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**COLLEGE OF BUSINESS & ECONOMICS**

**SCHOOL OF COMMERCE**

**MASTERS OF BUSSINESS LEADERSHIP PROGRAM**

**THE ROLE OF LEADERSHIP STYLE ON ORGANIZATIONAL  
DEVELOPMENT. A CASE OF COMMERCIAL BANK OF  
ETHIOPIA**

**BY**

**AZMERA BOLLED**

**A Project Work Submitted to the Office of Graduate Studies of Addis Ababa  
University School of Commerce in Partial Fulfillment of the Requirements for  
the Degree of Masters of Arts in Business Leadership**

**ADVISOR: Solomon Markos, (PhD)**

**September, 2024**

**Addis Ababa, Ethiopia**

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## **DECLARATION**

I, the undersigned declare that the project research work entitled: “The Role of Leadership Style on Organizational Development. A Case of Commercial Bank of Ethiopia.”, is the output of my own effort and study for the partial fulfillment of the Degree of Master of Arts in Business Leadership. I have produced it independently with the guidance and suggestions obtained from my research project advisor, Solomon Markos, (PhD). Moreover, this study has not been done, submitted, and presented on this particular organization for any degree in this university or any other university for the award of a degree or Diploma Program. All other contributors and/or sources used for the study have been duly acknowledged.

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## **STATEMENT OF CERTIFICATION**

This is to certify that the work contained in the project entitled “The Role of Leadership Style on Organizational Development. A Case of Commercial Bank of Ethiopia.”, submitted by Azmera Bolled, for the award of the degree of Master of Art in Business Leadership in Addis Ababa University School of Commerce, is a record of project work carried out by her under my direct supervision and guidance.

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

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ETHIOPIA**

By: Azmera Bolled

Advisor: Solomon Markos, (PhD)

This is to certify that the research project conducted and presented by Azmera Bolled, “The Role of Leadership Style on Organizational Development. A Case of Commercial Bank of Ethiopia.” and submitted in partial fulfillment of the requirements for the Degree of Masters of Art in Business Leadership complies with the regulation of the university and meets the accepted standards with respects to originality and quality.

**Approved by the Board of Examiners**


Advisor:

Name \_\_\_\_\_ Signature: \_\_\_\_\_

Internal Examiner:

Date: \_\_\_\_\_ Name \_\_\_\_\_ Signature: \_\_\_\_\_ Date: \_\_\_\_\_

External Examiner:

Name Abera Demsis(PhD) Signature:  Date: 21/11/2024

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## **List of acronyms and abbreviations**

<b>Acronym/Abbreviation</b>	<b>Full Term</b>
<b>ANOVA</b>	Analysis of Variance
<b>ATM</b>	Automated Teller Machine
<b>BL</b>	Bureaucratic Leadership
<b>CBE</b>	Commercial Bank of Ethiopia
<b>CEO</b>	Chief Executive Officer
<b>EL</b>	Ethical Leadership
<b>IT</b>	Information Technology
<b>OD</b>	Organizational Development
<b>POS</b>	Point of Sale
<b>SPSS</b>	Statistical Package for the Social Sciences
<b>TL</b>	Transformational Leadership

## **Abstract**

*This study explores the role of leadership style on organizational development, with a focus on the Commercial Bank of Ethiopia (CBE). It examines three leadership styles bureaucratic, ethical, and transformational and their respective influences on the bank's growth and sustainability. Data was gathered from 262 employees, including team leaders, managers, and directors, and analyzed using descriptive statistics and regression models. The findings reveal that bureaucratic leadership has the most significant positive impact, providing stability and operational efficiency essential for a large, regulated organization like CBE. Ethical leadership also emerged as a crucial factor, fostering a culture of trust, transparency, and accountability, which enhances both internal morale and external reputation. Transformational leadership, while positively contributing to organizational development, exhibited a more moderate impact, primarily effective when complemented by robust bureaucratic frameworks. The study underscores the necessity of a balanced leadership approach that integrates the stability of bureaucratic leadership, the ethical foundation of ethical leadership, and the innovative drive of transformational leadership. Practical implications for the Ethiopian banking sector include the development of leadership programs that prioritize ethical behavior, operational control, and strategic innovation. The research highlights the importance of fostering a collaborative and adaptive leadership culture to navigate the rapidly changing banking environment. Recommendations advocate for continuous leadership development and the integration of diverse leadership styles to sustain long-term growth. Future studies should inquire into the contextual factors influencing leadership effectiveness and consider longitudinal approaches to evaluate the lasting impact of these leadership styles on organizational development.*

**Keywords:** Leadership styles, Organizational development, Bureaucratic leadership, Ethical leadership, Transformational leadership, Commercial Bank of Ethiopia.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Leadership is universally recognized as a critical component of organizational success. It transcends the mere possession of authority or a title, extending to the ability to inspire, motivate, and guide individuals toward the attainment of shared objectives (Northouse, 2013). Leadership, in its broadest sense, influences every aspect of an organization, from strategy and structure to culture and performance (Yukl, 2010). In highly competitive and rapidly changing sectors, such as banking, effective leadership is not only a determinant of success but a necessity for organizational survival. As the global economy becomes more interconnected and digital transformation accelerates, the banking industry must adapt quickly to changes in technology, customer expectations, and regulatory environments (Choudhury, 2019). Consequently, leadership has become an even more significant driver of organizational development.

Organizational development refers to the planned, systematic process of implementing change to enhance an organization's effectiveness (Beckhard, 1969). It encompasses efforts to improve strategies, structures, and processes to achieve organizational goals. Organizational development is not merely about change; it is about making strategic improvements that ensure long-term success. Leadership plays a pivotal role in organizational development by guiding the vision, fostering a culture of innovation and adaptability, and ensuring that employees are aligned with organizational goals (Schein, 2010). Leaders must navigate the complexities of modern organizations by not only managing day-to-day operations but also by steering the organization through periods of change and uncertainty (Bass & Avolio, 1994).

The significance of leadership in organizational development cannot be overstated. A well-led organization is more likely to thrive, innovate, and remain competitive, while poor leadership can result in stagnation or even failure (Bass, 1985). Effective leadership is essential for creating and maintaining an organizational culture that supports continuous improvement, employee engagement, and a commitment to excellence (Kotter, 2012). Leaders shape organizational culture by setting the tone for how employees interact, collaborate, and approach their work (Schein, 2010). They create the vision that guides the organization's direction, develop the

strategies necessary to achieve that vision, and inspire employees to work towards shared goals (Northouse, 2013).

Leadership styles such as transformational, bureaucratic, and ethical leadership affect how organizational development unfolds. Each style offers different strengths and addresses specific needs within the organization (Bass & Riggio, 2006). For example, transformational leadership is often associated with innovation and change management, where the leader motivates employees to exceed their normal performance levels by inspiring them with a compelling vision (Bass, 1985). This type of leadership is especially important in environments undergoing rapid change, such as the banking sector, where new technologies, regulations, and competitive pressures require constant adaptation (Choudhury, 2019).

On the other hand, bureaucratic leadership, which focuses on rules, procedures, and maintaining order, is often seen in large, complex organizations like banks (Weber, 1978). While this leadership style may not encourage innovation, it is crucial in ensuring stability, efficiency, and adherence to regulatory requirements. Ethical leadership, characterized by fairness, integrity, and transparency, is vital in maintaining trust within an organization, particularly in industries like banking, where ethical lapses can lead to financial disasters and loss of reputation (Brown & Treviño, 2006).

In Ethiopia, the banking sector is experiencing rapid growth, driven by economic expansion, technological advancements, and increased access to financial services (Alemu & Ageba, 2021). The banking industry, which was once dominated by state-owned banks, now includes a mix of private and public institutions competing for market share. As a result, leadership within Ethiopian banks has become a critical determinant of organizational success (Tariku, Menkir, & Kebede, 2020). Banks must not only manage their day-to-day operations efficiently but also adapt to a dynamic business environment characterized by regulatory changes, technological innovations such as mobile banking and fintech, and the increasing demands of a more educated and tech-savvy customer base (Choudhury, 2019).

The Commercial Bank of Ethiopia (CBE), as the largest and oldest bank in the country, plays a significant role in shaping the financial landscape of Ethiopia. Established in 1942, CBE has undergone numerous changes, including the separation of its central banking functions and its evolution into a full-fledged commercial bank (Alemu & Kebede, 2021). Over the years, it has

developed a robust organizational structure with over 1,900 branches across the country and more than 45 million customers. Despite its size and long history, the bank faces challenges related to leadership, particularly in the areas of organizational development and the retention of skilled personnel (Tariku et al., 2020). The competitive banking environment in Ethiopia, coupled with the need to meet global banking standards, requires CBE to continuously adapt and innovate, making leadership even more crucial.

The role of leadership in organizational development is particularly significant in sectors that are undergoing rapid change, such as banking. In Ethiopia, where the banking sector is expanding and modernizing, effective leadership is critical for ensuring that organizations can adapt to new challenges and opportunities. The Commercial Bank of Ethiopia, as the largest bank in the country, provides an ideal case study for examining the impact of leadership on organizational development. By exploring the relationship between leadership styles and organizational outcomes at CBE, this research will contribute to a deeper understanding of how leadership can drive organizational success in the Ethiopian context.

In the Ethiopian banking sector, leadership is critical to maintaining competitiveness, fostering employee performance, and guiding organizational transformation. However, there is a significant gap in understanding how leadership influences organizational development within the local banking industry, particularly at the Commercial Bank of Ethiopia. This study seeks to examine the leadership styles employed at the bank and their role in shaping its organizational development, with a focus on transformational, bureaucratic, and ethical leadership models.

## **1.2 Background of the Organization**

The Commercial Bank of Ethiopia was established in 1942 under the name "State Bank of Ethiopia" and served as both a commercial bank and a central bank. It changed its name to "Commercial Bank of Ethiopia" in 1963, separating the roles of central bank and commercial banking services, allowing it to focus solely on commercial banking. It also provides electronic payment services throughout the country through ATMs, POS, mobile phones, the Internet, and agents using CBE Birr, (Commercial Bank of Ethiopia, 2024.)

The bank's vision is: "To become a world-class commercial bank financially driving Ethiopia's future." Its mission is: "We are committed to realizing stakeholders' value through enhancing financial intermediation globally, deploying highly motivated and skilled employees." The Bank

has undergone significant organizational development and leadership changes throughout the last 82 years in the financial business. Over the course of its 82-year history in the banking industry, the bank has impacted and transformed people's lives in Ethiopia through its services and social responsibility initiatives (Alemu & Ageba, 2021).

The bank currently operates via 1900 branches around the country. As of June 30, 2024, it had acquired over 45 million customers. It has opened branches in South Sudan's capital, Juba, and Djibouti providing basic banking services. As of June 30, 2024, the total number of permanent and contract personnel was 82,833. It also conducts workforce development programs to produce highly motivated, professional, and ethical personnel (Alemu & Ageba, 2021).

Due to its long history of service, CBE has a large number of skilled and experienced personnel with special skills in banking, as well as leaders in various managerial and executive positions. Furthermore, being a pioneer in the banking business, the bank has provided qualified and experienced human resources to private banks. Many of the senior executives in private banks, including managers, directors, vice presidents, and even presidents, have previously worked for CBE. That makes it the ideal organization for this research: "The Role of Leadership on Organizational Development" (Alemu & Kebedew, 2021).

### **1.3 Statement of the Problem**

Leadership involves influencing others to willingly work toward organizational goals with confidence. It is commonly defined as the process of guiding people to direct their efforts toward achieving specific objectives (goddy, 2014).

Organizational development is an effort, planned, organization-wide, and managed from the top, to increase organization effectiveness and health through, planned interventions in the organization's "processes", using behavioral science knowledge (Beckhard, 1969).

In today's global landscape, organizations face rapid and complex changes. The pressure to adapt and survive in this dynamic environment is immense. Factors such as intense competition, technological advancements, evolving customer needs, and workforce diversity contribute to this challenge. Implementing new values and beliefs during such transitions, which impact large numbers of people across diverse circumstances, proves exceptionally difficult. Leadership plays a critical role during significant change. While resources are invested in developing

managers into leaders, successful organizational transformation requires turning these leaders into change masters. To achieve this, leaders must continually enhance their understanding of necessary changes and improve their leadership competencies.

In the post-digital era, digitalization has significantly transformed leadership skills and approaches. Extensive research conducted in both Western and Asian societies has revealed that various industries contribute to the development of distinct leadership styles (Arokiasamy et al., 2015). Recent surveys indicate that 95 percent of organizations recognize the need to define new leadership paradigms to adapt structurally and operationally, ensuring competitiveness within their sectors (Charlier et al., 2016).

The success or failure of any organization depends to a large extent on the nature of leadership. While more efficient leadership leads the organization to progress, on the other hand, unskilled leadership leads the organization to collapse or fail. Managers can achieve results through planning, recruitment, and control functions. However, in the absence of effective leadership, only 60% to 65% of the capacity of subordinates is utilized. Only through effective leadership can employees be motivated to make their optimum contribution to achieving organizational goals (Kumar Gupta, n.d.).

Leadership styles are critical in deciding how an organization develops. While researchers have suggested various leadership techniques to guarantee that the organization has the appropriate structure and processes in place to support its growth, there have been insufficient studies on this topic, particularly in Ethiopian banks. Organizational growth is critical for any firm that seeks to expand its operations; therefore, this study attempts to look into the role of leadership styles in organizational development, specifically at Commercial Bank of Ethiopia.

The capacity to manage organizational development relies foremost on the human factor, as individuals actively seek ways to improve organizational conditions. Additionally, understanding the cyclical nature of socio-economic systems provides valuable insights into fostering sustainable growth. According to Doroshuk (2019), the need for organizational development is driven by the alignment between an organization's goals and those of its employees, as well as by the inherent feature of continuous development within any growing organization.

To gain relevant insights into leadership and organizational development within the Commercial Bank of Ethiopia (CBE), a brief interview was conducted with certain selected managers before diving deeper into the actual study focusing on their perspectives on leadership challenges and organizational continuity within the bank. To maintain confidentiality, participants' names and specific job titles are not disclosed.

The initial interviews reveal a noticeable leadership capability gap at CBE that impedes organizational growth. As competition among banks intensifies, many experienced managers—especially from critical technical areas like information technology have left CBE to join private banks, often for higher compensation or personal advancement. This exodus has led to significant leadership gaps in certain departments. However, some managers argued that, as a longstanding institution, CBE has retained a strong base of experienced leaders and a well-structured leadership succession plan, mitigating some of the potential impacts of this talent drain.

Given the competitive dynamics of Ethiopia's banking industry and its evolving economy, it is essential to explore how different leadership approaches can drive organizational development. This study aims to bridge this knowledge gap by assessing the role of leadership styles in CBE's organizational outcomes. Through in-depth interviews with managers, this research seeks to provide valuable insights into effective leadership practices within the Ethiopian banking sector, contributing to the broader understanding of how leadership impacts organizational growth in this unique context.

#### **1.4 Basic Research Questions**

The study attempts to address the following research questions:

- ✓ What leadership styles are most effective in promoting organizational development?
- ✓ In what ways does bureaucratic leadership impact organizational development?
- ✓ What influence does transformational leadership have on organizational development?
- ✓ How does ethical leadership contribute to organizational development?

## **1.5 Objectives of the Study**

### **1.5.1 General Objective**

The general objective of this study is to determine the role of leadership styles in the organizational development of the Commercial Bank of Ethiopia.

### **1.5.2 Specific Objective**

The specific objectives of the study are:

- ✓ Identify the leadership styles that contribute most significantly to effective organizational development.
- ✓ Assess how bureaucratic leadership style impacts organizational development.
- ✓ Investigate the effects of transformational leadership style on organizational development.
- ✓ Analyze the influence of ethical leadership style on organizational development.

## **1.6 Hypothesis**

Based on the literature review conducted the hypothesis is formulated and tested based on the findings of the study.

### **Hypothesis 1: Bureaucratic Leadership has a Significant and Positive Effect on Organizational Development**

Bureaucratic leadership, characterized by a strict adherence to rules, formal processes, and hierarchical structures, has been examined extensively in various organizational contexts. Callahan (2017) discusses how bureaucratic leadership ensures consistency and efficiency in large organizations by establishing clear procedures and expectations, which can enhance organizational development by creating a stable environment conducive to systematic progress.

### **Hypothesis 2: Transformational Leadership has a Significant and Positive Effect on Organizational Development**

Transformational leadership, which involves inspiring and motivating employees to exceed expectations, has been widely recognized for its positive impact on organizational development. Deng et al. (2023) highlight that transformational leadership fosters innovation, adaptability, and a culture of continuous improvement, which are critical for organizational development. The

study emphasizes the importance of leaders who can articulate a clear vision, encourage creativity, and build strong relationships with employees.

