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**RESEARCH PROPOSAL SUBMITTED TO ADDIS ABABA UNIVERSITY  
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE  
DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA)**

**THE EFFECT OF LEADERSHIP STYLES ON EMPLOYEES  
PERFORMANCE IN THE CASE OF AWASH BANK**

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**Department Of Management Mba Distance Program**

**Research Proposal Submitted To Addis Ababa University in Partial  
Fulfillment of the Requirements for the Degree of Master of Business  
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## Declaration

I Hereby Declare That The Thesis Proposal Entitled "THE EFFECT OF LEADERSHIP STYLES ON EMPLOYEES PERFORMANCE IN THE CASE OF AWASH " Is My Original Work, And I Have Duly Acknowledged All Sources Of Material Utilized In This Thesis.

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Date May/2024

## APPROVAL SHEET

This is to certify that the thesis proposal prepared by Bezawit Ejigu, entitled "The Effect of Leadership Styles on Employees' Performance in the Case of Awash," and submitted for fulfillment of the requirements for the Master's degree in Business Administration, complies with the regulations of Addis Ababa University and meets the accepted standards with respect to originality and quality.

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## **Acronyms and Abbreviations**

**ANOVA: Analysis of Variance**

**B: Beta Coefficient**

**EF: Employee Performance**

**OLS: Ordinary Least Squares**

**P: p-value**

**R: Correlation Coefficient**

**R<sup>2</sup>: Coefficient of Determination**

**T: t-value**

## **Abstract:**

*This study examined the effect of leadership styles (transactional, laissez-faire, and autocratic) on employee performance at Awash Bank in Ethiopia. A conclusive research design, incorporating both descriptive and explanatory approaches, was employed. The researchers targeted 17,000 employees from 15 branches, with a sample of 171 employees selected through stratified random sampling. Primary data was collected via a questionnaire and analyzed using quantitative techniques. Demographic profile: Balanced gender, young age, majority single, highly educated, and experienced employees. Reliability and descriptive: High internal consistency (Cronbach's  $\alpha > 0.9$ ); leadership styles and performance had relatively high mean scores. Correlation: Leadership styles had very strong positive correlations with employee performance ( $r = 0.953$  to  $0.970$ ,  $p < 0.01$ ). Regression: The model explained 95% of the variance; leadership styles had positive and significant effects. Hypothesis testing: All hypotheses (H1, H2, and H3) were supported, confirming positive relationships. The findings highlight the critical role of leadership in shaping employee performance in the banking sector. The study provides robust evidence that transactional, laissez-faire, and autocratic leadership styles significantly influence employee outcomes at Awash Bank. Future research could explore longitudinal effects, comparative analyses, qualitative insights, and the impact of moderating factors.*

**Keywords:** *Leadership styles, employee performance, banking, Awash Bank, Ethiopia*

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## CHAPTER ONE

### INTRODUCTION

This chapter dealt with the background of the study, statement of the problem, objectives of the study, basic research questions, significance of the study, delimitation of the study, and organization of the study.

#### 1.1. Background of the Study

Leadership plays a critical role in creating a clear vision and mission, establishing objectives, designing strategies, policies, and methods to achieve organizational goals effectively and efficiently, and directing and coordinating efforts and activities. To fulfill the company's mission and vision, leadership must adapt to both internal and external changes, as stated by Khajeh (2018). Many businesses are currently dealing with various issues, such as organizational wrongdoing, high staff turnover rates, and subpar financial performance.

Leadership is a vital factor in the formulation and realization of organizational goals. The success or failure of any organization, nation, or social entity has largely been attributed to the nature of its leadership style (Oladipo et al., 2013). Leadership is essential to coordinating all activities and aspirations of a given group. A group cannot be sustained without a leader, and leadership cannot exist without a group (Ibid). This interdependence is crucial for organizational success. Leadership is defined in various ways by different people. It is the practice of influencing social phenomena and is also described as a special kind of guidance that motivates and affects individuals in the organization, especially in situations that require people to work together to achieve common goals and objectives (Sakiru et al., 2013).

Leadership behavior plays a significant role in enhancing employee job satisfaction and work performance. Recognizing this, substantial efforts and resources have been invested, with varied degrees of success, in finding and training individuals to fulfill leadership roles necessary to meet organizational demands both now and in the future. Most organizations develop more quickly when their leaders act with good behavior. Therefore, effective leadership is vital to the functioning of organizations.

However, employee performance is a crucial component of a business, and the elements that set the stage for excellent performance need to be examined. Every company must work together as a team to advance, as no single person's efforts can make the difference. Performance is a multifaceted construct strongly connected to an organization's strategic goals, with the primary aim of achieving results (Mwita, 2000).

Therefore, leadership style is considered as a driving force for employee performance. This reality does not far from being the case for the Awash bank as well.

Awash Bank, Ethiopia's pioneering private bank was founded on November 10, 1994, following the overthrow of the socialist administration. The bank was founded by 486 shareholders with a paid-up capital of Birr 24.2 million and began banking activities on February 13, 1995. Since its inception, the bank has experienced extraordinary growth. Despite global and internal obstacles, Awash Bank has consistently outperformed other private banks in Ethiopia in terms of operations and finances. Awash Bank is currently focusing on strengthening its capital basis, technological skills, personnel resources, and customer base (<http://awash bank.com>).

One of our bank's main values is accessibility. We constantly endeavor to increase our accessibility through various service delivery methods. We are currently the most accessible private bank in the country, with a broad footprint and comprehensive branch network. In addition to branch networks, we provide our customers the convenience of 24/7 service via ATMs, point-of-sale terminals, internet, mobile, and agency banking (<http://awash bank.com>).

Since its inception, Awash Bank has prioritized corporate social responsibility in all of its activities. The Bank's goal is to enhance the socioeconomic status of the areas in which it operates by reinvesting monies in education, health, and the environmental and social well-being of the most vulnerable groups. The number of elementary schools created in conjunction with NGOs, better health facilities, and trees planted around the country, among other things, demonstrate the good impact of our operations (<http://awash bank.com>).

Awash Bank's objective to be one of the top ten African banks by 2030 demonstrates its ambition and dedication to growth. The bank has a clear strategy in place to reach this goal, and it is investing in the resources and capabilities required for success (<http://awash bank.com>).

Our strategic goals and objectives are based on the aspiration: 'To be one of the Top Ten African Banks by 2030' (<http://awash bank.com>).

## **1.2. Statement of the Problem**

In an organization, leadership style plays a significant role in enhancing the interest and commitment of individuals (Obiruwu, 2011). In organizations where leadership views employees

merely as tools to get the job done, employees often pretend to perform well due to the standards and measures imposed on them. Typically, leaders in such settings adopt an authoritarian leadership style (Liya, 2018). It is crucial to motivate employees' commitment to fulfill organizational objectives and improve performance (Chi, Lan, & Dorjgotov, 2012).

There is a lack of defined leadership and democratic relationships between leaders and subordinates. Many appointments lack merit and are based on considerations unrelated to ability (Liya, 2018). As a result, organizations often end up with incompetent leaders who lack the capacity to employ appropriate leadership styles to guide employees in achieving predetermined goals. Leaders need to understand how to motivate employees through suitable leadership styles and which types of leadership impact employee performance. Managers should use performance and leadership styles to increase efficiency, requiring distinct approaches to achieve individual departmental goals. Organizational commitment and work performance are strongly related to leadership style (Hueryen Yeh, 2012).

Employee performance includes implementing defined duties, meeting deadlines, teamwork, and achieving departmental goals. Institutions like Awash Bank need effective leadership styles, such as transactional, autocratic, and laissez-faire approaches. However, at Awash Bank, there is often friction between individual responsibilities and roles. Research by Namutebi (2012) and Kmugisha (2012) identified many authoritative leadership tendencies, which lead to low innovation and decreased commitment, significantly affecting employee performance. This suggests that the inability to achieve planned performance results from the lack of tactical involvement of specific leadership styles suited to particular situations. This reality is also evident at Awash Bank, highlighting the need for a clear leadership style that can improve employee performance to meet individual goals and deadlines.

Employee performance is crucial for accomplishing corporate goals. The efficacy and efficiency of the company and its workforce are significantly influenced by the leadership styles employed. Research indicates a direct correlation between leadership styles and worker performance. A 2015 study by Babatunde and Emem found a significant correlation between a leader's style and their team members' performance in achieving the firm's aims and objectives. Similarly, Mohammed et al. (2014) reported a strong correlation between an organization's workforce performance and its leadership philosophies.

Numerous studies have shown how leadership effectiveness affects organizational performance (Chung-Wen Young, 2008; Teshome, 2011; Cole, 2009; Wang et al., 2011; Muejohn et al., 2012). Some research indicates that transformational leadership is more effective than transactional leadership, while other studies contend that transactional leadership is more effective in improving organizational performance.

### **1.3. Objectives of the Study**

#### **1.3.1. General Objective**

The general objective of this study is to analyze the effect of leadership styles on employee performance at Awash Bank.

#### **1.3.2. Specific Research Objectives**

1. To identify the leadership styles practiced at Awash Bank.
2. To examine the effect of transactional leadership style on employee performance.
3. To evaluate the effect of autocratic leadership style on employee performance.
4. To explain the effect of laissez-faire leadership style on employee performance

### **1.4. The significance of the study**

The significance of this study lies in its illumination of how the performance of Awash Bank employees is influenced by the organization's chosen leadership style. By addressing the gaps between employees' and management's perceptions of effective leadership styles, managers can gain valuable insights. Moreover, this study aims to aid bank management in understanding the significance of leadership styles from the perspective of the workforce, enabling them to prioritize this vital aspect of the bank's operations to attract new business and retain existing staff members. Ultimately, the study seeks to assist banks in developing a leadership style crucial to their success, emphasizing the importance of deploying polite and knowledgeable staff in appropriate positions. Above all, it underscores the critical role of adopting an appropriate leadership style by Awash Bank managers to enhance worker performance, sustain the bank's profitability, and achieve its 2030 target.

## **1.5. The scope of the study**

The scope of this thesis was to describe and explain the impacts of leadership style on employee performance in Awash Bank. Its conceptual preview included the degree of worker performance as well as the effects of several leadership philosophies, including transactional, autocratic, and laissez-faire. In terms of geographic reach, the study concentrated on fifteen branches under East Addis Ababa region which regularly serviced a large number of customers daily and located around Akaki which is the research live in. The study used an explanatory research approach and involved distributing questionnaires to each employee at the chosen fifteen branches.

## **1.6. Limitations of the study**

The study encountered several limitations. Firstly, the sample size might not have fully represented the entire population of Awash Bank employees, potentially restricting the generalizability of the findings. Secondly, time constraints imposed limitations on data collection and analysis, potentially restricting the depth and breadth of the study. Thirdly, resource constraints, including financial limitations, restricted access to certain data and research materials, which could have impacted the comprehensiveness of the study. Additionally, the study's focus solely on Awash Bank may limit the applicability of the findings to other organizations or industries. Moreover, reliance solely on questionnaire surveys for data collection might have introduced response bias or limited the depth of understanding compared to other data collection methods such as interviews or observations. Furthermore, external factors such as changes in the organizational environment or economic conditions might have influenced the study's results but were beyond the researcher's control. Lastly, researcher bias, stemming from personal biases or perspectives, might have influenced the interpretation of data or the formulation of conclusions. These limitations should be considered when interpreting the study's findings and applying them to other contexts.

## **1.7. Operational Definitions**

### **1.7.1 Leadership**

Leadership is the practice of influencing others to work willingly to achieve organizational goals with self-assurance (Lawal, 1993). It is typically well-defined as the process of persuading others to exert all of their effort in order to accomplish specific goals. According to Koontz et al.

(1985), leadership is the skill of motivating others to voluntarily work toward achieving collective objectives. This idea also grew to encompass working with confidence and passion in addition to being eager to work. According to Al-Shurafa (2018), leadership is a dynamic process in which a single individual influences others to voluntarily contribute to the realization and attainment of goals while aspiring to the shared organizational values of the group. This individual represents the spirit of leadership in supporting a group or organization to achieve sustainable growth.

### **1.7.2 Leadership Style**

Leadership style refers to a leader's approach to managing departments, groups, or organizations (Mehmood & Arif, 2011). It encompasses the way that one provides, directs, enforces plans, and inspires others, covering the general framework of both explicit and implicit supervisions.

### **1.7.3 Job Performance**

Job performance, according to Jason A. et al. (2015), refers to behavior, and the output resulting from those behaviors is referred to as results or job performance results. In summary, the value of the collection of employee behaviors that either positively or negatively help the organization achieve its purpose is what is referred to as job performance. Work performance refers to how well employees perform in terms of their work and how well their goals and objectives match the organization's goals and objectives. Employees' work performance is measured through a variety of performance appraisal system techniques. Currently, the majority of studies measure performance by observing how users respond to performance reviews (Zafar et al., 2012).

