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**Effects of leadership styles on employees' performance:**

**the case of Berhan Bank S.C.**

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**Addis Ababa, Ethiopia**

## **DECLARATION**

I, the undersigned, declare that this study entitled “Effects of leadership styles on employees’ performance: the case of Berhan Bank S.C.” is my own work. I have undertaken the research work independently with the guidance and support of the research advisor. This study has not been submitted either at master’s level or undergraduate in this or any other institutions and that all sources of materials used for the thesis have been duly acknowledged.

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## **STATEMENT OF CERTIFICATION**

This is to certify that Esey Yonas Tafese has carried out this research on the topic entitled “Effects of leadership styles on employees’ performance: the case of Berhan Bank S.C.” under my supervision. This work is genuine and it is sufficient for submission for the Partial fulfillment for the award of Master’s Degree of Art in Business Leadership.

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Effects of leadership styles on employees' performance: the case of Berhan Bank S.C.

By Esey Yonas Tafese

Approval Sheet

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## Abstract

*This study examines the effects of leadership styles on employee performance in Berhan Bank S.C Addis Ababa two city branches and Head office departments. The study followed explanatory type of research design and descriptive survey method of quantitative research approach used. Simple random sampling technique was used in order to select the samples from the total population, 50 samples were selected and questionnaires were distributed. Both descriptive and inferential analysis was conducted. The regression analysis shows a strong relationship between leadership styles and employee performance, explaining about 63.3% of the variance ( $R^2 = 0.633$ ). Transactional leadership is the most influential (Beta = 0.512,  $p < 0.001$ ), significantly improving employee performance. Transformational leadership also positively affects performance (Beta = 0.263,  $p < 0.028$ ). In contrast, laissez-faire leadership insignificant negative impacts on performance (Beta = -0.152,  $p = 0.165$ ). The bank should prioritize the implementation of transformational leadership practices to enhance employee performance and motivation.*

**Keywords:** Leadership Styles, Transformational Leadership, Transactional Leadership, Laissez-Faire Leadership, Employee Performance, Berihan Bank

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## **List of Acronyms and Abbreviations**

FXD = Foreign Exchange Directive

NBE = National Bank of Ethiopia

COVID-19 = Coronavirus Disease of 2019

S.C = Share Company

JASP = Jeffrey's Amazing Statistics Program

## **Chapter One: Introduction**

### **1.1 Background of the study**

In the changing world, especially in finance world, banks are institutions that play a significant role in facilitating the flow of capital and maintain the economic stability and growth of countries. As a bridge between savers and borrowers, banks play a critical role in collecting money, giving credit and offers financial services to individual and businesses in need of it.

The relationship between management and employees is important for the success of an organization. In creating a positive work environment for managers and employees, good communication, engagement, effective conflict resolution, and mutual support are valuable components. For organizations in any circumstances, giving attention to these elements can enhance employee satisfaction and performance. Engaged employees are more productive and committed to their organization, and management's role in increasing employee engagement directly impacts organizational performance (Kahn, W. A., 1990).

For many decades, Leadership is a concept that focused in the study of organizational behavior and management. At its main idea, leadership involves the ability to guide individuals and teams toward achieving shared objectives. Effective leaders inspire and motivate their followers, making better an environment where collaboration and innovation increases. In recognizing the importance of influence and direct employees, organizations can enhance strong leadership that drives success and productivity in various areas. Leadership is mostly defined as the process of influencing others to achieve a common goal. This idea summarizes the essence of guiding and motivating individuals in an organization (Northouse, P. G. 2018).

Leadership styles are important in shaping organizational culture and employee behavior. The way in which leaders interact with their teams can directly influence employee satisfaction, motivation, and all levels of engagement. For a leader, understanding different leadership styles, such as transformational and laissez-faire leadership, and applying them in different situations to meet workforce and company needs, can help most. Different leadership styles significantly impact employee engagement, with transformational leadership, in particular, being found to foster higher levels of employee motivation and commitment (Bass, B. M., & Avolio, B. J., 1994).

Transformational leadership is characterized by leaders who inspire and motivate employees to exceed expectations and engage in the process of change. This style has been shown to enhance employee performance significantly (Bass, B. M., & Riggio, R. E., 2006). On the other hand, transactional leadership focuses on the giving and taking relation between leaders and employees, such as rewards for performance and obedience. It may not inspire innovation, but it can lead to satisfactory performance in structured environments (Judge, T. A., & Piccolo, R. F., 2004).

Another leadership style is laissez-faire. It promotes employee autonomy, allowing team members to operate independently and make decisions regarding their work. This empowerment can lead to increased job satisfaction and enhanced performance, particularly among self-motivated individuals (Bass, B. M., 1990).

The impact of leadership styles on employee performance is a critical determinant of an organization's success or failure. Most research has demonstrated that effectiveness of leadership directly influences employee motivation, engagement and the overall organizational performance. Leadership styles, such as transformational, transactional, and laissez-faire shape

the environment in which employees work and significantly affect their productivity and job satisfaction.

For instance, transformational leaders empower their followers and foster an atmosphere of trust and innovation, which has been linked to enhanced employee performance and greater organizational commitment (Bass & Avolio, 1994; Bass & Riggio, 2006). On other hand, transactional leadership, while effective in ensuring compliance and stability, often fails to inspire creativity and long-term commitment (Judge & Piccolo, 2004). Additionally, laissez-faire leadership can lead to increased autonomy and job satisfaction among self-motivated individuals, but it may also result in confusion and lack of direction if not paired with effective guidance (Bass, 1990). The relationship between leadership styles and employee performance is critical; organizations that fail to recognize and implement better leadership styles may struggle to achieve their objectives, employee disengagement and performance decline. In this context, this study aims to analyze the effect of different leadership styles on employee performance specifically within Berhan Bank, investigating how these dynamics contribute to or minimize from the bank's success in the competitive Ethiopian banking sector.

## **1.2 Background of the organization**

Based on National Bank of Ethiopia, directive no. FXD/87/2024, “Bank” is a company licensed by the NBE to undertake banking business or a bank owned by the government. As of April 2025, NBE data shows that 32 banks are operating in Ethiopia, most of which were established after the year 2000. Berhan Bank is one of them.

Berhan Bank S.C, established in accordance with Article 304 of the Commercial Code of Ethiopia, was registered and licensed by the NBE on June 27, 2009, and officially started its

operations three months later, on October 3, 2009, with its first branch opening in Bole, Addis Ababa, named Bole Branch (Annual Report, 2009/10). Berhan Bank (mostly known with the old name Berhan International Bank) boasts an authorized capital of Birr 300 million, with a subscribed capital of Birr 154.7 million, distributed into shares valued at 1000 Birr each.

Its Head Office located in Addis Ababa, Bole and it is virtually operating all regional cities of Ethiopia and their respective towns. Berhan Bank has 380+ branches as well as 3 million plus customers around the country. In addition to serving customers at branches, the bank offers electronic banking services as debit cards allowing customers to access their accounts at any ATM Machines, and has Mobile banking and Internet banking. The bank partnered with international money transfer companies such as Western Union, Money Gram, Ria, Dahabshiil, Trans-fast, Xpress Money, Taran Express and World Remit.

### **Vision**

To be the Preferred Bank in Customer Experience and Integrity

### **Mission**

To provide superior banking services that exceed customers' expectations and maximize shareholders' value through state-of-the-art banking technology and high-caliber staff.

### **Values**

- Customer Centricity, Integrity, Respect, Excellence, Innovation and Collaboration

### **1.3 Statement of the problem**

Effective leadership is important for creating a meaningful work environment, which is a main driver of employee motivation and performance. In sectors like banking, where employee engagement are critical, leadership styles such as transformational leadership can enhance both motivation and retention (Northouse, P. G. (2018). At Berhan Bank S.C, recent shifts in leadership styles and practices have showed with observable challenges, including increasing employee turnover, loosing work morale, and reduced productivity. The departure of experienced working forces to competing banks disrupts operational continuity and incurs significant costs, including recruitment, training and lost organization culture. A report of employee dissatisfaction, reduced work quality and lack of motivation is a sign of misalignment between leadership styles and employee needs. In its annual report, the bank highlights challenges it has faced over the past years. Specifically, the report states the struggles that faced the banking industry during critical periods, such as the COVID-19 pandemic and the ongoing war between Ukraine and Russia. These events have significantly impacted various industries, leading to widespread difficulties and uncertainties (Annual Report, 2022/23 & 2021/2022).