### **Hypothesis 3: Ethical Leadership has a Significant and Positive Effect on Organizational Development**

Ethical leadership, defined by leaders who demonstrate integrity, fairness, and ethical behavior, is essential for fostering trust and commitment within organizations. Bansal and Kumar (2018) argue that ethical leadership creates a positive organizational climate, reduces incidences of misconduct, and enhances overall organizational performance. This leadership style promotes transparency and accountability, leading to sustainable organizational development.

#### **1.7 Significance of the Study**

The study's results are believed to have important implications for the banking industry. By investigating how role of leadership styles on organizational development and understanding their interplay, organizations can address existing gaps. Specifically, the Commercial Bank of Ethiopia can gain valuable insights and make informed decisions. Additionally, this research serves as a useful reference for future studies, shedding light on the role of leadership and offering a methodological guide for other researchers. Ultimately, it empowers institutional management to create effective policies that align leadership practices with organizational development.

#### **1.8 Scope of the Study**

The research paper focuses on investigating how leadership styles influence organizational development. The study utilizes both descriptive and inferential statistics for data analysis.

Additionally, it explores definitions and concepts related to various leadership styles, such as bureaucratic leadership, transformational leadership, and ethical leadership. The primary research participants were team leaders, managers, and directors at various levels of head quarter and Addis Ababa ,central region of the Commercial Bank of Ethiopia. Furthermore, the study was undertaken within a set time frame, with every attempt made to complete it in less than a year.

### **1.9 Limitations of the Study**

Considering the study's scope, it is important to recognize certain limitations while also highlighting its contributions. The primary limitation is that the research focuses solely on branches of the Commercial Bank of Ethiopia located in Addis Ababa, the central region and headquarters, excluding other regions of Ethiopia. Another notable limitation is that the study examined only three leadership styles: transformational, bureaucratic, and ethical. While these styles provide a comprehensive foundation for understanding leadership's impact on organizational development, they do not encompass the full range of leadership approaches. Despite these limitations, the study sets a strong foundation for future research. Future studies could expand the geographical scope to include branches across various Ethiopian regions and explore a broader range of leadership styles. This would allow for a more holistic view of leadership's role in organizational development throughout Ethiopia's banking sector.

### **1.10. Organization of the Paper**

The thesis paper consists of five chapters, the first chapter serves as an introduction, covering the study's background, problem statement, research questions (both general and specific), research objectives, significance, scope, and limitations. The second chapter focuses on the review of related literature, including theoretical and empirical reviews, as well as a conceptual framework. Chapter Three outlines the research methodology, describing the study area, research design, unit of analysis, target population, sample size, sampling technique, data sources, data collection methods, and data analysis techniques, chapter four analyzes, and discusses the findings of the study and the last chapter is chapter five it deals with the conclusion, recommendation and future study implications.

## CHAPTER TWO

### 2. LITERATURE REVIEW

#### 2.1 Theoretical literature review

##### 2.1.1. Leadership Theories

Leadership theories are intended to explain how and why certain people become leaders. They focus on the skills and behaviors that people can develop to improve their capacity for leadership. The study of leadership has grown significantly throughout time, incorporating a variety of ideas that address different aspects of what it means to lead successfully. The following are the most common leadership theories having relevance to the study.

**Trait Theory** is one of the early leadership viewpoints, arguing that great leaders have some innate characteristics that set them apart from others, such as intelligence, confidence, and sociability (Northouse, 2016). According to this theory, leadership is an inherent characteristic that certain people possess rather than a skill that can be learned. Proponents say that leaders are born with unique features that make them more effective, and Judge et al. (2002) investigated the relationship between these traits and leadership effectiveness. Critics of trait theory contend that leadership is built on actions and acquired behaviors as well as inherent qualities.

**Behavioral Theory** reflects a shift away from the concept of natural leadership traits toward learned behaviors, implying that leaders may be produced via training and experience. This approach categorizes leaders according to their behavior toward followers, frequently distinguishing between task-oriented and people-oriented styles (Stogdill, 1974; Blake & Mouton, 1985). Task-oriented leaders concentrate attaining goals and sustaining productivity, whereas people-oriented leaders focus on developing relationships and creating team cohesiveness. According to behavioral theory, leaders may adjust their approach to meet the demands of their team, making leadership a skill that can be developed.

**Contingency Theory** argues that there is no single optimum way to lead. Instead, effective leadership is determined by situational elements such as job complexity, leader-follower relationships, and a leader's authority and influence inside an organization (Fiedler, 1964). Contingency theorists believe that leadership success varies with context, implying that leaders

must be adaptable and responsive to changing circumstances. Leaders can better address their organization's special demands by understanding the dynamics of a given circumstance.

**Transformational Theory** is one of the most prominent modern leadership ideas, stating that transformational leaders inspire and motivate people to accomplish extraordinary results by building a common vision. These leaders promote vision, motivation, and creativity, linking employee goals with organizational objectives (Bass, 1985). Transformational leadership has grown in popularity due to its emphasis on emotional intelligence, shared values, and the creation of a collaborative environment that promotes team members' personal and professional development.

In contrast, **Transactional Theory** emphasizes on the transaction between leaders and followers, in which tasks are assigned with the expectation of reward or punishment based on performance (Burns, 1978; Avolio & Bass, 2004). Transactional leadership uses a system of rewards and punishments to keep an organization's structure and motivation in check. Leaders who embrace this style establish clear goals and objectives, and their interactions with staff are primarily task-oriented. While transactional leadership can be good at maintaining productivity, it may lack the visionary and innovative attributes associated with transformational leadership.

### **2.1.2. Leadership Models**

Leadership models give frameworks for leaders to negotiate complicated situations and adjust their approach to match organizational demands. The Path-Goal Model, established by House (1971), emphasizes the significance of tailoring leadership actions to the needs of followers. According to this paradigm, a leader's responsibility is to clear the way for followers by recognizing and removing barriers, allowing them to achieve their objectives. The Path-Goal Theory proposes that leaders alter their approach based on their followers' motivation, task demands, and environmental considerations, making it a versatile model applicable for a variety of scenarios.

Avolio and Bass established the Full-Range Leadership Model, which encompasses behaviors ranging from passive to very active and engaging. It combines transformational and transactional leadership styles, implying that leaders can employ a variety of tactics based on the situation and organizational requirements (Avolio & Bass, 1991). This approach is frequently used because it offers leaders with a toolkit of behaviors, allowing them to switch between different styles to best support their teams and organizational goals.

### **The Servant Leadership Model**

Focuses on the leader's responsibility as a servant to their subordinates. This strategy, advocated by Greenleaf (1970), puts employees' needs ahead of the leader's personal interests. Servant leaders prioritize empowering their teams, cultivating a collaborative atmosphere, and establishing trust. This concept is especially effective in firms that value employee well-being because it motivates leaders to foster an environment in which people feel valued and inspired to contribute

### **2.1.3. Leadership Styles**

Leadership theories serve as the foundation for a variety of leadership styles, each with its own set of strengths and possible applications in organizations. There are numerous perspectives on how leadership works, what characteristics excellent leaders possess, and how to be effective. Managers can employ a range of leadership styles, and their effectiveness varies according to the group they manage and the industry in which they operate. These studies would explore some of the most frequent leadership styles used in banks, including the ones chosen for this study.

#### **1. Bureaucratic Leadership**

Bureaucratic Leadership maintains rigid rules, policies, and processes to ensure uniformity and efficiency (Weber, 1947). This approach is commonly found in large, complicated organizations or industries with rigorous regulations, such as healthcare, government, and finance. Leaders that use this style prioritize sticking to existing procedures and ensuring that operations are steady and predictable. However, this style may limit employee creativity and flexibility by discouraging them from departing from established norms (Weber, 1947).

## **2. Transformational Leadership**

Transformational leadership entails inspiring and motivating individuals to exceed expectations by sharing a vision and emphasizing innovation and progress (Bass, 1985; Northouse, 2016). Transformational leaders strive to create a supportive and collaborative environment that fosters trust and commitment among team members. This method is particularly effective in environments that require adaptation and where leaders must urge their staff to accept change, such as technology-driven or creative sectors. Transformational leaders prioritize emotional intelligence, directing their team's efforts toward the organization's long-term goals.

## **3. Ethical Leadership**

Ethical leaders value integrity, transparency, and justice, setting a good example for others and cultivating a strong ethical culture inside their firm. Ethical leadership has become especially important in industries where trust is essential, such as banking, healthcare, and education. Ethical leaders promote accountability and inspire people to act ethically in their roles (Brown & Treviño, 2006). These leaders improve the organization's brand and strengthen confidence among employees and external stakeholders by adhering to ethical norms.

### **Autocratic Leadership**

Autocratic leadership, also known as authoritarian leadership, concentrates power in the hands of the leader, who makes decisions without consulting subordinates (Lewin et al., 1939). This style can be useful in situations that necessitate speedy decision-making or in highly structured contexts where certain outputs are crucial, such as military or emergency response teams. However, authoritarian leadership can lead to lower employee happiness and engagement since team members may feel underappreciated and confined. While this approach may produce rapid results, it may not promote a collaborative or inventive culture in the long run.

### **Democratic (Participative) Leadership**

Democratic leadership empowers team members to share ideas and make decisions, which promotes a sense of ownership and teamwork (Lewin et al., 1939). Leaders who use this style value feedback from others and encourage open communication, which can enhance morale and innovation. Democratic leadership is frequently beneficial in businesses that prize creativity, such as marketing or technology companies, where multiple viewpoints improve decision-

making. However, this method can be time-consuming, especially when judgments must be made fast, and it may not be appropriate for environments that require precise control or efficiency.

### **Laissez-Faire Leadership**

Laissez-faire, or "hands-off" leadership, is distinguished by granting employees great autonomy in how they execute their tasks, with minimum direct supervision from the leader (Bass, 1990). This method can be beneficial in businesses with highly talented, self-motivated teams that value autonomy, such as those in research or artistic fields. Laissez-faire leadership, on the other hand, may result in a lack of direction or coordination if staff are undermotivated or if the business demands more structure. This approach is less effective in situations where explicit instructions and oversight are required.

### **Servant Leadership**

Greenleaf (1970) defined servant leadership as putting employee and organizational progress ahead of personal gain. Servant leaders prioritize supporting and empowering their colleagues, promoting a collaborative and inclusive environment. They prioritize satisfying the needs of others, encouraging staff development, and cultivating a sense of community. This leadership style is beneficial in firms that prioritize social responsibility and employee engagement because it encourages executives to focus on creating an atmosphere in which people feel valued and supported

### **Charismatic Leadership**

Charismatic leadership is characterized as a leader's capacity to inspire and draw followers via personal charisma and magnetism. Charismatic leaders encourage employees through their personality and communication skills, and they frequently strive to establish an emotional connection with their team (Conger and Kanungo, 1987). While charismatic leaders can be quite effective at rallying teams formed around a common vision or objective may face hazards if the leader becomes too fundamental to the organization's identity, making it harder for the group to function effectively in their absence.

## **Transactional Leadership**

Transactional leadership is built on a rewards and penalties system in which employees are driven by extrinsic benefits such as bonuses or recognition for meeting specified performance goals (Burns, 1978; Avolio and Bass, 2004). This method is generally effective in businesses that require structure and consistency because it sets clear expectations and accountability. Transactional leaders establish clear goals and regularly monitor progress, but this approach may not encourage innovation or long-term commitment as well as transformational leadership.

## **4. Situational Leadership**

Hersey and Blanchard developed situational leadership, which emphasizes the significance of changing one's leadership style to the team's preparedness and skill level. This approach proposes that effective leaders change their leadership style based on whether their team members require more direction or support. Situational leadership is especially useful in dynamic workplaces where employees' demands can change quickly, allowing leaders to deliver context-appropriate counsel and encouragement.

### **Focused on the chosen leadership styles**

Given the particular circumstances of the Commercial Bank of Ethiopia (CBE), bureaucratic, transformational, and ethical leadership styles are especially important for encouraging organizational development and tackling the banking sector's unique issues. These styles were chosen for this study because they are particularly relevant to CBE's requirements and aspirations. Each has specific qualities that complement the bank's operational framework, regulatory environment, and development goals.

#### **2.1.4 Bureaucratic leadership**

Bureaucratic leadership has traditionally been associated with organizations where consistency, order, and control are paramount (Callahan, 2017). In such settings, like large financial institutions, a structured chain of command and strict adherence to rules can provide stability. However, critics argue that this rigidity can stifle innovation and adaptability. In contrast, transformational leadership, which emphasizes motivation, innovation, and change, is often viewed as more suited to dynamic environments (Bass & Avolio, 1994). Transformational leaders inspire employees by providing a compelling vision for the future and encouraging

creative problem-solving. This leadership style can foster innovation and adaptability, which are essential in today's fast-paced business environment. Ethical leadership, meanwhile, focuses on fairness, transparency, and the cultivation of trust within organizations (Bansal & Kumar, 2018). Leaders who prioritize ethical behavior set the tone for a culture of accountability, which can be particularly important in sectors like banking where trust and compliance are paramount. Each leadership style offers different pathways to organizational development, but their effectiveness may vary depending on the specific organizational context.

Bureaucratic Leadership is essential in highly regulated industries, such as banking, where adherence to policies and regulatory requirements is crucial. Bureaucratic leaders at CBE ensure that operations are consistent, efficient, and aligned with financial regulations, minimizing operational risks (Weber, 1947). This style is beneficial in maintaining stability and ensuring that employees understand and follow established procedures. However, while bureaucratic leadership can ensure operational consistency, it may limit flexibility and adaptability, which can be a challenge in today's dynamic business environment (Tariku et al., 2020).

### **2.1.5 Transformational leadership**

Transformational leadership, introduced by James MacGregor Burns in 1978, is characterized by optimistic, trustworthy, and positive leaders who emotionally encourage teamwork and support innovation. Accordingly, transformational leadership encompasses mutually beneficial goals, motivation, emotional connections, vision, and shared values. In practical terms, transformational leadership enhances organizational efficiency by linking job performance to valuable rewards and ensuring that employees have the necessary resources to excel. These leaders create a strategic vision, communicate it effectively, symbolize it through actions, and consistently model the desired behavior. Ultimately, their commitment to the vision drives organizational success (Madanchian et al., 2021).

In recent years, there has been a shift in the prevailing scholarly approach to leadership, with transformational leadership taking center stage. Northouse (2013) defines transformational leaders as individuals who embrace change and reforms, focusing on inspiring followers to achieve remarkable outcomes. The alignment of company goals and objectives underscores the importance of consistent leadership delivery, where leaders articulate the organization's purpose and longterm vision in accessible terms for all stakeholders. A transformational leader considers

the desires and needs of their team, actively nurturing future leaders (Loang & Ahmad, 2023). Recognizing that classical leadership theories fall short of addressing contemporary realities, transformational leadership has become an essential requirement within organizations (Bass, 1985). Bass emphasizes that this leadership style plays a crucial role in navigating transitions and enhancing subordinates' organizational behavior (Loang, 2023).

Transformational Leadership offers a complementary approach to bureaucratic leadership by encouraging innovation and adaptability. Transformational leaders at CBE could be instrumental in driving change and promoting a culture of continuous improvement. By inspiring employees with a shared vision and fostering a sense of purpose, transformational leaders create an environment that supports growth and adaptation, particularly important in the face of technological advances in banking (Choudhury, 2019). Transformational leadership can motivate employees to go beyond their job descriptions, innovate, and contribute to the bank's overall success.

#### **2.1.6 Ethical leadership**

Ethical leaders possess a diverse perspective on the long-term consequences, limitations, and benefits of the decisions they make within an organization. Their primary responsibility is to consider norms, principles, values, standards, and ethics while carrying out various job duties and communicating these expectations to other team members. Ethical leaders set high standards and consistently adhere to them, guiding others in implementing ethical practices. Their conduct significantly influences the ethical values of the organization (Bansal & Kumar, 2018).

Leaders serve as role models for their followers, demonstrating the behavioral boundaries established within the organization. They are perceived as honest, truthful, trustworthy, responsible, reliable, courageous, fair, and authentic. Ethics, in essence, involves describing and prescribing moral requirements and behavior. It serves as the code of values and moral principles that guide individual and group behavior, distinguishing between what is morally appropriate and inappropriate. Leadership, on the other hand, is the art of persuading followers to pursue goals and activities formulated by the leaders. Leadership styles vary based on individual personality characteristics. Some leaders, particularly those with charismatic and transformational qualities, wield power and authority to engage employees. Conversely, other

leaders rely on positional and legitimate power. These leadership attributes are shaped by organizational, professional, or institutional culture (Bansal & Kumar, 2018).