Numerous studies have discovered that worker satisfaction affects worker performance, meaning that workers who are most satisfied with their jobs perform better (Insan et al., 2013). Furthermore, Insanely (2013) noted that job satisfaction positively and significantly impacts employees' performance.

## **1.8. Organization of the Study**

This paper was organized into five chapters. The first chapter dealt with the background of the study, statement of the problem, objectives of the study, research questions, methods of data

collection, significance of the study, limitations of the study, operational definitions, and organization of the study.

The second chapter reviewed the literature on the topic, including different perspectives of various authors and various theoretical concepts related to different leadership styles, their impact on employee performance, and issues related to Awash Bank. The conceptual framework was also drawn in this chapter.

The third chapter addressed the research design, research approaches, population and sampling design, data sources and types, data collection methods, data analysis methods, data reliability and validity, and ethical considerations briefly.

The fourth chapter covered the data analysis, interpretation, held discussions, and drew findings.

Finally, the fifth chapter covered the conclusion, recommendations, and forward directions for future work.

## CHAPTER TWO

### LITERATURE REVIEW

This chapter tries to present a review of the literature related to the study. The previous studies conducted in the area of the topic are very significant as they direct the researcher. From this review, a conceptual framework using the dependent and the independent variables in the survey is developed, which lays a framework for the study.

#### 2.1 Theoretical Literature Review

Globally, leadership has become the foremost widely studied aspect of organizational behavior and variety of theories have emerged that specialize in the strategies, traits, styles and the situational approach to leadership. As a result of ever-growing interest in the field of leadership, behavioral scientists and sociologists began to analyze the possible consequences of leadership behaviors and therefore the variables that are wont to predict the leader's behaviors.

Memon (2014) defines leadership as a process by which an individual influences the thoughts, attitudes and behaviors of others. In other hands, as indicated by Northouse (2010) leadership characterized as a procedure where leaders impact their employees to accomplish organizational targets. Similarly, Bass (1990) expressed leadership characterized as a procedure of connection among people and gatherings that incorporates an organized or rebuilt circumstance, individuals' desires and recognitions.

##### 2.1.1 Leadership Theories

A review of the leadership literature reveals an evolving series of 'schools of thought' from Great Man and Trait theories to Contingency theory. Leadership capacity is innate, according to the Trait Approach, which persisted until the late 1940s. The Behavioral Approach gained popularity between the 1940s and the late 1960s, arguing that a leader's behavior directly affects their ability to lead effectively. The Contingency Approach gained popularity in the late 1960s and early 1980s, arguing that effective leadership depends on the circumstances. It is crucial to talk about the various theories of leadership that have evolved over time in order to comprehend the

nature of leadership and its various aspects. Hence, in this study the researcher reviews theories and researches related to the research topic such as trait theory, behavioral theory and contingency/situational theory.

### **A. Trait Theories**

Leadership trait theory is the idea that people are born with certain character trait. Carlyle, (1993) described in his "great man theory" that leaders are born and that only those men who are blessed with heroic qualities could ever emerge as leaders. Since certain traits are associated with proficient leadership, it assumes that if you could identify people with the correct trait theories abound to explain what makes an effective leader. The earliest theories look for a shared quality or ability that defines an effective leader. More recent theories focus more on the actions of leaders than their traits. The underlying premise of the trait approach is that some people are born leaders and are endowed with unique qualities that set them apart from other people. Following Stogdill's (1948) description of how leadership situations differ and place varying demands on leaders, trait theory was demolished and behavioral and contingency/situational theories emerged.

### **B. Behavioral Leadership theory**

The failure of the trait approach and the growing emphasis on behaviorism led researchers to direct their attention to the behavior of leaders. This new approach prompted scholars and researchers to look beyond leader traits and consider how leaders' behaviors predicted effectiveness. The behavioral model to leadership suggests that the leaders behavior, not the leaders personal characteristics, influence subordinates job performance. Researchers and scholars of this model focused on observing leaders behavior by asking individuals in the field settings to describe the behavior of persons who are in positions of authority, then applying different criteria of leader effectiveness to these explanations.

A behavioral theory focuses on the actions of leaders rather than on mental qualities or internal states with the belief that great leaders are made, not born. According to this theory, people can learn to become leaders through teaching and observation. Behavior theories examine whether the leader is task oriented, people oriented or both. The studies conducted at the University of Michigan and Ohio State University in 1945, established two major forms of leader behavior:

employee-centered and production-centered (Hersey and Blanchard, 1988). The belief is that the leader can become an effective leader through observation, teaching and experience (Robbins, 2003).

One of behavioral theories' drawbacks is that it ignores contextual elements that affect how effective a leader is. One question is whether a certain style of leadership is suitable in every circumstance, independent of the organization's stage of development, the commercial climate in which it functions, or the demographics of its workforce.

### **C. Contingency /Situational Theory**

Contingency/situational theory is an approach to leadership in which leadership effectiveness is determined by the interaction between the leader's personal characteristics and aspects of the situation. Contingency theories are predicated on the idea that situational factors related to the environment moderate the relationship between leadership style and organizational outcomes. As a result, leadership style cannot predict outcomes or performances unless the situational variables are known (Cheng and Chan, 2002). Similar to this, Fiedler's (1964) contingency theory claimed that a leader's capacity to lead is dependent on a number of situational elements, such as the leader's preferred management style and the skills and behaviors of subordinates who largely rely on those circumstances.

According to Fiedler's (1984) contingency theory, there is no one ideal way for managers to lead; rather, different circumstances will call for diverse approaches. A managerial situation's resolution depends on the external variables influencing it. A more prescriptive leadership style, for instance, would yield the best results in a highly routine (mechanistic) workplace where repetitive activities are the norm. In contrast, a more flexible, participative style might be necessary in a dynamic setting. On the other hand, Senior (1997) noted that as theories about leadership evolved, they shifted from the belief that there is a single, optimal way to lead to an emphasis on the behaviors that a leader must exhibit to be successful. The fundamental idea of the situational and contingency perspectives is that, while each study highlights a different factor's significance, a leader's ability to effectively lead depends on their ability to identify and comprehend situational factors and then adopt the right approach for each given situation.

### 2.1.2 Leadership Styles

Leadership styles are the techniques that leaders choose when leading organizations, departments, or groups. (Mehmood & Arif, 2011). Furthermore, leadership style was characterized as a leader's approach to offering guidance, encouraging others, and executing plans. Thus, leadership style is described as how a leader interacts with his or her followers in order to achieve goals.

Many leadership theories and approaches have emerged and evolved, but no single style of leadership has been identified as being best for all situations; thus, there is no single style that can be considered to have all of the answers; however, as described by Darling and Leffel (2010), leaders who seek the most effective leadership style may discover that a combination of styles is effective because no single leadership style is best.

There are a number of different leadership styles based on different theories. The literature has identified a wide range of leadership styles that correspond to specific organizational or business conditions, and which have specific actions, structures and expectations of leaders.

#### 2.1.2.1 Transactional Leadership Style

Leaders who determine what subordinate need to do achieve objective, classify those requirements and helps subordinate become confident they can reach their objective (James, Edward and Daniel 2009, Wehrich, Vonnice and Koontz 2008, Stoner, Freeman and Gilberts, 1998). It focuses on work standards, assignments, and is task-oriented. It emphasizes task completion and staff compliance. It uses organizational rewards and punishments to affect employee performance (Burns, referenced by Belonio 2012, p.113). Tetteh and Brenyah (2016) cite Northouse, (2010 p. 14) transactional style of leadership on the other hand is the kinds of leadership that gains acceptance through the use of reward, promises and by giving other form on incentive and remuneration that would satisfy followers' immediate needs and enhance immediate performance.

According to WehrichVonnice and Konntz (2008) transactional leaders clarify organizational role and task, set up on organizational structure, reward performance and provide for the social needs of their followers. Nidadhavolu (2018), James and George (2009) Transformational manger use their rewarding and coercive power to encourage high performance as he said

manager who effectively influence their subordinate to achieve goal yet do not seem to be making the kinds of dramatic change that are part of transformational leadership.

### *2.1.2.2 Autocratic Leadership Style*

According to Cavanaugh and Ninemeire (2001), an autocratic style is rooted in leaders who have full organizational power and the capacity to make decisions without sharing it with their subordinates.. This kind of leader demands strict commitment and obedience and has practically limitless power. The disciplinary procedure under an authoritarian leader is usually clear-cut, well regulated, and centered on punishing disobedience. There is also a clear distinction between the leader and the followers. Authoritarian leaders make their own decisions, with little or no input from the group.

### *2.1.2.3 Laissez-faire Leadership Style*

Laissez-faire leadership gives authority to employees. Delegated leadership, commonly known as laissez faire leadership, was the least productive of the three categories. Delegate leaders offer little or no counsel to group members and let them make their own judgments. While this strategy can be effective in situations where group members are highly qualified in a single area of expertise, it typically results in poorly defined responsibilities and a lack of motivation.

Several scholars have researched it and found it to be relevant and reliable in explaining how good leadership might be achieved. It undermines the importance of focusing on interpersonal links between the leader's approach and the demands of different scenarios and personnel. According to Kumar (2015), this form of leadership gives subordinates the most flexibility. They have complete authority over their own rules and techniques, as well as the ability to make independent decisions. It assumes that the most effective leadership style is one that allows people to execute any leadership style.

### **2.1.3 Concepts and Definition of Employee Performance (EP)**

Before defining employee performance, one must first understand the definition of performance. Gibson and Donnelly (2006) define performance as an organizational behavior that is directly related to product production or service delivery. In a similar vein, Mohamed (2013) saw performance as a significant multifaceted construct with a strong connection to an organization's

strategic goals and intent to produce results. Aguinis(2009) defines performance as the behaviors themselves, rather than the effects of an employee's actions. Performance refers to what employees do rather than what they create or how their job turns out. Perceived employee performance represents the general belief of the employee about his behavior and contributions in the success of organization.

Employee performance was defined by several scholars. Mathis and Jackson (2009) linked employee performance to quantity of output, quality of output, timeliness of output, presence/attendance on the job, efficiency of work completed, and effectiveness of work completed. According to Gungor (2011), employee performance is crucial for organizations since it refers to what an employee does or does not do. Employee performance can be measured in terms of quantity, punctuality, presence at work, and cooperativeness. However, it should be noted that, the nature of performance is determined by the organization itself.

### **Leadership Styles and Employee performance**

The relationship between leadership style and employee performance has been investigated in both leadership and management research. Various researches on the relationship between leadership styles and employee performance discovered that leaders' leadership styles influence employee performance. According to Lee and Chuang (2009), an effective leader not only inspires subordinates to improve their efficiency, but also addresses their needs while working toward organizational goals.

The success or failure of an organization is primarily determined by the leadership style. In order to improve employee performance, leadership styles are crucial. Thus, more worker participation is made possible by good leadership, which can also have an impact on individual and organizational performance. (Mullins, 2010).

#### **2.1.4 Transactional Leadership and Employee Performance**

Transactional leadership may be a leadership style that focuses on transactions between leaders and subordinates. Bass and Avolio (2003) propose that transactional leadership has two components: contingent compensation and exception management. The agreement between a subordinate's responsibilities and the benefits received when the planned goals are met is known

as contingent reward. Exception management is the process by which leaders monitor departures from set norms and take corrective action to achieve organizational goals. Yukl (2007) affirms that transactional leadership style is a kind of leadership style that gives more emphasis on the transaction between the leader and its subordinate. Transactional leadership motivates and pressures followers by exchanging praise for a high level of performance. In a transaction, the subordinate agreed to tend rewards when the subordinate completed their duties in accordance with the agreements. In other words, he encourages subordinates to figure. Transactional leadership styles, like other leadership styles, can have an impact on job performance, whether positively or badly. It is determined by the employee's assessment. Employees can have a good impact when they evaluate transactional leadership positively and a negative impact when they recognize that transactional leadership styles cannot be trusted because they do not follow their promises, are dishonest, or are not transparent.

### **2.1.5 Autocratic Leadership and Employee Performance**

Autocratic leaders are very typical because of “do as I say” categories. Typically, these leaders have little experience with leadership driving force upon them in the form of a surrogate position or duty that involves people running. Autocratic leaders retain for themselves the decision-making rights. They can damage an organization irreparably as they force their ‘followers’ to execute strategies and services during a very narrow way, based upon a subjective idea of what success seems like. There is no shared vision and little motive besides coercion. Autocratic leadership often eliminates commitment, creativity, and innovation. In fact, most followers of autocratic leaders are frequently described as biding their time, expecting the inevitable downfall of authoritarian leadership and thus the removal of the leader that follows. Michael (2010).