Leadership is the driving force behind successful change initiatives and sustainable growth within an organization (Kotter, J. P. 1996). Berhan Bank's current struggles let us to raise critical questions; Do predominant leadership styles (transformational, transactional or laissez-faire) contribute to these challenges? Employees feeling of undervaluation, without support and poor communication from leadership may worsen disengagement. The study seeks to investigate the direct and indirect effects of leadership styles on employee performance at Berhan Bank S.C, focusing on how these styles influence motivation, job satisfaction and retention. By examining

employee perceptions of leadership communication, decision making, recognition and support, the research aims to identify specific practices that either increase or decrease performance. Getting answer for this problem is critical for Berhan Bank to refine its leadership styles and enhance a work environment that aligns with its operational goals and employee well-being in Ethiopia's competitive banking landscape.

## **1.4 Research Questions**

### **1.4.1 Main research question**

- How do leadership styles at Berhan Bank S.C. affect employee performance?

### **1.4.2 Specific research questions**

1. What leadership styles are predominantly practiced at Berhan Bank S.C.?
2. How do the identified leadership styles correlate with employee performance indicators such as job satisfaction, productivity and turnover rates?
3. Which specific leadership practices have the strongest impact on employee motivation and retention?

## **1.5 Research Objectives**

### **1.5.1 General Objective**

- To examine the impact of leadership styles on employee performance at Berhan Bank S.C.

### **1.5.2 Specific Objectives**

1. To identify the predominant leadership styles and assess employee perceptions of these styles.
2. To evaluate how leadership styles correlate with employee performance.
3. To determine key leadership practices that impact employee motivation and retention.

### **1.6 Significance of the study**

This study investigated the relationship between different leadership styles and employee performance at the Berhan Bank SC. The result of this study are expected to benefit senior management especially the Human Resource Managers to understand the relationship between leadership styles and employee performance and make better decisions regarding this area. It may also be used as a reference for future researchers.

### **1.7 Scope of the study**

The scope of the study was limited to a single organization known as Berhan Bank SC in Addis Ababa City. Due to getting staffs from both sides that means from selected Branches and Head offices, the targeted population of this study was limited to employees in Bole and Airport Branches, and Head office departments.

### **1.8 Limitations of the study**

This study's research sample consists of employees working in Addis Ababa City, specifically in Bole and Airport Branches, as well as Head Office departments. As a result, the findings may not fully represent all Berhan Bank employees, particularly those living outside Addis Ababa, which

may limit the generalizability of the results. Additionally, the study does not include other banking institutions in Ethiopia.

## **1.9 Organization of the study**

This research consists of five chapters. The first chapter, Introduction, includes the background of the study and organization, the problem statement, research questions and objectives. The second chapter presents a review of theoretical, empirical and conceptual frameworks. The third chapter outlines the methodology used for the thesis and its application. The fourth chapter covers data analysis and interpretation. The final chapter summarizes the research findings, presents the conclusion, and provides recommendations for the company. Additionally, it discusses the study's limitations and offers suggestions for future research.

## **1.10 Definition of Key terms**

**Employee Engagement:** The emotional and cognitive involvement of Berhan Bank employees in their work, demonstrated by active participation, loyalty to the bank's mission, and personal investment in outcomes.

**Job Satisfaction:** The degree to which employees at Berhan Bank feel content and positive about their job roles, including aspects like recognition, work environment, leadership interaction, and sense of value within the organization.

**Laissez-Faire Leadership:** A passive leadership approach identified by employees at Berhan Bank, where leaders are often disengaged, avoid decision-making, and provide minimal direction or feedback.

**Motivation:** The level of energy, commitment, and drive employees have toward their work at Berhan Bank, influenced by leadership style, workplace culture, and recognition.

**Productivity:** The self-reported efficiency and output level of employees at Berhan Bank in meeting their tasks, goals, and contributing to the bank's success.

**Retention:** The extent to which employees remain working at Berhan Bank over time due to supportive leadership styles and a motivating work environment.

**Transactional Leadership:** This refers to leadership practices at Berhan Bank where leaders focus on setting clear goals, providing performance-based rewards, monitoring work, and applying corrective actions when necessary.

**Transformational Leadership:** In this study, transformational leadership refers to leadership behaviors practiced at Berhan Bank such as inspiring vision, promoting innovation, recognizing employee efforts, and supporting staff development, as perceived by employees through a structured survey.

## **Chapter Two: Review of related literature**

This chapter consists of three sub-sections: theoretical literature review, empirical review and the conceptual framework.

### **2.1 Literature Review on Leadership Styles**

#### **2.1.1 Meaning of Leadership Styles**

Leadership styles means methods and approaches that leaders employ to show direction, implement plans and motivate people within organization. The concept is complex, encompassing a broad range of behaviors, tactics, and philosophies that can be employed depending on the context, challenges, and individuals involved. As Northouse (2018) stated, leadership styles are not merely actions taken by leaders but they reflect the personality and values of the leader, as well as their behavior in relation to the followers and the environment. This full view focuses that leadership is overall process shaped by interactions between leaders and their teams.

Leadership styles can significantly influence organizational culture and employee engagement. Goleman (2000) points out that different leadership styles can bring different emotional responses in followers that directly affects motivation and job satisfaction. For instance, a transformational leader who inspires and engages employees often makes a positive emotional climate contribute to high performance and innovation. On other hand, the approach that performs by autocratic leader is a rigid approach may restrict creativity and reduce employee

motive. This difference shows the importance of understanding leadership styles in creating a better work environment.

### **2.1.2 Theoretical Perspectives on Leadership Styles**

The way people understand leadership styles has changed over time through different theories. One of the most recognized frameworks is the continuum introduced by Lewin, Lippitt, and White (1939), which categorizes leadership styles into three primary types these are; autocratic, democratic and laissez-faire. Autocratic leaders make decisions by their way and expect obedience from their followers, but the democratic style encourages engagement and working together, increasing a sense of ownership among employees. The last one, laissez-faire leadership offers minimal guidance and allows employees considerable autonomy. This framework shows that leadership varies based on the leader's approach and the organizational context.

Further theoretical advancement can be found in the transformational vs. transactional leadership debate. Burns (1978) introduced the difference that transformational leaders inspire followers to achieve extraordinary outcomes by inspiring their interests and enhancing a strong sense of purpose, while transactional leaders focus on exchanges and rewards based on performance. This emphasizes how different leadership styles not only affect operational outcomes but also significantly influence follower's motivation and engagement at a deeper psychological level.

### **2.1.3 Contextual Relevance of Leadership Styles**

The importance of leadership styles extends beyond theoretical constructs into practical applications within organizations. Different industries and organizational cultures demand different leadership approaches. For example, transformational leadership is especially effective in industries undergoing rapid change or innovation, such as technology or finance (Bass &

Avolio, 1994). Where pressures for obedience and operational efficiency needed high, like banking sector, a mix of transactional and transformational leadership may be essential. Leaders must apply appropriate styles customize to the specific challenges they face.

Effective leadership styles emerge from complex interactions with contextual factors. Judge and Piccolo (2004) indicate that situational factors including organizational size, culture and external market conditions cause leadership style effectiveness to fluctuate. The situational leadership theory proposes that leaders who modify their approach according to circumstances tend to attain superior outcomes. Maintaining employee interest while achieving desired results depends on adaptable methods.

#### **2.1.4 The Importance of Adaptability in Leadership Styles**

In today's rapidly changing business landscape, the ability to adapt leadership styles is more crucial than ever. Leaders are often faced with diverse teams, globalization, and technological advancements that create unique challenges requiring varying leadership responses (Zaccaro & Klimoski, 2001). This adaptability aligns with the notion of emotional intelligence in leadership, where leaders must understand their own emotions and those of their team members to respond effectively to different situations.

A leader's style can significantly impact how teams navigate change. Ailawadi and Keller (2004) emphasize that adaptive leaders are those who can recognize shifts in their organizational environment and adjust their approaches accordingly. For example, during times of crisis, a more directive or autocratic style may be necessary to make quick decisions, while a participative style may be beneficial during periods of growth or exploration.

### **2.1.5 Nature of Leadership Styles**

The nature of leadership styles encompasses a variety of traits, behaviors, and approaches that leaders adopt to influence their teams and achieve organizational goals. It is essential to understand that leadership is not solely about the position held or the authority exercised; rather, it fundamentally revolves around relationships and the ability to inspire and guide others. Northouse (2018) emphasizes that leadership is a process that involves influence and is fundamentally a social phenomenon. The interaction between a leader and their followers shapes the effectiveness of their style and the organizational culture at large.