Ethical leadership is a multifaceted concept that often appears elusive. Rather than merely preventing inappropriate behavior, ethical leadership empowers individuals to make the right choices. An ethical leader embodies essential principles of conduct. To fulfill this role, one must adhere to a universal standard of moral behavior. Leading ethically involves a deliberate process of discernment, where leaders evaluate appropriateness, conduct, and consequences. Ethical leaders serve as exemplars, demonstrating the righteousness or injustice of specific actions to followers and others. This form of leadership operates as a reciprocal relationship, fueled by dedication and recognition. The leader's mission centers on facilitating appropriate leadership functions. Ethical leadership is gaining prominence, emphasizing how values, ethics, and moral principles guide sound decision-making within organizations (Bansal & Kumar, 2018).

The business scandals of the early 2000s prompted renewed discussions about ethical leadership within companies. Research in this area focuses not only on leaders as moral individuals but also as effective managers. This shift aligns with broader societal changes, emphasizing sustainability, social justice, and well-being. Consequently, related leadership constructs such as servant, respectful, and authentic leadership have emerged. While ethical leadership research has sparked essential debates about leaders' roles, recent meta-analyses and critical reviews highlight limitations in its current operationalization. Critics argue that ethical leadership offers minimal incremental value beyond other leadership concepts and oversimplifies ethical considerations.

Addressing these issues can enhance the construct's impact on leadership practice (van Gils & van Quaquebeke, 2022).

Ethical Leadership is vital for building trust and credibility in the banking sector, where ethical lapses can have serious consequences for both the organization and its clients. Ethical leaders at CBE model integrity and transparency, setting a standard for ethical conduct within the organization (Brown & Treviño, 2006). This style reinforces a culture of accountability and responsibility, encouraging employees to act with integrity in their daily activities. By prioritizing ethical values, leaders can enhance the bank's reputation and strengthen its

relationships with customers and stakeholders, contributing to long-term organizational success (Alemu & Kebede, 2021).

### **2.1.7 Organizational development**

In today's complex business environment, leadership has evolved significantly. Rather than merely dictating change from above, effective leaders now foster a culture of learning, inclusivity, and collaboration. They shape company culture, drive innovation, and empower those at the frontlines of implementation. This shift from a top down approach to a more inclusive style is essential for organizational success. Furthermore, modern management and leadership methods, such as administrative empowerment, encourage collective decision making within organizations. These approaches recognize the importance of involving employees in shaping organizational outcomes. (Alghizzawi et al., 2019; Berger et al., 2019). Darwish (2019) also highlights the significance of assessing performance objectively and understanding the tangible impact of work and employee contributions (Addin, n.d.).

### **2.18 The relationship between leadership and organizational development**

Historically, traditional leadership models stressed a top-down approach, with choices made at the highest levels and cascading downward, frequently focusing on building a "burning platform" to drive urgency and obtain buy-in (Kotter 1996). Change management models at the time presuppose a defined, static end result, with leaders leading rather than cooperating on changes (Hiatt & Creasey, 2012). However, technical improvements, globalization, the information economy, and changing social expectations have all contributed to a significant upheaval in the economic landscape. Organizations today function in a dynamic and complex environment, needing a more adaptable leadership style (Heifetz & Linsky, 2002). Modern leaders must go beyond traditional decision-making; they should also function as facilitators and enablers of change, emphasizing curiosity, connection, and continual learning as vital characteristics for thriving in this era of rapid adaptability and responsiveness (Senge, 2006).

Recognizing that individuals executing changes provide vital insights and learning is critical in this new leadership paradigm. Leadership is increasingly a two-way street, with leaders actively listening and learning from frontline employees' experiences and input in order to promote awareness and active adaptation (Laloux, 2014). Frontline staff, with their unique perspectives on the practicalities and challenges of implementing change, can provide vital assistance.

Empowering workers to share their experiences and ideas promotes practical and inventive solutions, resulting in a greater sense of ownership and engagement as employees become active participants in the change process (Duhigg, 2016). In this era of quick adaptation and reactivity (Senge, 2006).

## **2.2 Empirical Review**

### **2.2.1 Summary of Related Research**

Leadership significantly influences organizational development, shaping an organization's capacity to innovate, adapt, and engage employees effectively (Yukl, 2010; Northouse, 2016). This literature review synthesizes empirical research on the link between leadership and organizational development, drawing from diverse studies. It identifies key themes, leadership styles, and mechanisms that drive organizational progress. Effective leadership is crucial for cultivating innovation, adaptability, and employee engagement, and this review underscores practical steps for leadership development programs that align with organizational objectives (Bass & Riggio, 2006; Kotter, 1996). Organizational development involves strategic actions to enhance efficiency, effectiveness, and overall performance (Schein, 2010). Leadership plays an integral role in these processes, and this review explores how various leadership styles contribute to organizational development (Heifetz & Linsky, 2002).

A systematic literature review on leadership and organizational development revealed several key findings. Quantitative Investigation: Numerous studies examine the relationship between leadership and organizational learning across different countries and sectors, indicating a widespread connection between leadership and development outcomes (Avolio & Yammarino, 2013). Leadership Styles: Different leadership styles impact organizational processes and capabilities uniquely, with transformational leadership being the most frequently studied due to its strong association with positive change (Bass, 1985; Burns, 1978). Mediating Mechanisms: Several mediating mechanisms, such as organizational culture and job satisfaction, influence the relationship between leadership and organizational learning (Berson et al., 2015). Boundary Conditions: Context-specific factors shape the ways in which leadership affects organizational development, emphasizing the need for adaptable leadership approaches (House et al., 2004).

The empirical evidence on the impact of leadership styles on organizational effectiveness varies across different business contexts. Michael (2011) established a clear cause-and-effect

relationship between leadership and organizational success, affecting employee motivation, culture, and values. Ojokuku et al. (2012), Koech & Namusonge (2012), and Obiwuru et al. (2011) suggest that leadership style correlates positively or negatively with performance depending on the context. Research also indicates that dimensions of leadership styles collectively predict organizational performance. Transformational and democratic leadership styles, which foster employee belonging and autonomy, enhance organizational efficiency (Ojokuku et al., 2012). John K. Asamoah (2017) emphasized the need for strategic leadership in banks to boost productivity through innovation and improved service delivery. Kamau John Muchiri and Gachunga Hazel (2018) found significant positive links between transformational, Bureaucratic leadership, and organizational performance in Kenyan banks.

Adisa et al. (2017) highlighted the correlation between leader-follower relationships and bank profitability. Studies by Augustine N. Beakana (2017) and M. Ahmad Sofi & K. Devanadhen (2015) identified transformational leadership as preferable in banking. O. Abimbola et al. (2015) showed positive correlations between transformational and bureaucratic leadership styles and bank performance. Peris M. Koech & G.S. Namusonge (2012) found that while Bureaucratic leadership had a strong positive correlation with performance, transformational leadership showed an average positive correlation. Contrary findings were reported in Nigeria by Nongo Saasongu (2015), where Bureaucratic leadership was more effective in motivating employees. Similarly, According to Obiwuru et al, (2011), Bureaucratic leadership significantly enhanced organizational performance. Autocratic leadership, according to Akram Abdulraqeb Sultan Al-Khaled et al. (2020), was the least effective, though Nwachukwu (1988) observed a minor favorable effect on bank performance. Studies by Akparep et al. (2019) found democratic leadership to be most influential on performance, aligning with Nwachukwu's (1988) assertion of its effectiveness in Nigerian banks. Worall (2004), cited in Longe and Olukayode (2014), noted that participative leadership styles led to higher performance compared to restrictive styles.

A study on Uchumi Supermarket analyzed the effects of various leadership styles on organizational development, with key objectives focused on examining the impact of autocratic leadership, bureaucratic leadership, intellectual stimulation, and transactional leadership (Maorwe, 2019). The study sampled 122 middle-level managers using a descriptive survey design and stratified sampling to gain representative insights. Both inferential and descriptive

statistics were employed to analyze the data, providing a comprehensive view of leadership's role in organizational progress. Autocratic Leadership Style: The findings revealed mixed responses regarding employee input, as leaders often made most decisions independently and established clear rules, limiting employee participation (Maorwe, 2019). Transactional Leadership Style: Managers who adopted a transactional approach frequently micromanaged, discouraged new methods, and appealed primarily to employees' self-interest, which affected team dynamics and innovation (Maorwe, 2019). Intellectual Stimulation: Leaders promoting intellectual stimulation suggested innovative ways to meet targets but were less successful in fostering an environment conducive to knowledge sharing, potentially stifling collective growth (Maorwe, 2019). Bureaucratic Leadership Style: Bureaucratic leaders emphasized formality in reporting and decision-making, though there was some ambiguity regarding their preference for stability and order, indicating a structured but potentially rigid organizational environment (Maorwe, 2019).

### **2.2.2 Review of Related Research in the Ethiopian Context**

Organizational development research in Ethiopia emphasizes the significant impact of leadership styles on institutional adaptability, employee engagement, and organizational readiness for change across various sectors. A number of studies explore the effectiveness of transformational, transactional, and other leadership styles in Ethiopian contexts, showing how these approaches shape organizational outcomes.

#### **Leadership and Organizational Change at the Ethiopia Commodity Exchange**

The Ethiopia Commodity Exchange (ECX) serves as a vital platform for agricultural trading, providing an important example of the influence of leadership styles on organizational development. A study by Gardner (1990) finds that transformational and transactional leadership styles are essential for effective change management within ECX. The ECX's dynamic environment and operational demands necessitate leadership that can strategically implement structural and process-based changes to adapt to market needs and improve efficiency (Gardner, 1990). Leaders at ECX have reportedly used these styles to help the organization navigate significant structural changes, such as the recent restructuring of its operational models and the introduction of new trading systems. Through these changes,

transformational leadership was found to foster a positive environment for adaptability, essential for ECX's long-term growth (Gardner, 1990; Boedker et al., 2011)

#### Change Readiness in Ethiopian Healthcare

In the healthcare sector, a study conducted in government hospitals in Addis Ababa focused on transformational and transactional leadership styles and their influence on organizational change readiness (Weiner, 2009; Khan et al., 2011). The healthcare sector is known for its resistance to change, partly due to the need for standardized practices. The study utilized transformational leadership as a way to promote an adaptable organizational culture. Transformational leaders in these hospitals encouraged employee motivation and alignment with institutional objectives, fostering an environment supportive of organizational development. Through transformational leadership, employees exhibited a higher readiness to implement changes required for improved service delivery, underscoring the impact of leadership styles on healthcare outcomes (Antwi & Kale, 2014; Essawi & Tilchin, 2012).

This study also underscores the effectiveness of transactional leadership in achieving specific organizational objectives. Transactional leaders focused on setting clear expectations and rewarding compliance, which promoted a stable and predictable environment. These leadership styles created a balanced approach where both transformational and transactional leadership were necessary for enhancing readiness for change, vital for organizational development within Ethiopia's health sector (Garg & Ramjee, 2013; Arfeen et al., 2015)

#### Impact of Leadership on Employee and Organizational Performance in the Banking Sector

A study within the Commercial Bank of Ethiopia (CBE) highlights the critical role of leadership styles, particularly transformational and transactional, in influencing employee performance and, subsequently, organizational development. According to the study, transformational leaders at CBE focus on motivating employees through vision-sharing, goal alignment, and intrinsic motivation (Mitonga-Monga et al., 2011). This approach enhances employee engagement, which contributes to organizational success and sustainable growth, especially in the competitive banking sector where adaptability and service innovation are crucial (Daft, 2000; Paracha et al., 2012)

Additionally, transactional leadership was also significant in maintaining consistency and efficiency. By focusing on rewards for achieving performance targets, transactional leadership supported stability in operations, which is essential for organizations like CBE that rely on predictable and reliable service delivery. This dual approach allowed CBE to not only adapt to competitive pressures but also maintain a high standard of employee performance, which has been identified as a core factor for organizational success (Tandoh, 2011; Anyango, 2015)

### Transactional Leadership in Educational Settings

Transactional leadership was also found to be effective in educational settings, as demonstrated by a study at the International Maarif Schools of Ethiopia. The study revealed that transactional leadership helps schools manage changes in curriculum and teaching standards by establishing clear expectations and rewarding compliance with those standards. This approach provided a structured framework that supported organizational development by ensuring that changes were implemented systematically. Transactional leadership in this setting proved particularly effective for promoting stability, supporting adaptability, and facilitating smooth transitions in educational reforms (Gary Yukl, 2013; Mansaray, 2019).

The reviewed studies illustrate that leadership styles, particularly transformational and transactional, play a fundamental role in organizational development across sectors in Ethiopia. Transformational leadership fosters adaptability, employee motivation, and readiness for change, which are essential for development in dynamic fields such as healthcare and banking. Transactional leadership, meanwhile, supports stability and efficiency, which are crucial in sectors that require predictable outcomes, such as education and commodity exchange. These leadership styles collectively create an environment conducive to sustained organizational development by aligning individual and organizational goals and by fostering a culture that is both stable and adaptable.

### **2.2.3 Practical Implications of the Studies**

The findings emphasize several critical practical implications for enhancing leadership within organizations like the Commercial Bank of Ethiopia (CBE).

**Leadership Development:** Organizations are encouraged to invest in comprehensive programs that cultivate transformational leadership skills, which have shown to promote adaptability and

foster a proactive work environment. By equipping leaders with the tools to inspire and motivate, these programs can enhance organizational resilience and innovation (Do & Mai, 2020).

**Culture of Learning:** Effective leadership is instrumental in fostering a culture of continuous learning and innovation. Leaders should prioritize building an adaptive organizational culture that values creativity, risk-taking, and flexibility. Such a culture supports employees in learning and developing new skills, which can drive sustained growth and adaptability in changing market conditions (Schein, 2010).

**Employee Engagement:** Employee engagement is a powerful driver of organizational development, and leadership practices are directly linked to motivating and committing employees. By using strategies that enhance job satisfaction and foster a sense of purpose, leaders can significantly influence employee loyalty and productivity. Engaged employees are more likely to contribute positively to organizational goals, making engagement an essential focus for leadership initiatives (Michael, 2011).

The review reinforces the crucial role of leadership in guiding organizational development. It also points to the need for future research to delve deeper into context-specific aspects and the mechanisms through which leadership can impact organizational success, providing a roadmap for refining leadership practices in varied business settings (Do & Mai, 2020).

#### **2.2.4 Empirical gap**

Despite an extensive body of global research on leadership styles, empirical evidence specific to Ethiopia's banking sector is scarce. Most leadership studies have been conducted in Western and Asian contexts, leading to a gap in understanding the unique role of leadership styles within the African banking industry, which faces distinct social and economic challenges (Mesfin & Deres, 2018). This study aims to address this gap by focusing on the Commercial Bank of Ethiopia (CBE), an institution with a long-standing presence in Ethiopia's financial sector. As the country's largest and oldest bank, CBE encounters unique challenges in today's increasingly competitive and dynamic market (Tariku et al., 2020). The influence of transformational, bureaucratic, and ethical leadership styles although widely examined globally has not been fully explored within Ethiopian banks and may offer insights into both the strengths and limitations of

these approaches in Ethiopia's cultural and economic context (Choudhury, 2019; Bass & Avolio, 1994).

The study examines how these leadership styles affect organizational development within CBE, contributing to a more nuanced understanding of how leadership styles can foster or hinder progress in Ethiopian banks. Transformational leadership, which emphasizes motivation, vision, and innovation, is often linked to high employee engagement and adaptability (Bass, 1985). Bureaucratic leadership, in contrast, is characterized by a strict adherence to rules and formal structures that can be essential for ensuring stability, especially in highly regulated sectors like banking (Weber, 1978). Ethical leadership promotes integrity, transparency, and fairness, which are crucial in maintaining trust both internally and with clients (Brown & Treviño, 2006). By applying these leadership styles to CBE, this research will deepen the understanding of how they interact with Ethiopia's specific cultural and regulatory environment, addressing a critical empirical gap in the literature.