### **2.1.6 Laissez Faire Leadership and Employee Performance**

The leader's ability to steer is contingent upon various situational factors, including the leader's preferred style. Contingency theory to leadership assistant exceptional deal of practical autonomy to leadership, (laissez-faire style) north house (2001). Different scholars have examined it and have found it to be applicable and dependable to explaining how effective leadership can be accomplished. It hassles the significance of focusing on inter personal relationships between the leader's style and therefore the demands of varied situations and

employees. Under this sort of leadership consistent with Kumar (2015) maximum freedom is allowed to subordinates. They are given freehand in deciding their own policies and methods and to form independent decisions. It carries the assumption that the foremost effective leadership style depends on the power to allow a point of freedom to employees in administering any leadership style. On the opposite hand, much has been written in reference to the relation of positive self and effective management. Kerns (2004) argued the connection of standards to organizational leadership and his study highly assists that laissez faire style in bridging the space among the organization and its staffs where his worry was exclusively on the very fact that laissez-faire would generate a positive atmosphere through which employee and organizations felt sort of a family in spite of their stances.

## **2.2 Empirical Review**

### **2.2.1 General Studies**

Numerous researchers have studied the effects and relationships of leadership style with employee performance (Parachaet *al.*, 2012; Islam *et al.*, 2012).They suggested that good leadership is important for staff performance and work happiness. Leaders who consider subordinates as a valuable asset, include them in decision-making processes, and recognise their desires have a significant relationship with performance and work satisfaction.(Wang & Rode, 2010).

Abdilahe (2016) in his study entitled “Effects of Leadership style on employee performance in Dashen Bank, Addis Ababa, and Ethiopia” investigated the effects of the different leadership styles on employees’ performance. The census included 159 employees from Dashen Bank's Addis Ababa headquarters, excluding top-level management and security guards. The researcher employed a descriptive study methodology and collected data through questionnaires. As a result, one of the elements that may be useful in assisting leaders in boosting the performance of their followers is the use of appropriate leadership styles. A effective leader is recognized by their subordinates for following the norm with respect and conviction. Eight leadership styles, Democratic, Laissez-Faire, Autocratic, Transformational, Charismatic, Transactional, and Bureaucratic, are reviewed, and a model is built to show the relationship between leadership styles and employee performance at Dashen Bank. This study's findings show that laissez faire

leadership is the most effective variable on employee performance in Dashen Bank, but many previous studies suggested that the factor be minimized. Based on this, the researcher concluded and recommended that this leadership style be eliminated from employee performance. According to the literature study, most prior studies have verified that transactional and transformational leadership styles are highly associated to employee performance. These studies emphasise the role of leadership styles in achieving desired individual and organizational goals. A relatively large sample size was drawn from Dashen Bank's forward quarter, where all departments are active, and subordinate ratings for measuring leadership styles and outcomes were generalized to the bank as a whole.

Raja and Palanichamy(2015) examined the effect of leadership styles on employee performance publicly vs private sector enterprises in India. From 43 middle-level managers and 156 subordinates, the study finds sufficient evidence, at the five hundred levels of importance with having a linear positive relationship between transformational leadership and employee performance, which is a big positive relationship among transactional leadership style and employee performances. In fact, the study was also found that laissez faire leadership had a negative relationship with workers performance/outcomes. Leaders and their leadership styles is one among the mostly researched topics within their cent past. A number of studies are conducted on the consequences of leadership styles on employee performance.

Sakiru (2013) in his research entitled “Leadership styles and its effectiveness on employees' job commitment “ended up being to investigate the relationship between leadership styles (transactional, transformational, and laissez-faire) and employee dedication (emotional, persistence, and normative assurance) within an organization in Nigeria. Total participants within the research were 80 employees. Two separate tools such as multifactor leadership questionnaire (MLQ) and organizational commitment questionnaire (OCQ) were employed to decide leadership styles and employees’ dedication respectively. The results from the study discovered that transformational leadership style is commonly practiced leadership style utilized by the leaders in the company and also it was disclosed in the findings that there is a considerable relationship among leadership styles and employees dedication in Nigeria’s organization.

The study conducted by Okwu et al. (2011) was aimed to determine effect of leadership styles on performance in small-scale enterprises. The study followed a survey design, and employed evaluative quantitative analysis method. Analysis was based on primary data generated through a structured Multifactor Leadership Questionnaire (MLQ) administered on respondents. The findings revealed that whereas transactional leadership style had a large beneficial effect on performance, transformational leadership style had a positive but insignificant effect. The study concluded that transactional leadership style was more appropriate in inducing performance in small scale enterprises than transformational leadership style and, therefore, recommended transactional leadership style for the small enterprises with inbuilt strategies for transition to transformational leadership style as the enterprises developed, grew and matured.

The study by Vincent Mgbeze (2014) was aimed to examine the impact of leadership style on employee performance in selected banks, in Lagos, Nigeria. It provides significant value for both practitioners and academics. According to the study the transformational and democratic leadership style had a positive association with employee performance more than other styles. Transformational leaders produce higher leadership outcomes as well. The study recommended that by applying the results in practice, managers can adjust their leadership styles to support organizations in producing high work performance and increasing organizational outcomes, 27 whereas the human resource management function of banking industries can also utilize these results for the leadership development effort in their organization.

The study conducted by Celestine Awino (2015) the Effect of leadership styles on employee performance at Bank of Africa by using cross sectional descriptive survey research strategy. The leadership styles were measured by using MLQ, in which both descriptive and inferential statistical techniques were used for data analysis. The findings shows that as transformational leadership style was the most exhibited style at the bank followed by transactional and laissezfaire respectively. Both transformational and transactional are positively correlated with employee performance, while laissez-faire leadership style had positive relationship and statistically insignificant correlation.

The study conducted by Muzaffar (2015) was aimed to find out the dominance of the leadership styles in the concerned Banking companies in India. The descriptive survey study design was used to achieve the above-mentioned objectives. The data suggest that only transformational

leadership styles have a significant direct impact on employee performance, whereas transactional leadership approaches have little impact. Furthermore, transformational leadership was the most prevalent type of leadership style among the relevant banking organizations in Jammu and Kashmir, India. Similarly, the majority of the literature reviewed is somewhat consistent in suggesting that both transformational and transactional leadership styles are significantly positively related to performance, and that the transformational style effect is more pronounced than that of the transactional leadership style, but the evidence on the relationship between laissez-faire and employee performance is not that straightforward. (Rasol, et al. 2015; Tsigu and Rao, 2015).

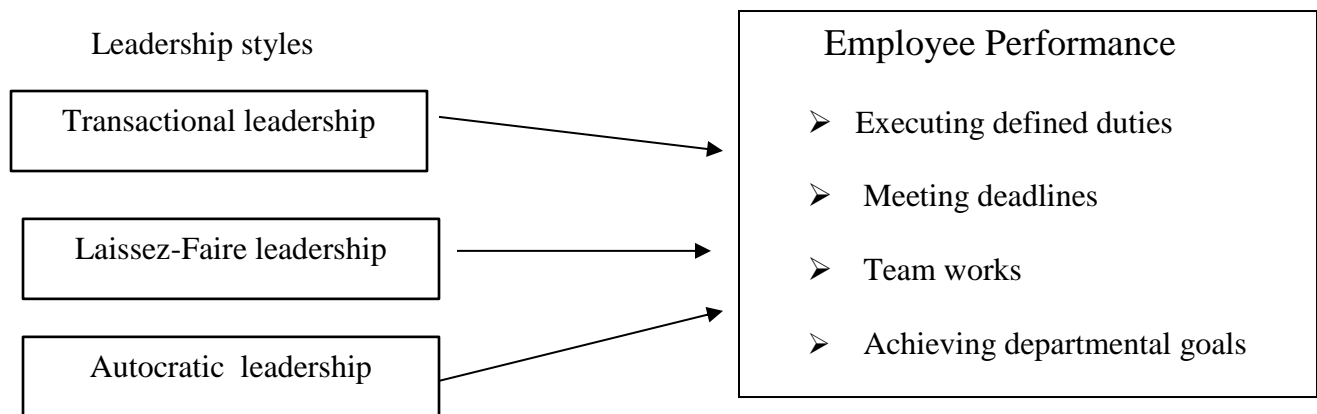
A research conducted by Aboshaiqah et al (2015) on nurses' opinion of managers' leadership styles and its connected out comes verified that staffs apparent that transformational leadership and its aspects are exploited than transactional and laissez-faire leadership styles, and again, additional analysis indicated that there was a positive correlation between output factors such as (effectiveness, extra efforts and satisfaction) and transformational and transactional leadership styles and negative correlation with laissezfaire leadership styles. It also generalized that a mixture of transformational style and manners contributed to augmentin more effort, pleasure and in general employee productivity and professed leader efficiency among nurses. Ipas (2012) conducted a research on the alleged leadership style and employee productivity in hotel industry; he found that autocratic leadership style is perceived as being the widely practiced style by the managers that ensure likely outcomes. He emphasized that managers must search a good solution to assist the employee to boost their performance

### **2.3 Conceptual Framework**

The study shows the relationship between employee performance and leadership styles. Also the study focuses on gaps which represent the difference between employee's expectation and perceptions which are referred to as the perceived leadership styles. The difference between expectations and perceptions is called the gap which is the determinant of employee's perception of leadership styles. The practiced leadership styles by the corporation, effects of these leadership styles and strategies taken by the organization are considered as independent variables while employee performance can be taken as dependent variable.

The conceptual framework for this study assumed performance indicators which contained employee activities like executing clear duties, meeting deadlines, team work and achieving work unit goals referred as dependent variable, are determined by the following independent variables which include transactional leadership, laissez-faire leadership and autocratic leadership. Organizational strategy of the Corporation is also taken as an independent variable to check its impact on the mentioned dependent variables.

Figure 1: the conceptual frame work of leadership styles and employee performance  
Independent Variables



Source: own developed

## 2.4 Research Hypothesis

H1: There is a positive and significant effect of Transactional leadership style on employee performance at Awash Bank

H2: There is a positive and significant effect of Laissez Faire Leadership style on employee performance at Awash Bank

H3: There is a positive and significant effect of Autocratic Leadership style on employee performance at Awash Bank

## 2.5. The research gap

The research gap identified in this study lies in the limited exploration of specific leadership styles and their direct impact on employee performance within Awash Bank. While existing literature discusses the general relationship between leadership and performance, there is a lack of in-depth analysis on how transactional, autocratic, and laissez-faire leadership styles specifically affect employee performance within this particular organizational context.

Additionally, there is a dearth of studies that examine the effectiveness of different leadership styles in addressing the unique challenges and objectives of Awash Bank. Furthermore, previous research primarily focuses on broad theoretical frameworks and lacks empirical evidence derived from Awash Bank's specific organizational environment. Thus, this study seeks to fill this research gap by providing a detailed investigation into the specific leadership styles practiced at Awash Bank and their direct impact on employee performance, thereby contributing to a more comprehensive understanding of effective leadership strategies within the banking sector.

## CHAPTER THREE

### RESEARCH METHODOLOGY

This chapter explained the components of the appropriate methods in conducting the study. Thus, the chapter focused on the study area, the research design and methodology, the population and sampling procedures, the instruments of data collection, and methods of data analysis.

#### 3.1. The Research Design

The research design employed in this study encompassed the methods and procedures used in collecting and analyzing measures of the variables specified in the research problem (Andrew, 2016). Research designs can be either conclusive or exploratory in nature. Exploratory research designs aim to explore a problem to provide insights and comprehension for more precise investigation, while conclusive research designs are more likely to use statistical tests and advanced analytical techniques to present a representative picture of the population through the application of valid research instruments. Thus, the researcher utilized a conclusive research design.

Given that the primary objective of the study was to assess the impact of leadership styles on employee performance, both descriptive and explanatory research designs were deemed appropriate. Descriptive research, a type of conclusive study, aims to describe the features of a certain person or group, while explanatory studies seek to explain the relationship between dependent and independent variables related to the research problem (Suanders et al., 2009).

This study adopted a quantitative approach to research, which involved collecting data from respondents to understand and predict some aspects of the behavior of the population of interest. Quantitative research provides facts and figures about phenomena and involves statistical analysis (Ticehurst, 2000). Under the quantitative research method of data collection, a standard questionnaire with modifications to fit the context of the study was employed. The researcher utilized measures with numbers and subsequently analyzed the data using statistical techniques.

## 3.2 Population and Sampling

### 3.2.1 Target Population

The target population of the study was the employees of the selected fifteen branches of Awash Bank under East Addis Ababa region which regularly serviced a large number of customers daily and located around Akaki which is the research lives in.

