have dedicated resources (budget, personnel) allocated specifically for innovation initiatives					
C7	Innovation metrics are tracked and reported as part of our performance management system					

SECTION D: PERCEPTIONS OF ORGANIZATIONAL PERFORMANCE

This section asks about the overall performance of your organization relative to its major competitors(Awash, Hibret, Nile and NICE) over the past 2-3 years.

Please rate the following statements using this comparative scale:

1 = Much Worse Than Competitors

2 = Somewhat Worse

3 = About the Same

4 = Somewhat Better

5 = Much Better Than Competitors

No.	Statement	1 Much Worse	2 Worse	3 Same	4 Better	5 Much Better
D1	Our profitability and revenue growth compared to competitors					
D2	Our success in increasing market share					
D3	Efficiency of internal processes and cost control					
D4	Speed and effectiveness in adapting to regulatory changes					
D5	Speed and effectiveness in adapting to competitive changes					
D6	Customer satisfaction and retention rates					
D7	Employee satisfaction, engagement, and retention					
D8	Overall reputation and brand strength in the market					
D9	Return on assets (ROA) and capital efficiency					
D10	Underwriting profitability and risk management effectiveness					

SECTION E:INTERVIEW GUIDE FOR SENIOR EXECUTIVES

Block 1: Opening & Context Establishment

1. Could you briefly describe your current role and primary strategic responsibilities within [Company Name]?
2. From your perspective, what are the three most significant challenges currently facing the Ethiopian insurance industry?

Block 2: Strategic Leadership Philosophy & Practices

3. How would you characterize the dominant leadership philosophy of your current executive team? Could you provide a specific example of how this philosophy manifests in strategic decision-making?

4. Reflecting on the past 5-7 years, what were the 2-3 most pivotal strategic decisions made by leadership? Describe the decision-making process was it primarily directive, collaborative, consultative, or data-driven?
5. Given the highly regulated nature of insurance, how does leadership balance compliance requirements with the need for innovation and competitive agility?

Block 3: Organizational Innovation as Strategic Capability

6. What concrete mechanisms does leadership use to signal and support innovation (e.g., resource allocation, reward systems, formal programs, symbolic actions)?
7. Please describe a specific innovation initiative that was championed by leadership. What was leadership's direct involvement in its initiation, development, and implementation?
8. Can you share an example where an innovation initiative faced resistance or failed? How did leadership respond, and what was learned about fostering an innovative culture?

Block 4: Linking Leadership to Performance Outcomes

9. Considering your company's performance trajectory, what leadership and management factors would you attribute most to these outcomes? What specific leadership behaviors sustain strong performance (or create barriers to improvement)?
10. How does leadership ensure strategic priorities are effectively communicated and executed across different organizational levels and geographical locations?

Thank you for your valuable participation!