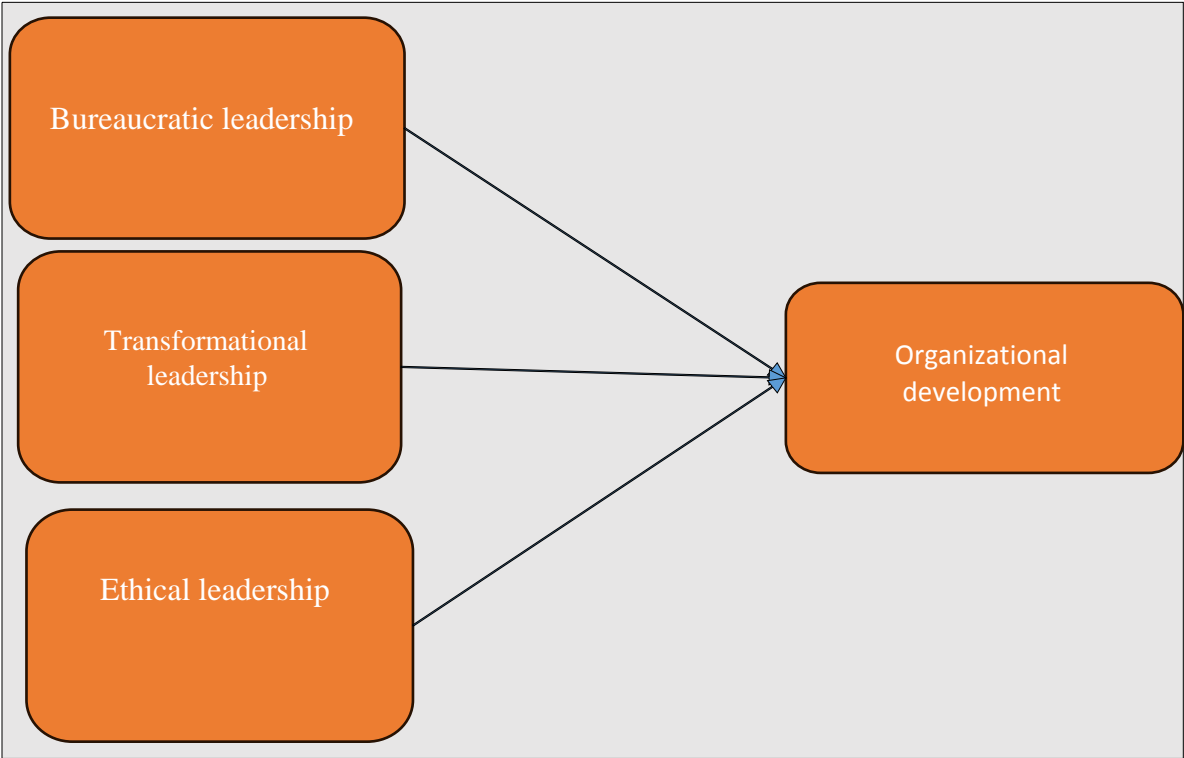
This research is particularly timely given the rapid changes in Ethiopia's banking industry, driven by digital transformation, increased competition, and evolving consumer expectations (Alemu & Ageba, 2021). Insights from this study will inform not only academic discussions but also practical applications in Ethiopian banks, where understanding the right leadership mix could enhance performance, foster innovation, and better position banks in the market. This gap highlights the necessity for empirical studies that address Ethiopia's unique socio-economic landscape and the role of leadership in driving organizational development within its banking sector.

### **2.3 Conceptual Framework**

This study is guided by a conceptual framework that links three leadership styles bureaucratic, transformational, and ethical to organizational development. Bureaucratic leadership is expected to enhance stability and efficiency by ensuring adherence to formal structures and processes. Transformational leadership, by contrast, is hypothesized to foster innovation and employee motivation, contributing to the bank's capacity for change and growth. Ethical leadership is posited to improve organizational culture by promoting transparency, fairness, and accountability, which are critical for building trust both internally and externally. These leadership styles are treated as independent variables, while organizational development is the

dependent variable. The relationships between these variables were tested through quantitative analysis, with the goal of determining the extent to which each leadership style role in organizational development.

Figure 2-1: Conceptual framework.



Constructed from a literature review (Bansal & Kumar, 2018), (Deng et al., 2023), (Wan, 2023) (Callahan, 2017) & (VALIZADA, 2022).

**2.4 Research Gap**

Despite the extensive literature on leadership and organizational development, a significant research gap exists regarding the specific impacts of different leadership styles on organizational development within the Ethiopian banking sector, particularly at the Commercial Bank of Ethiopia (CBE). Most existing studies have been conducted in Western and Asian contexts, leaving a paucity of research in the African setting (Doroshuk, 2019). Furthermore, while transformational, bureaucratic, and ethical leadership styles have been widely studied globally,

their unique influences on organizational development in Ethiopian banks have not been thoroughly explored (Arokiasamy et al., 2015; Charlier et al., 2016).

Recent studies indicate that 95 percent of organizations recognize the need to define new leadership paradigms to adapt structurally and operationally, ensuring competitiveness within their sectors (Charlier et al., 2016). However, there is limited empirical research on how these paradigms are being implemented and their effectiveness in the Ethiopian banking industry. The competitive nature of the Ethiopian banking industry, combined with the evolving economic landscape, necessitates a deeper understanding of how leadership styles can be leveraged to enhance organizational development (Do & Mai, 2020).

In the context of Ethiopia, the unique socio-economic and cultural dynamics present additional challenges and opportunities for leadership in the banking sector. Studies have shown that cultural factors significantly influence leadership effectiveness and organizational outcomes (House et al., 2004). Yet, there is a lack of comprehensive research examining how Ethiopian cultural contexts impact the application and effectiveness of different leadership styles within banks. This gap is critical, as it limits the ability to develop tailored leadership strategies that are culturally congruent and effective (Kebede & Menkir, 2017).

Additionally, while transformational leadership is widely regarded as beneficial for fostering innovation and adaptability (Bass & Avolio, 1994), its practical application and outcomes in Ethiopian banks remain under-researched. Transformational leadership's emphasis on vision and inspiration may face challenges in a context where bureaucratic procedures and hierarchical structures are prevalent (Tessema et al., 2015). This raises questions about how transformational leaders navigate these structures and the extent to which they can drive organizational development within such a framework.

Bureaucratic leadership, characterized by its structured and rule-based approach, has been traditionally dominant in Ethiopian banks (Mengesha, 2018). While this style promotes stability and efficiency, its impact on fostering innovation and long-term development is less clear. There is a need to explore how bureaucratic leadership can be balanced with more dynamic leadership approaches to achieve sustainable organizational growth (Tekalign, 2020).

Ethical leadership is another area that requires further exploration. Given the increasing emphasis on ethical standards and practices in global business, understanding how ethical

leadership influences organizational culture and performance in Ethiopian banks is crucial (Brown & Treviño, 2006). However, empirical studies focusing on ethical leadership within this specific context are scarce, leaving a gap in knowledge regarding its role and effectiveness (Abebe & Tekle, 2019).

This research aims to address these gaps by examining whether leadership role in organizational development at CBE. Specifically, it evaluates the performance of CBE and assess how the leadership adopted by its managers impacts overall results (Mesfin & Deres, 2018). By conducting a comprehensive analysis of leadership styles in the Ethiopian banking context, this study seeks to contribute valuable insights to the field and enhance our understanding of effective leadership practices in this unique environment (Tariku et al., 2020).

## **CHAPTER THREE**

### **3 RESEARCH METHODOLOGY**

#### **3.1 Research design and approach**

Research designs serve as systematic procedures that guide decisions from formulating hypotheses to selecting data collection methods and conducting data analysis. They provide a framework for navigating a research project. In the context of this study, both exploratory and descriptive research designs are employed. Descriptive research: offers a clear picture of the current state and lays the groundwork by detailing the ‘what’ and ‘how many’, explanatory research: builds on this by addressing the ‘why’ and ‘how’, providing deeper insights into the underlying mechanisms and causes. The study starts with descriptive research to identify key variables and trends, then uses explanatory research to understand the relationships between these variables and the reasons behind observed patterns. These designs help describe and explain the impact of leadership on organizational development.

This study employs a quantitative research approach, utilizing Likert scale questions to gather data and interpret findings. To analyze relationships between variables, the study applies correlation and regression analyses, along with inferential statistics, to comprehensively address the research questions. Adopting a descriptive research design, this study explores the relationship between dependent and independent variables, focusing on leadership styles within the Commercial Bank of Ethiopia. Data collection and analysis are conducted through a structured survey, providing a numerical basis for understanding the impact of various leadership approaches.

#### **3.2 Data types and sources**

##### **3.2.1 Types of Data**

This research adopts a quantitative approach, focusing on gathering numerical data to examine the relationships between variables, incorporating both primary and secondary data to provide a comprehensive analysis. The primary data is collected through a structured questionnaire, designed to gather specific information directly from participants. This approach ensures that the data is tailored to the research questions and objectives, allowing for precise and relevant insights. Additionally, the study leverages secondary data sourced from a variety of reputable

journals, theses, and books. This secondary data serves as a critical component of the literature review, offering context and supporting evidence for the research findings. By combining primary data, which provides current and firsthand information, with secondary data, which offers depth and context from existing literature, the study aims to deliver a robust and well-rounded understanding of the research topic. This dual approach not only enhances the validity and reliability of the findings.

### **3.2.1 Source of Data**

This study employed both primary and secondary data sources. Primary data refers to information that has not been previously collected; it is gathered directly from the original source to provide specific insights relevant to the study at hand" (Kothari, 2004). In this study, primary data was collected from respondents to gain a comprehensive understanding of the role of leadership on organizational development.

Additionally, the study utilized secondary data, which was sourced from written documents such as journals, theses found all over the world, various research papers worldwide, and company websites. These secondary data sources were crucial for conducting literature reviews and other aspects of the research.

### **3.2.2 Methods of Data Collection**

The data collection method is significant since it is the procedure, which describes the manner of gathering data by the researcher for the study (Loang, 2023). The questionnaire serves as a crucial tool for collecting data and is widely used in social research. In this study, the study prepares and manages the questionnaire by drawing insights from relevant literature related to the study's subject. The focus lies in assessing the role of leadership in organizational development. The questionnaires were distributed to directors, managers, and team leaders directly involved in leadership within the company. While theoretical and empirical literature supports our study, we also incorporate secondary data from published journals and various research papers.

The data collection method is significant as it outlines the process by which the researcher gathers data for the study (Loang, 2023). The questionnaire, a crucial tool in research, is prepared and managed based on insights drawn from relevant literature related to the study's

subject and adopted from previous pieces of literature. This study focuses on assessing the role of leadership in organizational development. The questionnaires were distributed to directors, managers, and team leaders who are directly involved in leadership roles within the company. While the study is supported by both theoretical and empirical literature, it also incorporates secondary data from published journals and various research papers to enrich the analysis.

To ensure the reliability and validity of the data collection process, a structured questionnaire was developed based on validated leadership and organizational development scales used in previous studies. The questionnaire was designed to capture respondents' perceptions of leadership styles and their impact on organizational development, using a five-point Likert scale. Prior to full distribution, the questionnaire underwent a pilot test with a small sample of CBE managers. This pre-test allowed for adjustments to the wording and structure of the questions, ensuring clarity and relevance. Cronbach's alpha was used to assess the internal consistency of the scales, with all variables demonstrating acceptable reliability coefficients (above 0.70). This rigorous approach to data collection ensures that the findings will be both reliable and valid, providing a sound basis for the study's conclusions.

### **3.3 Target population and sample design**

#### **3.3.1 Target population**

Defining the population involves identifying the relevant group to which the study's findings apply (Creswell, 2009). In this study, the target population comprises directors, managers, and team leaders at the Commercial Bank of Ethiopia (CBE), specifically those located in Addis Ababa's central region and headquarters. The focus on Addis Ababa branches is due to the concentration of relevant staff roles in this area, including the head office. According to data from CBE's Human Resources department, there are a total of 1,159 directors, managers, and team leaders in these locations, making them the focus of this study.

#### **3.3.2 Sample design**

Determining the sample size is a crucial aspect of survey research, albeit a challenging one (Adams et al., 2007). The study's target population consists of directors, managers, and team leaders from the Commercial Bank of Ethiopia, who work under Addis Ababa branches and head quarter , with a total population of 1159 individuals. The sample size for the studied

directors, managers, and team leaders was determined using the formula developed by Yamane (1967), as shown below:

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

Where:

(n) represents the desired sample size.

(N) denotes the total population size.

(e) represents the desired margin of error (expressed as a proportion).

With a confidence level of 95%, the error rate is 0.05 or 5%

$$n = 1159 / 1 + 1159 * 0.05 * 0.05 = 297.94$$

Based on the calculated sample size, a total of 298 directors, managers, and team leaders from the Commercial Bank of Ethiopia were selected for this study. This sample size was derived from the total population using Yamane's formula with a 95% confidence level and a 5% margin of error, ensuring statistical accuracy in representing the target group within the bank's Addis Ababa branches and headquarters

### **3.3.3 Sampling Technique**

The study utilized a combined purposive and random sampling approach to ensure that the data collected was both specific to the study's goals and representative of diverse perspectives. Purposive sampling was initially employed to target individuals with direct leadership roles within the Commercial Bank of Ethiopia (CBE), focusing specifically on directors, managers, and team leaders (Kothari, 2004). This approach was chosen because individuals in these roles have a comprehensive understanding of both leadership practices and organizational dynamics within the bank, making them best suited to provide insights into how different leadership styles impact organizational development (Creswell, 2009). By selecting individuals with these specific responsibilities, the study aimed to include those who are most knowledgeable about and directly

involved in shaping organizational strategies and managing teams, thus ensuring that responses would be both relevant and deeply informed.

Following the purposive selection of this group, random sampling was employed within it to enhance the representativeness of the sample and minimize selection bias. This secondary sampling approach was essential for achieving a diverse set of perspectives, as it allowed for an even distribution of participants from different departments and roles within the bank. The combination of purposive and random sampling not only increased the breadth of perspectives included in the study but also ensured that findings would be more generalizable across the organization. By reducing potential selection bias through random sampling, the study provided a more accurate reflection of leadership practices across various organizational levels and contexts within CBE (Bryman & Bell, 2015).

This dual-sampling method supports a comprehensive analysis, as it ensures the inclusion of participants who possess both in-depth, role-specific insights and a variety of departmental viewpoints, enhancing the reliability of the findings. Such an approach aligns with best practices in organizational research, where purposive sampling helps isolate the most relevant participants while random sampling balances the sample's diversity (Saunders, Lewis, & Thornhill, 2016). By combining these techniques, the study captures a more nuanced and representative picture of leadership styles and their effects on organizational development, providing insights that are both meaningful and applicable within CBE's complex organizational structure.

### **3.3.4 Data analysis and presentation**

This quantitative study utilizes both descriptive and inferential statistics to examine the impact of leadership on organizational development within the Commercial Bank of Ethiopia. Descriptive statistics are employed not only to summarize data but also to provide insights into the relationships among variables, supporting a causal analysis. Techniques used include frequency distribution, percentages, cumulative percentages, measures of central tendency (e.g., mean), and measures of variability (e.g., standard deviation) to effectively interpret data patterns. Pearson correlation analysis is conducted to assess relationships between independent and dependent variables, offering insight into the strength and direction of these associations.

In addition, multiple regression analysis is applied to test hypotheses with a 95% confidence interval, identifying the extent to which independent variables influence organizational

development. The study's use of SPSS version 26 for data analysis further facilitates accurate data management, entry, and manipulation, allowing the research to comprehensively address the study's objectives and produce reliable results.

### **3.3.5 Descriptive analysis**

The descriptive analysis involves describing data using various statistics, including frequencies, proportions, mean, median, quartiles, standard deviation, and interquartile range. The choice of statistics depends on the type of variables whether they are qualitative (categorical, characterized, and attributable, e.g., gender, socio-economic status, pain level, treatment groups) or quantitative (measurable, continuous, and numerical, e.g., age, height, weight, pain score). This distinction helps researchers gain insights into their data. This study uses descriptive analysis for analyzing the collected questionnaire by describing the findings of the collected data.

### **3.3.6 Inferential statistic**

Inferential statistics involve establishing a link between a sample and a population. Since we typically lack access to the entire population, we rely on estimations based on sample data. For instance, calculating the sample mean of Age allows us to infer whether this estimated value accurately represents the entire population. To achieve this, we assess the accuracy of our estimator, and the sampling distribution helps us verify its reliability.

The value we seek to understand from the population (such as the average age) is referred to as a parameter. However, parameters are often unknown to us, necessitating estimation. An estimator is a predefined formula (e.g., the mean) that exists even before we collect data. When we apply this formula to an actual sample, the resulting value becomes an estimate. Estimators are variable because their outcomes depend on the specific sample data input. In contrast, estimates are concrete values, representing our best approximation of the parameter.

## **3.4 Reliability and Validity**

In a broad sense, reliability refers to the consistency of measurement or the precision of measurement. It assesses how consistently test scores remain stable across different measurements.

Whether it's a written test, a performance assessment, or an informal observation, reliability is a critical attribute of any measurement tool. It provides the foundation for achieving validity.