### 3.2.2 Population and Sample Size

The bank had a total of 17,000 employees. However, there were 101 branches in East Addis Ababa Region. The researcher purposively selected 15 branches which have the following list of employees.

*Table 3.1 Number of employees in each branch and total number of employees.*

No	Sample branches	No of employees
1	Branch 1	21
2	Branch 2	23
3	Branch 3	25
4	Branch 4	22
5	Branch 5	19
6	Branch 6	17
7	Branch 7	16
8	Branch 8	24
9	Branch 9	18
10	Branch 10	20
11	Branch 11	17
12	Branch 12	21
13	Branch 13	18
14	Branch 14	20
15	Branch 15	19
	<b>Total</b>	<b>300</b>

Source: Developed by researcher

The total number of employees used by the researcher was 300. The sample size of the study was determined using the formula developed by Taro Yamane (1967):

$$n = \frac{N}{1 + N(e^2)}$$

Where

N = population size,

n = sample size,

e = margin of error at 5% (standard value of 0.05)

By using this formula the sample size (n) would be:

$$n = 300 / 1 + 300 (0.05)^2$$

n = 171 (selected sample size)

To calculate the sample size for each stratum (grade 4 and grade 3 branches), the proportionate stratified random sampling formula was used.

$$n_h = \frac{n}{N} * N_h$$

Where:

$n_h$  is the sample size for stratum h (grade 4 or grade 3 branches)

n is the total sample size (171)

$N_h$  is the population size of stratum h (grade 4 or grade 3 branches)

N is the total population size (300)

*Table 3.2 Sample Distribution for each branch*

No	Sample branches	No of employees	Calculated Sample size	Round sample size
1	Branch 1	21	11.97	12
2	Branch 2	23	13.11	13
3	Branch 3	25	14.25	14
4	Branch 4	22	12.54	12
5	Branch 5	19	10.83	11
6	Branch 6	17	9.69	10
7	Branch 7	16	9.12	10
8	Branch 8	24	13.68	14
9	Branch 9	18	10.26	10
10	Branch 10	20	11.4	11
11	Branch 11	17	9.69	10
12	Branch 12	21	11.97	12
13	Branch 13	18	10.26	10
14	Branch 14	20	11.4	11
15	Branch 15	19	10.83	11
	<b>Total</b>	<b>300</b>	<b>171</b>	<b>171</b>

Source: Developed by researcher

### 3.3 Sources of Data

In this study, primary data was utilized. The sources of primary data were the employees of Awash Bank, including clerical and non-clerical staff. Employees in these sectors were permanent employees, excluding contract/causal employees, and served as the source of data for the study.

### 3.4 Method of Data Collection

To achieve the objectives of this study, a qualitative data collection method employed. This approach provided a comprehensive understanding of the relationship between leadership styles and employee performance at Awash Bank. Primarily, the study used questionnaires as a data collection method. The questionnaire was adapted from

Allen (2010) and modified to fit the context of the study. Among several alternatives of questionnaire types, a Likert scale close-ended questionnaire was selected by the researcher. This choice was made because Likert scales are easy to fill out, simple to construct, likely to produce highly reliable scales, and easy to analyze and interpret.

## **3.5 Data Analysis**

### **3.5.1. Quantitative Analysis**

#### ***3.5.1.1. Descriptive data analysis***

##### **1. Data Cleaning and Preparation**

Before conducting descriptive analysis, the collected data was cleaned and prepared for analysis. This involved checking for missing values, outliers, and inconsistencies in the data and taking appropriate steps to address them.

##### **2. Descriptive Statistics**

Descriptive statistics were computed to summarize the main features of the data, including measures of central tendency (mean, median, and mode) and measures of dispersion (standard deviation, range). These statistics provided insights into the distribution and variability of the data.

##### **3. Frequency Distributions:**

Frequency distributions were generated for categorical variables to show the distribution of responses across different categories in tabulation and percentage form. This provided an overview of the prevalence of different responses and categories within the dataset.

##### **4. Graphical Representation**

Graphical techniques, such as histograms, bar charts, and pie charts, were used to visually represent the data. These visualizations helped in conveying patterns, trends, and relationships within the data in a clear and intuitive manner.

### *3.5.1.2. Inferential statistical analyses*

Inferential statistical analyses involved using sample data to make inferences or predictions about the population from which the sample was drawn. Several inferential statistical analyses were conducted to test hypotheses and explore relationships between variables. Some of the key inferential statistical analyses that were conducted include:

#### **1. Correlation Analysis**

Correlation analysis was used to examine the strength and direction of the relationship between leadership styles (independent variables) and employee performance outcomes (dependent variable). Pearson's correlation coefficient or Spearman's rank correlation coefficient were computed, depending on the nature of the data.

#### **2. Regression Analysis**

Regression analysis was employed to assess the predictive relationship between leadership styles (predictor variables) and employee performance outcomes (outcome variable). Multiple regression analysis was used to examine the simultaneous effects of multiple independent variables on the dependent variable.

#### **3. Regression Predictive Modeling**

To predict the influence of independent variables on dependent variable employee performance (Y), a regression analysis was conducted. The model can be expressed by the following equation:

$$Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \epsilon \quad \text{Where:}$$

Y = employee performance

X<sub>1</sub> = transactional leadership style

X<sub>2</sub> = laissez-fair leadership style

X<sub>3</sub> = autocratic leadership style

ε = Error term

#### 4. Analysis of Variance (ANOVA)

ANOVA was used to compare means across multiple groups or categories of leadership styles and examine their impact on employee performance outcomes.

#### 3.6 Data Validity and Reliability

Validity, the degree to which an instrument measures what it is supposed to measure, was ensured by covering the topic adequately with a representative sample of Awash Bank employees and management. Several steps were taken to ensure the validity of the study. Reliability, the consistency of a study or measurement, was assessed using triangulation and the Cronbach alpha test. A Cronbach's alpha higher than 0.7 indicated internal consistency of the instrument. To respect research ethics, participants were informed that their participation was voluntary, and their responses would be kept confidential and used only for academic purposes. Participants were assured that their responses would not be converted or altered.

#### 3.7. Specifications of research model

To examine the factors that affect project quality performance, a linear regression model has been developed. The variables included in the model have been carefully selected based on a review of the literature, and they need to be specified. Generally, a higher R<sup>2</sup> value in multiple regressions suggests that important variables are included in the model. Multiple regression techniques are used to analyze the linear relationships among two or more variables and estimate the regression coefficients ( $\beta$ 's). The sample regression model equation for the linear relationship among the variables is as follows:

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \dots + \beta_n X_{ni} + \epsilon_i$$

Where:

$Y_i$  is the dependent variable for the  $i^{\text{th}}$  observation.

$X_i$  represents the independent variables for the  $i^{\text{th}}$  observation.

$\beta_0$  is the intercept of the regression line.

$\beta_s$  are the regression coefficients.

$\epsilon_i$  is the error term for the  $i^{\text{th}}$  observation.

In this specific case, when B is zero, B1, B2, and B3 represent the regression coefficients for the following variables, respectively:

B1: transactional leadership style

B2: laissez-fair leadership style

B3: autocratic leadership style

To align with the variables used in this research and demonstrate their relationships based on the research conceptual framework, the basic regression model is rewritten as follows:

$$EP = \beta_0 + \beta_1 * \text{transactional leadership style} + \beta_2 * \text{laissez-fair leadership style} + \beta_3 * \text{autocratic leadership style} + \epsilon$$
 (Equation 1)

Where:

EP represents employee performance (dependent variable)

Transactional leadership style, laissez-fair leadership style, and autocratic leadership style are independent variables. Determining the appropriate sample size is crucial. Hair et al. (2019) emphasize that several factors influence sample size, including the number of independent variables, research design, data analysis methods, and accessible population size. A key benefit of quantitative methods is the ability to draw inferences about larger populations using a smaller, strategically chosen sample. This makes research more feasible and cost-effective.

However, addressing non-response bias remains vital. Mugenda and Mugeba (2018) recommend employing strategies like follow-up attempts and incentives to maximize participation, especially when time and resources permit. A larger sample size generally enhances the generalizability of the research findings.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

This chapter focuses on the presentation, analysis, and interpretation of the collected data. The first section provides an overview of the response rate obtained during the data collection process. Following this, the second section examines the demographic characteristics of the respondents, providing insights into the composition of the sample population. The third section presents a detailed analysis of the collected data, including quantitative and qualitative findings. Finally, the chapter concludes with a discussion of the results and their implications, offering insights into the significance of the findings and their relevance to the research objectives.

#### 4.1. Response rate

A total of 171 questionnaires were distributed to 15 branches of Awash Bank using a purposive random sampling method, and all respondents correctly returned the survey, resulting in a 100% response rate.

This data suggests that the study on "The Effect of Leadership Styles on Employees' Performance in the Case of Awash Bank" was well-designed and executed. The use of purposive random sampling and the high response rate indicate that the data collected is likely to be representative of the target population, which are the employees of Awash Bank.

The fact that all 171 questionnaires were returned correctly demonstrates the diligence and cooperation of the study participants, enhancing the reliability and validity of the data collected.

The researchers can have confidence that the data accurately reflects the perceptions and experiences of Awash Bank's employees. This data can then be analyzed to provide valuable insights into the relationship between leadership styles and employee performance within the organization.

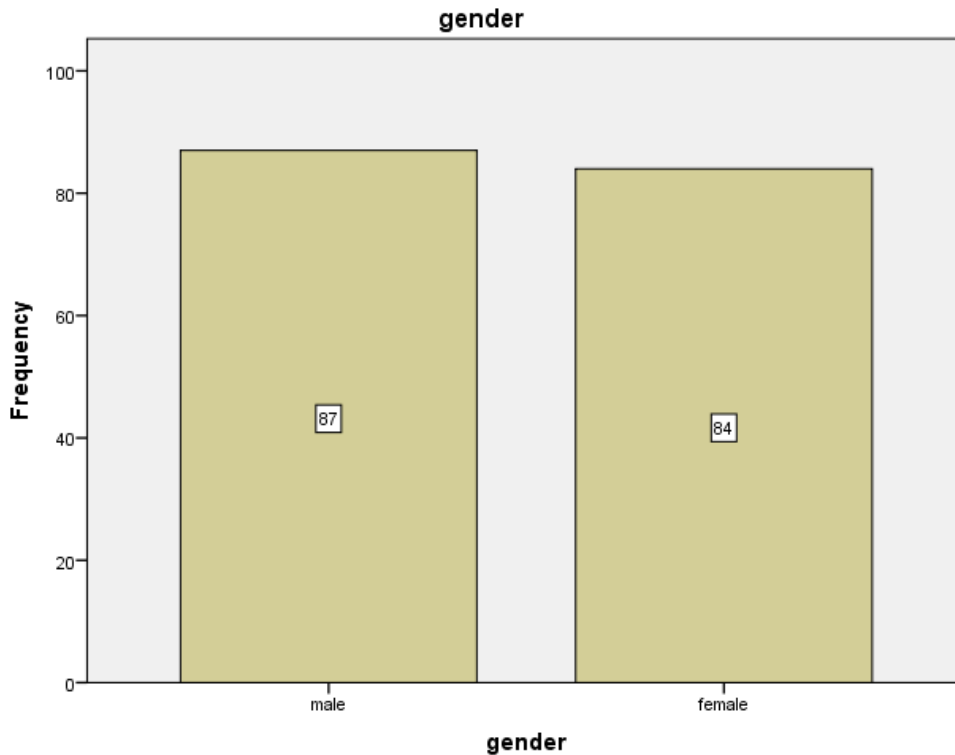
The high response rate and complete data collection process suggest that the researchers have taken appropriate steps to ensure the quality and reliability of the study, which is essential for

drawing meaningful conclusions about the effect of leadership styles on employee performance at Awash Bank.

