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The Effect of Leadership on Employee Performance; In the case of Addis pharmaceutical Factory (APF)

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**SUBMITTED TO AAUSC IN PARTIAL FULFILLMENT OF THE
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A.A

**The Effect of Leadership on Employee Performance; in the case of
Addis Pharmaceutical Factory (APF)**

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Statement of Declaration

I, Hamelmal Yidenkachew, hereby declare that this Master thesis titled “Leadership *and its impact on employee performance in the case of Addis pharmaceutical Factory (APF)* ” is an original work. I have carried out the present study independently with the guidance and support of the research advisor, Dr. Solomon M. Any other research or academic sources used here in this study have been duly acknowledged. Moreover, this study has not been submitted for the award of any diploma, degree or any other higher education Program in this or any other institution.

Hamelmal Yidenkachew

Declared by

Signature

Date

Statement of Certification

This is to certify that Hamelmal Yidenkachew has carried out this project work on the topic leadership and its impact on employee performance; in the case of Addis Ababa pharmaceutical Factory (APF) the work is original in nature and is suitable for the awards of Masters in Business Leadership.

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Acronyms

APF- Addis Pharmaceutical factory

II- Idealized Influence

IM- Inspirational Motivation

IS-Intellectual Stimulation

IC- individual consideration

CR-contingent reward

MBE- Management by Exception

ANOVA- Analysis of Variance

MLQ-Multifactor Leadership Questionnaire

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Abstract

The effect of leadership on employee performance was examined in this descriptive study. The purpose of this quantitative study is to investigate the effect of Leadership style on employee performance. The research approach applied for this study was quantitative type of research where descriptive analyses have been deployed. The target populations of this study were employees of APF working in areas of Addis Ababa at branch level, which includes 3 branches. From 150 total populations 3 branches of APF from that 108 employees were selected as the sample of the study. Simple random sampling technique was used to select the branches and individual respondents. The standardized questionnaires of measuring leadership styles were adopted the multifactor leadership questionnaire (MLQ) and employee performance were adapted from previous standard questionnaire. ANOVA Analysis was used to compare the leadership styles. Correlation and regression were used to analyze the relationship and its impact between transformational and transactional leadership on employees' performance. The regression results showed that the transactional and transformational leadership have significant effect on employees' performance. Transactional leadership style was found to be positively correlated with both measures of employee performance and it was found to be the dominant style of leadership in the organization.

Key words; transformational leadership, transactional leadership and employee performance

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Leadership, as defined by Northouse (2004), is a process whereby an individual influences a group of individuals to achieve a common goal. Leadership style is the way in which that process is carried out. Performance is the accomplishment and execution of tasks.

Employee performance is an important building block of an organization and factors which lay the foundation for high performance must be analyzed by the organizations. Since every organization cannot progress by one or two individual's effort, it is collective effort of all the members of the organization. Performance is a major multidimensional construct aimed to achieve results and has a strong relation to strategic goals of an organization (Mwita, 2000).

According to Albrecht (2011), performance is the extent to which an organization achieves a set of pre-defined targets that are unique to its mission. Leadership style is a key determinant of the success or failure of any organization. Literatures on management mention leadership styles and frameworks such as transactional leadership, and transformational leadership, both of which are based on several different approaches to leadership. Each style of leadership affects employee performance differently; some helping organizations succeed and others hamper their growth leading to failure.

There is a large amount of work done on leadership development and its impact on various factors including employee performance in many parts of the world, however, there is very limited research conducted in Ethiopia because of which this important area of organization and employee development remains unexplored in large.

The overall objective of the research is to study leadership and its impact on employee performance. The study will be performed on Addis pharmaceutical Factory

Which are focusing on formal methods of developing their employees. This study has been conducted in three branches of Addis pharmaceutical Factory such as, Kailiti, Sarbet, and Gotera.

Therefore, this study will highlight the importance of leadership, its power to increase the performance and its influence on Addis pharmaceutical Factory.

1.2 Statement of the Problem

Choosing the right type of leadership is important as it guides how leaders should set their directives on how they lead their team. Whether they have one style in any situation or vary for each case they face, choosing the right type of style will help them on evaluating their effectiveness given their circumstance. (Warner, 2012)

The effect of the style they choose could be observed on the level of commitment works exert while doing their job. This could be shown in terms of desire to stay in the organization, absenteeism rate, and job satisfaction and work turnover rate. Organizationally committed employees have high motivation rates and better job performance. Choosing the right leadership style improves employee performance by motivating employees and makes them feel the importance of the leader presence and work with them. (Al-Daibat, 2017) Committed works work up to their full potential which helps the organization meet its set of goals. (Mahmood, 2015).

The central theme and problem of this study is that, we often have the assumption that a manager or leader is expected to exhibit the right style of leadership towards the employees or their subordinates. It is obvious that in most organizations in Ethiopia, work schedule are task-focused and routine, with no flexibility, and decisions and policies are imposed on subordinates. In such organizations where the leadership perceives employees in simple hands to get the job done, employees would pretend to do well due to the standards and measure being assigned to them.

Companies need to develop their skills and the ability of their leaders to have a more compatible company in the global competition. Tremendous changes have been witnessed that was brought about by globalization, intense competition among rivals, changing regulatory guidelines, technology, and the demand of customers. These changes and dynamic business environment requires leadership that can enable both the people and the organization to adapt and be successful. The problems observed are the mismatch between the styles of leadership used by the leaders on all the employees in the organization. This will have an impact on the employee's performance decreases which indirectly affects the organizational performance.

The problem for this study was to establish the leadership styles that are exhibited at APF and to know how it affects the organizational performance.

1.3 Research Questions

The researcher observed the following

1. What is the dominant leadership style in APF?
2. Do these specific leadership styles affect the performance of the employees in APF?
3. To what extent do these leadership styles affect employee performance in APF?

1.4 Objectives of the Study

The main objective of this study is to investigate the effect of leadership styles on employee performance.

Specifically, the study sought:

1. To identify the specific leadership styles exhibited in APF.
2. To determine the relationship between leadership styles and employee performance.
3. To examine the extent to which leadership styles affect employee performance.

1.5 Significance of the Study

This study investigated leadership and its effect on employee performance at Addis pharmaceutical Factory. It specifically sought to determine the impact of transactional and transformational leadership styles on organizational performance at Addis pharmaceutical Factory. The results of this study are expected to benefit decision makers at Addis pharmaceutical Factory in clarifying the leadership and impact its impact on employee performance. It may also be used by other researcher as a reference who conducts a research on the subject matters of this research area in the future.

1.6 Scope of the Study

The project work is based on Addis pharmaceutical Factory, Out of seven branches located in Ethiopia such as Adigrat, Hawassa, Bhairdar, Akaki, Kailiti and two branches in Addis Ababa

around Sarbet, and Gotera. Three branches Sarbet, Gotera and Kailti located in the Addis Ababa have been selected due to the variation and the vast distance between them of the location of the branches. Due to time and financial constraint data has been collected from branches situated in Addis Ababa only. This is based on the understanding that the company manual, the policies, strategies etc. in Addis pharmaceutical Factory throughout the all the branches is considerably similar. And also the difference and distance between branches has been unsuitable for the researcher. Respondents have been the head of Departments, Branch Managers, Team Leaders, Departmental staff and contract employees. This study focused on exploring the impact of leadership styles namely transformational and transactional influence the execution of defined duties, meeting deadlines and achieving organizational goal. Addis pharmaceutical Factory is the case study since it has different departments, branches with different leadership styles and different performance.

1.7 Limitation of the Study

When conducting the research the researcher faced some constraints. The other limitation has been that due to demographic and time constraints the respondent has been taken from selected branch of APF in Addis Ababa. The research sample population of this study has been taken from employees who work in Addis Ababa area. This affected the generalization of the research findings to the entire APF employee. Thus because of these factors the study has been limited to this extent.

1.8 Definition of key terms

Employee performance; Employee performance is defined as the extent to which an organizational member contributes to achieving the goals of the organization. Employees are a primary source of competitive advantage in service-oriented organizations (Luthans and Stajkovic, 1999; Pfeffer, 1994).

Leadership; Leadership is the art of mobilizing others to want to struggle for shared aspirations (Kouzes and Posner, 1995). Leadership is the behavior of an individual when he is directing the activities of a group toward a shared goal. Bass (1990) describes three known leadership styles in

one of the categories of leadership styles: transformational leadership, transactional leadership and laissez-faire leadership.