Validity pertains to whether the study's findings align with current business practices. In simpler terms, it assesses whether the measurements accurately capture what they intend to assess. Given that most of the questions were borrowed from prior studies, the questionnaire remains valid for measuring both independent and dependent variables. Disparities in business environments contribute to the presence of some limitations related to face validity. The study adopts questionnaires developed by the previous studies and the adoption ensures the validity of the questionnaire.

Reliability pertains to the extent to which a measurement yields stable and consistent results. It also involves repeatability. For instance, a scale or test is considered reliable if repeated measurements under constant conditions yield the same outcome. Evaluating reliability is essential because it ensures consistency across the various components of a measuring instrument. When the items within a scale "hang together" and measure the same underlying construct, we say that the scale exhibits high internal consistency reliability. The widely used measure for internal consistency is Cronbach's Alpha coefficient, particularly suitable when working with Likert scales. While no absolute rules exist for internal consistencies, most researchers agree on a minimum coefficient of 0.70 (Tavakol & Dennick, 2011). The study tested the reliability of the data using SPSS software to ensure the reliability of the data.

Table 3-1 reliability test

Variables	Cronbach's alpha	No of Items
TL	.955	5
BL	.894	5
EL	.886	5
OD	.873	7
Total reliability	.921	22

### 3.5 Ethical Considerations

The researcher collected data exclusively to understand the impact of leadership on organizational performance. As such, the researcher assumes full responsibility for the entire research process and adheres to all university policies. The data was obtained from employees through a questionnaire, with proper employee permissions. To safeguard respondent confidentiality, participants are not required to provide their names on the questionnaire. An explicit assurance was given that responses were used solely for academic purposes and treated confidentially. The study's purpose was communicated in the questionnaire introduction to encourage participation. Additionally, any sections of this study used by other authors are fully referenced on the reference page.

## **CHAPTER FOUR**

### **4 RESULTS AND DISCUSSIONS**

#### **4.1 Response Rate**

This chapter focuses on the presentation of data gathered through the questionnaire, and analysis of the results obtained. The data are presented using graphs and figures, descriptive and inferential statistics, the study collects data by preparing questioner in Liker scale questions, and while Likert scale data are inherently ordinal, they are often treated as interval data to facilitate the use of more sophisticated statistical techniques such as regression and correlation analyses. This approach is widely accepted in social science research due to its ability to provide meaningful interpretations of group tendencies, particularly when sample sizes are large (Norman, 2010; Boone & Boone, 2012). However, this practice assumes that the intervals between points on the scale are equal, which is a key consideration when drawing inferences from such data. The target population includes directors, managers, and team leaders from the Commercial Bank of Ethiopia, specifically within its Addis Ababa branches. Out of the 298 distributed questionnaires, 262 were returned, yielding a response rate of approximately 87.92%. This high response rate indicates strong engagement and interest from the participants in the survey.

#### **4.2 Demographics of the Respondents**

The demographic profile of the respondents provides valuable insights into the characteristics of the sample population, which is critical for understanding the broader context of the study. Demographics such as job position, age, gender, academic qualifications, and length of service play a significant role in shaping the perspectives and experiences of the participants. By analyzing these factors, the study ensures that the findings are representative and reflective of the diverse backgrounds within the organization. This section presents the distribution of the respondents across key demographic variables, offering a foundation for interpreting their responses and drawing meaningful conclusions. Understanding these demographic traits helps to contextualize the relationships between leadership styles and employee performance within the organization.

Table 4-1: Demographics

Demographic Category	Distribution	Description
Position of Respondents	Team Leader: 78 (29.8%), Manager: 143 (54.6%), Director: 40 (15.3%), Total: 262 (100%)	The majority of respondents (54.6%) are Managers. Team Leaders account for 29.8%, and Directors make up 15.3%. The sample consists entirely of employees in leadership roles.
Age of Respondents	Less than 25: 9 (3.4%), 25-35: 129 (49.2%), 36-45: 65 (24.8%), More than 45: 59 (22.5%), Total: 262 (100%)	Most respondents (49.2%) are aged 25-35, indicating a predominantly young workforce. 24.8% are 36-45, while 22.5% are over 45. Only a small percentage (3.4%) are under 25.
Gender of Respondents	Male: 200 (76.33%), Female: 62 (23.66%), Total: 262 (100%)	The sample is predominantly male, with 76.33% of participants being men and 23.66% are women.
Academic Qualification of Respondents	Bachelor's Degree: 107 (40.8%), Master's Degree & above: 155 (59.1%), Total: 262 (100%)	A significant portion of respondents (59.1%) hold a Master's degree or higher. The rest (40.8%) have a Bachelor's degree.

Service Years at CBE	Less than 3 years: 11 (4.2%), 3-5 years: 11 (4.2%), 6-10 years: 64 (24.4%), More than 10 years: 176 (67.1%), Total: 262 (100%)	The majority of respondents (67.1%) have worked at CBE for over 10 years, indicating long-term employment. A smaller group (24.4%) has 610 years of service at CBE.
Years of Service in Current Position	Less than 3 years: 105 (40%), 3-5 years: 46 (17.6%), 6-10 years: 39 (14.9%), More than 10 years: 72 (27.5%), Total: 262 (100%)	There is a balanced mix in tenure at current positions, with 40% of respondents serving less than 3 years, and 27.5% serving more than 10 years in their current roles.

Own Survey 2024

The demographic data indicates a workforce that is primarily male and young, with a significant number holding higher degrees. Most employees have long tenures at CBE, reflecting stability, and there is a broad range of service durations in current positions, suggesting diversity in experience levels.

### 4.3 Descriptive Statistics

The data set provides a comprehensive view of employee perceptions regarding various leadership and operational practices at CBE (Commercial Bank of Ethiopia). The sample size for each statement is 262 responses. Responses are measured on a Likert scale from 1 (strongly disagree) to 5 (strongly agree). In interpreting employee perceptions from the data set at the Commercial Bank of Ethiopia (CBE), key statistics such as the mean and standard deviation for each Likert scale item provide a foundational understanding. The mean represents the average level of agreement across respondents, giving insight into the general sentiment toward specific leadership and operational practices. A higher mean indicates a stronger level of agreement, suggesting positive perceptions, while a lower mean reflects disagreement or dissatisfaction. The standard deviation is equally important as it indicates the level of variation or dispersion in responses. A low standard deviation suggests that most respondents answered similarly, indicating consensus, while a high standard deviation implies a wider range of responses,

highlighting differing opinions or experiences among employees. The Likert scale responses, ranging from 1 (strongly disagree) to 5 (strongly agree), allow for the use of descriptive statistics to quantify attitudes and perceptions in a structured format. In analyzing the data, the interpretation of the mean and standard deviation helps to understand central tendencies and variability in perceptions of leadership effectiveness, employee engagement, and other organizational practices. The basis for interpreting Likert-scale data lies in recognizing that while these data are ordinal, many studies apply interval-level statistical techniques (Norman, 2010). The use of means and standard deviations for Likert-scale responses is widely accepted in social science research due to its practical benefits for summarizing large sets of perception data (Boone & Boone, 2012). This approach enables researchers to make informed interpretations about employee attitudes and areas for improvement in leadership and operations.

Descriptive statistics have been employed to assess the role of leadership style in organization development decisions regarding beverage products. As outlined by Pimentel (2010), mean values serve as indicators of respondent attitudes: scores falling between 1 and 1.8 signify strong disagreement with the question, while scores from 1.81 to 2.6 indicate disagreement. Mean values ranging from 2.61 to 3.4 suggest neutrality in respondent opinions, while scores between 3.4 and 4.2 signify agreement. Finally, mean values falling between 4.2 and 5 indicate strong agreement among respondents with the posed question. These categorizations help gauge the overall sentiment of respondents toward leadership and its role in their organizational development. The standard deviation is a key measure of variability in a dataset, indicating how spread out or clustered the data points are around the mean. A small standard deviation, which is close to 0, signifies that the data points are tightly clustered around the mean, suggesting low variability and greater consistency in responses. In contrast, a moderate standard deviation indicates a moderate level of dispersion, where the data points are somewhat spread out but still largely centered around the mean, reflecting moderate variability in the responses. A large standard deviation, on the other hand, suggests a high degree of variability, where the data points are spread out widely from the mean, indicating considerable differences or inconsistency in the responses (Newbold, Carnes, & Anderson, 2017).

### 4.3.1 Perception of leadership styles

#### 4.3.1.1 Descriptive Statistics of Transformational Leadership

Table 4-2: Perception of transformational leadership style

Descriptive Statistics of Transformational Leadership			
	N	Mean	Std. Deviation
CBE leadership inspires and stimulates employees' intellect for the bank's long-term growth.	260	3.55	1.037
CBE leadership believes that innovation is crucial for maintaining the bank's competitiveness and continual growth.	260	3.54	1.045
CBE's overall development depends critically on its employees having a thorough understanding of the bank's vision, objectives, and strategy.	262	3.25	.974
CBE Leadership believes that motivating and engaging employees in decision-making plays a significant role in enhancing a bank's productivity and growth.	262	3.53	.997
CBE leadership sets an example for employees by delegating responsibility, subordinating, and inspiring them to be more productive.	262	3.46	.973
The grand mean of TL	262	3.4664	.92642

Own Survey 2024

The descriptive statistics for Transformational Leadership (TL) at the Commercial Bank of Ethiopia (CBE) reveal insightful trends in leadership practices. The statement "CBE leadership inspires and stimulates employees' intellect for the bank's long-term growth" holds a mean score of 3.55, indicating a moderately high agreement among employees, with a standard deviation of 1.037 reflecting a reasonable variation in responses. Similarly, the belief that "innovation is crucial for maintaining the bank's competitiveness and continual growth" scores a mean of 3.54, showing consistent perceptions about the importance of innovation, accompanied by a standard deviation of 1.045.

The aspect of "overall development relying on employees understanding the bank's vision, objectives, and strategy" is perceived with slightly lower agreement, having a mean of 3.25 and a standard deviation of 0.974, suggesting more uniform responses but a relatively lower level of agreement. Meanwhile, the role of "motivating and engaging employees in decision-making" in enhancing productivity shows a mean of 3.53 with a standard deviation of 0.997, highlighting a strong acknowledgment of participative leadership's impact.

Lastly, the perception that "CBE leadership sets an example by delegating responsibility and inspiring productivity" has a mean score of 3.46, with the least variability among the items (standard deviation of 0.973), indicating steady acknowledgment of this leadership behavior.

Overall, the grand mean of 3.47, with a standard deviation of 0.926, signifies a generally positive perception of transformational leadership practices at CBE, albeit with some variability. This suggests that while employees recognize and appreciate transformational leadership traits, there are nuances in their experiences and perceptions across different aspects of leadership.

### 4.3.1.2. Descriptive Statistics of Bureaucratic Leadership

Table 4-3: Perception of bureaucratic leadership

Descriptive Statistics of Bureaucratic Leadership			
	N	Mean	Std. Deviation
At CBE, decisions are made in accordance with established rules and regulations, along with a clear chain of command.	262	3.83	.956
At CBE, departments act independently and avoid involvement in issues beyond their scope of authority in order for employees to focus on their own responsibilities and thus be productive.	262	3.90	1.096
To enhance productivity, CBE leadership believes that employees must adhere to the bank's hierarchy, job specialization, procedures, and rules.	262	4.08	.923
To ensure the bank's continued growth, CBE leadership closely watches and strictly supervises its personnel.	262	4.06	1.040
Bank executives at CBE makes every decision without consulting other staff members and make quick decisions to increase the bank's productivity.	262	4.19	.968
The grand mean of BL	262	4.0130	.83633

Own Survey 2024

At CBE, decisions are made following established rules and regulations, along with a clear chain of command. Mean: 3.83, Std. Deviation: 0.956. Employees agree on adherence to established rules and a clear chain of command, with moderate variability in responses. At CBE, departments act independently and avoid involvement in issues beyond their scope of authority to focus on their responsibilities and be productive. Mean: 3.90, Std. Deviation: 1.096. Employees agree on departmental independence for productivity, but there is significant

variability in opinions. To enhance productivity, CBE leadership believes that employees must adhere to the bank's hierarchy, job specialization, procedures, and rules. Mean: 4.08, Std. Deviation: 0.923. There is strong agreement on the importance of hierarchy and rules for productivity, with moderate variability in responses. To ensure the bank's continued growth, CBE leadership closely watches and strictly supervises its personnel. Mean: 4.06, Std. Deviation: 1.040. Employees strongly agree on the need for close supervision for growth, but there is significant variability in responses. Bank executives at CBE make every decision without consulting other staff members and make quick decisions to increase the bank's productivity. Mean: 4.19, Std. Deviation: 0.968. Employees strongly agree that executives make decisions independently to boost productivity, with moderate variability in responses. The grand mean of bureaucratic Leadership (BL). Mean: 4.01, Std. Deviation: 0.836. The mean score of 4.01 suggests strong agreement with the statements related to bureaucratic leadership, indicating a positive perception, Standard Deviation: The standard deviation of 0.836 shows moderate variability in responses.

### Descriptive Statistics of Ethical Leadership

Table 4-4: Perception of Ethical Leadership

Descriptive Statistics of Ethical Leadership			
	N	Mean	Std. Deviation
CBE leadership treats all employees with equal respect and hence make employees more productive.	262	4.20	.743
CBE leadership promotes open communication among employees and leaders at all levels so as to create a positive working environment and thereby enhance productivity.	262	4.17	.813
CBE fulfills its social responsibilities by participating in community development initiatives and enhance the bank's positive image.	262	4.19	.818
To increase productivity CBE leadership engages in team building activities, promotes employee involvement, boosts motivation, and improves problem-solving techniques.	262	4.00	.745
CBE leadership manages stress in the workplace and not impose personal or professional pressure on employees.	262	3.94	.840
The grand mean of EL	262	4.1000	.65735

CBE leadership treats all employees with equal respect, making them more productive. Mean: 4.20, Std. Deviation: 0.743. There is strong agreement on equal treatment of employees for productivity, with low variability in responses. CBE leadership promotes open communication among employees and leaders at all levels to create a positive working environment and thereby enhance productivity. Mean: 4.17, Std. Deviation: 0.813. Employees strongly agree on the importance of open communication for a positive work environment, with moderate variability in responses. CBE fulfills its social responsibilities by participating in community development initiatives and enhancing the bank's positive image. Mean: 4.19, Std. Deviation: 0.818. There is strong agreement on the bank's commitment to social responsibilities, with moderate variability in responses. To increase productivity, CBE leadership engages in team-building activities, promotes employee involvement, boosts motivation, and improves problem-solving techniques. Mean: 4.00, Std. Deviation: 0.745. Employees strongly agree on the role of team-building activities in productivity, with low variability in responses. CBE leadership manages stress in the workplace and does not impose personal or professional pressure on employees. Mean: 3.94, Std. Deviation: 0.840. Employees agree on effective stress management by leadership, with moderate variability in responses.

The grand mean of Ethical Leadership (EL), Mean: 4.10, Std. Deviation: 0.657, Mean: The mean score of 4.10 indicates strong agreement with the statements related to ethical leadership, suggesting a very positive perception, Standard Deviation: The standard deviation of 0.657 indicates relatively low variability in responses.

### **Discussion and Analysis: Comparing the Grand Mean of Leadership Styles**

#### **Transformational Leadership (TL)**

The grand mean for transformational leadership is 3.46 (SD=0.92642), suggesting that employees at the Commercial Bank of Ethiopia (CBE) generally agree with statements about leadership that emphasize inspiring, stimulating, and engaging employees for the bank's growth. The mean of 3.46 indicates a positive but moderate perception of transformational leadership, where most employees acknowledge the importance of leadership in fostering innovation, motivation, and long-term success. However, the standard deviation (0.926) indicates moderate variability, meaning that while many employees perceive transformational leadership positively,

there are still some divergent opinions. This variation might be due to differing experiences across departments or with specific leaders (Bass & Riggio, 2006).

For example, the highest mean under transformational leadership is 4.00 for the statement that leadership believes in innovation, reflecting stronger agreement among employees on the value of innovation in maintaining the bank's competitiveness. This reinforces the idea that transformational leaders who focus on fostering innovation play a critical role in enhancing organizational growth and performance (Bass, 1985). On the other hand, the lowest mean of 3.64 pertains to employees' understanding of the bank's vision, suggesting room for improvement in aligning employees with the strategic direction of the organization.

### **Bureaucratic Leadership (BL)**

The grand mean for bureaucratic leadership is 4.01 (SD = 0.836), which indicates that employees have a strong agreement with the statements related to this leadership style. This suggests that CBE's leadership emphasizes adherence to established rules, a clear chain of command, and close supervision, which are positively perceived by employees as beneficial for maintaining productivity and operational efficiency. The mean of 4.01 reflects a more rigid, rule-based leadership approach that employees perceive as crucial for ensuring stability and growth in a structured environment.