Leadership styles can be classified into various types, each with its characteristics, advantages, and potential limitations. For instance, transactional leadership focuses on structured tasks and a clear chain of command, where leaders operate through a system of rewards and punishments (Bass, 1985). This style thrives in environments where compliance and performance are paramount. On the other hand, transformational leadership is characterized by its focus on inspiring and motivating followers to exceed their own self-interests for the sake of the organization (Bass & Avolio, 1994). Transformational leaders often encourage innovation, foster collaboration, and build strong emotional connections, making this style effective in dynamic and rapidly changing environments.

### **2.1.6 Behavioral Dimensions of Leadership Styles**

The behavioral dimension of leadership styles refers to the observable actions and interactions that characterize how leaders behave toward their followers. Research by Ohio State University identified two primary leadership behavior categories: initiating structure and consideration (Fleishman, 1953). Initiating structure involves defining roles, setting goals, and establishing clear expectations for followers, while consideration pertains to demonstrating concern and

respect for team members. A balance between these behaviors is often crucial for effective leadership; leaders who place too much emphasis on initiating structure may be perceived as authoritarian, while those who focus solely on consideration may struggle with providing direction.

In addition to these foundational dimensions, other behavioral theories expand on the nature of leadership styles. The Blake and Mouton Managerial Grid (1964) articulate a framework that categorizes leaders based on their concern for people versus their concern for production, resulting in five primary leadership styles: impoverished, country club, authoritative, middle-of-the-road, and team management. This grid demonstrates that successful leaders must balance outcomes with people-centric practices to create a productive and harmonious work environment.

### **2.1.7 Contingency and Situational Leadership Theories**

The nature of leadership styles is also shaped by contingency and situational leadership theories, which argue that no single style is perfect for all situations. According to Fiedler's Contingency Model, the effectiveness of a leader's style depends on situational factors such as leader-member relations, task structure, and positional power (Fiedler, 1967). This model highlights that effective leaders must be adaptable, adjusting their approaches based on the specifics of a given scenario, including the maturity level of their team and the nature of the tasks at hand.

Hersey and Blanchard's Situational Leadership Theory furthers this argument by proposing that leaders should adapt their style depending on the development level of their followers (Hersey & Blanchard, 1982). This theory outlines four leadership styles—telling, selling, participating, and delegating—each of which aligns with varying degrees of follower readiness. Such adaptability

is critical in fostering employee engagement and ensuring that leadership remains effective in diverse contexts.

### **2.1.8 The Influence of Cultural Context on Leadership Styles**

Another essential aspect of the nature of leadership styles is the impact of cultural context. Leadership approaches may differ based on cultural values, norms, and expectations. Hofstede's Cultural Dimensions Theory illustrates that societies differ significantly in their preferences for various leadership styles. For example, countries with high power distance may accept autocratic leadership more readily than those with low power distance, where democratic and participative styles are preferred (Hofstede, 1980).

Additionally, societal attitudes towards collectivism versus individualism can shape leadership approaches. In collectivist cultures, transformational leadership that emphasizes group harmony and collaboration may be more effective, whereas individualistic cultures may respond better to transactional and competitive leadership styles (House et al., 2004). As organizations increasingly operate in diverse and multicultural environments, leaders must understand and adapt their styles to resonate with their team members' cultural backgrounds.

### **2.1.9 Impact of Leadership Styles on Organizational Outcomes**

Understanding the nature of leadership styles is paramount when considering their impact on organizational outcomes. Research has shown that effective leadership positively correlates with employee motivation, job satisfaction, and overall organizational performance (Judge & Piccolo, 2004). For instance, transformational leaders can enhance employee engagement and innovation, leading to better performance metrics. In contrast, authoritarian leadership may lead to short-term compliance but can negatively impact morale, creativity, and long-term retention.

Moreover, the adaptability of leadership styles contributes significantly to managing change within organizations. Leaders who can align their styles with the demands of change initiatives are often more successful in driving acceptance and minimizing resistance among their teams (Kotter, 1996). This adaptability reflects the essential nature of leadership styles in fostering resilience and agility within organizations facing external pressures.

## **2.1.10 Different Leadership Styles**

### **2.1.10.1 Transformational Leadership**

Transformational leadership is defined as a leadership style that inspires and motivates followers to achieve extraordinary outcomes while fostering their personal and professional development. This approach is characterized by leaders who communicate a compelling vision, promote an engaging work environment, and stimulate innovation among their followers. Bass (1985) emphasizes that transformational leader's focus on raising followers' consciousness about the importance of their tasks and empowering them to transcend their self-interests for the benefit of the organization.

#### **2.1.10.1.1 Theoretical Background of Transformational Leadership**

The concept of transformational leadership was first introduced by James MacGregor Burns in 1978, who distinguished between transactional and transformational leadership. Burns posited that transformational leaders elevate the motivation and morality of both themselves and their followers, leading to a greater level of engagement and commitment. Following Burns, Bernard Bass further developed the theory, suggesting that transformational leadership can be measured and quantified through certain behaviors and characteristics (Bass & Avolio, 1994). This

theoretical foundation has influenced numerous studies exploring how transformational leaders can significantly enhance employee performance, job satisfaction, and organizational culture.

#### **2.1.10.1.2 Characteristics of Transformational Leadership**

Transformational leaders exhibit several key characteristics: they are charismatic, demonstrate individualized consideration towards followers, provide intellectual stimulation, and communicate an inspiring vision. According to Judge and Piccolo (2004), these behaviors contribute to creating a strong organizational culture that fosters innovation, adaptability, and employee loyalty. Furthermore, transformational leadership has been linked to increased levels of creativity and engagement among employees, especially in dynamic environments that demand continuous improvement and change (Goleman, 2000). Transformational leadership is particularly effective in settings where employees seek purpose and motivation, such as nonprofits and creative industries.

#### **2.1.10.2 Transactional Leadership**

Transactional leadership is characterized by a focus on the exchange process between leaders and followers. In this style, leaders use rewards and punishments as tools to manage their teams' performance and compliance with established standards. The primary goal is to achieve tasks and maintain the status quo through structured policies and procedures (Bass, 1985). Transactional leaders establish clear expectations and provide feedback on performance, which can lead to relatively high levels of efficiency in task execution.

##### **2.1.10.2.1 Theoretical Background of Transactional Leadership**

Though transactional leadership has been understood for decades, it gained prominence through Burns' (1978) research on leadership. He contrasted it with transformational leadership,

suggesting that transactional leadership is inherently about maintaining organizational performance through established relationships based on rewards and penalties. Bass further expanded on this notion, coining the term "contingent reward" to describe the conditional nature of the exchange between leaders and followers (Bass, 1985). This theoretical framework supports the idea that transactional leadership is effective in achieving short-term goals and operational efficiency.

#### **2.1.10.2 Characteristics of Transactional Leadership**

Transactional leaders typically exhibit clear directive behaviors, set specific performance targets, and provide rewards (like bonuses or recognition) for achieving those goals. They often rely on established routines and visible processes to ensure compliance and accountability (Yukl, 2013). While this style can be beneficial in highly structured environments, such as manufacturing or compliance-focused organizations, it tends to limit creativity and innovation (Judge & Piccolo, 2004). Furthermore, the focus on task completion can sometimes lead to a lack of emotional connection between leaders and followers, resulting in decreased employee engagement and satisfaction, especially in more dynamic industries.

#### **2.1.10.3 Laissez-Faire Leadership**

Laissez-faire leadership is defined as a hands-off leadership style where leaders provide minimal guidance and allow employees to make decisions and take ownership of their work. This approach encourages autonomy and freedom for team members to set their own goals and methods for accomplishing tasks. Laissez-faire leadership can be seen as an extreme form of non-interference, where leaders offer little direction and leave it largely up to their followers to perform independently (Yukl, 2013).

### **2.1.10.3.1 Theoretical Background of Laissez-Faire Leadership**

The foundation of laissez-faire leadership can be traced back to early studies of leadership styles, including Kurt Lewin's leadership framework (Lewin, Lippitt, & White, 1939). In their research, they identified three primary leadership styles—democratic, autocratic, and laissez-faire. This categorization laid the groundwork for further exploration of how varying levels of involvement can significantly impact team performance and morale. Laissez-faire leadership has since been utilized in various studies to assess its effectiveness in different contexts and its implications for team dynamics (Goleman, 2000).