Transformational leadership: This style helps followers to accomplish their commitment and renew them (Avolio 2007 and Afshinpour 2014). The leader motivates, inspires and transforms followers to perform while transcending self-interest for the betterment of the organization (Avolio 2009 and Samad, 2015)

Transactional leadership style: Transactional leadership is usually characterized as instrumental in follower's goal attainment using carrot and stick approach (Bass 1997). Transactional leaders expect certain work behaviors from their team members or followers who are compensated for these behaviors by both monetary and nonmonetary rewards.

1.9 Organization of the Study

This research paper is organized in three chapters. Chapter one deals with the introductory part which includes back ground of the study, background of the APF, objective, problem statement, research question, significance, scope and limitation of the study. Chapter two is devoted to review of related literatures on the definition and introductory of leadership and the types of leadership within the scope of the study. An overview of the research methodology to be used to investigate the research problem will be presented under Chapter three. This chapter covers the research design and approach, data type and source, data collection method, target population sampling design and sample size and methods of data analysis and presentation. chapter four cover the research analysis and lastly chapter five deals with the recommendation and conclusion.

CHAPTER TWO

LITERATURE REVIEW

2.1 Definition of Leadership

Leadership is not a person or a position. It is a complex moral relationship between people, based on trust, obligation, commitment, emotion, and a shared vision of the good. Leadership is that process in which one person sets the purpose or direction for one or more other persons and gets them to move along together with him or her and with each other in that direction with competence and full commitment. Leadership is the accomplishment of goals through the direction of human assistants. A leader is one who successfully marshals his human collaborators to achieve particular ends (Prentice, 1961)

2.1.1 Leadership Styles

Leadership style is the manner and approach of providing direction, implementing plans, and motivating people. Kurt (1939) led a group of researchers to identify different styles of leadership. For a leader to be effective among his followers is to consciously explore one's personal mastery of different approaches and adapt to various approaches based on the situation for effectiveness as a leader. Task and relationship behavior is central to the idea of the leadership style of individual leaders and their effectiveness depends on how they use their styles to the situation (Bruno, leo. 2013).

In Organizations, leadership styles can affect the employees positively (reward) and negatively (punishment) and also has its own consequences on the employee behavior with respect to attitude, motivation, which in turn impacts the organizational performance. Transactional leaders make a decision without involving their followers and Transformational leaders allow followers to make a decision by not being part of the process and Transformational leaders involve their followers before making his decision (Ryan &Tipu (2013) Khan, et, al 2016). It is also one of the factors that intensify the commitment of the individuals towards the organization (Obiwuru et al., 2011 &Ojokuku, R. et.al, 2012).

2.1.1.1 Transactional Leadership

During the late 1970s and early 1980s, the research on leadership moved in different direction from the specific perspectives of the leader, leadership context, and follower and toward practices that focused on the exchanges between the leaders and followers. Transactional leadership theory looks at exchange of wants between followers and leaders .This style is based on the exchange of rewards contingent on performance (Avolio et al., 2009).Transactional leaders display constructive and corrective behaviors such as contingent reward and corrective dimension by following management by exception. This style involves close monitoring and taking corrective action as and when they occur (Obiwuru, et. al., 2011).Avolio (2007)& Afshinpour (2014) Transactional leadership is usually characterized as instrumental in follower's goal attainment using carrot and stick approach (Bass, 1997 & Samad.et.al, 2015).Transactional leaders expect certain work behaviors from their team members or followers who are compensated for these behaviors by both monetary and nonmonetary rewards. Power and influence is also part of transactional leadership style and is more applicable in corporate management style of functioning.

Transactional leadership is most often explained as a cost-benefit exchange between leaders and their followers (Kuhnert& Lewis 1987). The transaction or exchange involves something of value between what the leader possesses or controls and what the follower wants in return for his/her services (Yukl& Van Fleet 1992). Transactional leadership involves leaders clarifying goals and objectives, communicating to organize tasks and activities with the co-operation of their employees to ensure that wider organizational goals are met (Bass 1974). The success of this type of leader-follower relationship depends on the acceptance of hierarchical differences and the ability to work through this mode of exchange. Transactional leadership is based on the assumption that subordinates and systems work better under a clear chain of command. The implicit belief in the leader / follower relationship is that people are motivated by rewards and penalties (Kuhnert 1994). Despite numerous leadership studies highlighting the limitations of this approach, transactional leadership remains popular among leaders and managers. Along the spectrum leadership versus management, this approach is clearly closer to the management end (MacKenzie, Podsakoff& Rich 2001).

In his seminal work on leadership, Burns (1978) defines transactional leadership as the first form of interaction between leaders and followers. On the opposite side of transforming leadership, transactional leadership occurs when one person takes the initiative in making contact with others for the purpose of an exchange of valued things. The relations of most leaders and followers are transactional-leaders approach followers with an eye to exchanging one thing for another: jobs for votes, or subsidies for campaign contributions (Burns 1978). In his historical review of political leadership practices exemplified by numerous case studies, Burns defines this exchange as economic or political or psychological in nature. The relationship leader-follower revolves around the bargaining process and the maintenance of it. This is also the limit of this leadership approach, which does not attempt to push the relation beyond a bargained and contracted and exchanges.

Transactional leaders exhibit specific leadership skills usually associated with the ability to obtain results, to control through structures and processes, to solve problems, to plan and organize, and work within the structures and boundaries of the organization. As the transactional style revolves around the formulation and maintenance of a contract, negotiation skills are essential for this type of leadership. The exchange will successfully happen only on the basis of clear and effective communication skills. While leaders need to clearly define job descriptions and task assignments, subordinates must be able to show results and fulfill the leader's expectations. Effective transactional leaders are capable of (1) clarifying what is expected of the employees' performance, (2) explaining how to meet such expectations (3) spelling out the criteria of the evaluation of their performance, (4) providing feedback on whether the employee is meeting the objective and (5) allocating rewards that are contingent to their meeting the objectives (Bass 1974).

The transactional and leader-follower exchange theories represent a significant step beyond the leader oriented approaches most often focused exclusively on the leader's actions and attitudes. In a general sense, transactional leadership exemplifies the most common dynamic of social exchange between leadership and fellowship (Bass 1974). The question remains as to what is the dynamic in this exchange process that produces satisfactory results for the leaders, followers and organizations involved? Many transactional leadership studies have shown that the nature of the exchange process between leaders and subordinates can highly influence the group performance

and morale. Bass considers the leader-follower interactive effects from the perspective of an effective transactional leader who acts as a source of feedback, as communicator, as a model and a source of influence (Bass 1974). He also explores how subordinates use effective tactics to influence and gain feedback and how transactional leadership mutually influences both leaders and followers.

Building on Bass's work, George Grean and his associates (1977) studied how a more positive exchange between leader and follower characterized as a true partnership with a large degree of freedom for the subordinate generates higher subordinate satisfaction, reduced turnover and produced greater identification with the organization (Grean et.al. 1977).

The limits of transactional leadership hinge on the behaviorist assumption that a 'rational person' is largely motivated by money and simple rewards, and hence his behavior is predictable. In practice this assumption often ignores complex emotional factors and social values present in work environments and interpersonal relationships. For example, transactional leadership may operate successfully in a work environment where leaders' and workers' personalities are compatible, but it could result in conflict between task-oriented and person-oriented personalities. Transactional leadership works well in a supply-and-demand situation of much employment, coupled with the effects of deeper needs, but it may be insufficient when the demand for a skill outstrips the supply. Transactional leadership behavior is used by one degree or another by most leaders.

However, it can be quite limiting if it is the only leadership style used. As the old saying goes, "if the only tool in your toolbox is a hammer, you will perceive every problem as a nail". Today, most leaders would agree that material rewards and fear of punishment may not be the best approach to motivate their workers. Because transactional leadership encourages specific exchanges and a close connection between goals and rewards, workers are not motivated to give anything beyond what is clearly specified in their contract.

2.1.1.2 Transformational Leadership

Yukl (2011) seeks to “raise the consciousness of the followers by appealing to the ideals and moral values rather than to materialistic desire’s or negative emotions”. On the basis of agreement to involve followers in the process (activities) towards organization to achieving common goals and returns distinguishes transformation leadership from other previous and contemporary theories. This style helps followers to accomplish their commitment and renew them (Avolio 2007&Afshinpour 2014).

The leader motivates, inspires and transforms followers to perform while transcending self-interest for the betterment of the organization (Avolio et al., 2009 & Samad.et.al, 2015). Burns(1978) & Obiwuru.et.al. (2011) inspires his followers to go and achieve goals beyond their personal interest for the benefit of the group or organization. He also identified this style as a process where people engage with others in such a way that they raise their level of motivation and morality. They promote intellectual development, confidence in the team; build team-spirit and enthusiasm by motivating and encouraging the followers towards achieving organizational goals (Aydin, et al, 2013, Cho & Dansereau, 2010 & Samad.et.al, 2015).