The standard deviation of 0.836 shows moderate variability in responses, which could reflect differences in how employees view strict supervision or hierarchical decision-making. For instance, while some employees might thrive in a highly controlled environment, others may find it restrictive, thus explaining the variability in their perceptions (Weber, 1947).

Interestingly, the highest mean under bureaucratic leadership is **4.19**, suggesting employees strongly agree that executives make quick decisions without consulting staff. This result implies that quick decision-making is valued for enhancing productivity, which is a key characteristic of bureaucratic leadership aimed at maintaining order and efficiency in complex organizations (Weber, 1947).

### **Ethical Leadership (EL)**

Ethical leadership has the highest grand mean at 4.10 (SD = 0.657), indicating that employees perceive CBE leadership as promoting ethical standards and fostering a positive work

environment. The high mean of 4.10 demonstrates that employees strongly agree with the ethical conduct of leadership, particularly in promoting open communication, equal respect, and fulfilling social responsibilities. This aligns with the view that ethical leadership enhances employee trust, satisfaction, and overall organizational performance (Brown & Treviño, 2006).

The relatively low standard deviation of 0.657 indicates lower variability in responses compared to other leadership styles, suggesting a more consistent perception of ethical leadership across employees. This may indicate that ethical behaviors such as respect, transparency, and fairness are well ingrained in CBE's leadership practices, contributing to a cohesive and positive organizational culture (Brown & Treviño, 2006).

### **Comparative Analysis of Grand Means**

When comparing the grand means of the three leadership styles, ethical leadership (Mean = 4.10) ranks the highest, followed by bureaucratic leadership (Mean = 4.01), and lastly transformational leadership (Mean = 3.46). This suggests that while CBE employees perceive leadership as both ethical and bureaucratic, there is less consensus on the transformational aspects of leadership. The relatively lower mean for transformational leadership could imply that employees feel less engaged or inspired by visionary and innovative leadership practices, which could be a critical area for CBE to address to enhance long-term growth and employee engagement (Bass, 1985).

The variability, as indicated by the standard deviations, is highest in perceptions of bureaucratic leadership (SD = 0.836), implying that while employees generally appreciate structured decision making, there are significant differences in how strictly they believe rules should be enforced. Ethical leadership, with the lowest standard deviation (0.657), enjoys a more unified positive perception, reflecting consistent views on the importance of ethical conduct.

The dominant leadership style exhibited at the Commercial Bank of Ethiopia (CBE) appears to be ethical leadership, based on the analysis of the grand means. Ethical leadership has the highest grand mean of 4.10 (SD = 0.657), indicating that employees strongly agree with statements reflecting ethical practices such as respect, open communication, and fulfilling social responsibilities. The relatively low variability in responses (standard deviation) suggests that employees consistently perceive leadership behavior as ethical across the organization.

This implies that CBE's leadership is focused on maintaining a positive working environment through fairness, transparency, and moral integrity, which aligns with ethical leadership principles (Brown & Treviño, 2006). While bureaucratic leadership (Mean = 4.01) is also highly rated, ethical leadership emerges as the most strongly perceived and consistent leadership style within the bank.

The grand means provide insights into employee perceptions of different leadership styles at CBE. While employees view ethical leadership most favorably, suggesting a strong moral foundation, they also appreciate the structured nature of bureaucratic leadership. However, the relatively lower perception of transformational leadership highlights potential areas for leadership to engage employees more deeply in the bank's vision and innovative initiatives. Fostering transformational leadership qualities, alongside the existing ethical and bureaucratic practices, could help CBE achieve a more balanced and effective leadership approach, leading to sustained growth and employment.

### 4.3.2 Perception of Organizational Development

#### Descriptive Statistics of Organizational Development

Table 4-5: Perception of Organizational development

Descriptive Statistics of Organizational Development			
	N	Mean	Std devn
CBE is carrying out its assigned obligations while increasing production.	262	3.81	.844
CBE has capacitated itself in human and material resources to be more competitive in the banking industry.	262	3.85	.973
CBE invests consistently in personnel training and skill development.	262	3.93	1.057
CBE responds appropriately to changes and opportunities in the marketplace by surveying markets to understand the context of the business, recognizing trends, and investigating possibilities.	262	4.07	1.007
CBE continuously strives to enhance customer value creation by learning what customers want, understanding their values, building excellent relationships with them, having direct contact with them, engaging them, being responsive to them, and focusing on	262	3.99	1.015
CBE maintains solid and long-term relationships with all stakeholders by networking widely, discharging social responsibility, and establishing mutually beneficial opportunities and win-win relationships.	261	4.08	.893
CBE implements adaptable ICT systems throughout the organization, introducing ICT technologies everywhere in the workplace.	262	3.96	1.016
The grand mean of OD	261	3.9568	.73514

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CBE is carrying out its assigned obligations while increasing production. Mean: 3.81, Std. Deviation: 0.844, Employees agree that CBE is meeting obligations and increasing production, with moderate variability in responses. CBE has capacitated itself in human and material resources to be more competitive in the banking industry. Mean: 3.85, Std. Deviation: 0.973. Employees agree on the bank's capacity to compete, but there is higher variability in responses. CBE invests consistently in personnel training and skill development. Mean: 3.93, Std. Deviation: 1.057. Employees agree on investment in training and development, with significant variability in responses. CBE responds appropriately to changes and opportunities in the marketplace by surveying markets, recognizing trends, and investigating possibilities. Mean: 4.07, Std. Deviation: 1.007. There is strong agreement on the bank's responsiveness to market changes, with significant variability in responses. CBE continuously strives to enhance customer value creation by understanding customer wants, building relationships, engaging them, and being responsive. Mean: 3.99, Std. Deviation: 1.015. Employees strongly agree on efforts to enhance customer value, with significant variability in responses. CBE maintains solid and long-term relationships with all stakeholders by networking, discharging social responsibility, and establishing mutually beneficial opportunities. Mean: 4.08, Std. Deviation: 0.893. There is strong agreement on maintaining stakeholder relationships, with moderate variability in responses. CBE implements adaptable ICT systems throughout the organization, introducing ICT technologies everywhere in the workplace. Mean: 3.96, Std. Deviation: 1.016, Employees strongly agree on the implementation of ICT systems, with significant variability in responses.

The grand mean of Organizational Development (OD), Mean: 3.96, Std. Deviation: 0.735, Mean: The mean score of 3.96 indicates agreement with the statements related to organizational development, suggesting a positive perception. Standard Deviation: The standard deviation of 0.735 shows moderate variability in responses. Overall, the data suggests that employees have a positive perception of CBE leadership in various aspects related to innovation, communication, employee involvement, and social responsibility. The means for most statements are above 3.5, indicating agreement or strong agreement. Standard deviations range from moderate to significant, pointing to some variability in employee opinions, which is expected in a diverse workforce.

The data from the table on Organizational Development (OD) at the Commercial Bank of Ethiopia (CBE) reveals overall positive perceptions across different aspects of organizational

growth, competitiveness, and responsiveness to market and stakeholder needs. The grand mean of 3.96 (SD = 0.735) suggests that employees generally agree with the statements related to CBE's development initiatives. This positive perception is supported by consistent agreement across various areas, with means mostly above 3.8, indicating a favorable outlook on CBE's operational strategies.

### **Key Areas of Agreement**

**Responsiveness to Market Changes:** One of the highest means is found in the statement regarding CBE's ability to respond to changes and opportunities in the marketplace (Mean = 4.07, SD = 1.007). This suggests that employees recognize the bank's proactive approach to surveying the market, recognizing trends, and exploring opportunities. Despite the high mean, the variability (SD = 1.007) shows that some employees may feel less aligned or informed about the bank's market strategies. **Stakeholder Relationships:** Another high mean relates to CBE's maintenance of solid relationships with stakeholders through networking, social responsibility, and establishing mutually beneficial partnerships (Mean = 4.08, SD = 0.893). This points to a strong consensus among employees that CBE values long-term relationships with external partners, enhancing its sustainability and social impact. **ICT Implementation:** CBE's implementation of adaptable ICT systems (Mean = 3.96, SD = 1.016) shows employees are generally positive about technological advancements in the bank. However, the relatively high variability (SD = 1.016) suggests that the experience of ICT implementation may not be uniform across the organization, likely due to differing exposure levels to technology integration.

### **Areas with More Variability:**

**Training and Skill Development:** While employees agree that CBE invests in personnel training (Mean = 3.93, SD = 1.057), the higher standard deviation suggests significant variability in perceptions. This might indicate uneven access to or experience with training programs, suggesting that while training efforts are in place, not all employees feel equally supported or engaged in their professional development. **Customer Value Creation:** Employees agree that CBE continuously strives to enhance customer value through direct engagement and responsiveness (Mean = 3.99, SD = 1.015). However, the relatively high variability suggests that while the bank emphasizes customer relationships, the effectiveness of this effort may vary across different departments or roles within the bank.

## **Overall Perception of Organizational Development**

The grand mean of 3.96 for organizational development shows a positive overall perception among employees regarding CBE's efforts to remain competitive and responsive to both internal and external demands. The mean scores suggest that employees acknowledge the bank's efforts in key areas such as market responsiveness, stakeholder engagement, ICT implementation, and employee training. The moderate to significant variability in responses (as seen in standard deviations) highlights the diversity of experiences and perceptions among employees, which could be attributed to differences in roles, departments, or exposure to specific initiatives.

Based on the data, it can be concluded that CBE is generally perceived by employees as a progressive and responsive organization that is investing in its development to remain competitive in the banking industry. The consistent investment in areas such as market responsiveness, stakeholder relations, and ICT indicates a forward-thinking approach. However, the variability in perceptions suggests that while most employees agree with the bank's strategies, there are differences in how these initiatives are experienced across the organization, particularly in training and customer value creation. Addressing these differences could help CBE create a more uniform experience for all employees, enhancing their engagement and alignment with the bank's development goals. These findings can guide CBE leadership in identifying strengths and areas for improvement, ensuring continuous development and alignment with employee expectations and market demands.

Overall, the descriptive statistics suggest that employees at CBE have positive perceptions of the various leadership dimensions, particularly in ethical leadership (mean of 4.10) and Bureaucratic leadership (mean of 4.01). Transformational leadership and organizational development are also viewed positively, with means of 3.83 and 3.96, respectively.

### **4.4 Relationship between leadership style and Organizational Development**

The Pearson correlation analysis is employed to examine the strength and direction of the linear relationship between the key variables in this study, particularly those related to leadership styles and organizational development at the Commercial Bank of Ethiopia (CBE). Pearson correlation coefficients range from -1 to 1, where a value close to 1 indicates a strong positive relationship, a value close to -1 indicates a strong negative relationship, and a value of 0 indicates no relationship. This analysis will help in identifying the extent to which variables such as

leadership styles, organizational development, and employee perceptions are associated with each other.

By using Pearson correlation, this section aims to uncover potential relationships that could explain how different leadership styles impact organizational effectiveness and employee engagement, providing deeper insights into the data beyond descriptive statistics (Field, 2013). This understanding is crucial for highlighting areas where leadership practices may directly influence organizational growth and employee satisfaction.

Table 4-6: Correlation Matrix

Correlations				
	TL	BL	EL	OD
TL	1	.570**	.675**	.420**
BL	.570**	1	.747**	.731**
EL	.675**	.747**	1	.677**
OD	.420**	.731**	.677**	1

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The significance level (Sig.) indicates whether the correlation is statistically significant (Cohen, 1988).

According to the table- 4.6, Transformational Leadership (TL) Correlations: TL and BL (Bureaucratic Leadership):

Correlation Coefficient: 0.570, Significance:  $p < 0.001$ . There is a moderate positive correlation between TL and BL, indicating that as transformational leadership increases, Bureaucratic leadership also tends to increase. The relationship is statistically significant. TL and EL (Ethical Leadership): Correlation Coefficient: 0.675, Significance:  $p < 0.001$ . There is a strong positive correlation between TL and EL, suggesting that higher levels of transformational leadership are associated with higher levels of ethical leadership. This relationship is statistically significant. TL and OD (Organizational Development): Correlation Coefficient: 0.420, Significance:  $p < 0.001$ . There is a moderate positive correlation between TL and OD, indicating that increases in

transformational leadership are associated with improvements in organizational development. The relationship is statistically significant.

**Bureaucratic Leadership (BL) Correlations:** BL and TL (Transformational Leadership): Correlation Coefficient: 0.570, Significance:  $p < 0.001$ . This is the same correlation described in the TL section, reaffirming the moderate positive relationship. BL and EL (Ethical Leadership): Correlation Coefficient: 0.747, Significance:  $p < 0.001$ . There is a strong positive correlation between BL and EL, suggesting that higher Bureaucratic leadership is strongly associated with higher ethical leadership. This relationship is statistically significant. BL and OD (Organizational Development): Correlation Coefficient: 0.731, Significance:  $p < 0.001$ . There is a strong positive correlation between BL and OD, indicating that increases in Bureaucratic leadership are associated with improvements in organizational development. The relationship is statistically significant.

**Ethical Leadership (EL) Correlations:** EL and TL (Transformational Leadership): Correlation Coefficient: 0.675, Significance:  $p < 0.001$ . This is the same correlation described in the TL section, reaffirming the strong positive relationship. EL and BL (Bureaucratic Leadership): Correlation Coefficient: 0.747, Significance:  $p < 0.001$ . This is the same correlation described in the BL section, reaffirming the strong positive relationship. EL and OD (Organizational Development): Correlation Coefficient: 0.677, Significance:  $p < 0.001$ . There is a strong positive correlation between EL and OD, suggesting that higher ethical leadership is associated with improvements in organizational development. This relationship is statistically significant.

**Organizational Development (OD) Correlations:** OD and TL (Transformational Leadership): Correlation Coefficient: 0.420, Significance:  $p < 0.001$ . This is the same correlation described in the TL section, reaffirming the moderate positive relationship. OD and BL (Bureaucratic Leadership): Correlation Coefficient: 0.731, Significance:  $p < 0.001$ . This is the same correlation described in the BL section, reaffirming the strong positive relationship. OD and EL (Ethical Leadership): Correlation Coefficient: 0.677, Significance:  $p < 0.001$ . This is the same correlation described in the EL section, reaffirming the strong positive relationship.

The correlation analysis reveals significant positive relationships between leadership styles (transformational, Bureaucratic, and ethical) and organizational development. Specifically: Transformational leadership is moderately positively correlated with both Bureaucratic

leadership and organizational development, and strongly positively correlated with ethical leadership. Bureaucratic leadership is strongly positively correlated with both ethical leadership and organizational development. Ethical leadership is strongly positively correlated with organizational development.

These findings suggest that different leadership styles are interrelated and positively influence the development of organizations. Enhancing one leadership style may lead to improvements in the other styles and overall organizational development. This information could be valuable for organizations seeking to improve their leadership practices and, consequently, their organizational effectiveness.

## **4.5 Regression test**

### **4.5.1 Regression assumption**

Regression analysis relies on several key assumptions to ensure that the model's estimates and predictions are valid. These include linearity, normality, independence, homoscedasticity, and the absence of multicollinearity. Violations of these assumptions can lead to biased coefficients and invalid hypothesis testing (Field, 2013).

#### **4.5.1.1 Normality**

The assumption of normality in regression requires that the residuals (the differences between the observed and predicted values) should follow a normal distribution. Normality is particularly important for hypothesis testing, where violations can affect the confidence intervals and significance tests. Normal residuals indicate that the errors are randomly distributed, implying that the model is correctly specified. According to Field (2013), "the assumption of normality is most relevant for small samples because the central limit theorem ensures that larger samples tend to be normally distributed.

Table 4-7: Normality test

Normality test					
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
TL	260	-1.122	.151	.846	.301
BL	262	-.695	.150	.044	.300
EL	262	-.623	.150	.037	.300
OD	261	-.426	.151	-.723	.300
Valid N (listwise)	259				

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The table presents the skewness and kurtosis statistics for four variables: TL, BL, EL, and OD. These statistics are used to assess the normality of the distribution of these variables. Skewness measures the asymmetry of the distribution. A skewness value close to 0 indicates a symmetric distribution, while a positive or negative value indicates a right or left skew, respectively.