### **2.1.10.3.2 Characteristics of Laissez-Faire Leadership**

Leaders who adopt a laissez-faire style often empower their teams significantly, allowing for high levels of autonomy and innovation. While this can foster creativity and satisfaction among highly skilled and motivated employees, it can also lead to ambiguity and inefficiency if not properly managed (Yukl, 2013). In situations where team members lack experience or require direction, laissez-faire leaders may struggle to provide the necessary support, potentially leading to confusion and reduced performance. This style can be effective in creative environments or among teams of experts who are self-motivated but may backfire in more structured or hierarchical environments that require tight control and supervision (Judge & Piccolo, 2004).

## **2.2 Empirical Review**

### **2.2.1 Transformational Leadership and Employee Performance**

Transformational leadership has been widely studied for its positive impact on employee performance. This leadership style is characterized by its ability to inspire and motivate followers to exceed their own self-interests for the greater good of the organization. A plethora

of empirical studies has indicated that transformational leadership significantly enhances employees' job performance by fostering a supportive and innovative work environment. For example, Bass and Avolio (1994) found that transformational leaders create a vision of the future that inspires employees, thereby increasing their commitment to organizational goals and enhancing overall performance.

Furthermore, research conducted by Judge and Piccolo (2004) quantitatively demonstrated that transformational leadership is positively related to various performance metrics, including productivity and creativity. In their meta-analysis, they highlighted that teams led by transformational leaders tend to exhibit higher levels of job satisfaction and engagement, contributing to improved performance outcomes. Additionally, transformational leadership has been associated with an increase in organizational citizenship behavior, which further drives employee performance and effectiveness (Podsakoff et al., 1990). The underlying psychological mechanisms, such as increased motivation and a sense of belonging, play a crucial role in translating transformational leadership into enhanced employee performance.

### **2.2.2 Transactional Leadership and Employee Performance**

Transactional leadership, while distinct from transformational leadership, also plays a significant role in shaping employee performance, albeit through different mechanisms. This leadership style emphasizes structured tasks, clear expectations, and a reward-punishment system that motivates employees to perform according to defined standards. Research suggests that transactional leadership can be effective in achieving high levels of performance in stable and well-defined tasks (Bass, 1985). For example, a study conducted by Wang et al. (2011) indicated that transactional leadership positively correlates with employee performance and job satisfaction, especially in environments where adherence to rules and procedures is critical.

However, it is essential to note that the effectiveness of transactional leadership may vary depending on the contextual factors and the nature of the tasks involved. Judge and Piccolo (2004) reported that transactional leadership behaviors, such as contingent reward and management by exception, were effective in promoting performance, especially in situations requiring compliance and routine tasks. While transactional leadership can lead to short-term performance enhancements, it may lack the ability to spur innovation and creativity in employees compared to transformational leadership (Avolio & Bass, 2004). This limitation suggests that organizations aiming for long-term performance improvements may need to integrate transformational elements into their leadership practices.

### **2.2.3 Laissez-Faire Leadership and Employee Performance**

Laissez-faire leadership, characterized by a hands-off approach and minimal leader intervention, presents a different relationship with employee performance. While this leadership style empowers employees by granting them autonomy, it can also lead to ambiguity and decreased performance if not applied in the right context. Research shows that laissez-faire leadership is often associated with lower levels of employee performance, particularly in teams that require guidance and support (Yukl, 2013). For instance, a study by Skogstad et al. (2007) found that employees working under laissez-faire leaders tended to experience confusion regarding their roles and responsibilities, which negatively impacted their performance outcomes.

Moreover, laissez-faire leadership can lead to increased frustration and dissatisfaction among employees who prefer structure and clear direction (Judge & Piccolo, 2004). In environments where creativity and innovation are critical, laissez-faire leadership may foster independence but could also result in a lack of collaboration and communication among team members, further hindering overall performance (DeChurch & Marks, 2001). Therefore, while a laissez-faire

approach can work well with highly skilled and self-motivated teams, it is generally less effective in boosting employee performance across diverse organizational settings that necessitate leadership and guidance.

## **2.3 Conceptual Framework**

The conceptual framework presents the relationship between various leadership styles transformational, transactional, and laissez-faire and their impact on employee performance. This framework is essential in understanding how different leadership approaches can influence the effectiveness, engagement, and productivity of employees within organizations.

### **2.3.1 Independent Variables**

**Transformational Leadership:** This style is defined by leaders who inspire and motivate employees to exceed their own self-interests for the good of the organization. Transformational leaders cultivate an environment of trust and support, encouraging creativity and innovation. They communicate a compelling vision and provide individualized consideration, enhancing employee motivation and commitment (Bass & Avolio, 1994).

**Transactional Leadership:** This leadership style focuses on the exchanges that occur between leaders and followers, characterized by a structured approach to management. Transactional leaders use rewards and punishments to influence employee performance and ensure compliance with organizational standards. They establish clear expectations and provide feedback based on performance outcomes (Bass, 1985; Judge & Piccolo, 2004).

**Laissez-Faire Leadership:** This hands-off style is characterized by minimal leader intervention, allowing employees significant autonomy in their work. While it may empower highly skilled

and self-motivated employees, laissez-faire leadership can lead to role ambiguity and decreased performance among those who require more guidance (Yukl, 2013).

### **2.3.2 Dependent Variable**

**Employee Performance:** Employee performance is defined as the effectiveness with which an employee fulfills their job duties and accomplishes organizational goals. It can be measured through various metrics, including productivity, quality of work, job satisfaction, and engagement levels. Successful leadership styles can enhance employee performance by improving motivation, clarity of roles, and fostering a positive working environment.

### **2.3.3 Proposed Relationships**

The proposed relationships among the variables in the conceptual framework are as follows:

**Transformational Leadership → Employee Performance:** the researcher see transformational leadership as a thing that positively impacts employee performance, since it helps with motivation, making people creative and align them with organization wants.

**Transactional Leadership → Employee Performance;** Then there is transactional leadership, and my thought is that it can make employee performance better too by using reward systems and making sure expectations are clear, especially in places where things are very structured.

**Laissez-Faire Leadership → Employee Performance:** The hypothesis surrounding laissez-faire leadership posits that while it can enhance autonomy for skilled employees, it may negatively impact performance in contexts where guidance and support are necessary.

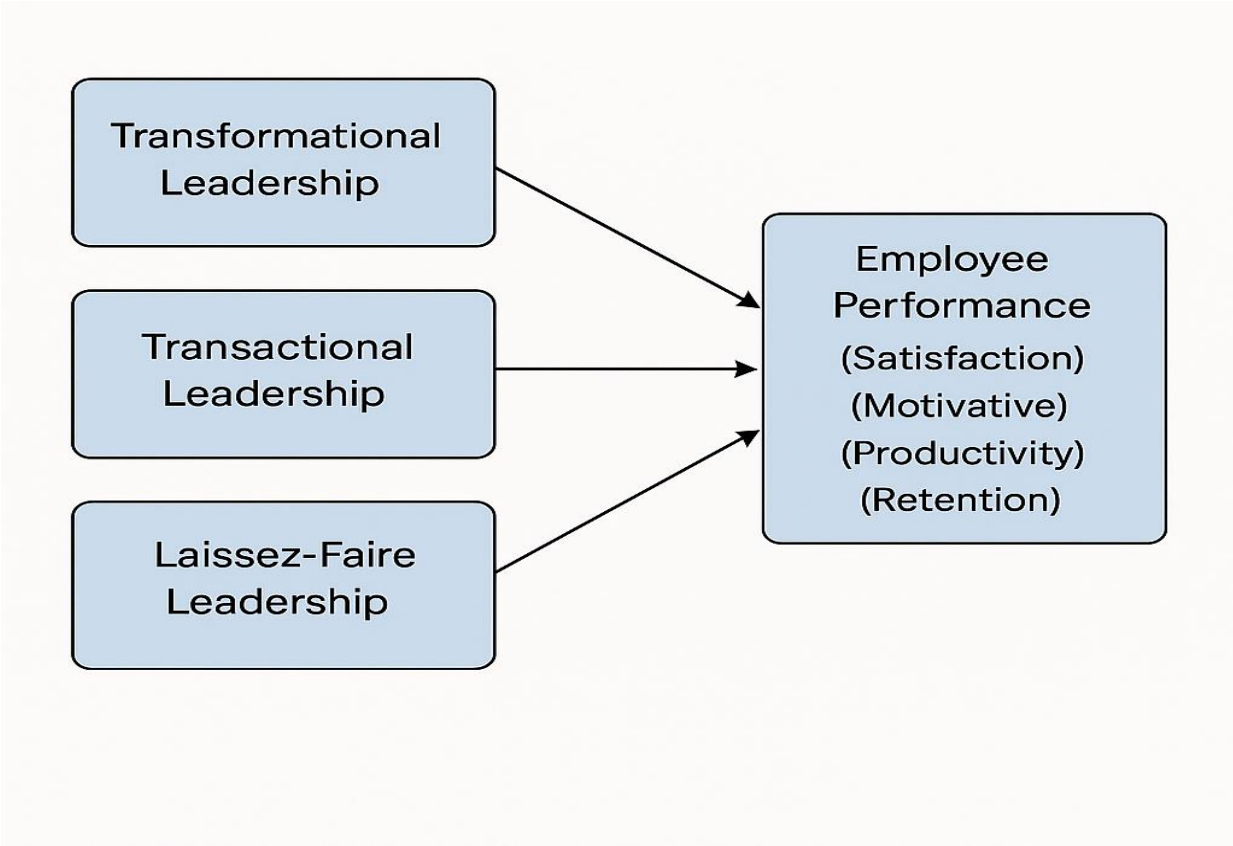


Figure 2.1: Conceptual Framework.