These leaders believe in the importance of creating common organizational values and goals among followers and encourage them to go beyond their personal interests and work for the interests of the organization. The followers of such leaders may develop their work based on their willingness. Transformational Theory Relationship theories, also known as transformational theories, focus on the connections formed between leaders and followers. In these theories, leadership is the process by which a person engages with others and is able to “create a connection” those results in increased motivation and morality in both followers and leaders. Relationship theories are often compared to charismatic leadership theories in which leaders with certain qualities, such as confidence, extroversion, and clearly stated values, are seen as best able to motivate followers (Lamb, 2013). Relationship or transformational leaders motivate and inspire people by helping group members see the importance and higher good of the task. These leaders are focused on the performance of group members, but also on each individual person to fulfilling his or her potential. Leaders of this style often have high ethical and moral standards (Charry, 2012).

2.1.2 Transformational leadership vs. Transactional leadership

Previous studies have established that transformational leadership is the most preferred by employees in organizations. According to Burns (1978), transformational leadership links the power of a position to respond to the needs of the followers. In this style, the vision of the leader must be conveyed to the follower. This vision sometimes requires change in the organization. This style is becoming increasingly important because of the demand for the organization to change in today's world of globalization. It is important for transformational leaders to motivate the followers regarding their vision.

Transformational leaders motivate followers to be better in many ways (Avolio & Bass, 1988; Burns, 1978). The leaders concentrate on teamwork rather than individual interests. Transformational leadership clearly defines the roles of the leader and followers but also includes the followers in the leadership process. Effective leadership requires leading others to think innovatively and promoting the continual discovery of new solutions to the problems that they are facing. To get people to work toward a common goal is not easy. Research suggests that leaders need to have qualities that facilitate followers to transform from one situation to another and they are transformational (Shamir, House, & Arthur, 1993; Yukl, 1999). Transformational leadership can motivate employees to go beyond their own self-interest and pursue goals and encourage employees to become more productive. Transformational leadership encourages followers to accomplish more than what would normally be expected of them and they are motivated to relinquish their own interest for the good of employees or organization (Northhouse et. al, 2015).

Transformational leadership is also defined in terms of how the leader affects followers, who are intended to trust, admire and respect the leader (Bass & Steidlmeier, 1998). The transactional leadership style was first described by Max Weber in 1947, and again by Bernard M. Bass in 1985. Transformational leadership is the one end of leadership spectrum and transactional leadership is its opposite end. There is no single method which has been found to be successful in all situations (Bass, 1985; 1997; 1998). However, the focus of leadership has shifted from transactional models of leadership to new genre of leadership theories by highlighting on

transformational leadership (Bass, 1985). Transformational leadership can be divided into four factors;

1) Idealized Influence

Idealized influence is the behavior that encourages the followers to use their leaders as role models. Idealized influence leaders have high moral and ethical values and are able to provide their followers with a sense of vision and mission. In most situations, followers greatly respect the idealized influence leader (Northouse, 2001).

2) Individualized Consideration

Individualized consideration is shown by the transformational leader by creating a supportive climate, listening to their employees, and acts as a coach and mentor which the leaders show consideration for their employees' needs. Leaders pay close attention to individual differences and treat their employees in the most caring way. Leaders also help individuals to achieve goals and personal development. This type of leaders also uses delegation to get their employee to grow through personal challenges (Northouse, 2015).

3) Inspirational Motivation

Inspirational motivation is about raising the consciousness of the employees by motivating and inspiring them to demonstrate commitment to the vision and mission of the group in the organization. The inspirational motivational leaders engage in clearly communicating high expectations to followers and increase team spirit and enthusiasm (Northouse, 2015).

4) Intellectual Stimulation

Intellectual stimulation is demonstrated by the leaders when they support their employees to be creative and innovative and to try new approaches and challenge their own beliefs and values. This type of leaders promotes problem solving to find creative solutions (Northouse, 2015).

Transactional leadership concerns the power to perform certain tasks and reward or punish for employees' performance (Burns, 1978). It gives the opportunity to leaders to lead the employees and they agree to follow their leaders to accomplish the goals. Power is given to the leaders to evaluate, train and correct and handle the employees when productivity is below the expectation level and reward appropriately when the expected outcome is reached. However, findings of the previous studies on transactional leadership show mixed results. Reward leadership has been found in many cases to be highly correlated to transformational leadership (Avolio, Bass, & Jung, 1999). In general, active leadership is found to be more effective than passive leadership. However, Howell and Avolio (1993) argued that if the predominant style of the leader is to take corrective action, such behavior is expected to have a negative impact on followers' performance. There are three factors in transactional leadership style which are;

1) Contingent Reward

Managers who use the contingent reward leadership show the standards, and encourage their employees to perform well because the leaders will let their employees know the rewards they will receive if their performance level is high. Subordinates are promised rewards for good performance but if the performance is bad they will receive the punishment (Bass, 1985; Avolio, et al., 1999).

2) Management by Exception (Active)

Management-by-Exception (active) occurs when leaders make corrective criticisms or use negative reinforcement. This leadership behavior monitors employees closely in order to identify

mistakes and errors. Leaders with Management-by-Exception with “active” behaviors are characterized as monitoring followers' performances and taking corrective action if deviations from the set standards occur. These leaders enforce rules to avoid mistakes.

3) Management by Exception (passive)

In this leadership style, leaders use Management-by-Exception (passive), only intervene when goals have not been met or a problem arises. The Management-by-Exception leader with a “passive” behavior would not get involved until problems become serious. The Management-by-Exception (passive) leaders wait to take action until mistakes are brought to their attention. Laissez-faire behaviors normally involve the postponement of decisions and capitulation of responsibility. Laissez-faire leaders offer no feedback or support to the follower. Laissez-faire leadership is a “hands-off” approach to leadership (Northouse, 2015).

Barnard M. Bass (1985) further elaborated on Burns’s conceptualization of transactional-transformational leadership. Bass argued that transactional and transformational leadership are not two opposite ends of the spectrum but are two separate concepts. According to Bass, the best leaders are both transformational and transactional. Although his leadership model has undergone various revisions, the most recent version considers four dimensions of transformational leadership, three dimensions of transactional leadership, and a non-leadership dimension, or laissez-faire. Apart from its emphasis on transformational leadership exemplified by charisma, or idealized influence, inspirational motivation, intellectual stimulation and individualized consideration, three important distinctions identify transactional approaches to leadership. The first dimension, contingent reward, is the degree to which the leader sets up constructive transactions or exchanges with followers. The leader using this dimension clarifies expectations and establishes the rewards for meeting these expectations.

The second and third dimensions of transactional leadership are two types of management-by-exception. Management by-exception occurs when the leader intervenes to make a correction when something goes wrong (Bass 1985). The two types of management-by-exception are active and passive. Howell and Avolio (1993) observe that the difference between the active and passive management by exception—active lies in the timing of the leader’s intervention. Active

leaders monitor follower behavior, anticipate problems, and take corrective actions before the behavior creates serious difficulties (Northouse 2004). Passive leaders wait until the behavior has created problems before taking action. A substantial difference is that in the active form the leader looks for deviations whereas in the passive form, the leader waits for problems to emerge (Hater and Bass 1988).

The distinction between transactional and transformational is commonly emphasized in leadership studies. In spite of the fact that transformational theories have been a popular topic in leadership literature, transactional leadership constitutes a foundation for it and the two approaches are not necessarily in opposition to one another. (Northouse 2004; Tracey & Hinkin 1998). While transactional leaders motivate followers to comply with the leader's requests and organizational role through an exchange process, transformational leaders motivate followers by encouraging them to transcend their self-interests for the sake of the organization and shared goals. According to Barnard M. Bass, transactional leaders predetermine what their followers should do to realize their personal and organizational aims while transformational leaders motivate and stimulate their followers to surpass their own self-interests and direct themselves to a higher level of motivation linked to the interests of the team, organization or larger community (Bass and Avolio 1994).