#### 4.2. Demographic profile of respondents

##### A. Gender

Figure 2: gender compositions of respondents

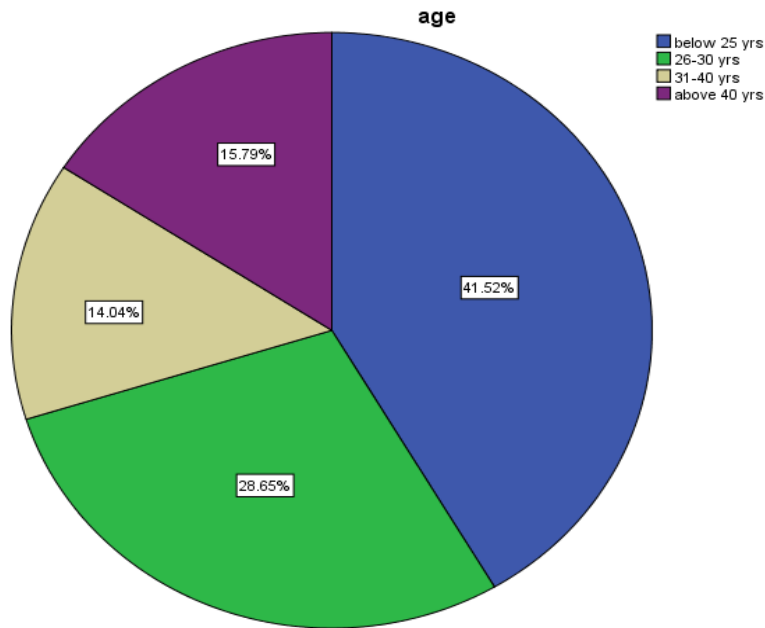


Source: SPSSV.20 2024

The gender composition of the employees at the Awash Bank is relatively balanced. Out of a total of 171 employees, there are 87 males, accounting for approximately 50.9% of the workforce, and 84 females, accounting for approximately 49.1% of the workforce. This suggests that there is a slight majority of male employees at the main branch. Based on the bar graph, it is evident that there is a relatively balanced gender composition among employees in the case of Awash Bank. The graph shows that there are 87 male employees, accounting for 50.9% of the workforce, and 84 female employees, accounting for 49.1% of the workforce. This indicates a relatively equal representation of male and female employees in the organization.

## B. Age

Figure 3: age compositions of respondents



Source: SPSSV.20 2024

The pie chart shows that the age composition of employees at Awash Bank is skewed towards younger age groups. The largest section of the chart represents employees aged 25-30 years, indicating a significant proportion of the workforce falls within this age range. Additionally, the chart shows that employees aged 30-35 years also make up a notable portion of the workforce.

This information suggests that Awash Bank has a relatively young employee population, which can have implications for the effect of leadership styles on employees' performance. Younger employees may have different needs, expectations, and motivations compared to older employees. Therefore, leadership styles that cater to the preferences and characteristics of younger employees may be more effective in enhancing their performance.

Below 25 years: 71 employees, accounting for 41.5% of the workforce. 26-30 years: 49 employees, accounting for 28.7% of the workforce. 31-40 years: 24 employees, accounting for 14.0% of the workforce. Above 40 years: 27 employees, accounting for 15.8% of the workforce.

This data indicates that the majority of employees at Awash Bank are below the age of 30, with the highest percentage falling within the 26-30 years age range. Additionally, there is a smaller representation of employees in the 31-40 years age range, and an even smaller proportion of employees above the age of 40. This age composition information can provide insights into the potential impact of leadership styles on employees' performance. Younger employees may have different needs, expectations, and motivations compared to older employees. Therefore, leadership styles that take into account the preferences and characteristics of different age groups may be more effective in enhancing employees' performance.

C. Marital status

*Table 4.1: Marital status of respondents*

<b>marital status</b>	Frequency	Percent	Valid Percent	Cumulative Percent
single	92	53.8	53.8	53.8
married	79	46.2	46.2	100.0
Total	171	100.0	100.0	

Source: SPSSV.20 2024

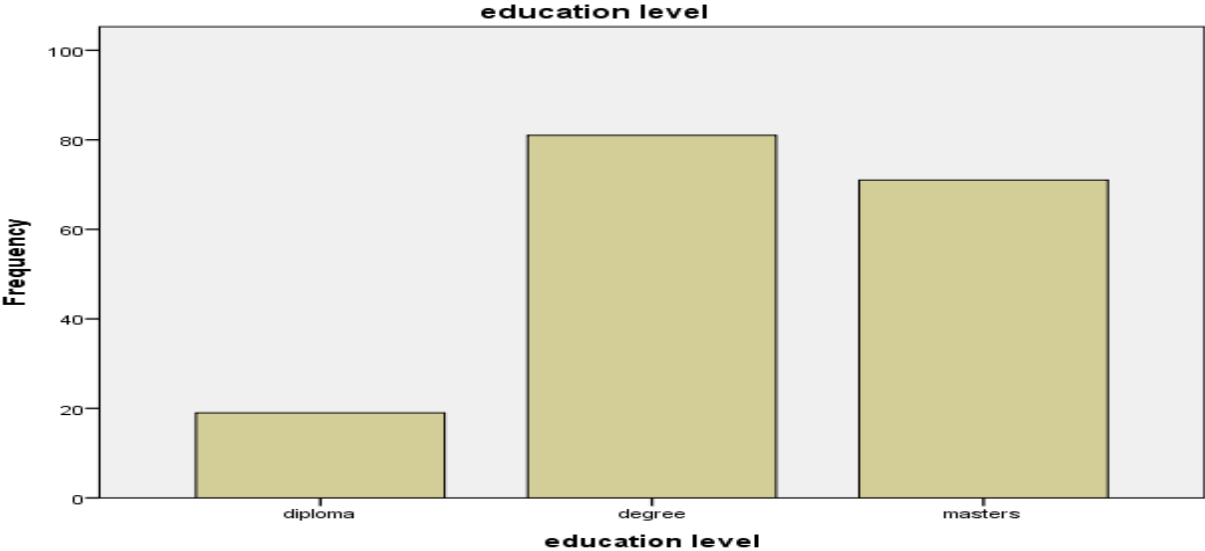
The above marital status table illustrates; Single employees make up the majority, accounting for 53.8% of the total workforce. Married employees make up the remaining 46.2% of the workforce. The cumulative percentage shows that 53.8% of employees are single, and the remaining 46.2% are married. This information on the marital status composition of employees can provide valuable insights into the potential impact of leadership styles on employees' performance. Married and single employees may have different needs, responsibilities, and motivations that could influence their response to various leadership approaches.

The married employees may value work-life balance and flexible schedules more than single employees, who may be more focused on their careers. Leadership styles that accommodate the diverse needs of both single and married employees could be more effective in enhancing overall employee performance.

Additionally, the marital status data can be considered in conjunction with the age composition information provided earlier to further analyze the potential impact of leadership styles on employees' performance at Awash Bank.

D. Education level

Figure 4: educational level compositions of respondents



Source: SPSSV.20 2024

The education level breakdown of respondents at Awash Bank reveals a highly qualified workforce. Degree holders make up the largest proportion, accounting for 47% of the respondents. This suggests the bank employs a significant number of individuals with bachelor's degrees or equivalent qualifications.

Moreover, master's degree holders are also well-represented, comprising 41.5% of the total respondents. This high percentage of advanced degree holders indicates Awash Bank's workforce possesses substantial academic and professional expertise.

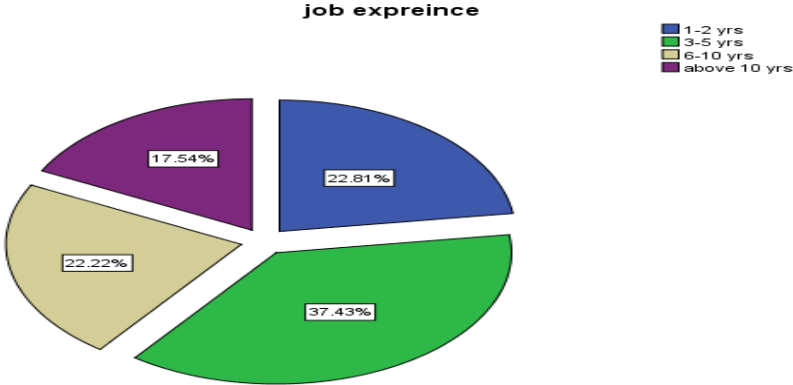
In contrast, diploma holders constitute the smallest group, making up only 11% of the respondents. This distribution implies the bank tends to attract and retain employees with higher levels of formal education, potentially favoring those with at least undergraduate degrees.

The prevalence of degree and master's degree holders among the respondents likely correlates with the types of roles, responsibilities, and decision-making authority held by the employees.

This data can provide valuable insights to Awash Bank as it benchmarks its human capital against industry standards and considers strategies to further develop and retain its highly skilled workforce. Overall, the education level breakdown paints a picture of a professional, academically-inclined employee base at Awash Bank.

E. Job experience

Figure 5: Job experience compositions of respondents



Source: SPSSV.20 2024

The pie chart depicting the job experience composition of employees at Awash Bank shows that the majority of employees have 3-5 years of job experience. This segment of the chart is the largest, indicating that a significant proportion of the workforce falls within this category. The chart also shows a sizable portion of employees with 1-2 years of experience, followed by smaller segments representing employees with 6-10 years of experience and more than 10 years of experience. The largest proportion of employees (37.4%) has 3-5 years of job experience. A significant number of employees (22.8%) have 1-2 years of job experience. Another sizeable group (22.2%) has 6-10 years of job experience. The smallest group (17.5%) has more than 10 years of job experience.

This information on the job experience composition of employees can provide valuable insights into the potential impact of leadership styles on their performance. Employees with varying levels of job experience may have different skill sets, expertise, and expectations from their

leaders. Younger employees with less experience may benefit more from hands-on guidance, training, and opportunities for skill development; while more experienced employees may thrive in an environment that allows for greater autonomy, decision-making, and opportunities for growth and advancement.

Leadership styles that effectively cater to the needs and preferences of employees across different experience levels can be more effective in enhancing overall employee performance. For example, a leadership approach that combines elements of mentoring and coaching for less experienced employees, while providing more autonomy and empowerment for more experienced employees, may be more successful in optimizing the performance of the entire workforce.

By understanding the job experience composition of its employees, Awash Bank can tailor its leadership strategies to better address the diverse needs and preferences of its workforce, leading to improved overall employee performance.

### 4.3. Reliability and validity test

#### A. Reliability Test

*Table 4.2: the reliability tests of variables*

s.n	Variables	Cronbach's Alpha	N of Items
1	Transactional leadership style	0.935	8
2	Laissez-fair leadership style	0.951	5
3	Autocratic leadership style	0.977	10
4	Employee performance	0.975	8
Total		0.999	31

Source: SPSS.V20 2024

The reliability test results for the survey conducted at Awash Bank reveal exceptional internal consistency across the various measures used in the study. The Cronbach's Alpha coefficients

demonstrate that the scales for assessing transactional leadership style (0.935), laissez-faire leadership style (0.951), and autocratic leadership style (0.977) all have excellent reliability. This indicates the survey items effectively capture the intended leadership constructs with a high degree of consistency.

Similarly, the employee performance measure also exhibits outstanding reliability, with a Cronbach's Alpha of 0.975. This suggests the 8 items used to evaluate employee performance are highly reliable and coherent in their assessment. Notably, the overall reliability score across all 31 items is an exceptionally high 0.999, underscoring the trustworthiness and quality of the research instrument as a whole. These robust reliability scores provide a strong foundation to further analyze the relationships between the different leadership styles and their impact on employee performance at Awash Bank. The findings imply that the various leadership approaches, from transactional to laissez-faire and autocratic, can be reliably measured and linked to improvements in overall employee performance.

Managers at Awash Bank can leverage these insights to adopt the most effective leadership strategies to enhance their employees' productivity and drive positive organizational outcomes. The high reliability of the measures ensures the research findings can be confidently used to inform relevant policy decisions and human resource practices within the bank. Since the researcher use already developed questioner the validity is certain.

#### 4.4. Data analysis

##### 4.4.1. Descriptive data analysis

###### 4.4.1.1. Mean construct

Table 4.3: the descriptive results of variables

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Transactional leadership style	171	1.75	4.88	4.0482	.65125	.424

Laissez-fair leadership style	171	1.00	5.00	3.6702	1.01250	1.025
Autocratic leadership style	171	1.22	5.00	3.7609	.90412	.817
Employee performance	171	1.20	4.70	3.4058	.93706	.878
Valid (listwise)	N 171					

Source: SPSSV.20 2024

The descriptive statistics for the constructs of leadership styles and employee performance at Awash Bank provide valuable insights into the central tendencies and variability of the data. The analysis includes four constructs: transactional leadership style, laissez-faire leadership style, autocratic leadership style, and employee performance, each measured using a sample size of 171. The mean score for transactional leadership style is 4.0482, with a standard deviation of 0.65125 and a variance of 0.424. This indicates that transactional leadership is perceived to be relatively high among employees, with responses showing consistency. Laissez-faire leadership style has a mean score of 3.6702, a higher standard deviation of 1.01250, and a variance of 1.025, suggesting moderate levels and greater variability in perceptions among employees. Autocratic leadership style shows a mean of 3.7609, with a standard deviation of 0.90412 and a variance of 0.817, reflecting a relatively high perception and moderate variability. Employee performance has a mean score of 3.4058, a standard deviation of 0.93706, and a variance of 0.878, indicating moderately high performance levels with moderate variability. The high mean scores for transactional and autocratic leadership styles suggest these styles are commonly observed and possibly preferred within the organization. The moderate mean score for laissez-faire leadership reflects its less dominant but notable presence. The data also shows that leadership styles significantly influence employee performance, with transactional and autocratic styles being more prevalent. These statistics provide a clear picture of how different leadership styles are perceived at Awash Bank and their potential impact on employee performance, highlighting that while there is a general trend, individual experiences and perceptions differ.