## **Chapter Three: Research Methodology**

### **3.1 Research Design**

Research design is the blueprint it provides a structured approach to answering research questions, ensuring that the study's goals are met in an organized, reliable, and valid manner. For this research, descriptive survey quantitative research design was employed. The descriptive survey method is a quantitative research approach used to systematically collect data from a group of respondents to describe characteristics, opinions, behaviors, or trends within a population. It focuses on gathering information about existing conditions without manipulating variables, making it useful for understanding relationships and patterns.

The research design steps;

- Select Participants (Sample) from population
- Collect data
- Analyze data
- Interpret finding

### **3.2 Study Area**

The goal of this study was to see how different leadership styles influence employee performance at Berhan Bank S.C. Since the bank has many branches across Addis Ababa and other regions, it was difficult to include all of them. Therefore, the study focused on two branches in Addis Ababa and selected departments at the Head Office.

### **3.3 Population and Sample**

#### **3.3.1 Target Population**

This research focused on two branches and the head office departments of Berhan Bank SC, located in Addis Ababa. The study targeted a sample of 50 employees from various departments, including directors, managers, tellers, and officers. These participants were crucial for gathering relevant information regarding the leadership styles practiced within the organization and how these styles related to employee performance.

#### **3.3.2 Sample Size Determination**

Due to the wide population and the difficulty of collecting information from all individuals, sampling was necessary. For this research, a sample of 50 participants was selected. This size maintained a balance between managing the data efficiently while ensuring enough diversity within the sample to capture various perspectives relevant to the research questions.

#### **3.3.3 Sampling Method**

Sampling is a process in statistical analysis where researchers take a predetermined number of observations from a larger population. In order to select a sample from the population, the researcher applied a simple random sampling method. Simple random sampling is a probability based sampling method in which each unit in the population has an equal chance of being selected, ensuring an unbiased representation of the study population (Singh, S. 2003). There were two branches, namely Bole and Airport, and departments such as Marketing, Digital Financial Services, Information Technology, and Finance chosen for the study. A questionnaire

was distributed to 50 randomly selected employees of Berhan Bank to gather their responses regarding leadership styles and employee performance.

### **3.4 Data Source and Type**

To investigate the leadership styles and employee performance at Berhan Bank, the research primarily relied on primary sources for data collection. A structured questionnaire was developed as the main method for gathering information. This questionnaire was specifically designed to collect information from different employees of branches and departments including Directors, Managers, Tellers, and Officers.

### **3.5 Data Gathering Instruments and Procedures**

The study utilized a structured questionnaire based on the Bass & Avolio (1992) framework to examine leadership styles and their impact on employee performance at Berhan Bank S.C. The questionnaire incorporated a five-point Likert scale to measure respondents' perceptions of transformational, transactional, and laissez-faire leadership practices. Likert scale values 1 = strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree. Additionally, demographic data, including age, sex, education level, and years of experience, were collected to provide contextual insights. The responses, gathered confidentially, served as the foundation for analyzing leadership effectiveness and its influence on employee satisfaction, productivity, and retention.

The questionnaire was personally distributed to all respondents, as the selected branches and departments were located close to each other. All 50 participants provided responses, ensuring that complete data was successfully collected from the selected staff of Berhan Bank S.C.

### **3.6 Method of Data Analysis**

This study employed a quantitative research design, utilizing descriptive statistics and correlation analysis to examine the relationship between leadership styles and employee performance at Berhan Bank S.C. Data were gathered from two branches Bole and Airport and four departments: Marketing, Digital Financial Services, Information Technology and Finance. The research focused on identifying the predominant leadership style and its impact on job satisfaction, motivation, productivity, and retention. The responses were measured using a Likert scale and analyzed using JASP 0.19.3, statistical software designed for efficient data processing and interpretation.

To assess the general trends in leadership practices and employee experiences, descriptive statistics were used, including mean and standard deviation values. These helped summarize the overall patterns within the data and provided insights into the variability in leadership approaches. Additionally, correlation analysis was conducted to identify relationships between leadership styles and employee performance indicators. Pearson's correlation coefficient was applied to measure the strength and direction of these associations, determining whether leadership styles positively or negatively influenced employees.

The analysis process ensured data accuracy and relevance by carefully structuring variables and verifying responses before computation. By integrating descriptive and correlational methods, the research provided a comprehensive understanding of how leadership dynamics affect employee engagement and organizational effectiveness. The findings from JASP helped highlight which leadership styles contribute most to employee satisfaction, motivation, and retention, guiding future leadership strategies at Berhan Bank S.C.

### **3.7 Reliability and Validity of the Instruments**

To ensure the accuracy of measurement, the study assessed both reliability and validity of the instrument. Reliability was evaluated using correlation analysis and internal consistency checks, confirming that responses to leadership styles remained stable and consistent across participants. Strong correlations among Transformational and Transactional Leadership questions suggest that the survey items were internally reliable.

The validity of the instrument was assessed in multiple ways. Content validity was ensured by designing the questionnaire based on Bass & Avolio's (1992) leadership framework, making it relevant to leadership impact analysis. Construct validity was confirmed through correlation analysis, where Transformational and Transactional Leadership showed significant relationships with job satisfaction, motivation, and employee productivity, indicating the tool accurately measures leadership influence. Criterion validity was evaluated by comparing the results with previous studies, reinforcing the appropriateness of the selected variables and measurement approach.

### **3.8 Ethical Consideration**

Ethical consideration was a core principle guiding this research. Maintaining participant confidentiality was a high priority throughout the study. All responses provided by participants were treated with confidence, secure and used only for the academic purposes of this research paper.

## **Chapter Four: Data Analysis and Interpretation**

This chapter presents analysis of the data collected and interpreting the findings. This analysis aims to offer useful insights into how leadership practices at Berhan Bank can be improved to improve employee satisfaction, motivation and overall effectiveness.

In recent years, Berhan Bank S.C. has been through important changes in its leadership approaches that have caused many challenges for its employees. Employee dissatisfaction, decreased work quality and motivation were the signs for this. These problems indicate that it needs to examine what leadership styles are used in the bank and how they affect employee performance.

There are three main goals:

- Identifying the predominant leadership styles at Berhan Bank and examine how employees feel about them.
- To look at the relationship between these leadership styles and employee performance.
- To find out which leadership practices most influence employee motivation and retention.

Data was collected from employees at the Bole and Airport Branches, as well as from different departments within the bank. A structured questionnaire was used to gather information about respondent's backgrounds, the leadership styles in use and how these styles relate to performance. As it already stated previously the data was collected from employees of Berhan Bank S.C. branches and departments and analyzed by JASP 0.19.3, statistical software.

## 4.1 Demographic Information of the Respondents

### 4.1.1 Sex and Age of the Respondents

The following table shows the total sample respondent's demography, based on age and sex.

Variables	Sex			Age					
	Male	Female	Total	Below 18	19-25	26-35	36-45	Above 45	Total
	25	25	50	0	22	23	5	0	50
Percent	50%	50%	100%	0%	44 %	46%	10%	0%	100%

Table 4.1: sex and age of the respondents

The table provides a structured overview of the demographic information of the respondents in terms of sex and age. The total sampled number of employees is 50 individuals, with 25 males of 50% of the population and 25 females of 50%. In terms of age, respondents are classified into five groups: 0 numbered below the age of 18 (0%), while 10% (5 respondents) are aged between 36-45 years. The largest age group is 26-35 years, 46% (23 respondents), the second largest is between 19-25 years with 44% (22 respondents). Lastly, 0% (0 respondents) of the sample are aged above 45 years.