According to the table:

- TL has a skewness of -1.122 with a standard error of 0.151, indicating a left skew.
- BL has a skewness of -0.695 with a standard error of 0.150, also indicating a left skew but less pronounced than TL.
- EL has a skewness of -0.623 with a standard error of 0.150, indicating a slight left skew.
- OD has a skewness of -0.426 with a standard error of 0.151, indicating a mild left skew. Kurtosis measures the "tailedness" of the distribution. A kurtosis value close to 0 indicates a distribution similar to the normal distribution. A positive value

indicates a distribution with heavier tails, and a negative value indicates lighter tails. According to the table:

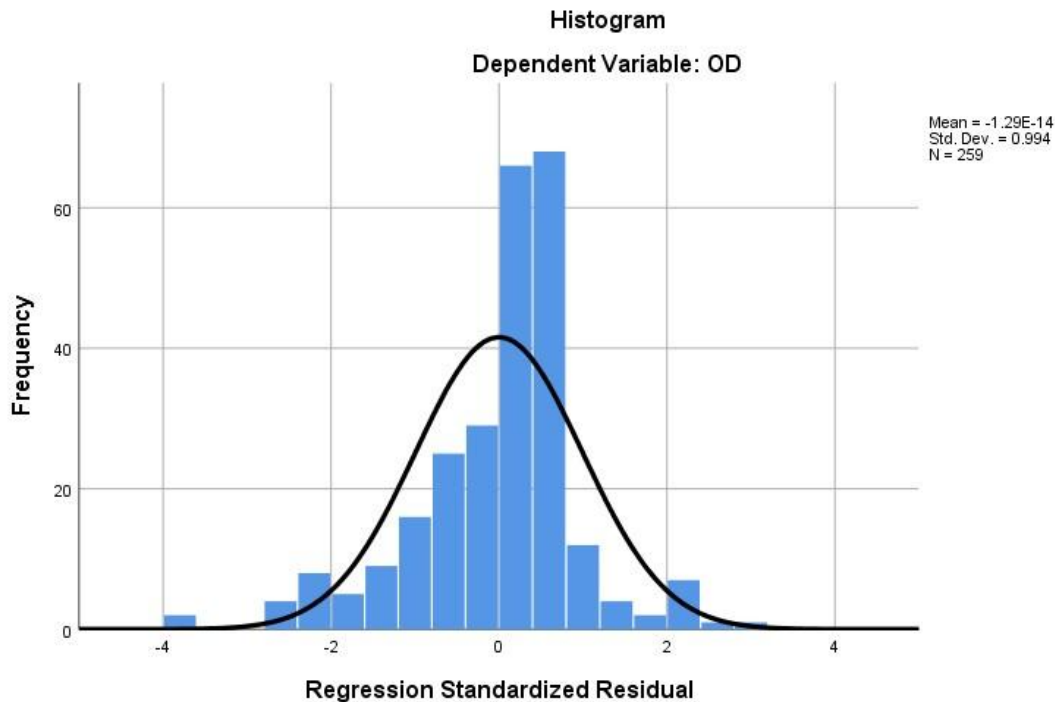
- TL has a kurtosis of 0.846 with a standard error of 0.301, suggesting a distribution with slightly heavier tails than the normal distribution.
- BL has a kurtosis of 0.044 with a standard error of 0.300, indicating a distribution close to normal.
- EL has a kurtosis of 0.037 with a standard error of 0.300, also indicating a distribution close to normal.
- OD has a kurtosis of -0.723 with a standard error of 0.300, suggesting a distribution with lighter tails than the normal distribution.

According to the literature, skewness, and kurtosis values within the range of -2 to +2 are considered acceptable for establishing normality in data (George & Mallery, 2010). This means that all the variables in the table are within the acceptable range for skewness and kurtosis, indicating that the data do not deviate significantly from a normal distribution.

#### **4.5.1.2 Histogram**

A histogram is a graphical representation that helps visualize the distribution of data, including residuals in regression analysis. By plotting a histogram of residuals, one can observe whether they follow a roughly normal distribution. Deviations from normality, such as skewness or kurtosis, can be easily detected through this visual inspection. As noted by Hair, Black, Babin, and Anderson (2019), A histogram is a useful tool for assessing normality by visually representing the frequency distribution of residuals in regression analysis.

Figure 4-1: Histogram



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The provided histogram represents the distribution of the regression standardized residuals for the dependent variable, Organizational Development (OD). The x-axis represents the regression standardized residuals, while the y-axis represents the frequency of these residuals. The histogram bars show the distribution of the residuals, with a superimposed curve representing the normal distribution. The mean of residuals is  $-1.29E-14$ , which is essentially zero, indicating that the residuals are centered around zero. The standard deviation of residuals is 0.994, close to 1, suggesting that the residuals are standardized. The histogram displays a bell-shaped distribution, closely resembling a normal distribution. The residuals are concentrated around the mean (zero) and taper off symmetrically towards both extremes. This shape suggests that the residuals are approximately normally distributed.

The normality of residuals is a crucial assumption in regression analysis as it ensures that the statistical tests for the coefficients (t-tests) and overall model fit (F-test) are valid (Field, 2013). Since the residuals appear to be normally distributed, the regression model is likely valid, and the results and inferences drawn from the model can be considered reliable (Osborne & Waters,

2002). The normal distribution of residuals implies that the model's predictions are unbiased, and the errors are randomly distributed, supporting the validity of p-values, t-tests, and F-tests provided in the regression analysis (Tabachnick & Fidell, 2013).

The histogram of regression standardized residuals for the dependent variable Organizational Development (OD) indicates that the residuals are approximately normally distributed. This supports the validity of the regression model used to examine the relationship between Transformational Leadership (TL), Bureaucratic Leadership (BL), Ethical Leadership (EL), and Organizational Development (OD). The normal distribution of residuals suggests that the model's assumptions are met, and the results can be interpreted with confidence.

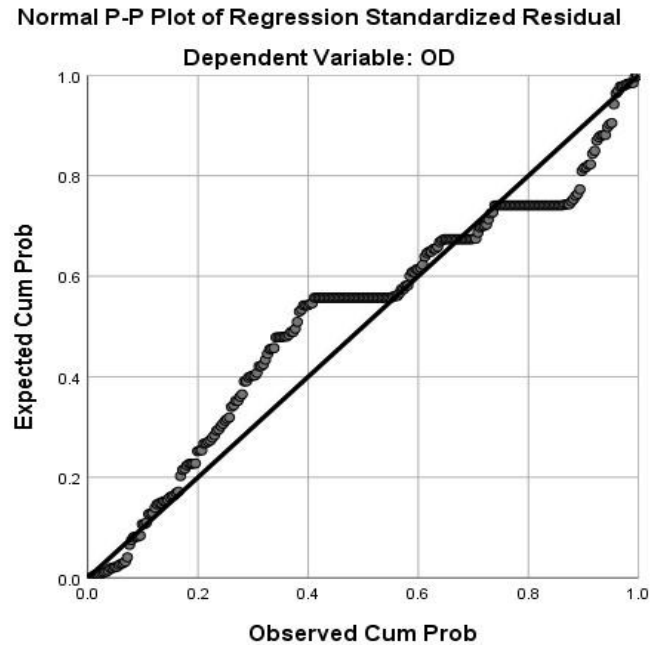
#### **4.5.1.3 Normal P-P Plot**

The assumption of linearity in regression means that there is a straight-line relationship between the independent and dependent variables. This relationship must be correctly specified for the model to yield accurate results. If the relationship is non-linear, the model's predictions will be systematically off. Linearity can be visually inspected through a scatterplot of residuals or tested using formal statistical methods. According to Hair, Black, Babin, and Anderson (2019), "linearity is a critical assumption that ensures the predictor variables have a linear relationship with the dependent variable, which allows the model to generate accurate predictions.

A P-P (probability-probability) plot is used to assess how well the residuals of the regression model conform to a normal distribution. In a P-P plot, the observed cumulative probability of a variable is compared to the expected cumulative probability based on the normal distribution. If the residuals are normally distributed, the points in the P-P plot should fall closely along the diagonal line. Field (2013) notes that "the P-P plot provides a more sensitive test of normality compared to a histogram and should be used to assess whether residuals deviate significantly from normality.

Normal P-P Plot of Regression Standardized Residual for Organizational Development (OD).

Figure 4-2: Linearity



Own Survey 2024

The provided Normal P-P Plot (Probability-Probability Plot) of the Regression Standardized Residual for the dependent variable Organizational Development (OD) is used to assess the normality of the residuals in a regression analysis. The x-axis represents the observed cumulative probability of the standardized residuals, and the y-axis represents the expected cumulative probability if the residuals followed a perfectly normal distribution. The plot includes a 45-degree reference line that represents the ideal case where the observed residuals exactly match the expected normal distribution. The points on the plot represent the actual standardized residuals from the regression analysis. If the residuals are normally distributed, the points should lie approximately along the 45-degree reference line. The points in the Normal P-P Plot are closely aligned with the 45-degree line, with slight deviations, indicating that the residuals of the regression model are approximately normally distributed. While there are minor deviations, these are not substantial enough to indicate a significant departure from normality. The normal distribution of residuals is a key assumption in multiple regression analysis as it ensures the validity of significance tests and confidence intervals (Field, 2013). Since the residuals are approximately normally distributed, we can have greater confidence in the validity of the regression model, making the results and conclusions drawn from the model likely to be

reliable (Osborne & Waters, 2002). The normality of residuals implies that the model’s predictions are unbiased and the error terms are randomly distributed. Consequently, the approximate normality of residuals means that the p-values, t-tests, and F-tests provided in the regression analysis are valid and can be trusted for hypothesis testing (Tabachnick & Fidell, 2013). The Normal P-P Plot of Regression Standardized Residuals for the dependent variable Organizational Development (OD) indicates that the residuals are approximately normally distributed, supporting the validity of the regression model used to examine the relationship between Transformational Leadership (TL), Bureaucratic Leadership (BL), Ethical Leadership (EL), and Organizational Development (OD). The normal distribution of residuals suggests that the model’s assumptions are met, and the results can be interpreted with confidence.

#### 4.5.1.4 Multicollinearity

Multicollinearity occurs when two or more independent variables in a regression model are highly correlated, making it difficult to isolate the individual effect of each predictor. This assumption is critical because multicollinearity can inflate the standard errors of the coefficients, leading to less reliable estimates. Detecting multicollinearity can be done using the variance inflation factor (VIF). According to Tabachnick and Fidell (2019), “multicollinearity undermines the statistical significance of independent variables and can be diagnosed through variance inflation factors (VIFs).

Table 4-8: Multicollinearity

Coefficients			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	TL	.533	1.876
	BL	.420	2.379
	EL	.338	2.958
a. Dependent Variable: OD			

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The collinearity diagnostics for the predictors in the regression model indicate that multicollinearity is not a significant concern. For Transformational Leadership (TL), the tolerance value is 0.533 and the VIF is 1.876, suggesting no severe multicollinearity. Bureaucratic Leadership (BL) has a tolerance value of 0.420 and a VIF of 2.379, also indicating no severe multicollinearity. Ethical Leadership (EL) shows a tolerance value of 0.338 and a VIF of 2.958, which, while slightly above the stricter threshold of 2.5, still falls within an acceptable range and does not indicate severe multicollinearity. Generally, tolerance values below 0.1 indicate severe multicollinearity and VIF values above 10 are cause for concern, though some sources suggest using a lower threshold of 5 or even 2.5 (O'Brien, 2007; Field, 2013). In this analysis, the tolerance values are well above 0.1, and the VIF values are all below 10, supporting the stability and reliability of the regression coefficients. This lack of severe multicollinearity ensures that the estimates of the regression coefficients are stable and the conclusions drawn from the regression model are valid (Menard, 2002).

#### 4.5.2 Multiple Linear Regression

Multiple linear regression is a statistical technique used to examine the relationship between one dependent variable and multiple independent variables. This method allows us to understand how different leadership styles (independent variables) simultaneously influence organizational development (dependent variable). The regression model provides estimates of the coefficients, which represent the strength and direction of the relationship between each predictor and the outcome variable.

### 1. Model Summary

Table 4-9: Model summary of regression

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.766 <sup>a</sup>	.587	.582	.47644
a. Predictors: (Constant), EL, TL, BL				
b. Dependent Variable: OD				

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The table presents the model summary of a multiple regression analysis with Organizational Development (OD) as the dependent variable and Ethical Leadership (EL), Transformational Leadership (TL), and Bureaucratic Leadership (BL) as the independent variables. The key metrics provided in the summary are R, R Square, Adjusted R Square, and the Standard Error of the Estimate. The multiple correlation coefficient (R) is 0.766, indicating a substantial correlation between the predictors and OD. The R Square value of 0.587 suggests that approximately 58.7% of the variance in OD is explained by EL, TL, and BL, demonstrating a moderate to strong explanatory power of the model. The Adjusted R Square value of 0.582, which adjusts for the number of predictors, confirms the robustness of the model. The Standard Error of the Estimate is 0.47644, indicating that the observed values deviate from the predicted values by an average of 0.47644 units, reflecting a good model fit. These results collectively indicate that EL, TL, and BL are significant predictors of OD, with the high R and substantial R Square values underscoring the model's predictive power. The low Standard Error of the Estimate further supports the model's fit. Ethical Leadership's impact on OD emphasizes the importance of ethical practices and integrity in leadership, suggesting that fostering ethical leadership can enhance organizational development (Brown & Treviño, 2006). Transformational Leadership's significant role highlights the benefits of inspiring and motivating employees, indicating that training programs aimed at developing transformational leadership skills could benefit organizations (Bass & Riggio, 2006). Bureaucratic Leadership, based on a system of rewards and punishments, also plays a crucial role in OD, suggesting that balancing bureaucratic leadership with other styles could lead to better organizational outcomes (Weber, 1947). These findings underscore the importance of different leadership styles in explaining the variance in OD and provide a strong basis for discussing practical applications and further research directions.

## **2. ANOVA**

The Analysis of Variance (ANOVA) is employed to determine whether there are statistically significant differences between the means of various leadership styles in predicting employee performance. ANOVA is a common statistical method for comparing group means, particularly when assessing differences among multiple predictors, such as leadership styles (Field, 2013). By assessing the overall model's fit, ANOVA allows us to understand whether the independent

variables (leadership styles) contribute significantly to explaining the variation in the dependent variable (employee performance) (Gelman, Hill, & Vehtari, 2020). This test provides a foundational check for the validity of our regression models before proceeding to deeper analyses, as it helps confirm that observed relationships are not due to random chance (Montgomery, 2019).

Table 4-10: ANOVA

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	82.296	3	27.432	120.849	.000 <sup>b</sup>
	Residual	57.883	255	.227		
	Total	140.179	258			
a. Dependent Variable: OD						
b. Predictors: (Constant), EL, TL, BL						

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The table presents the Analysis of Variance (ANOVA) results for a multiple regression analysis where Organizational Development (OD) is the dependent variable and Ethical Leadership (EL), Transformational Leadership (TL), and Bureaucratic Leadership (BL) are the independent variables. The key metrics provided in the ANOVA table are the Sum of Squares, degrees of freedom (df), Mean Square, F-value, and Significance (Sig.).

F-value: Value: 120.849, The F-value is calculated by dividing the regression mean square by the residual mean square. It measures the overall significance of the regression model. A high F-value indicates that the model explains a significant portion of the variance in the dependent variable.

Significance (Sig.), Value: 0.000, The significance value (p-value) indicates whether the observed F-value is statistically significant. A p-value less than 0.05 (in this case, much less) suggests that the regression model is statistically significant and that the independent variables (EL, TL, and BL) collectively have a significant effect on the dependent variable (OD).

The ANOVA results indicate that the regression model is statistically significant, as evidenced by the high F-value (120.849) and the very low p-value (0.000). This implies that the independent variables (EL, TL, and BL) collectively explain a significant portion of the variance in the dependent variable (OD).

**Significance of Leadership Styles:** The statistically significant results highlight the importance of ethical, transformational, and Bureaucratic leadership styles in explaining variations in organizational development. Organizations should consider these leadership styles in their strategic planning and development programs.

**Model Effectiveness:** The high F-value and low p-value confirm the effectiveness of the regression model in capturing the relationship between leadership styles and organizational development. These findings underscore the significance of ethical, transformational, and Bureaucratic leadership styles in influencing organizational development. The ANOVA results confirm the robustness and statistical significance of the regression model, providing a solid foundation for discussing the practical implications, recommendations, and potential directions for future research. The results demonstrate that the selected leadership styles are crucial predictors of organizational development, making them important areas for both theoretical exploration and practical application.

### 3. Coefficients

Table 4-11: Regression Coefficients

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.588	.211		2.788	.006
	TLnew	.072	.032	.091	2.247	.026
	BL	.444	.053	.506	8.332	.000
	EL	.326	.068	.292	4.816	.000
a. Dependent Variable: OD						

In this multiple regression analysis table 4-11, we explore the impact of three distinct leadership styles Transformational Leadership (TL), Bureaucratic Leadership (BL), and Ethical Leadership

(EL)—on the dependent variable, Organizational Development (OD). The table presents the coefficients for each predictor, indicating how each leadership style is associated with changes in organizational development outcomes. All three independent variables show positive relationships with OD, but the strength and significance of each vary, providing a nuanced understanding of how these leadership styles influence OD.