The style of a transactional leader is creating clear structures, expectations and rewards. Whereas transformational leadership has more of a 'selling' style, transactional leadership, once the contract is in place, takes a 'telling' style. The Multifactor Leadership Questionnaire (MLQ) developed by Bass is the most commonly used instrument to assess an individual's transformational and transactional leadership styles (Avolio, Bass and Jung 1999; Bass & Avolio 1990). Although individual leaders exhibit tendencies toward transactional or transformational leadership styles, most leaders show characteristics of both styles. While transformational leadership motivates subordinates through a shared vision and responsibility, transactional leadership motivates followers by appealing to their self-interests. Its principles are to motivate by the exchange process.

2.1.3 Advantages and Disadvantages of Transactional Leadership

Transactional leadership is a leadership style that values structure and order within each relationship. It is the most common type of leadership style used in large corporate environments, international agreements, and military operations

Transactional leadership requires specific rules or regulations be followed to complete stated objectives. It moves people and resources in an organized fashion to ensure that specific results can be achieved along a typical timeframe. It is a leadership style which requires people to be self-motivated at all times. Team members with a transactional leader must be able to work within a directed environment that is highly structured. It focuses on producing results above anything else and motivates people to achieve them by offering clear rewards or consequences.(Brandon, 2018) The Advantages of Transactional Leadership to consider are listed below

- i. It can effectively motivate team members to maximize productivity.
- ii. It creates achievable goals for individuals at all levels.
- iii. It eliminates confusion within the chain of command.
- iv. It reduces costs while improving productivity levels.
- v. It is a simple process to implement.
- vi. It creates a system that is easy to follow.
- vii. It allows workers to choose the rewards they want to achieve.

Some of the Disadvantages of Transactional Leadership are listed below

- i. It eliminates individuality from the production process.
- ii. It limits the amount of innovation that is achievable.
- iii. It creates more followers than leaders.
- iv. It tends to focus on consequences instead of rewards.
- v. It places zero value on empathy.
- vi. It does not motivate some people toward higher productivity.
- vii. It places more value on efficiency.
- viii. It places success within the hands of the leadership only.
- ix. It makes leadership incompetence difficult to counter.

2.1.4 Advantages and Disadvantages of Transformational Leadership

Transformational leadership is a system of supervision that was first introduced by James MacGregor Burns. It is a type of leadership where leaders and followers work with one another to achieve higher levels of motivation and team morale.

Instead of dictating changes to their team, transformational leaders inspire people to change their perceptions, expectations, or motivations to work toward a common mission or goal. This process, according to Bernard Bass, who expanded upon this theory, garners higher levels of respect, trust, and admiration.

As with any form of leadership, there are advantages and disadvantages of transformational leadership which must be examined. Although transformational leaders do inspire higher levels of trust and respect, there must also be an absolute believe in the “rightness” of the vision being pursued. If a transformational leader loses faith, so does the rest of their team.(Brandon, 2018)
Some of the Advantages of Transformational Leadership are listed below

- i. Transformational leadership lowers turnover costs.
- ii. It is a leadership style which engages the full person.
- iii. Transformational leaders create and manage change.
- iv. New corporate visions can be quickly formulated.
- v. Transformational leaders create enthusiasm.
- vi. It encourages ongoing learning and development.
- vii. Transformational leaders are excellent communicators.
- viii. It quickly changes low-morale situations.
- ix. Transformational leaders understand relationships.
- x. It is a leadership style which focuses heavily on ethics.
- xi. Transformational leaders ask the important questions.
- xii. This leadership style takes pride in the outcomes achieved.
- xiii. Transformational leaders seek to avoid coercion.
- xiv. People are treated as individuals.

Some of the Disadvantages of Transformational Leadership are listed below

- i. Transformational leaders can develop negative outcomes.
- ii. There must be continual communication available.
- iii. It requires constant and consistent feedback.
- iv. Transformational leaders need their followers to agree with them.
- v. Risks taken through transformational leadership can be disruptive.
- vi. It can lead to employee burnout.
- vii. Transformational leaders often focus on individual needs.
- viii. It is a leadership style that can focus on deception.
- ix. Transformational leaders are not always detail-oriented.
- x. It is a leadership style which may ignore certain protocols.

The top advantages and disadvantages of transformational leadership show us that leaders using this method can take teams to new heights or bigger lows. There must be a certain morality in place to pursue a shared vision for everyone if this leadership style is to succeed. If that vision is not shared, or if followers lose their faith in the leader, then there cannot be success.(Brandon, 2018)

2.1.5 Employee Performance

In the organizational context, performance is usually defined as the extent to which an organizational member contributes to achieving the goals of the organization. Employees are a primary source of competitive advantage in service-oriented organizations (Luthans and Stajkovic, 1999; Pfeffer, 1994). In addition, a commitment performance approach views employees as resources or assets, and values their voice. Employee performance plays an important role for organizational performance. Employee performance is originally what an employee does or does not do. Performance of employees could include: quantity of output, quality of output, timeliness of output, presence at work, cooperativeness (Güngör, 2011). Macky and Johnson pointed that improved individual employee performance could improve organizational performance as well. From Deadrick and Gardner's (1997) points, employee performance could be defined as the record of outcomes achieved, for each job function, during a specified period of time.

If viewed in this way, performance is represented as a distribution of outcomes achieved, and performance could be measured by using a variety of parameters which describe an employee's pattern of performance over time. On the other hand, Darden and Babin (1994) said employee's performance is a rating system used in many corporations to decide the abilities and output of an employee. Good employee performance has been linked with increased consumer perception of service quality, while poor employee performance has been linked with increased customer complaints and brand switching. To conclude, employee performance could be simply understood as the related activities expected of a worker and how well those activities were executed. Then, many business personnel directors assess the employee performance of each staff member on an annual or quarterly basis in order to help employees identify suggested areas. Employee performance is normally looked at in terms of outcomes. However, it can also be looked at in terms of behavior (Armstrong 2000). Kenney et al. (1992) stated that employee's performance is measured against the performance standards set by the organization. There are a number of measures that can be taken into consideration when measuring performance for example using of productivity, efficiency, effectiveness, quality and profitability measures (Ahuja 1992) as briefly explained hereafter. Profitability is the ability to earn profits consistently over a period of time. It is expressed as the ratio of gross profit to sales or return on capital employed (Wood & Stangster 2002). Efficiency and effectiveness - efficiency is the ability to produce the desired outcomes by using as minimal resources as possible while effectiveness is the ability of employees to meet the desired objectives or target (Stoner 1996). Productivity is expressed as a ratio of output to that of input (Stoner, Freeman and Gilbert Jr 1995). It is a measure of how the individual, organization and industry converts input resources into goods and services. The measure of how much output is produced per unit of resources employed (Lipsey 1989). Quality is the characteristic of products or services that bear an ability to satisfy the stated or implied needs (Kotler & Armstrong 2002).

As noted by Draft (1988), it is the responsibility of the company managers to ensure that the organizations strive to and thus achieve high performance levels. This therefore implies that managers have to set the desired levels of performance for any periods in question. This they can do by for example setting goals and standards against which individual performance can be measured. Companies ensure that their employees are contributing to producing high quality

products and/or services through the process of employee performance management. This management process encourages employees to get involved in planning for the company, and therefore participates by having a role in the entire process thus creating motivation for high performance levels. It is important to note that performance management includes activities that ensure that organizational goals are being consistently met in an effective and efficient manner. Performance management can focus on performance of the employees, a department, processes to build a product or service, etc. Earlier research on productivity of workers has showed that employees who are satisfied with their jobs will have higher job performance, and thus supreme job retention, than those who are not happy with their jobs (Landy 1985). Further still, Kinicki & Kreitner (2007) document that employee performance is higher in happy and satisfied workers and the management find it easy to motivate high performers to attain firm targets for improvement.

2.2 Empirical Literature Review

Based on prior empirical research and Meta analyses the transformational leadership has a positive effect on individual performance and organizational outcomes (Howell & Hall-Merenda, 1999). Most recently, many empirical studies have reported that transformational leadership has a positive impact on follower performance and firm outcomes (Bass, Avolio, et. al, 2003)

A positive relationship between transformational leadership and employee performance has been found in both lab (Howell & Frost, 1989) and field (Bass, 1985) settings. Thus both transformational and transactional leadership are expected to have positive direct effect on employee performance. Raja and Palanichamy (2015) examined the effect of leadership styles on employee performance in public. private sector enterprises in India. From 43 middle-level managers and 156 subordinates, the study results indicate sufficient evidence, at the 5% level of significance, that there is a linear positive relationship between transformational leadership and employee performance, there is a significant positive relationship between transactional leadership employee performances.