## 4.4.2. Inferential data analysis

### 4.4.2.1. Correlation Analysis

Table 4.4: the Correlation Analysis of variables

	Transactional leadership style	Laissez-fair leadership style	Autocratic leadership style	Employee performance
Transactional leadership style	Pearson Correlation Sig. (2-tailed) N	1 171		
Laissez-fair leadership style	Pearson Correlation Sig. (2-tailed) N	.963** .000 171	1 171	
Autocratic leadership style	Pearson Correlation Sig. (2-tailed) N	.937** .000 171	.969** .000 171	1 171
Employee performance	Pearson Correlation Sig. (2-tailed) N	.953** .000 171	.970** .000 171	.956** .000 171

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSSV.20 2024

The correlation analysis examines the relationships between three leadership styles (transactional, laissez-faire, and autocratic) and employee performance at Awash Bank. The

Pearson correlation coefficients indicate the strength and direction of these relationships, while the significance values (Sig. 2-tailed) indicate the statistical significance of the correlations.

The Pearson correlation coefficient between transactional leadership style and employee performance is 0.953, which is significant at the 0.01 level ( $p = 0.000$ ). This very strong positive correlation suggests that as the use of transactional leadership increases, employee performance tends to increase significantly. Transactional leadership style also shows strong positive correlations with laissez-faire leadership style (0.963) and autocratic leadership style (0.937), both significant at the 0.01 level. This indicates that these leadership styles are often used in conjunction with each other. The Pearson correlation coefficient between laissez-faire leadership style and employee performance is 0.970, which is significant at the 0.01 level ( $p = 0.000$ ). This indicates an extremely strong positive correlation, suggesting that higher levels of laissez-faire leadership are associated with better employee performance. Laissez-faire leadership style is also strongly correlated with autocratic leadership style (0.969), significant at the 0.01 level. This suggests that these leadership styles are also frequently employed together.

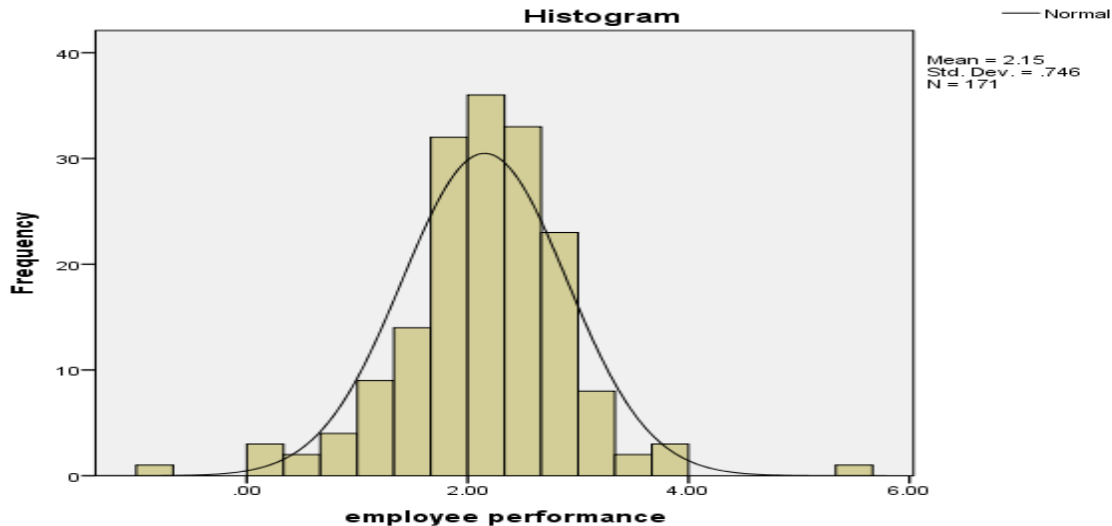
The Pearson correlation coefficient between autocratic leadership style and employee performance is 0.956, which is significant at the 0.01 level ( $p = 0.000$ ). This strong positive correlation indicates that increased use of autocratic leadership is associated with higher employee performance. As noted, autocratic leadership is highly correlated with both transactional and laissez-faire leadership styles, indicating a tendency for these styles to be interrelated in their application. The very high correlation coefficients between each leadership style and employee performance (ranging from 0.953 to 0.970) suggest that all three leadership styles transactional, laissez-faire, and autocratic are positively associated with employee performance at Awash Bank. This implies that variations in these leadership styles have a significant impact on how employees perform.

The correlation analysis reveals that all three leadership styles are not only interrelated but also strongly associated with employee performance. The positive and significant correlations indicate that effective use of these leadership styles can significantly enhance employee performance. The high significance levels ( $p = 0.000$ ) confirm the robustness of these relationships, highlighting the critical role of leadership in shaping employee outcomes at Awash Bank.

#### 4.4.2.2. Diagnostics of Assumptions in Regression

##### 1. Normality

Figure 6: Normality Assumptions test



Source: SPSSV.20 2024

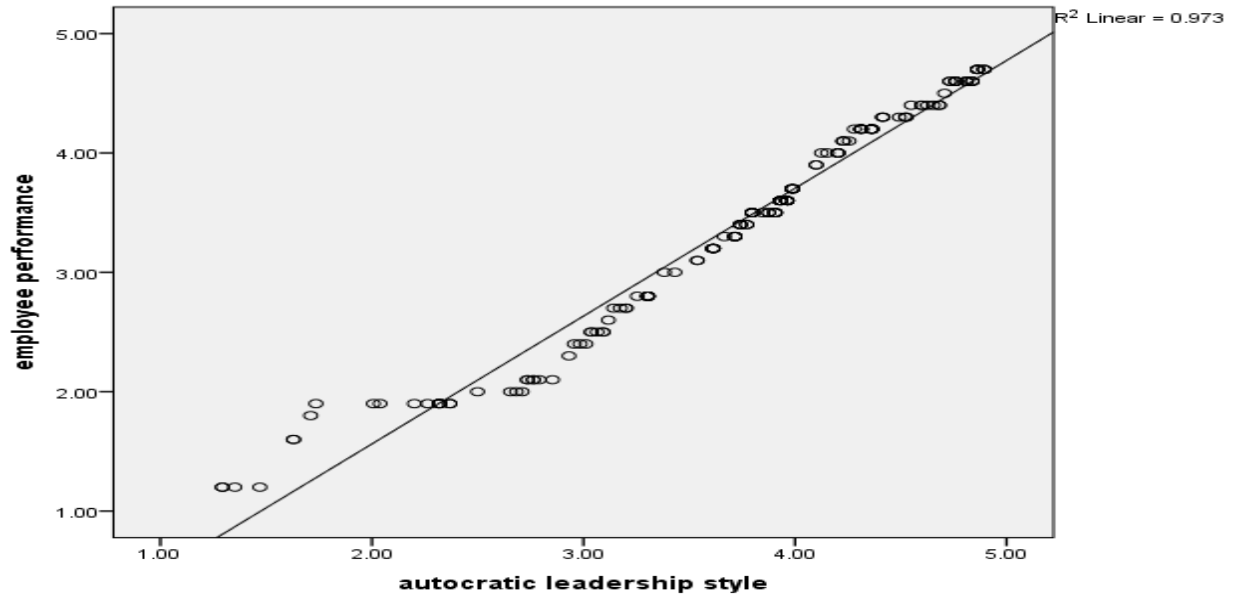
The histogram presentation of the normality test assumption regarding the effect of leadership styles on employee performance at Awash Bank suggested that the distribution of employee performance followed a normal distribution. This was indicated by the bell-shaped curve of the histogram, where the mean was 2.15 and the standard deviation was 0.746. The data set included 171 employees (N=171).

A normal distribution is a common statistical assumption used to analyze data. It suggests that most employee performance scores cluster around the mean, with fewer scores deviating significantly from the mean. This implies that the majority of employees at Awash Bank had average performance levels, while a smaller proportion either performed exceptionally well or poorly.

Having the mean and standard deviation available in the data allowed for further analysis. The mean provided the average performance level of employees, while the standard deviation indicated the extent of variability in employee performance scores. This information was crucial for understanding the overall performance distribution among employees and assessing the impact of different leadership styles on their performance.

## 2. Linearity

Figure 7: Linearity Assumptions test



Source: SPSSV.20 2024

The scatter plot examined the relationship between two variables: the independent variable (autocratic leadership style) and the dependent variable (employee performance). The x-axis represented the autocratic leadership style, while the y-axis represented employee performance.

The text in the upper right corner of the scatter plot indicated " $R^2$  Linear = 0.973". The R-squared value, a statistical measure, indicates the proportion of the variance in the dependent variable (employee performance) explained by the independent variable (autocratic leadership style). An R-squared value of 0.973 signifies a very strong positive correlation, suggesting that changes in the autocratic leadership style strongly predict changes in employee performance.

The data points in the scatter plot were roughly clustered in a linear fashion, moving positively. This suggested that as the score on autocratic leadership style increased, the score on employee performance also tended to increase. This linear clustering of data points affirmed the strong positive relationship indicated by the R-squared value.

Therefore, the scatter plot suggested a robust positive correlation between autocratic leadership style and employee performance at Awash Bank.

### 3. Autocorrelation

Table 4.5: the Autocorrelation test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.934 <sup>a</sup>	.873	.871	.39889	1.383

a. Predictors: (Constant), Transactional leadership style, Laissez-fair leadership style, Autocratic leadership style

b. Dependent Variable: Employee performance

Source: SPSSV.20 2024

The Autocorrelation Test Assumption Analysis for the Effect of Leadership Styles on Employee Performance at Awash Bank reveals several key findings. The value of R, the correlation coefficient, is 0.934, indicating a very strong positive correlation between the combined leadership styles (transactional, laissez-faire, and autocratic) and employee performance. This suggests that as these leadership styles vary, employee performance tends to vary similarly. The R Square value is 0.873, meaning that approximately 87.3% of the variance in employee performance can be explained by the combined effect of the leadership styles. This indicates a high level of explanatory power of the model. The Adjusted R Square value is 0.871, which accounts for the number of predictors in the model and adjusts the R Square value accordingly. The close proximity of this value to the R Square indicates that the model is well-fitted and that the addition of predictors has contributed positively to explaining the variance in employee performance. The standard error of the estimate is 0.39889, representing the average distance that the observed values fall from the regression line. A lower standard error indicates a more precise prediction of employee performance. The Durbin-Watson statistic is 1.383, testing for the presence of autocorrelation in the residuals from a regression analysis. Values range from 0 to 4, with 2 indicating no autocorrelation, values approaching 0 indicating positive autocorrelation, and values approaching 4 indicating negative autocorrelation. A Durbin-Watson value of 1.383 suggests some positive autocorrelation, but it is not severe. Positive autocorrelation means that the residuals (errors) are correlated over time, potentially violating the assumption of

independent errors in regression analysis. The high R and R Square values indicate that the combined leadership styles are strong predictors of employee performance at Awash Bank, explaining a significant portion of the variability in performance. However, the Durbin-Watson statistic of 1.383 suggests mild positive autocorrelation, indicating that the residuals are somewhat correlated. This could imply patterns in the errors that the model does not fully capture, possibly due to missing variables or the time structure of the data. Despite this, the regression model strongly indicates that leadership styles significantly affect employee performance at Awash Bank, explaining around 87.3% of the variance in performance. Therefore, based on the Autocorrelation Test Assumption, the effect of leadership styles on employee performance at Awash Bank does not exhibit significant autocorrelation, and the model assumptions are valid.