#### 4.1.2 Respondents Work Position, Experience and Education Level

The following table shows respondents work positions, experience and level of education they have.

Variables			Percent
Position	Directors	0	0%
	Branch and Depts. Managers	3	6%
	Tellers	13	26%
	Officers	29	58%
	Other	5	10%
	Total	50	100%
	Experience	10 <	6
5-10 Years		8	16%
0-5 Years		36	72%
Total		50	100%
Education Level	Masters Degree	20	40%
	Bachelor Degree	30	60%
	Diploma	0	0%
	Other	0	0%
	Total	50	100%

Table 4.2: Respondents work position, experience and education Level

The table presents the demographic distribution of respondents based on their job position, years of work experience, and education level.

In terms of work position, the majority of respondents are officers (58%), followed by tellers (26%). A small percentage consists of other staff (10%) and managers (6%), while there are no directors among the surveyed employees.

Regarding work experience, most employees (72%) have worked for up to five years. Employees with five to ten years of experience are 16%, and only 12% have worked for more than ten years.

In terms of education level, the majority of respondents have a bachelor's degree (60%), followed by master's degree (40%).

## 4.2 Descriptive Statistics

This section presents summary statistics to describe the data collected from respondents at Berhan Bank S.C. by focusing on transformational, transactional and laissez faire leadership styles and their impacts on employee performance

### 4.2.1 Transformational Leadership

Statistic	Mean	Std. Deviation
Leaders inspire employees with a vision	3.060	1.150
Encourages innovation	3.120	1.319
Values employee growth	2.920	0.665
Recognizes individual contributions	3.160	1.095
Motivates beyond financial incentives	2.940	0.913

Table 4.3: Mean and St. Deviation of transformational Leadership

The results indicate that transformational leadership is moderately practiced at Berhan Bank. Employees recognize individual contributions the most (Mean = 3.160, SD = 1.095), followed by encouragement for innovation (Mean = 3.120, SD = 1.319). The lowest mean value is found in employee growth initiatives (Mean = 2.920, SD = 0.665), suggesting that leadership may not be strongly prioritizing long-term employee development. The standard deviation values indicate some variability in responses, meaning employees have different perceptions regarding transformational leadership practices.

#### 4.2.2 Transactional Leadership

<b>Statistic</b>	<b>Mean</b>	<b>Std. Deviation</b>
Rewards linked to performance	2.560	0.951
Monitors work & provides corrective action	3.360	0.802
Focuses on short-term goals	3.640	1.191
Provides direct instructions	3.400	0.904
Evaluates performance based on measurable outcomes	3.100	1.233

Table 4.4: Mean and St. Deviation transactional Leadership

Transactional leadership appears to be well structured at Berhan Bank, with short-term goals receiving the highest mean score (Mean = 3.640, SD = 1.191), indicating a clear focus on immediate targets rather than long-term strategies. Employees also reported clear monitoring and corrective actions from managers (Mean = 3.360, SD = 0.802). However, rewards tied to job performance showed a lower mean value (Mean = 2.560, SD = 0.951), suggesting that incentive

structures may not be as strong as expected. The standard deviations for transactional leadership responses indicate moderate variation in employee perceptions.

#### 4.2.3 Laissez-Faire Leadership

<b>Statistic</b>	<b>Mean</b>	<b>Std. Deviation</b>
Managers avoid decision-making	3.000	1.125
Minimal guidance from leaders	3.000	1.143
Significant autonomy with little intervention	2.940	0.913
Lack of structured leadership causes inconsistency	3.220	1.217
Rare engagement in addressing employee concerns	3.300	1.055

Table 4.5: Mean and St. Deviation laissez-Faire Leadership

The results show that laissez-faire leadership is present but not dominant. Employees reported that leaders rarely engage in addressing workplace concerns (Mean = 3.300, SD = 1.055), followed by a lack of structured leadership causing inconsistency (Mean = 3.220, SD = 1.217). However, autonomy without intervention had a lower mean (Mean = 2.940, SD = 0.913), indicating that while employees experience some independence, excessive autonomy may lead to challenges in decision making. The standard deviation values suggest that employee views on laissez-faire leadership vary significantly, meaning some respondents experience strong leadership disengagement while others may feel more supported.

### **4.3 Correlation Analysis**

This section presents the results of the correlation analysis, examining the relationship between leadership styles and employee performance indicators at Berhan Bank S.C. The study used Pearson's correlation coefficient to identify significant associations between transformational, transactional and laissez faire Leadership and employee performance metrics, including job satisfaction, motivation, productivity, retention, and turnover.

#### **4.3.1 Relationship between Leadership Styles and Job Satisfaction & Motivation**

The analysis shows that transformational leadership demonstrates a strong positive correlation with job satisfaction and motivation ( $r$ - values between 0.403 and 0.679,  $p < .001$ ). This indicates that employees who experience transformational leadership, encouragement and recognition tend to feel more satisfied and motivated at work. Similarly, Transactional leadership also shows moderate positive correlations ( $r = 0.473$ ,  $p < .001$ ), indicating that structured feedback and performance based incentives contribute to motivation. In contrast, laissez faire leadership exhibits weak or negative correlations, meaning passive leadership does not strongly support motivation.

#### **4.3.2 Leadership Styles and Employee Productivity**

Transformational leadership maintains strong correlations with employee productivity ( $r$ - values between 0.457 and 0.723,  $p < .001$ ), implying that inspirational leadership encourages higher work efficiency. Transactional leadership also correlates positively ( $r = 0.638$ ,  $p < .001$ ), emphasizing the role of structured performance evaluations in driving productivity. Laissez-Faire Leadership, however, displays inconsistent correlations, suggesting that minimal leadership engagement does not enhance productivity.

### **4.3.3 Leadership Styles and Employee Retention & Turnover**

Transformational leadership is positively associated with employee retention ( $r$ - values ranging from 0.294 to 0.383,  $p < .001$ ), indicating that employees under transformational leadership are more likely to remain committed to the organization. Transactional leadership also shows moderate positive correlations ( $r = 0.477$ ,  $p < .001$ ), meaning goal-driven leadership may contribute to employee retention. Laissez faire leadership, however, displays negative correlations with retention ( $r = -0.239$  to  $-0.431$ ), suggesting that low engagement from leaders may result in higher employee turnover.

### **4.3.4 Interpretation of Findings**

The correlation analysis shows that transformational and transactional leadership approaches positively impact employee satisfaction, motivation, and productivity, and laissez faire leadership shows weaker or negative relationships with performance indicators.

## **4.4 Regression Analysis**

### **4.4.1 Model Assumptions Test**

#### *Normality of the Error Term Distribution*

Both skewness, kurtosis and graphical inspection were employed to examine the normal distribution of the data. Skewness indicates the symmetry of the distribution; a value of zero indicates symmetry, while positive and negative values indicate right and left skew, respectively. Kurtosis measures how much the peak of a distribution differs from a normal distribution; a positive values indicate a more pointed distribution, while negative values indicate a flatter distribution. As shown in Table 4.6 all variables have acceptable skewness statistics for

normality (-1.0 to +1.0). The skewness and kurtosis values are between the acceptable ranges and the data still meets the assumption of normality for multiple regression.

**Table 4.6: Skewness and Kurtosis**

	SD	Skewness		Kurtosis	
		Statistic	Std. Error	Statistic	Std. Error
Transformational	0.77886	-0.267	0.337	-0.607	0.662
Transactional	0.82448	-0.279	0.337	-0.53	0.662
Laissez-faire	0.93135	0.036	0.337	-0.858	0.662
Employee performance	0.70284	-0.083	0.337	-0.619	0.662

The histogram of the regression residual distribution also shows that the data is not deviated from the normal distribution. Majority of the data distributes between -2 and 2 as illustrated in the figure below.