However, the study found that Transactional leadership had a negative relationship with the employee performance/outcomes”. Tsigu and Rao (2015) in their study “leadership styles: their impact on job outcomes in Ethiopian banking industry” found that transformational leadership style explained the variation on performance better than transactional leadership style. Hence, the researchers recommended that if banks under study emphasize more on transformational leadership style dimensions, it would enable them to better satisfy and hence gain more output from their employees.

Research into organizational behavior in different environments found that transformational leadership has a positive influence on employee performance, and therefore organizational performance (Bass and Avolio, 1994; Ristow, 1998). However, through research by Pruijn and Boucher (1994) it was shown that transformational leadership is an extension of transactional leadership (Bass, 1997). The difference between these two models is that followers of transformational leadership exhibit performance which is beyond expectations, while transactional leadership, at best, leads to expected performance (Bass and Avolio, 1994).

In a longitudinal study of 48 research and development project groups comprising of 349 professionals, Keller (1992) found that transformational leadership had a significant positive relationship with higher overall quality of the project as well as budget and schedule performance. Similarly, Howell and Avolio (1993) found that leaders who displayed fewer of the transactional leadership characteristics and more of the transformational leadership characteristics had a positive effect on business unit goals. Avolio et.al (1997) conducted a longitudinal study of 36 undergraduate student work groups performing a creativity task using a Group Decision Support System.

They evaluated the effects of leadership style on group effectiveness and found that transformational leadership had both a direct and indirect relationship with performance of the group. One of the most researched outcomes is financial performance. Parry (2000) stated that decades of research have provided consistent evidence (i.e., correlations of 0.30 or higher) that transformational leadership has a significant positive impact on the financial measures of

organizations. It was also shown to affect employee perception of firm's financial standing relative to industry peers.

On another study, Koech and Namusonge (2012) investigated the main effects of leadership styles on employee performance at state-owned corporations in Kenya. Their inquiry specifically sought to determine the impact of laissez-faire, transactional and transformational leadership styles on employee performance at state-owned corporations in Kenya. The study outcomes revealed correlations between the transformational-leadership factors and employee performance ratings were high whereas correlations between the transactional-leadership behaviors and employee performance were relatively low.

2.2.1 Transformational Leadership and Employee Performance

This seeks to transform of visionary. It becomes collective vision where subordinates work to realize the vision into reality. In other words, transformational process can be seen through a number of transformational leadership behaviors as: attributed charisma, idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration Bass and Avolio, (2003). Yukl (2007) states that application of transformational leadership style can improve performance because transformational leadership style wants to develop knowledge and employees potential.

Leader with transformational leadership provides opportunity and confidence to his subordinates to carry out duties in accordance with his mindset to achieve organizational goals. Butler (1999) states that a transformational leader encourages subordinates to have vision, mission and organization goals, encouraging and motivating to show maximum performance, stimulates subordinates to act critically and to solve problems in new ways and treat employees individually.

Suharto (2005) suggests that more frequent transformational leadership behaviors implemented will bring significant positive effect to improve psychological empowerment quality of

subordinates. Transformational leader that gives attention to individual will be capable to direct vision and mission of organization, providing motivational support, and creating new ways to work effectively.

H1: There is a positive relationship between transformational leadership and employee performance

2.2.2 Transactional Leadership and Employee Performance

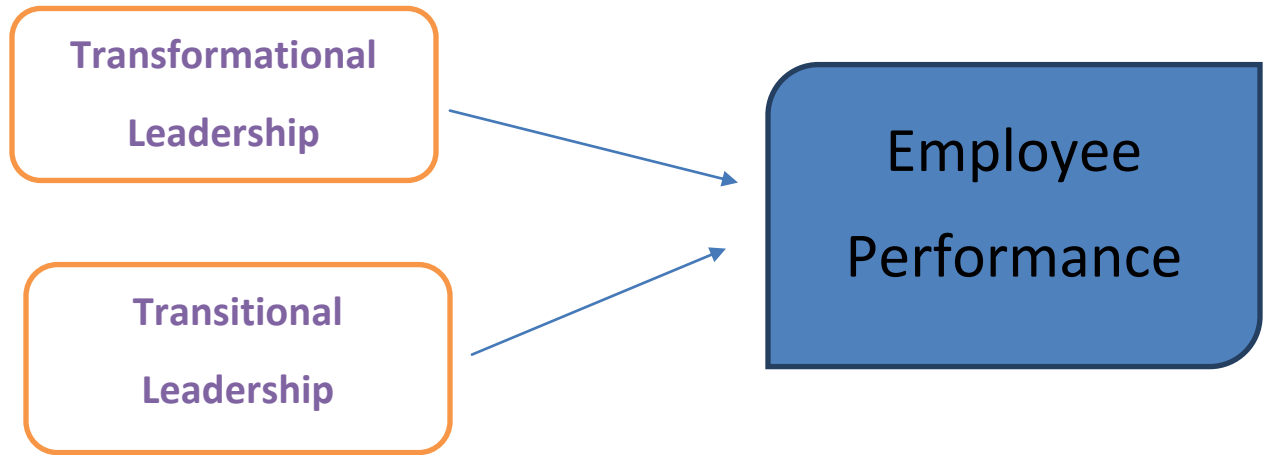
Transactional leadership: is a leadership style that emphasizes to transactions between leaders and subordinates. Bass and Avolio (2003) suggest that characteristics of transactional leadership consist of two aspects, namely contingent reward and exception management. Contingent reward is where leaders make agreement about what must subordinate do and promising reward obtained when goal is achieved. While exception management is leader monitor deviations from established standards and take corrective action to achieve organizational goals. Yulk (2007) asserts that transactional leadership style is one leadership style that emphasizes on transaction between leaders and subordinates.

Transactional leadership motivates and influencing subordinates by exchanging reward with a particular performance .In a transaction the subordinate promised to be given rewards when subordinate is able to complete their duties in accordance with agreements. In other words, he encourages subordinates to work.

Transactional leadership styles can affect positively or negatively on performance. It depends on employee assessment. Positive effect can occur when employees assess transactional leadership positively and a negative effect can occur if employee considers that transactional leadership styles cannot be trusted because they do not keep their promises, dishonest or not transparent.

H2: There is a positive relationship between transformational leadership and employee performance

2.3 Theoretical Framework



Source; designed by the researcher, 2019

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter is about the methodology of the research. It includes the Research Design; Types and Source of Data; Target Population, Sampling Techniques and Sample Size, Instruments of Data Collection and at last Data presentation and analysis.

3.1. Type of Research Design and Approach

The research design of this study is based on the nature of data and tools for analysis. To put the objectives stated above into effect a descriptive analysis method has been employed. This research paper shall lend itself to the combination of quantitative data collection tools along with the tools that go with them. The quantitative method helps for quantification of certain variables in the study population.

3.2 Sampling Design

3.2.1 Target Population

The total number of branches of APF represent as the total population for the purpose of this study. Hence, the population consists of seven branches located in Ethiopia such as Adigrat, Hawassa, Bhairdar, Akaki, Kailiti and two branches in Addis Ababa around Sarbet, and Gotera. Out of the total population three branches located near the researcher has been selected for the convenience due to the variation and the vast distance between them of the location of the branches convenient sampling has been employed. These are the commercial office at Gotera, sales and marketing at Sarbet and IV solution production at Akaki. The other branches are not included in this study because they are located in a far distance and different parts of the country from the researcher.

3.2.2 Sampling Technique

In those three branches there are a total of 150 employees; out of which employees the researcher has determined the target population by using sample size determination formula

3.2.3 Sampling Size and Sample Size Determination

If a universe from which a sample is to be drawn does not constitute a homogeneous group stratified sampling technique is to be applied to obtain representation sample. That is to obtain representative sample. Researchers normally work to a 95 per cent level of certainty. This means that if a sample was selected 100 times, at least 95 of these samples would be certain to represent the characteristics of the target population (De Vaus, 2014). In order to determine the sample size of the population, the study used Yamane's (1967) formula with 95% confidence and 5% acceptable sampling error. Based on the following formula 108 employees were taken as a sample.

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

Where n= is the required sample size

N= is the population size

e= the acceptable sampling error (Yamane Taro 1967)

$$n = 150 / (1 + 350 * (0.05 * 0.05))$$

$$\underline{n=108}$$

3.3 Data Source and Method of Collection

3.3.1 Source and Types of data

All the necessary data has been gathered from the primary and secondary source. The primary data has been gathered through questionnaires from the employees of APF on the leadership and its effect on employee performance

3.3.2 Data Collection Methods

The study used questionnaires to review leadership and its impact employee performance and documentary review of semiannual performance evaluation of employees and branches to be sampled. The questionnaire proposed used in this study was divided into three parts. Part A was for the demographic variables; Part B was a series of statements to capture perception of employees on the leadership style practiced by the immediate supervisor and Part C was for capturing employees' self-rated performance. In measuring leadership styles the study adapted the Multi factor Leadership Questionnaire (MLQ) developed by Avolio and Bass (1995), modified to fit the context of the study. To measure employee performance the study adapted scale of Yousef (2000).