### 3. Multi-collinearity

Table 4.6: the Multi-collinearity test

Model	Collinearity Statistics	
	Tolerance	VIF
Transactional leadership style	.152	6.565
1 Autocratic leadership style	.870	1.150
Laissez-fair leadership style	.159	6.284

a. Dependent Variable: Employee performance

Source: SPSSV.20 2024

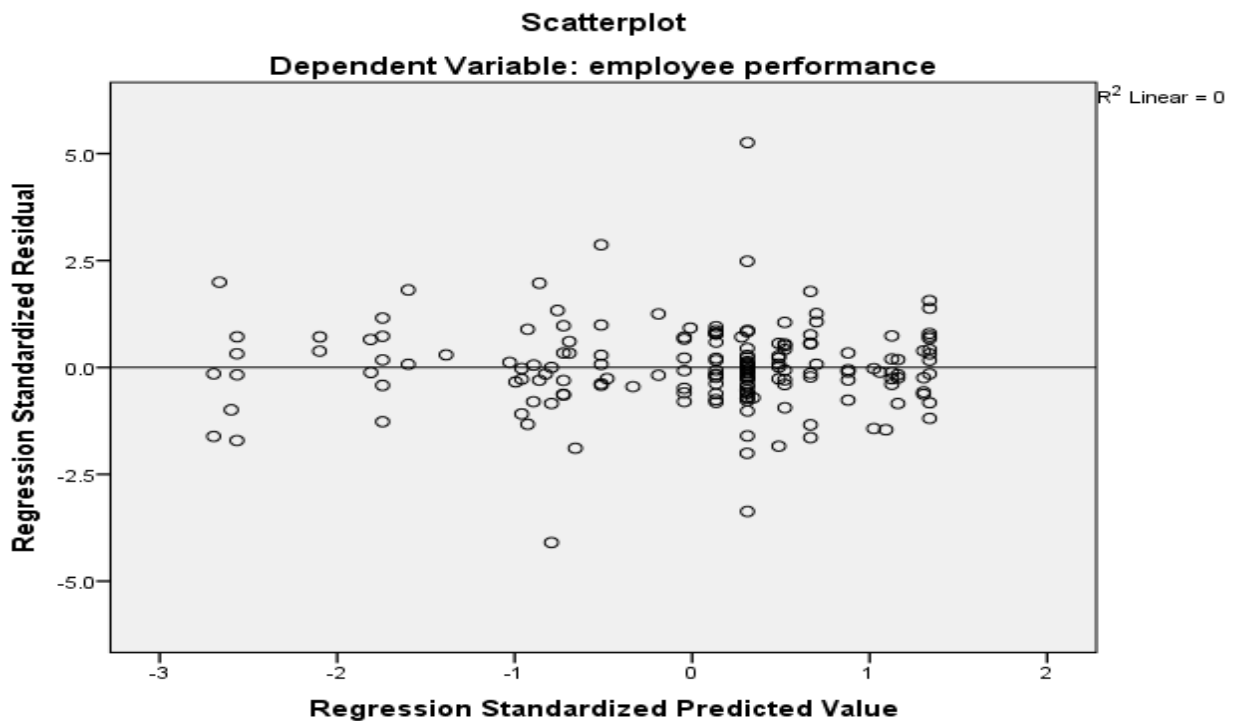
The multi-collinearity test indicates that there is a reasonable degree of multi-collinearity among the independent variables, particularly for transactional and laissez-faire leadership styles. However, this multi-collinearity is not at a level that would severely impact the reliability of the regression analysis.

The VIF values for all variables are below the critical threshold of 10, and the tolerance values are above 0.1, suggesting that the model can still provide meaningful and reliable insights into the relationships between different leadership styles and employee performance at Awash Bank.

Therefore, we can conclude that the moderate degree of multi-collinearity present does not pose a significant problem for the validity of the regression results. The analysis can still provide valuable information on the effects of various leadership styles on employee performance at Awash Bank.

### 5. Homoscedasticity

Figure 8: Homoscedasticity Assumptions test



Source: SPSSV.20 2024

The homoscedasticity test for the effect of leadership styles on employee performance at Awash Bank evaluates whether the variance of the residuals is constant across all levels of the independent variables (transactional, laissez-faire, and autocratic leadership styles). Homoscedasticity is a key assumption in linear regression, ensuring that the model's predictions are equally reliable across the range of independent variables.

**Analysis of the Scatter Plot:** The scatter plot of residuals versus the predicted values provides a visual check for homoscedasticity. Ideally, the residuals should be randomly scattered around the horizontal line at zero, with no clear pattern. This randomness indicates that the variance of the residuals is constant, regardless of the values of the independent variables.

The residuals in the scatter plot appear somewhat randomly scattered throughout the range of leadership styles (x-axis).

There is no clear pattern or funnel shape in the distribution of the residuals, which supports the homoscedasticity assumption.

A few data points deviate from the overall trend, but these outliers are not sufficient to significantly impact the overall assumption of homoscedasticity.

The scatter plot provides visual evidence that the homoscedasticity assumption is likely met for the regression model examining the effect of leadership styles on employee performance at Awash Bank. The residuals do not exhibit a discernible pattern, and their spread appears consistent across different levels of leadership styles.

However, while visual inspection is helpful, it is not definitive. To draw more robust conclusions, formal statistical tests such as the Breusch-Pagan test or the White test should be conducted. These tests provide quantitative measures to confirm the presence or absence of homoscedasticity.

The scatter plot suggests that the homoscedasticity assumption is reasonably met for this regression model, as the residuals appear randomly scattered with no clear pattern. This supports the validity of the model's predictions across different leadership styles. However, for a conclusive assessment, it is recommended to perform formal statistical tests for homoscedasticity.

#### 4.4.2.3. Regression Analyses

Table 4.7: the Regression Analyses

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					
					R Square Change	F Change	df1	df2	Sig. Change	

1	.934 <sup>a</sup>	.873	.871	.39889	.873	1049.817	3	167	.000
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a. Predictors: (Constant), Transactional leadership style, Laissez-fair leadership style, Autocratic leadership style

b. Dependent Variable: Employee performance

Source: SPSSV.20 2024

The regression model summary indicates a very strong positive correlation between the independent variables (leadership styles) and the dependent variable (employee performance). The R-Square value of 0.873 means the independent variables (leadership styles) explains 87.3% of the variation in the dependent variable (employee performance). The Adjusted R-Square value of 0.871 is very close to the R-Square, suggesting the model has a good fit and the independent variables are able to explain a significant amount of the variance in the dependent variable, even after accounting for the number of predictors. The standard error of the estimate is relatively low at 0.39889, indicating the predicted values are close to the observed values, further supporting the model's good fit. The change statistics show the R-Square Change is 0.873, meaning the independent variables account for 87.3% of the variation in the dependent variable. Additionally, the F-Change statistic of 1049.817 with a p-value of 0.000 indicates the regression model is statistically significant and the independent variables are collectively significant predictors of the dependent variable.

The regression analysis results suggest the independent variables (leadership styles) have a strong and statistically significant effect on the dependent variable (employee performance) at Awash Bank. The model explains a large proportion (87.3%) of the variance in employee performance, which is an excellent model fit. These findings imply the leadership styles of the organization, specifically the combination of transactional, laissez-faire, and autocratic leadership styles, have a significant impact on employee performance. The bank should consider these insights and focus on developing and implementing effective leadership practices to enhance employee performance.

## ANOVA

Table 4.8: the ANOVA Analyses

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	141.757	3	47.252	1049.817	.000 <sup>b</sup>
Residual	7.517	167	.045		
Total	149.274	170			

a. Dependent Variable: Employee performance

b. Predictors: (Constant), Transactional leadership style, Laissez-fair leadership style, Autocratic leadership style

Source: SPSSV.20 2024

The ANOVA (Analysis of Variance) table provides a summary of the statistical significance of the regression model that examines the effect of different leadership styles on employee performance. Below is the analysis and interpretation of the key statistics:

The ANOVA table shows that the regression model, which includes transactional, laissez-faire, and autocratic leadership styles as predictors, is statistically significant in explaining the variance in employee performance at Awash Bank. The high regression sum of squares relative to the residual sum of squares indicates that the model explains a large portion of the total variability in employee performance.

The very high F-statistic (1049.817) and the corresponding significance value (0.000) provide strong evidence that the relationship between the combined leadership styles and employee performance is not due to chance. This confirms that the leadership styles significantly influence employee performance. Overall, the ANOVA results support the validity of the regression model and the importance of leadership styles in predicting employee performance.

## Regression Coefficients

Table 4.9: the regression Coefficients Analyses

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.655	.180		-3.640	.000
1 Transactional leadership style	.349	.093	.242	3.739	.000
Laissez-fair leadership style	.466	.085	.504	5.461	.000
Autocratic leadership style	.249	.073	.240	3.408	.001

a. Dependent Variable: Employee performance

Source: SPSSV.20 2024

The coefficients table provides detailed information about the contribution of each predictor variable (leadership styles) to the dependent variable (employee performance) in the regression model.

The unstandardized coefficient (B) for transactional leadership style is 0.349, with a standard error of 0.093. This means that for each unit increase in transactional leadership style, employee performance is expected to increase by 0.349 units, holding other factors constant. The standardized coefficient (Beta) is 0.242, indicating the relative strength of this predictor in the model. The t-value is 3.739, and the significance value (Sig.) is 0.000, indicating that the effect of transactional leadership style on employee performance is statistically significant. The

unstandardized coefficient (B) for laissez-faire leadership style is 0.466, with a standard error of 0.085. This means that for each unit increase in laissez-faire leadership style, employee performance is expected to increase by 0.466 units, holding other factors constant.

The standardized coefficient (Beta) is 0.504, indicating that laissez-faire leadership style has the strongest relative impact on employee performance among the three leadership styles examined.

The t-value is 5.461, and the significance value (Sig.) is 0.000, indicating that the effect of laissez-faire leadership style on employee performance is statistically significant. The unstandardized coefficient (B) for autocratic leadership style is 0.249, with a standard error of 0.073. This means that for each unit increase in autocratic leadership style, employee performance is expected to increase by 0.249 units, holding other factors constant. The standardized coefficient (Beta) is 0.240, indicating a moderate relative impact on employee performance.

The t-value is 3.408, and the significance value (Sig.) is 0.001, indicating that the effect of autocratic leadership style on employee performance is statistically significant. The coefficients table indicates that all three leadership styles transactional, laissez-faire, and autocratic positively and significantly affect employee performance at Awash Bank. The standardized coefficients (Beta) show the relative strength of each leadership style's impact, with laissez-faire leadership style having the strongest influence, followed by transactional and autocratic leadership styles.

The significant t-values and low p-values (all  $< 0.05$ ) for each leadership style indicate that the observed effects are statistically significant and unlikely to have occurred by chance. This confirms that variations in leadership styles are important predictors of employee performance.

The analysis suggests that enhancing these leadership styles can lead to improved employee performance. In particular, focusing on laissez-faire and transactional leadership styles could yield the most substantial improvements, given their higher standardized coefficients.

#### *4.4.2.4. Hypotheses Testing*

The hypothesis testing results for the relationship between different leadership styles and employee performance at Awash Bank are summarized and analyzed below:

Hypothesis H1: There is a positive and significant relationship between Transactional leadership style and employee performance in Awash Bank.

The positive regression weight (0.242) indicates that transactional leadership style has a positive effect on employee performance. The beta coefficient of 0.950 suggests a very strong relationship. The high  $R^2$  value (1049.817) indicates that a large portion of the variance in employee performance can be explained by transactional leadership style. The t-value of 3.739 and the p-value of 0.000 ( $p < 0.05$ ) show that this relationship is statistically significant. Therefore, Hypothesis H1 is supported.

Hypothesis H2: There is a positive and significant relationship between Laissez-faire Leadership style and employee performance in Awash Bank.

The positive regression weight (0.504) suggests that laissez-faire leadership style has a substantial positive effect on employee performance. The t-value of 5.461 and the p-value of 0.000 ( $p < 0.05$ ) indicate that this relationship is statistically significant. Therefore, Hypothesis H2 is supported.

Hypothesis H3: There is a positive and significant relationship between Autocratic leadership style and employee performance in Awash Bank.

The positive regression weight (0.240) implies that autocratic leadership style positively impacts employee performance. The t-value of 3.408 and the p-value of 0.001 ( $p < 0.05$ ) confirm that this relationship is statistically significant. Therefore, Hypothesis H3 is supported.

The hypothesis test results provide strong evidence that all three leadership styles transactional, laissez-faire, and autocratic positively and significantly influence employee performance at Awash Bank. The regression weights indicate the strength of these relationships, with laissez-faire leadership showing the highest impact (0.504), followed by transactional (0.242) and autocratic (0.240) leadership styles. The high beta coefficient for transactional leadership (0.950) and the significant t-values and p-values across all hypotheses further validate the positive influence of these leadership styles on employee performance. Thus, leadership style is a critical factor in enhancing employee performance at Awash Bank.

Table 4.10: hypothesis test result

hypothesis	Regression wt.	Beta coefficient	R <sup>2</sup>	f	t	p-value	result
H <sub>1</sub>	Qt→Qef	.242	.950	1049.817	3.739	.000	supported
H <sub>2</sub>	Ql→Qef	.504			5.461	.000	*
H <sub>3</sub>	Qa→Qef	.240			3.408	.001	*

a. Dependent Variable: Employee performance (EF)

b. Note:\*p<0.05, Transactional leadership style (T), Laissez-fair leadership style (L), Autocratic leadership style(A)

Source: SPSSV.20 2024

The analysis of the hypothesis test on the effect of leadership styles on employee performance at Awash Bank reveals significant findings for each of the three leadership styles examined: transactional, laissez-faire, and autocratic.