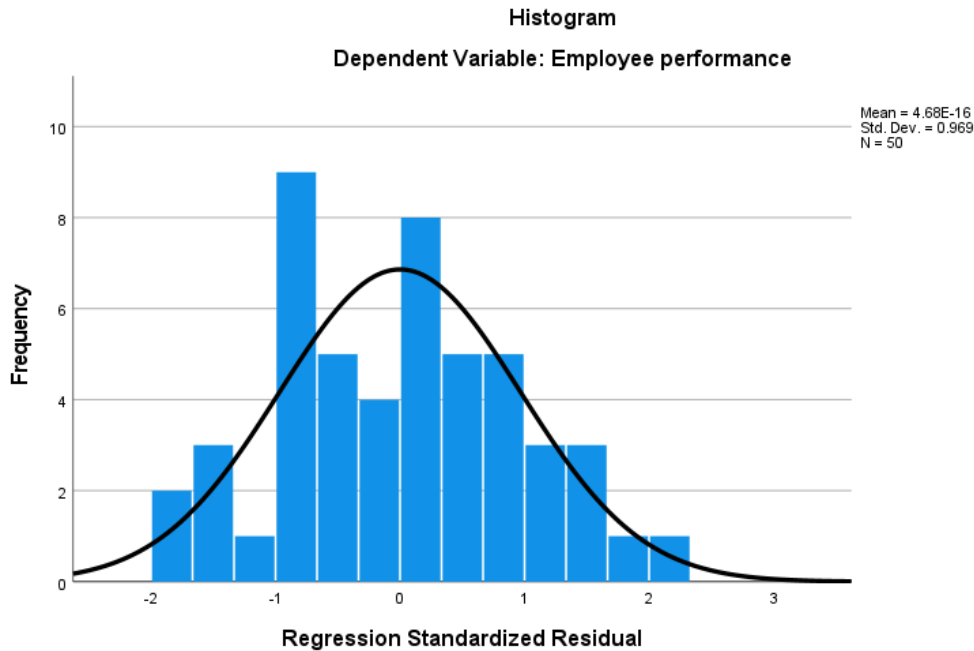


Figure 4.1: Histogram for Normality Test

***Multicollinearity***

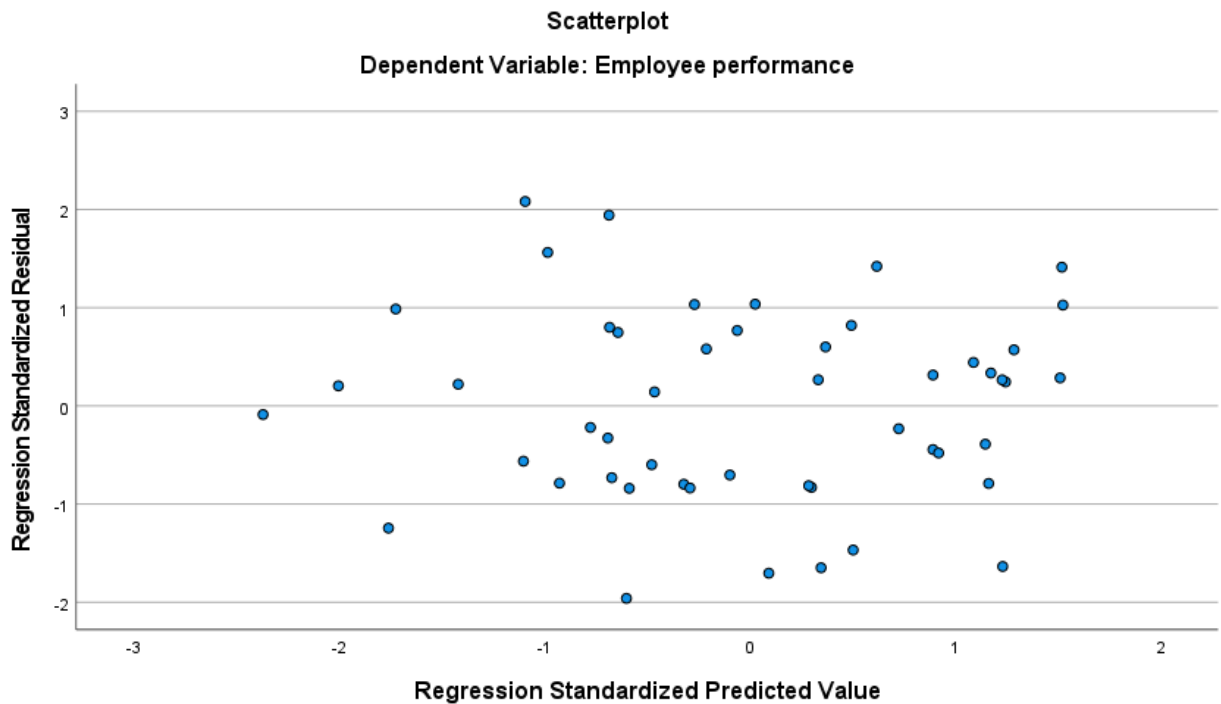
The multicollinearity among independent variables was tested using SPSS 27 and no multicollinearity problem was detected in the data as shown in the table below. Tolerance values were less than 1 and Variance Inflation Factor VIF values were around 1.00 and less than 2.5, indicating no multicollinearity.

**Table 4.7: Multicollinearity test results**

Model	Collinearity Statistics	
	Tolerance	VIF
Transformational	.591	1.692
Transactional	.446	2.241
Laissez-faire	.688	1.454

### *Heteroscedasticity*

For this assumption scatterplots or residual plots versus either the predicted values of the dependent variable or against (one of) the independent variable(s) were used. The scatter plots of standardized residuals versus the fitted values for the regression models were visually inspected in figure 3. This shows that the data has no heteroscedasticity problem, and the assumption is met.



**Figure 4.2: Scatter plot test for Heteroscedastic**

### *Auto-correlation*

The auto-correlation which occurs when the dependent variable at time  $t$  is related to its value at the previous time period, was tested Durbin-Watson value in regression analysis. A value of 2 indicates no autocorrelation. The acceptable range for no autocorrelation is  $1.5 < DW < 2.5$ . the

Durbin-Watson value in this study is 1.785, which falls within the acceptable range, indicating no significant autocorrelation.

#### 4.4.2 Model Results

The regression analysis results indicate that there is strong relationship between various leadership styles and employee performance. The  $R^2$  of 0.633 shows that the model explain approximately 63.3% of the variance in employee performance. The ANOVA results which show an F-value of 26.486 and a significance level of  $p < 0.001$  the overall model is statistically significant.

**Table 4.8 Model Results**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.796 <sup>a</sup>	.633	.609	.43924	1.785

a. Predictors: (Constant), Laissez-faire, Transformational, Transactional

b. Dependent Variable: Employee performance

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.330	3	5.110	26.486	.000 <sup>b</sup>
	Residual	8.875	46	.193		
	Total	24.205	49			

a. Dependent Variable: Employee performance

b. Predictors: (Constant), Laissez-faire, Transformational, Transactional

Regarding the effect level of each predictor, transactional leadership style emerges as the most influential, (Beta = 0.512,  $p < 0.001$ ). This indicates that higher levels of transactional leadership are associated with significantly improved employee performance. Transformational leadership also shows a significant positive effect (Beta = 0.263,  $p < 0.028$ ), indicating that this leadership

style contributes positively to performance. On the other hand, laissez-faire leadership style showed a negative, but insignificant impact on employee performance (Beta = -0.152, p = 0.165), indicating that this leadership approach may hinder performance.

**Table 4.9 Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.563	.492		3.175	.003
	Transformational	.237	.105	.263	2.263	.028
	Transactional	.436	.114	.512	3.831	.000
	Laissez-faire	-.115	.081	-.152	-1.413	.165

Previous research supports the idea that transactional leadership can be effective in improving employee performance, particularly in stable and predictable environments (Legood, 2020). Through setting clear goals, providing regular feedback, and rewarding desired behaviors, transactional leaders can create a culture of accountability and achievement. However, transactional leadership may not be as effective in dynamic or uncertain environments, where creativity and innovation are needed (Mansaray, 2019). In these situations, a more transformational approach may be required to inspire employees. It is likely that a combination of transactional and transformational leadership is most effective in promoting employee performance and performance in the long run.

The results of transformational leadership highlight its effectiveness in motivating employees and encouraging creativity.

Transformational leadership stands out as the most significant predictor of employee performance, showing that leaders who inspire and support their teams can drive substantial improvements in performance outcomes. This implies that when employees feel valued and

motivated by their leaders, they are more likely to exceed expectations and contribute positively to the organization. These findings align with many of previous studies reporting the positive effects of transformational leadership on employee performance, engagement, and performance (Jamali, 2021). Transformational leaders inspire their followers to transcend self-interest for the good of the organization, creating a shared vision and improving a sense of collective purpose (Naile, 2014). They also provide individualized support and intellectual stimulation, helping employees to develop their skills and reach their full potential (Palupi, 2020). However, it is important to note that transformational leadership requires a high level of emotional intelligence and interpersonal skills, and it may not be effective in all situations (Alkahtani, 2015). Leaders must be authentic and genuine in their interactions with employees, and they must be able to adapt their style to the needs of the individual and the context.