The required data for the study has been collected in the following ways: documents, Library, research study, Internet web pages and related links.

3.3.3 Data Collection Procedure

These questionnaires were sent to the HR departments in each of the selected branches and were distributed randomly, since the researcher employed simple random sampling.

3.4 Validity and Reliability

In general, reliability is used to test the internal consistency among the variables or items through a summated scale (Hair et al., 1996). Cronbach's Alpha is used to measure how well a set of items (or variables) measure a single uni-dimensional latent construct. (Malhotra, 2007). Cronbach's Alpha is low when data have a multi-dimensional structure. Malhotra, (2007) suggests that an alpha of 0.70 or greater should be considered adequate to develop a new questionnaire. Therefore, a low coefficient alpha indicates the sample of items perform poorly in capturing the construct motivating the measure. Conversely, a large coefficient alpha implies that the k-items test correlates with the true scores closely Malhotra, (2007).

APF Leadership and employee performance variable was measured using the three dimensions listed in the questionnaire, which were combined into a single scale (Cronbach's alpha = 0.883). Transformational leadership was measured using the four categories that had 12 items listed in

the questionnaire, which were combined into a single scale (Cronbach's alpha = 0.941). Transactional leadership variable was measured using the 2 categories that had seven items listed in the questionnaire, which were combined into a single scale (Cronbach's alpha = 0.868). Employee performance of the employees of APF was measured using four items listed in the questioner, which were combined into a single scale (Cronbach's alpha = 0.785).

Table 4.2 Reliability Statistics

Scale	N	Alpha
Transformational leadership	12	0.941
Transitional leadership	7	0.868
Employee performance	4	0.785
Overall	23	0.883

3.5 Method of Data Collection

The student researcher used closed ended questionnaire for gathering various information from different employees of APF. Both primary and secondary data were used in order to get a complete view on the implementation of HRM in the program

3.6 Method of Data Analysis

The researchers have presented analyses and interpreted the data by using SPSS. The researcher has used regression analysis method to identify the relationship among leadership styles and employee performance and use those relationships to identify and draw a conclusion.

3.7 Ethical Issues

This study was governed by the general rules of research ethics in such a way that respondents were requested to provide information on voluntary basis, there was a prior communication about the purpose of the study. Any confidential information of the bank or the employees was not disclosed since the main intention is to gather data for the research purpose. Moreover, I at

my best level tried to abide by the rules and regulations of the University and conduct the study on the basis of objective judgment.

CHAPTER FOUR

ANALYSIS, DISSUSION AND INTERPRETATION

This chapter presents the results of the data analysis according to the research methodology discussed in chapter three. A detailed discussion regarding to the two research hypotheses is also presented and tested.

4.1 Sample and Response Rates

After distributing 108 questionnaires for employees of APF, a total of 100 answered questionnaires were retrieved, which is 92.59% of the total distributed questionnaires. After checking the retrieved questionnaires, the 100 questionnaires were valid for statistical analysis. Ultimately, 92.59% of the total questionnaires distributed entered the analysis.

4.2.1 Demographic Analysis of Respondents

Before starting the analysis of the data some background information such as demographic data, is useful in order to make the analysis more meaning full for the readers. The samples of this study have been classified according to several background information collected during survey.

Table.4.1: General profile of respondents

General profile of the respondents			
		Frequency	Percent
Gender	Male	63	63
	Female	37	37
	Total	100	100.0
Age of respondents	18-24 Years	12	12
	25-34 Years	35	35
	35-44Years	39	39
	45-54 Years	12	12
	54-65 Years	2	2
	Total	100	100.0
Level of education	College Diploma	22	22
	Bachelor Degree	73	73
	Master's Degree	5	5
Income of Respondents	Total	100	100.0
	>5000	7	7
	5000-10000	60	60
	10000-20000	22	22
	<20000	11	11
	Total	100	100.0
Years of experience	>5Years	13	13
	5-9 Years	24	24
	10-14 years	27	27
	15-20 Years	21	21
	Above 20 Years	15	15

The male respondents constituted the largest share of the gender composition representing 63.3% of the respondents (63) while 37% (37) were female employees. The educational level of respondents in APF as shown on table 4.1, 73% of our respondents were bachelor degree holders, 22% of the respondents are diploma holders and only 5% of the respondents are master degree holder. As it can be seen in the tables below 39% of the respondents are in the age of 35-44, 35% of the respondents are in the age between 25-34 and 12% of the respondents are under the age group 18-24 and 45-54.

With the regard to the work experience of the respondent who work for APF as shown on table 4.1 out of the respondents 13% of the respondents have worked for less than 5 years where as 24% of the respondents have worked from 5-9 years and percentage of 27 of the respondents have worked for 10-14, 15-19 years which is 21 %of the respondent and 15 % of the respondents have 20 years of experience. Lastly the income of the respondents which is found on table 4.1 shows that out of the respondents 22% of them had a salary between 10000-20000, 11% of the respondent's salary is greater than 20000 and 60% of the respondent's salary is between 5000-10000 and 7% of the respondent's salary is under 5000 birr.

4.3. Descriptive Analysis of Variables

4.3.1 Research objective One: Analysis of Leadership Style

This subsection presents the results of the analysis of leadership styles. Two main types of leadership styles were assessed. These were transformation leadership style with four dimensions (each with three items), transactional leadership style with two (2) dimensions (each with three items). Descriptive statistics were used to assess the level. Table 4.2 presents results of transformational leadership style. The mean and standard deviation (S.D.) of the four dimensions of transformational leadership styles were calculated, to establish the respondents, assessment of the extent to which their immediate supervisors practices this leadership style. The scale used in the statements was 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree. The descriptive statistics of the findings are represented in Table 4.2 and 4.3.

Table 4.2 Descriptive Statistics on Transformational Leadership

	Mean	Std. Deviation
Transformational leadership	3.4383	.74842
Idealized influence	3.4333	.82674
Inspirational Motivation	3.4433	.77424
Intellectual Stimulation	3.4267	.89277
Individual Consideration	3.4500	.96443

The results in Table 4.2 show that the values of all the variables somewhat the same individual consideration had the highest mean of 3.45 and standard deviation of 0.964, followed by inspirational motivation at a mean of 3.443 and standard deviation of 0.7742. Intellectual simulation had a mean of 3.426 and standard deviation of 0.892. Lastly with a mean of 3.43 and standard deviation of 0.862 was idealized influence. Overall the results show that Transformational leadership style with an overall mean score of 3.437 and standard deviation of 0.748 is the also practiced by some of the immediate supervisors at APF exhibit such behaviors of a transformational leaders.

Table 4.3 Descriptive Statistics on Transactional Leadership

	Mean	Std. Deviation
Contingent Reward	3.3267	.88380
Management By Exception	3.4150	.76312
Transactional leadership	3.3771	.72233

Table 4.3 presents the mean and standard deviation from respondents' assessment of whether their immediate supervisors practiced transactional leadership style. Management by exception (MBE) had the highest mean of 3.32 and standard deviation of .883, while contingent reward had a mean of 3.451 and standard deviation of .763. Overall the results show that Transactional leadership style with an overall mean score of 3.3771 and standard deviation of 0.72233 is the also practiced by some of the immediate supervisors at APF Exhibits such behaviors of a transactional leader

In fact it is important to note that the mean score was slightly the midpoint. This statistics indeed show that supervisors at APF apply both transformational and transactional leadership.

4.2.3.2 Research objective two: Analysis of Employee Performance

Employee performance (self-rated) was captured by four constructs; one each for self-assessment of the quality and productivity, and two others which compared one's performance to that of the peers doing the same kind of work. Examples of the items used were 'How do you evaluate the performance of your peers at their jobs compared with yourself doing the same kind of work?' and 'How do you evaluate the performance of yourself at your job compared with your peers doing the same kind of work?'

Table 4.4 Descriptive Statistics on Employee Performance

	Mean	Std. Deviation
Employee performance	3.9400	.74630
Quality of your performance and productivity	4.22	.725
Individual's quality of performance and productivity compared with others doing similar	3.66	1.143

Table 4.4 presents results of the analysis of employee performance. The results show that productivity was highly rated with a mean of 4.22 and a standard deviation of 0.725 while quality of performance closely followed with a mean of 3.66 and a standard deviation of 1.143. Overall employee performance had a mean score of 3.94 with a standard deviation of 0.746 indicating a high performance.