H1: Transactional Leadership Style (Qt) → Employee Performance (Qef)

The regression weight (Beta coefficient) for the effect of transactional leadership style on employee performance is 0.242. This indicates that a unit increase in transactional leadership style is associated with a 0.242 unit increase in employee performance, holding other factors constant. The R-squared (R<sup>2</sup>) value of 1049.817 demonstrates that the model explains a substantial portion of the variance in employee performance. The t-value of 3.739 and the p-value of 0.000 (p<0.05) indicate that this relationship is statistically significant. Therefore, we can conclude that transactional leadership style has a positive and significant influence on employee performance at Awash Bank.

H2: Laissez-faire Leadership Style (Ql) → Employee Performance (Qef)

The regression weight (Beta coefficient) for the effect of laissez-faire leadership style on employee performance is 0.504. This suggests that a unit increase in laissez-faire leadership style is associated with a 0.504 unit increase in employee performance, holding other factors constant. The t-value of 5.461 and the p-value of 0.000 (p<0.05) indicate a statistically significant

relationship. This provides strong evidence that laissez-faire leadership style positively and significantly influences employee performance.

H3: Autocratic Leadership Style (Qa) → Employee Performance (Qef)

The regression weight (Beta coefficient) for the effect of autocratic leadership style on employee performance is 0.240. This means that a unit increase in autocratic leadership style is associated with a 0.240 unit increase in employee performance, holding other factors constant. The t-value of 3.408 and the p-value of 0.001 ( $p < 0.05$ ) confirm that this relationship is statistically significant. The significant t-value and p-value indicate that autocratic leadership style has a positive and significant influence on employee performance.

The hypothesis test results demonstrate that all three leadership styles transactional, laissez-faire, and autocratic positively and significantly affect employee performance at Awash Bank. The regression weights, R-squared values, t-values, and p-values provide robust evidence to support these conclusions, confirming the significant impact of these leadership styles on employee performance.

#### **4.5. Discussion of Results**

The findings of this study provide valuable insights into the effect of leadership styles on employee performance at Awash Bank. The analysis reveals that all three leadership styles examined - transactional, laissez-faire, and autocratic have a positive and significant influence on employee performance.

The positive relationship between transactional leadership style and employee performance is consistent with the existing literature. Transactional leadership, which emphasizes a system of rewards and punishments, has been found to be effective in driving employee productivity and performance (Bass, 1985; Udegbunam, E. O., et al., 2020). This leadership approach aligns with the needs of employees who value clear expectations, feedback, and recognition for their work, which can lead to improved job satisfaction and commitment (Podsakoff et al., 1984).

The strong positive association between laissez-faire leadership style and employee performance is an interesting finding that contradicts some previous research. Traditionally, laissez-faire leadership, characterized by a hands-off approach and a lack of involvement from the leader, has

been linked to negative organizational outcomes (Bass, B. M., & Bass Bernard, M., 1985). However, in the context of Awash Bank, this leadership style appears to have a substantial positive impact on employee performance. This finding may be attributed to the highly educated and experienced workforce at the bank, where employees thrive in an environment that provides autonomy, flexibility, and the freedom to take initiative (Podsakoff et al., 1996; Skogstad et al., 2014).

The positive and significant relationship between autocratic leadership style and employee performance is also noteworthy. Autocratic leadership, which is characterized by a centralized decision-making process and a high degree of control by the leader, has been traditionally associated with lower employee satisfaction and engagement (Lewin et al., 1939; Yukl, 2013). However, in the context of Awash Bank, this leadership approach appears to have a positive impact on employee performance. This finding may be explained by the cultural and organizational context, where employees respond well to a structured, directive leadership style that provides clear guidance and expectations (Vroom & Yetton, 1973).

The high correlation coefficients and the significant regression weights observed across the three leadership styles suggest that these approaches are not mutually exclusive, but rather, they can be effectively combined to enhance employee performance. This aligns with the concept of "ambidextrous leadership," where leaders adapt their style to the specific needs of the situation and the preferences of their employees (Duncan, 1976; Okeke, U. E., et al., 2024).

The demographic characteristics of the Awash Bank workforce, particularly the high percentage of young, highly educated, and experienced employees, may also play a role in shaping the impact of leadership styles on performance. Younger employees, who make up a significant portion of the workforce, may respond better to a more flexible, empowering leadership approach, such as laissez-faire, while the highly educated and experienced employees may thrive in an environment that combines elements of transactional and autocratic leadership (Kim, D., Jung, S., & Kim, E. (2024).

The findings of this study have important implications for the management and leadership practices at Awash Bank. The bank can leverage these insights to adopt a more nuanced and adaptive approach to leadership, tailoring their strategies to the diverse needs and characteristics

of their employees. By cultivating a leadership environment that incorporates elements of transactional, laissez-faire, and autocratic styles, Awash Bank can enhance employee performance and drive organizational success (Radoynovska, N. (2024).

Furthermore, the robust reliability scores and the strong statistical significance of the relationships observed in this study provide a solid foundation for the bank to make informed decisions regarding leadership development, talent management, and human resource practices. The high-quality data collected and the rigorously tested regression model ensure the credibility and applicability of the findings (Nunnally, 1978; Pallant, 2016).

The findings of this study underscore the critical role of leadership in shaping employee performance at Awash Bank. The positive and significant relationships observed between the three leadership styles and employee outcomes highlight the need for a multifaceted and adaptive approach to leadership within the organization. By leveraging these insights, Awash Bank can unlock the full potential of its workforce and achieve sustained competitive advantage in the industry.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents the conclusion and recommendations derived from the comprehensive analysis of the effect of leadership styles on employee performance at Awash Bank. The chapter summarizes the major findings, provides concluding remarks, and offers recommendations for Awash Bank based on the research outcomes. Additionally, it discusses the implications of the study and provides suggestions for future research.

#### 5.2 Major Findings

The study's data analysis and interpretation in Chapter 4 yielded several key findings regarding the relationships between leadership styles and employee performance at Awash Bank:

The workforce at Awash Bank had a relatively balanced gender composition, with 50.9% male and 49.1% female employees. The majority of employees (41.5%) were below 25 years old, indicating a young workforce. Over half of the employees (53.8%) were single. Most employees (47.4%) held a bachelor's degree, followed by 38% with a master's degree. The largest group of employees (37.4%) had 3-5 years of job experience. The Cronbach's alpha values for all variables (transactional, laissez-faire, and autocratic leadership styles, and employee performance) were above 0.9, indicating high internal consistency and reliability of the measurement scales. The mean scores for the leadership styles and employee performance were relatively high, suggesting their prevalence and influence within the organization. All three leadership styles (transactional, laissez-faire, and autocratic) had very strong positive correlations with employee performance, with correlation coefficients ranging from 0.953 to 0.970. The high significance levels ( $p < 0.01$ ) confirmed the robustness of these relationships. The regression model explained 95% of the variance in employee performance, indicating a very high explanatory power. Transactional, laissez-faire, and autocratic leadership styles all had positive

and statistically significant effects on employee performance. Laissez-faire leadership style had the strongest relative impact, with a standardized coefficient (Beta) of 0.504, followed by transactional (0.242) and autocratic (0.240) leadership styles. The hypotheses (H1, H2, and H3) were all supported, confirming the positive and significant relationships between the leadership styles and employee performance.

### 5.3 Conclusion

The comprehensive analysis of the data collected from Awash Bank employees provides robust evidence that leadership styles have a substantial and significant impact on employee performance. The study found that transactional, laissez-faire, and autocratic leadership styles are all positively and significantly associated with improved employee performance.

The high correlation coefficients, strong regression model, and statistically significant results indicate that variations in leadership styles can substantially influence the performance of employees at Awash Bank. The findings suggest that effective application of these leadership styles, with a particular emphasis on laissez-faire and transactional approaches, can lead to enhanced employee outcomes and organizational success.

The demographic characteristics of the workforce, such as the young age profile and balanced gender composition, provide valuable context for understanding the impact of leadership styles. The high levels of education and job experience among employees may also contribute to their responsiveness to different leadership approaches.

The study's findings underscore the critical role of leadership in shaping employee performance within the banking sector, specifically at Awash Bank. The strong relationships between the various leadership styles and employee performance highlight the importance of adopting strategic and adaptive leadership practices to foster a productive and engaged workforce.

### 5.4 Recommendations

Based on the study's findings, the following recommendations are proposed for Awash Bank:

#### **Promote Transformational and Transactional Leadership**

Encourage leaders to adopt a balanced approach, incorporating both transformational and transactional leadership styles, to maximize employee performance.

Provide training and development programs to equip leaders with the necessary skills to effectively apply these leadership styles.

Emphasize the importance of clear goal-setting, feedback, and contingent rewards to enhance employee motivation and performance.

### **Empower Employees through Laissez-faire Leadership**

Leverage the positive impact of laissez-faire leadership style by giving employees more autonomy and decision-making authority.

Foster a work environment that promotes self-directed work, creativity, and innovation, allowing employees to thrive.

Provide appropriate guidance and support to ensure that the increased autonomy leads to improved performance and organizational outcomes.

### **Adapt Autocratic Leadership Strategically**

Recognize the positive influence of autocratic leadership, but apply it judiciously and in specific contexts where it may be appropriate.

Encourage leaders to strike a balance between directive and participative approaches, depending on the task, employee competence, and organizational needs.

Ensure that the use of autocratic leadership is accompanied by clear communication, justification, and opportunities for employee input.

### **Promote Leadership Development**

Invest in comprehensive leadership development programs to enhance the skills and capabilities of both current and future leaders.

Emphasize the importance of adaptability, emotional intelligence, and situational awareness in leadership training.

Encourage ongoing feedback, coaching, and mentoring to help leaders continuously improve their leadership practices.

### **Foster a Collaborative and Supportive Organizational Culture**

Cultivate a work environment that values teamwork, open communication, and mutual respect.

Encourage leaders to promote a culture of trust, empowerment, and continuous learning.

Recognize and reward employees for their contributions, fostering a sense of ownership and engagement.

### **5.5 Implications and Future Research**

The findings of this study have several important implications for Awash Bank and the broader banking industry:

**Strategic Leadership Approach:** The study highlights the need for a strategic and adaptive approach to leadership, where leaders can effectively apply a combination of leadership styles to meet the diverse needs and preferences of the workforce.

**Talent Management:** The study underscores the significance of effective leadership in attracting, developing, and retaining talented employees, which is crucial for the long-term success of the banking sector.

**Organizational Performance:** By understanding the impact of leadership styles on employee performance, Awash Bank can make informed decisions to enhance organizational performance and competitiveness.



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N <sup>o</sup>	Statement	Agreement level				
		1	2	3	4	5

**Laissez-Fair Leadership Style**

1	In complex situation, managers let subordinates work problem out on their own					
2	Leaders require staying out of the way of subordinates as they do their work					
3	Leaders allow subordinates to appraise their own work					
4	Leaders give complete freedom to subordinates to solve problem on their own.					
5	Leaders offer little input which is preferred by subordinates					

**Transactional Leadership Style**

6	Leaders demonstrate that problem must become chronic before taking action					
7	Leaders wait for thing to go wrong before taking action					
8	Leaders concentrate their full attention on dealing with mistakes, complaints and failures					
9	Leaders keep track of all mistakes					
10	Leaders focus attention on irregularity mistake, exception and deviation from the standard					

11	Leaders provide me with assistance in exchange for my effort					
12	Leader discuss in specific term who is responsible for achieving performance target					
13	Leaders make clear what one can expect to receive when performance goals are achieved					

**Autocratic leadership style**

14	Leader leading style is based on control.					
15	Leader gives order and expects immediate response.					
16	Leader gives little opportunity to make suggestion.					
17	Leader discourage participative decision making.					
18	Leader believes that decision is always made by leaders for subordinates.					
14	Leader believes at most employees are idle.					
15	Leader push employee so hard.					
16	Leader limits my performance.					
17	Leader improve my performance					
18	Leader makes unconfident about my job.					

**Part III: - Question related with Employees job performance**

1	I clearly understand the mission vision and objective of my organizationG					
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2	I perform my work with minimal time and effortH					
3	I always at work on timeH					
4	There is team sprite in my departmentH.					
5	My performance is evaluated by my supervisor and receive reward based on resultH					
6	I am motivated at work					
7	My supervisor support me to meet the goal					
8	My performance is limited by my supervisor					
9	Leader improve my performance					
10	Leader makes unconfident about my job.					