The negative correlation observed with laissez-faire leadership further underscores the potential pitfalls of a hands-off approach, where employees may feel unsupported and disengaged. This implies that while autonomy can be motivating for some, it is not a substitute for effective leadership. Previous studies have similarly found that laissez-faire leadership is generally associated with negative outcomes, such as decreased productivity, increased role ambiguity, and lower job satisfaction (Babalola, 2016).

## **CHAPTER FIVE:**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Summary of findings**

As stated in the previous chapters, the study analyzed responses collected from Tellers, Officers, Managers, Directors, and other staff members of Berhan Bank S.C. by distributing close ended questionnaire type. After the collection, data were processed in SPSS 27, and examined by Pearson's correlation analysis, in order to identify key relationship between leadership styles and employee performance indicators.

By utilizing descriptive statistics and correlation analysis to assess how leadership styles influence employee's satisfaction, motive, productivity and turnover, this study examined the relationship between leadership styles and employee performance indicators within Berhan Bank S.C.

##### **5.1.1 Leadership Styles at Berhan Bank S.C.**

As the finding result transformational leadership has applied moderately. However, approaches of employee growth support are needs to be adjusted. The transactional Leadership in the organization is well structured, focused on short term goals and performance controlling, but rewarding systems needs improvement. The last leadership style, laissez faire leadership is less applied that shows leader's engagement inconsistency.

### **5.1.2 Impact of Leadership Styles on Employee Performance**

- Transformational leadership approaches shows a positive correlations with job satisfaction, motivation and productivity that indicates its effectiveness in enhancing an engaged employee.
- Based on the result of transactional Leadership approach, suggests structured way leadership style could contribute stability. The result shows that it has moderate correlations with retention and productivity.
- Laissez faire leadership has negative correlations with employee indicators, reinforcing that low engagement from leaders may contribute to lower performance and increased turnover.

## **5.2. Conclusion**

The findings output shows an important finding on leadership approaches effectiveness in Berhan Bank, contributing to a deeper understanding of how different leadership approaches influence employee engagement. The transformational leadership style is predominantly viewed positively by respondents. There was a strong positive relationship between transformational leadership and employee performance. Additionally, regression findings reveal that transformational leadership has the statistically significant positive effect on employee performance. The current findings on transactional leadership style also show availability of this leadership style in the study bank. Correlation analysis reveals a strong positive relationship between transactional leadership and employee performance along with the regression analysis that shows a significant positive effect of transactional leadership on performance.

The results concerning laissez-faire leadership indicate a negative relationship between laissez-faire leadership and employee performance. The regression analysis shows a non-significant

negative impact of laissez-faire leadership on performance, indicating that this style diminishes the employee performance.

### **5.3 Recommendation**

Based on the research findings, the study provided the following recommendations.

As the study result revealed that transformational and transactional leadership styles positively influences productivity, motivation and job satisfaction, even if the level differ. In order to enhance these leadership styles, Berhan Bank S.C. should apply the following;

- The bank should give attention on employee development initiatives and building their skill by preparing training opportunities.
- Recognizing and appreciations should be formal and culture of the organization.
- To enhance the engagement of the employee, leaders should apply approaches of inspiring employees to innovate and create better communication
- Employee feel valued when the performance based reward clearly linked to measure outcome.
- Leaders should clearly show the short term and long term goal connections to the employees.
- Consistent feedback and corrective action needed as it can improve workplace efficiency.
- Give training to leaders and managers about transformational and transactional leadership styles.
- Enhance the recognizing and reward approaches, as they could directly motivate the employees.
- Create a workplace that employee feels valued and feels ownership of the organization.

## **5.4 Research Limitation and Areas of Further Research**

### **5.4.1 Limitation of the study**

This study was conducted in Berhan Bank S.C by focusing branches (Bole and Airport branches) and head office departments (Marketing, Digital Financial Services, Information Technology, and Finance) located in Addis ababa city. The area limitation that covered, limiting the generalization of the results to other branches. Leadership approaches and employee experiences may be different from the city one.

This study just tried to cover three leadership styles (transformational, transactional and laissez-faire) and not considered other leadership styles.

The study used only a questionnaire type of data collection method, so the weakness of this method is that self-reported nature may introduce to bias, as employees perceptions of leadership styles are shaped by their personal experiences.

### **5.4.2 Suggestion for future research**

In addition to the leadership styles used here, such as transformational, transactional and laissez-faire, the future studies could test alternatives like servant leadership and other, which could give more detailed information on employee performance and work engagement.

Researches that focus on leadership roles on digital banking transformation should be taken an attention as Ethiopia is growing and applying fintech sectors.

In addition, there are variables that can be used to examine leadership styles on employee performance, such as stress management, work life balance, and psychological empowerment,

which are increasingly relevant in modern banking environments. By using these and other factors researchers can examine the employee performance.

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## **Questionnaire; Leadership Styles and Employee Performance**

Dear Participant,

I am conducting a research study as part of my academic work, focusing on leadership styles at Berhan Bank S.C. and their impact on employee performance. This questionnaire is designed to gather insights on leadership practices within different branches and departments of the organization.

Your participation in this survey is entirely voluntary, and your responses will be used only for academic purposes and your responses will remain confidential. The information collected will be analyzed to understand leadership patterns and their influence on employee satisfaction, productivity, and retention.

Please answer each question honestly based on your experience and observations.

Thank you for your time and contribution to this study.

### **Section 1: Demographic Information**

**Put  sign on your answer**

1. Age Group

Below 18

18-25

26-35

36-45

46 and above

2. Sex

Male

Female

3. Education Level

Masters Degree

Bachelor's Degree

Diploma

Other (Please specify) \_\_\_\_\_

4. Years of Experience

0-5 years

5-10 years

More than 10 years

**Section 2: Leadership Styles at Berhan Bank S.C.**

Rate each statement on a scale of Strongly Disagree (1) Disagree (2) Neutral (3) Agree (4) Strongly Agree (5)

**Transformational Leadership**

<b>Questions</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
Leaders at my workplace inspire employees with a clear vision and mission.					
My manager encourages me to develop innovative solutions to challenges.					
Leadership at Berhan Bank values employee growth and learning.					
My supervisor recognizes and appreciates individual contributions.					
Leaders motivate employees beyond financial incentives, fostering intrinsic motivation.					

### **Transactional Leadership**

<b>Questions</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
Rewards and incentives at Berhan Bank are clearly linked to job performance.					
My manager closely monitors work progress and provides corrective actions when needed.					
Leadership focuses on short-term goals rather than long-term development.					

Employees receive direct instructions with little room for autonomy.					
Performance evaluations are mostly based on measurable outcomes, rather than personal development.					

**Laissez-Faire Leadership**

<b>Questions</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
Managers often avoid making key decisions, leaving employees to determine work processes					
Employees at my workplace receive minimal guidance or feedback from leadership.					
Leaders allow significant autonomy with little intervention in daily operations.					
There is a lack of structured leadership, resulting in inconsistent decision-making.					
Leaders rarely engage in addressing employee					

concerns or workplace challenges.					
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### Section 3: Employee Performance & Leadership Impact

Rate each statement on a scale of Strongly Disagree (1) Disagree (2) Neutral (3) Agree (4) Strongly Agree (5)

#### Job Satisfaction & Motivation

Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The leadership style at Berhan Bank positively influences my job satisfaction.					
Clear communication from managers improves my motivation at work.					
Leaders provide sufficient recognition for good performance.					
I feel valued and appreciated by management in my workplace					
The leadership culture fosters strong teamwork and collaboration.					

#### Employee Productivity

<b>Questions</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
Leadership decision making impacts my efficiency at work					
My manager's approach helps improve my problem solving abilities.					
The leadership style encourages proactive and independent work.					
Feedback from leadership enhances my productivity and work quality.					
I feel empowered to take initiative in completing tasks.					

### **Employee Retention & Turnover**

<b>Questions</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
Leadership practices at Berhan Bank influence employees' decision to stay or leave.					
Leaders address employee concerns effectively, reducing turnover rates.					
Employees feel connected to the organization due to the leadership style.					

My workplace provides career growth opportunities through effective leadership.					
The leadership style contributes to a stable and positive work environment.					

Questionnaire based on Bass & Avolio (1992) framework