4.2.3.3 The Relationship between Leadership and Employee Performance

According to Andy F. (2010), Pearson's correlations require only that data are interval for it to be an accurate measure of the linear relationship between two variables. Correlation analysis helps to gain insight into the direction and strength of correlation between variables. Correlation coefficients take values between -1 and 1 ranging from being negatively correlated (-1) to uncorrelated (0) to positively correlated (+). The sign of the correlation coefficient defines the direction of the relationship. The absolute value indicates the strength of the correlation. Correlation analysis was undertaken before conducting the regression analysis.

Table 4.5 correlation matrix

		Transformational Leadership	Transactional Leadership
Employee performance	Pearson Correlation	.248*	.255*
	Sig. (2-tailed)	0.013	0.01
	N	100	100

*. Correlation is significant at the 0.05 level (2-tailed).

As shown in the table, the SPSS output provides correlation coefficients for the two variables. Each correlation coefficient with both the significance value of the correlation and the sample size (N) on which it is based, are displayed. The result of SPSS indicated that there is a positive relationship between transformational leadership and employee performance ($r=0.248$) at significant level 0.013. The table also depicts that there is a positive moderate relationship between transactional leadership and employee performance ($r=0.255$) at significant level of 0.010.

H1 There is a positive relationship between transformational leadership and employee performance

As per the table presented above, the result indicates that the correlation of transformational leadership and employee performance is 0.248 and the p-value is 0.013, which is less than 0.05. As the result, the hypothesis was failed to reject and it can be concluded that there is positive correlation between transformational leadership and employee performance.

H2 There is a positive relationship between transitional leadership and employee performance

As per the table presented above, the result indicates that the correlation of transactional leadership and employee performance is 0.255 and the p-value is 0.010, which is less than 0.05.

As the result, the hypothesis was failed to reject and it can be concluded that there is positive correlation between transactional leadership and employee performance.

4.3.3.2 Multiple Regression Analysis

The multiple regression analysis was carried out to estimate the effect of leadership styles (independent variables) on employees' performance (dependent variable). Results are presented in Tables 4.6-4.9.

4.7. Predictors: (Constant), Transactional, Transformational

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.354a	0.125	0.107	2.821

Table 4.7 presents a summary of the model in which the item of interest is the adjusted R² statistics, which is .107. This suggests leadership styles accounts for 10.7% of the variation in employees' performance.

Table 4.8 Anova

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	110.442	2	55.221	6.940	.002 ^b
	Residual	771.798	97	7.957		
	Total	882.240	99			

a. Dependent Variable: EP

b. Predictors: (Constant), transactional, Transformational

Table 4.8 presents the analysis of variance (ANOVA) results. It is also known as model fit results. Of interest in this table are the F-statistics and its associated sig. value. The results show that the F-statistics is 6.940% ($p < 0.01$). The results indicate that the model's hypothesis that the "model has no power to predict employees' performance from leadership style scores" could not

be accepted. Therefore suggest that the model has power to predict employees' performance significantly from the leadership style scores.

4.9 Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	8.872	1.870		4.743	.000
Transformational	.081	.032	.245	2.580	.011
Transactional	.149	.056	.253	2.661	.009

a. Dependent Variable: EP

Table 4.9 presents the results on the coefficients of the regression model. The coefficients results show that transformational leadership positively predict employee performance, standardized B = .245 and .253, ($p < 0.01$). These results suggest that performance of employees whose immediate supervisor exhibited transformational leadership and transactional leadership characteristics increased significantly by 24.5 and 25.3 percent. While transactional leadership is the dominant style of leadership that influences employee performance in the case of APF.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

In a summary, multiple regression analysis indicated that, transactional leadership positively predicted employee performance. If supervisors exhibited more transactional leadership, the employees will have higher employee performance making transactional leadership the dominant type of leadership style exhibited in APF. As seen in the correlation table the result supported both hypothesis. Transactional leadership and transactional positively affects employee performance which means both styles are used interchangeably. The results show that productivity was highly rated while quality of performance closely followed Overall employee performance indicating a high performance.

5.2 Conclusion

As stated in the statement of the problem, the problem for this study was to establish the leadership styles that are exhibited at APF and to know how it affects the organizational performance. The problems observed are the mismatch between the styles of leadership used by the leaders on all the employees in the organization. The central theme and problem of this study is that, we often have the assumption that a manager or leader is expected to exhibit the right style of leadership towards the employees or their subordinates. It is obvious that in most organizations in Ethiopia, work schedule are task-focused and routine, with no flexibility, and decisions and policies are imposed on subordinates.

The research question for this study asks what the dominant leadership style of leadership in APF and do these specific leadership styles affect the performance of the employees in APF. The objective of this study are to identify the specific leadership styles exhibited by leadership in APF, to determine the relationship between leadership styles and employee performance and to examine the extent to which leadership styles affect employee performance.

The researcher has carried out analysis over this area leadership and its impact on employee performance in APF and found that there both transactional leadership and transformational leadership styles has been exhibited in the organization. Transformational leadership style and transactional leadership significantly positively affected employee performance.

The finding shows that transactional leadership and transformational leadership somewhat has the same impact on the performance of employees. Overall, scores in transformational leadership were found to be strongly correlated with both measures of employee performance. Overall performance for the intellectual simulation, individual consideration, idealized influence and inspirational motivation dimension, which had insignificant positive correlation with employee performance.

Transactional leadership style was found to be positively correlated with both measures of employee performance. Similarly, contingent rewards and management by exception had insignificant positive correlations. And it was found to be the dominant style of leadership in the organization.

5.3 Recommendation

When Organizations take on their employees it is with the expectation of performance, same goes with the supervisors and their followers. The results of this study provided insights into what employees need from their supervisors and the kind of leadership behaviors they prefer. This information could be used to help develop strategies and meet organizational needs through leadership behavior development. According to the results, some strategies for improving supervisor's leadership and employee performance could be suggested. It indicated that both transformational leadership and transactional leadership behavior would lead to higher employee performance.

Since the dominant leadership style in the APF is transactional leadership the researcher recommended the following;

Reward those who are motivated by self-interest to follow instructions because it can increase their level of performance. Employees would like to see more the incentives they might get if they might get when they perform well.

If positive reinforcements doesn't work on them Punish those who misbehave and don't follow the rules because it can increase their level of performance by striking fear in the employees who refuse to hear supervisors orders and follow the rules set by the organizations. Since it's a factory and the work is mostly repetitive it provides an unambiguous structure for the organization

Describing the penalties and rewards for the employees clearly. If the employees know what they are exactly going to get for their performance if they performance is outstanding knowing what you will get and if your performance is below average or worse knowing what kind of penalties you will get is clearly set. And if it is put in paper the employees will see they are being treated fairly.

Organizations can develop certain training programs or mentoring by professionals for the supervisors and leaders. Professionals and trainers can use the results from the current study to develop training programs that support leadership development. Organization can provide leadership training program or interventions to improve supervisor's leadership. The leadership training program can be designed based on employee needs and organizational needs to achieve the very best from such particular programs.

Fashioning the presence of motivation to accomplish job goals and objectives, support for team building, leader's expression of what employees should do, and leaders' helping employees find meaning in their work. However there's need on the leadership to improve on its employees response to improve service to the company. By creating employee's satisfaction with workplace conflicts settlements since this indicates lack of consensus the leadership need to put emphasis on conflict management mechanism so as to improve employee performance.

Fashioning employee's the opportunity to work in a way they thinks best, and employees permission to set own pace for change regard I recommend that major improvement in strategies to harmonize recognizing employees cognitive ability in regard to work and innovation

For the employees who respond to transformational leadership the researcher recommends;

The leaders or supervisors should be aware of what is important for the subordinates and the organizations as a whole and encourage the employees to see the opportunities and challenges around them creatively. The supervisors should also have their own visions and development plans for followers, working in groups and champion team work spirit.

And the supervisors should let the employees self-evaluate more to let them see where they stand and probe what improvements they need, since they know themselves well and this will eliminate the need to lie to another party to save face.

As it was seen in the data both transactional and transformational leadership is being employed in the organization and the performance is acceptable, but I recommend the organization should review both styles of leadership and pick one that is more suitable with the organizations strategies. This will create a common ground between the management team and the supervisors.

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Appendix

Questionnaire

Addis Ababa
University
(Since 1950)



ADDISABABA UNIVERSITY SCHOOL OF COMMERCE DEPARTMENT OF MASTERS IN BUSINESS LEADERSHIP

Dear respondent,

The main objective of this questioner is to collect relevant data for the research project title is Leadership and its Impact on Employee performance; In the case of Addis pharmaceutical Factory (APF). The questionnaire intends to collect information for academic purpose only and be regarded confidential.

In order to make this study successful, the researcher kindly requests you to fill in the Questionnaires brought to you.

Part A: Respondent's information

Answer the following questions by putting the symbol(√) in the boxes in front of your choice or write in the space provided.

1. Specify your Gender;

Male ☐ Female ☐

2. Specify your age group;

18-24 ☐ 25-34 ☐ 35-44 ☐ 45-54 ☐ 55-64 ☐

3. Specify your educational level;

Diploma ☐ Bachelor's Degree ☐ Master's Degree ☐

PhD (Doctorate Degree) ☐ others _____

4. Specify your years of work experience in the organization;

< 5years ☐ 5-9 years ☐ 10-14 years ☐ 15-19 years ☐
>20 years ☐

5. Monthly Income of the respondents ;

Below 5000 birr ☐ from 5000 -10000 birr ☐ From 10000 -20,000 birr ☐
Above 20,000birr ☐

PART B: LEADERSHIP STYLE

The sets of statements aimed at helping you assess your feelings or perceptions of the leadership style of your immediate supervisor. You are requested to rating yourself against each statement to indicate you level of agreement with what the statement is suggesting, where the following ratings are:

1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree Please place a tick (✓) or a mark (x) in the box (cell) that represents your appropriate level of agreement

TRANSFORMATIONAL LEADERSHIP						
	Idealized Influence (II)	1	2	3	4	5
1	My supervisor makes others feel good to be around him / her					
2	I have complete faith in my supervisor					
3	I am proud to be associated with my supervisor					
	Inspirational Motivation (IM)					
1	My supervisor expresses in a few simple words what we could and should do					
2	My supervisor provides appealing images about what we can do					
3	My supervisor helps me find meaning in my work					
	Intellectual Simulation (IS)					
1	My supervisor enables others to think about old problems in new ways					
2	My supervisor provides others with new ways of looking at puzzling					

	things					
3	My supervisor gets others to rethink ideas that they had never questioned before.					
	Individual Consideration (IC)					
1	My supervisor helps others develop themselves					
2	My supervisor lets others know how he /she thinks we are doing					
3	My supervisor gives personal attention to others who seem rejected					
	TRANSACTIONAL LEADERSHIP					
	Contingent Reward (CR)	1	2	3	4	5
1	My supervisor tells others what to do if they want to be rewarded for their work.					
2	My supervisor provides recognition/rewards when others reach their goals.					
3	My supervisor calls attention to what others can get for what they accomplish.					
	Management by exception (MBE)					
1	My supervisor is always satisfied when others meet agreed-upon standards					
2	As long as things are working, my supervisors do not try to change anything					
3	My supervisor tells us the standards we have to know to carry out our work					
4	My supervisor clarifies what is expected of the us					

Source: Adopted from Bass and Avolio (1992)

Part C: EMPLOYEE PERFORMANCE

The sets of statements aimed at helping you assess your performance at your job in the company. You are requested to rate yourself against each statement to indicate your self-assessment of your own performance, where the following ratings are:

1 = very low 2 = low 3 = Average 4 = high 5 = very high Please place a tick (✓) or a mark (x) in the box (cell) that represents your appropriate level of performance rating. 1 2 3 4 5

	EMPLOYEE PERFORMANCE					
	Quality of your performance and productivity.	1	2	3	4	5
1	How do you rate quality of your performance?					
2	How do you rate your productivity on the job Individual's quality of performance and productivity compared with other's doing similar jobs.					
	Individual's quality of performance and productivity compared with others doing similar jobs					
1	How do you evaluate the performance of your peers at their jobs compared with yourself doing the same kind of work?					
2	How do you evaluate the performance of yourself at your job compared with your peers doing the same kind of work?					

Source: Adopted from Yousef (2000)

Thank you very much for spending your valuable time to respond to this questionnaire!!!

List of tables

Statistics

		sex	age	Edu	experiance	income
N	Valid	100	100	100	100	100
	Missing	0	0	0	0	0

Sex

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	63	63.0	63.0	63.0
	female	37	37.0	37.0	100.0
	Total	100	100.0	100.0	

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-24	12	12.0	12.0	12.0
	25-34	35	35.0	35.0	47.0
	35-44	39	39.0	39.0	86.0
	45-54	12	12.0	12.0	98.0
	55-64	2	2.0	2.0	100.0
	Total	100	100.0	100.0	

Edu

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	diploma	22	22.0	22.0	22.0
	Degree	73	73.0	73.0	95.0
	masters	5	5.0	5.0	100.0
	Total	100	100.0	100.0	

Experience

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <5 years	13	13.0	13.0	13.0
5-9 years	24	24.0	24.0	37.0
10-14 years	27	27.0	27.0	64.0
15-19 years	21	21.0	21.0	85.0
>20 years	15	15.0	15.0	100.0
Total	100	100.0	100.0	

Income

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid below 5000 birr	7	7.0	7.0	7.0
5000-10000 birr	60	60.0	60.0	67.0
10000-20000 birr	22	22.0	22.0	89.0
above 20000	11	11.0	11.0	100.0
Total	100	100.0	100.0	

Case Processing Summary

	N	%
Valid	100	100.0
Cases Excluded ^a	0	.0
Total	100	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.941	12

Reliability Statistics

Cronbach's Alpha	N of Items
.886	4

Reliability Statistics

Cronbach's Alpha	N of Items
.785	4

Reliability Statistics

Cronbach's Alpha	N of Items
.883	3

	N	Minimum	Maximum	Mean	Std. Deviation
ATL1	100	1.00	5.00	3.4383	.74842
II	100	1.00	5.00	3.4333	.82674
IM	100	1.00	5.00	3.4433	.77424
IS	100	1.00	5.00	3.4267	.89277
IC	100	1.00	5.00	3.4500	.96443
Valid N (listwise)	100				

	N	Minimum	Maximum	Mean	Std. Deviation
CR	100	1.00	5.00	3.3267	.88380
MBE	100	1.25	5.00	3.4150	.76312
ATL	100	1.29	5.00	3.3771	.72233
Valid N (listwise)	100				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
II1	100	1	5	3.43	.977
II2	100	1	5	3.39	.898
II3	100	1	5	3.48	.893
IM1	100	1	5	3.45	.880
IM2	100	1	5	3.46	.809
IM3	100	1	5	3.42	.923
IS1	100	1	5	3.39	.952
IS2	100	1	5	3.44	1.008
IS3	100	1	5	3.45	1.009
IC1	100	1	5	3.43	1.047
IC2	100	1	5	3.45	1.009
IC3	100	1	5	3.47	1.105
Valid N (listwise)	100				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CR1	100	1	5	3.32	1.043
CR2	100	1	5	3.31	.873
CR3	100	1	5	3.35	.989
MBE1	100	1	5	3.32	.886
MBE2	100	1	5	3.40	1.092
MBE3	100	1	5	3.49	.904
MCE4	100	1	5	3.45	.957
Valid N (listwise)	100				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
QPP1	100	2	5	4.24	.712
QPP2	100	2	5	4.20	.739
IPP1	100	1	5	3.67	1.129
IPP2	100	1	5	3.65	1.158
Valid N (listwise)	100				

Correlations

		EP	Transformationa I	Trasational
Pearson Correlation	EP	1.000	.248	.255
	Transformational	.248	1.000	.010
	Trasational	.255	.010	1.000
Sig. (1-tailed)	EP	.	.006	.005
	Transformational	.006	.	.460
	Trasational	.005	.460	.
N	EP	100	100	100
	Transformational	100	100	100
	Trasational	100	100	100

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Trasational, Transformationa I ^b		Enter

a. Dependent Variable: EP

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
					R Square Change	F Change	df1	df2
1	.354 ^a	.125	.107	2.821	.125	6.940	2	

a. Predictors: (Constant), Trasational, Transformational

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	110.442	2	55.221	6.940	.002 ^b
	Residual	771.798	97	7.957		
	Total	882.240	99			

a. Dependent Variable: EP

b. Predictors: (Constant), Trasational, Transformational

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.872	1.870		4.743	.000
	Transformational	.081	.032	.245	2.580	.011
	Trasational	.149	.056	.253	2.661	.009

a. Dependent Variable: EP