Beginning with Transformational Leadership (TLnew), we observe an unstandardized coefficient (B) of 0.072, which signifies that for every one-unit increase in TLnew, OD is predicted to increase by 0.072 units, assuming that other variables remain constant. This positive coefficient suggests that higher levels of transformational leadership are linked to slight improvements in organizational development. However, the standardized beta coefficient for TLnew is only 0.091, indicating that TLnew has a relatively modest influence on OD when compared with other leadership styles included in the model. The t-value associated with TLnew is 2.247, and the significance level (p-value) is 0.026, which is below the common threshold of 0.05. This finding suggests that TLnew has a statistically significant, though modest, effect on OD. Therefore, while transformational leadership appears to contribute positively to organizational development, its impact is comparatively smaller than other leadership types in this analysis.

Bureaucratic Leadership (BL), on the other hand, demonstrates a much stronger impact on OD. The unstandardized coefficient for BL is 0.444, which means that a one-unit increase in BL corresponds to a 0.444-unit increase in OD, holding other variables constant. This coefficient is substantially larger than that of TLnew, indicating that bureaucratic leadership may be a more potent predictor of organizational development in this context. The standardized beta coefficient for BL is 0.506, which is the highest among the predictors in this model, highlighting that BL has the strongest relative effect on OD. The t-value for BL is 8.332, and its significance level is  $<0.001$ , indicating a highly statistically significant result. This strong significance suggests that BL is a reliable predictor of OD, and its substantial beta value underscores the critical role that bureaucratic leadership may play in fostering organizational development. The findings imply that a structured, rule-based leadership style could contribute positively to organizational growth and stability, possibly by providing clear guidelines and procedures that support organizational goals.

Similarly, Ethical Leadership (EL) shows a significant positive association with OD, though its effect is slightly less pronounced than that of BL. The unstandardized coefficient for EL is 0.326, meaning that each one-unit increase in EL is associated with a 0.326-unit increase in OD, with other variables held constant. This coefficient value suggests that ethical leadership, which focuses on integrity, fairness, and ethical behavior, has a moderate impact on organizational development. The standardized beta coefficient for EL is 0.292, which, while lower than BL's beta, still signifies a meaningful contribution to OD. The t-value for EL is 4.816, and the p-value is  $<0.001$ , indicating a statistically significant effect. This finding underscores that ethical leadership is an important factor in driving organizational development, as leaders who model ethical behavior can enhance trust, morale, and commitment among employees, thereby positively impacting organizational outcomes.

The constant term in the regression model has a value of 0.588 with a standard error of 0.211. This constant represents the baseline level of OD in the absence of any influence from the independent variables (when TLnew, BL, and EL are all zero). Its t-value is 2.788, with a p-value of 0.006, indicating that this baseline value is statistically significant. In practical terms, this constant suggests that even without the direct influence of these leadership styles, a foundational level of organizational development exists, perhaps due to other unobserved factors or baseline organizational practices.

The regression results reveal that Bureaucratic Leadership (BL) has the strongest and most statistically significant positive effect on Organizational Development (OD), followed by Ethical Leadership (EL) and Transformational Leadership (TLnew). All three leadership styles contribute positively to organizational development, but the degree of influence varies, with BL showing the most substantial effect. These findings highlight that while transformational and ethical leadership styles contribute to a supportive organizational environment, bureaucratic leadership provides a structured approach that appears particularly effective in promoting organizational development. Leaders may consider incorporating elements from each style, emphasizing bureaucratic practices when clarity and structure are critical, ethical practices when trust and integrity are priorities, and transformational approaches to inspire and engage employees.

These results are essential for organizational leadership and development strategies. Leaders and managers who understand these dynamics can better cultivate an environment conducive to growth and progress. By leveraging the strengths of different leadership styles, particularly the structured approach of bureaucratic leadership, organizations can optimize their development efforts. Additionally, ethical leadership's positive effect reminds us of the importance of integrity and fairness in leadership, while transformational leadership's contribution underscores the value of inspiring and motivating employees.

### **Interrelationships Among Leadership Styles**

The interrelationships among transformational, bureaucratic, and ethical leadership styles provide valuable insights into their combined influence on organizational development.

Transformational Leadership emphasizes inspiring and motivating employees, creating a supportive environment that could complement Bureaucratic Leadership's focus on structure and order. In practice, combining these styles may offer both the flexibility of transformational leadership with the stability of bureaucratic leadership, leading to a more balanced approach to organizational management. Ethical Leadership, on the other hand, focuses on integrity and moral decision-making, reinforcing positive behaviors across the organization. The ethical foundation provided by this style can enhance both transformational and bureaucratic approaches, ensuring that the pursuit of goals remains aligned with the organization's values. Together, these leadership styles are not mutually exclusive but rather interdependent, each providing strengths that reinforce the others. For instance, an organization with a solid ethical foundation may find that transformational initiatives gain more employee buy-in, while bureaucratic policies are adhered to with greater trust and compliance.

### **Practical Implications**

The findings of this analysis have practical implications for organizational leadership. The significant positive impact of Bureaucratic Leadership suggests that organizations seeking to enhance OD should prioritize establishing clear guidelines, structures, and procedures. This form of leadership is particularly useful in highly regulated industries or situations where stability and predictability are critical. However, an overemphasis on bureaucracy alone might stifle innovation and employee engagement. Therefore, Transformational Leadership can be integrated to inspire and empower employees, helping them feel invested in the organization's

mission. Although its effect size is smaller in this model, transformational leadership remains significant, suggesting that organizations should still encourage leaders to be visionary and supportive. Ethical Leadership has its own set of practical benefits, particularly in promoting a trustworthy and open organizational culture. The positive effect of EL on OD implies that employees perform better in environments where leaders model ethical behavior, fostering a climate of transparency and accountability. Organizations should consider implementing training programs focused on ethical decision-making and developing policies that prioritize ethical considerations. By doing so, they not only support a positive organizational culture but also enhance employee satisfaction and commitment, which are crucial components of organizational development.

### **Multiple Regression Model:**

The regression model has organizational development (OD) (the dependent variable) to three leadership styles: Transformational Leadership (TL), Bureaucratic Leadership (BL), and Ethical Leadership (EL) (the independent variables). Here's the interpretation and how the model would be presented.

$$\mathbf{OD = \beta_0 + \beta_1TL + \beta_2BL + \beta_3EL + \epsilon}$$

From the provided coefficients:

$$\mathbf{OD=0.588+0.072\times TL+0.444\times BL+0.326\times EL}$$

Where:

- **OD** = Organizational Development (dependent variable)
- **TL** = Transformational Leadership (independent variable)
- **BL** = Bureaucratic Leadership (independent variable)
- **EL** = Ethical Leadership (independent variable)
- **0.588** is the constant (intercept)
- **0.072** is the coefficient for Transformational Leadership
- **0.444** is the coefficient for Bureaucratic Leadership
- **0.326** is the coefficient for Ethical Leadership
- $\epsilon$  epsilon is the error term.

The constant term in the regression model, valued at 0.588, represents the baseline level of organizational development (OD) when all three leadership variables Transformational

Leadership (TL), Bureaucratic Leadership (BL), and Ethical Leadership (EL) are set to zero. This baseline value suggests that organizational development begins at a moderate level, even without direct influence from these leadership styles. Transformational Leadership, with a coefficient of 0.072, indicates that for every additional unit of transformational leadership, OD increases by 0.072 units when other variables are held constant. This positive yet modest association, with a significance level of  $p = 0.026$ , suggests that transformational leadership positively impacts organizational development, although its effect is relatively minor.

Bureaucratic Leadership, on the other hand, has the most substantial impact on OD among the three styles, with a coefficient of 0.444. This suggests that a one-unit increase in bureaucratic leadership leads to a 0.444-unit increase in OD, assuming other factors remain constant. The  $p$ -value for BL is less than 0.001, indicating a highly significant effect, which underscores the strong positive contribution of bureaucratic leadership to organizational development. This finding suggests that structured and rule-based leadership is particularly beneficial for fostering organizational growth and stability.

Ethical Leadership also has a notable positive effect on OD, with a coefficient of 0.326. This value implies that each one-unit increase in ethical leadership corresponds to a 0.326-unit rise in OD when TL and BL are held constant. The significance level of  $p < 0.001$  for EL indicates that this impact is statistically meaningful, highlighting that ethical leadership is an important predictor of organizational development. Taken together, these coefficients indicate that while all three leadership styles positively influence OD, bureaucratic and ethical leadership have the most pronounced effects, with transformational leadership contributing a smaller yet still positive impact.

#### **4.6 Hypothesis Testing**

The study investigated the influence of transformational leadership (TL), Bureaucratic leadership (BL), and ethical leadership (EL) on organizational development (OD). To test the hypotheses, multiple regression analysis was conducted.

**Hypothesis 1: Transformational Leadership (TL) has a significant positive effect on Organizational Development (OD).**

**Result: Accepted.** The coefficient for TL is 0.072 with a p-value of 0.026, indicating a small but statistically significant positive effect of transformational leadership on organizational development. While the effect is modest compared to other leadership styles, it supports the hypothesis that transformational leadership has a positive influence on OD, suggesting that leadership focused on inspiration and motivation can contribute, albeit minimally, to organizational development.

**Hypothesis 2: Bureaucratic Leadership (BL) has a significant positive effect on Organizational Development (OD).**

**Result: Accepted.** The coefficient for BL is 0.444 with a highly significant p-value ( $p < 0.001$ ), confirming a strong positive effect of bureaucratic leadership on organizational development. This result supports the hypothesis, indicating that bureaucratic leadership, characterized by structure, rules, and hierarchy, significantly enhances OD. The substantial positive association implies that BL is a key driver of stability and growth, reinforcing the need for clear structures and systematic processes in the organizational context.

**Hypothesis 3: Ethical Leadership (EL) has a significant positive effect on Organizational Development (OD).**

**Result: Accepted.** The coefficient for EL is 0.326 with a p-value less than 0.001, confirming a significant positive effect of ethical leadership on OD. This finding supports the hypothesis, highlighting that ethical leadership contributes positively to organizational development by fostering a culture of integrity, transparency, and fairness. The significant impact of EL suggests that leaders who prioritize ethical behavior enhance trust and accountability within the organization, which aligns with improved developmental outcomes.

Bureaucratic Leadership (BL) and Ethical Leadership (EL) show strong, significant positive effects on OD, affirming their roles as important contributors to organizational growth. While Transformational Leadership (TL) also positively influences OD, its impact is relatively minor, suggesting that while transformational approaches may support OD, they are less effective in contexts where structured, ethical practices are prioritized.

Table 4-12: Hypothesis

Hypothesis	Accept or Reject
<b>H1 (TL)</b>	Accepted
<b>H2 (BL)</b>	Accepted
<b>H3 (EL)</b>	Accepted

Own Survey 2024

#### 4.7. Discussion

The findings of this study offer a comprehensive understanding of the impact of different leadership styles bureaucratic, ethical, and transformational on the organizational development of the Commercial Bank of Ethiopia (CBE). Each leadership style contributes uniquely to the bank’s overall performance, stability, and adaptability, underscoring the need for a balanced integration of these approaches to foster sustainable growth.

The study revealed that bureaucratic leadership has the strongest positive impact on organizational development at CBE. This style is characterized by a structured approach that emphasizes clear processes, defined roles, and a hierarchical decision-making framework. In the context of CBE, a large and complex institution, the stability provided by bureaucratic leadership is indispensable. It ensures operational efficiency by minimizing ambiguity and maintaining compliance with regulatory requirements, which are critical in the banking sector. The predictable and orderly environment fostered by this leadership style facilitates effective risk management and resource allocation, which are vital for CBE’s long-term success. However, while bureaucratic leadership is effective in maintaining stability, it may also limit flexibility and slow down decision-making, potentially stifling innovation.

Bureaucratic leadership’s emphasis on rule adherence and procedure enforcement is particularly crucial in banking, where even minor deviations can lead to significant risks. This leadership style allows CBE to maintain high standards of accountability, ensuring that all employees understand their roles and responsibilities. Furthermore, the hierarchical nature of bureaucratic leadership supports clear communication channels, making it easier for the organization to implement changes systematically and efficiently. However, the rigidity of this approach could

pose challenges in a rapidly evolving industry, necessitating a complementary leadership style that promotes innovation and adaptability.

Ethical leadership was found to significantly enhance CBE's organizational culture by fostering trust, transparency, and accountability. Leaders who exhibit high ethical standards play a crucial role in building a positive organizational climate, which not only improves internal relations but also strengthens the bank's reputation externally. In an industry where trust is paramount, ethical leadership ensures compliance with both internal policies and external regulations, thereby mitigating risks related to unethical behavior. This leadership style promotes a sense of security and support among employees, encouraging higher levels of commitment and productivity. Ethical leadership also serves as a moral compass, guiding the bank through complex decision-making processes and reinforcing its commitment to integrity and corporate social responsibility.

The impact of ethical leadership extends beyond compliance and risk management; it also influences the bank's ability to attract and retain talent. Employees are more likely to stay committed to an organization that values fairness, integrity, and ethical behavior. This leadership style creates a supportive environment where employees feel valued and motivated to contribute to the bank's success. Additionally, ethical leadership enhances customer trust and loyalty, which are critical for maintaining a competitive edge in the banking industry. By fostering a culture of transparency and accountability, CBE can strengthen its relationships with stakeholders and build a sustainable organizational model.

While transformational leadership demonstrated a positive correlation with organizational development, its impact was more moderate compared to bureaucratic and ethical leadership. Transformational leaders at CBE were recognized for their ability to inspire and motivate employees, fostering an environment conducive to innovation and change. However, the study highlighted a complex relationship where the effectiveness of transformational leadership is contingent upon the presence of robust organizational structures. In CBE's regulated environment, the visionary and dynamic aspects of transformational leadership are most effective when supported by the stability provided by bureaucratic systems. Without this balance, there is a risk that overly ambitious transformational initiatives could lead to instability or unrealistic expectations.

Transformational leadership's emphasis on innovation and adaptability is critical for CBE as it navigates a competitive and fast-changing banking landscape. Leaders who can effectively communicate a compelling vision and inspire employees to embrace change are crucial for driving the bank's growth and innovation. However, the potential downside of transformational leadership lies in its reliance on employee motivation and engagement, which can fluctuate if not supported by a stable organizational framework. The findings suggest that transformational leadership should be applied judiciously, with a focus on balancing inspirational efforts with practical support and resources to avoid burnout and maintain employee productivity.

The interplay between these leadership styles is critical for CBE's sustained development. The study found that the integration of bureaucratic and ethical leadership provides a stable foundation that supports operational efficiency and ethical governance. Transformational leadership, while less dominant, plays a vital role in promoting innovation and adaptability, essential for navigating the rapidly changing banking landscape. The positive correlations between these leadership styles suggest that CBE's success lies in leveraging their collective strengths. For instance, during periods of strategic change, transformational leadership can drive innovation, while bureaucratic leadership ensures that these changes are implemented efficiently and ethically.

A collaborative approach that blends the strengths of all three leadership styles is necessary for CBE to thrive. Bureaucratic leadership provides the structural backbone required for maintaining control and consistency, ethical leadership builds a culture of trust and accountability, and transformational leadership fosters innovation and responsiveness to change. By understanding and applying these leadership styles in a complementary manner, CBE can create a resilient organizational framework that not only supports current operational needs but also positions the bank for future growth.

The findings have practical implications for CBE's leadership strategy. The bank should prioritize the development of ethical and bureaucratic leadership to maintain operational stability and foster a culture of trust and accountability. At the same time, it should cultivate transformational leadership to drive innovation and adaptability. By training leaders to understand and apply these styles flexibly, CBE can create a dynamic and resilient

organizational culture. Encouraging collaboration and inclusivity in leadership practices will further enhance the bank's ability to respond to internal and external challenges.

Additionally, CBE should invest in continuous leadership development programs that emphasize the importance of integrating these leadership styles. Such programs can equip leaders with the skills to navigate complex organizational environments, balance different leadership approaches, and adapt to changing industry dynamics. By fostering a culture of lifelong learning and professional development, CBE can ensure that its leadership remains effective and responsive to the evolving needs of the organization and its stakeholders.

The discussion highlights the importance of a balanced leadership approach that integrates bureaucratic, ethical, and transformational elements. Such an approach not only ensures operational stability and compliance but also fosters an environment where innovation and ethical practices thrive. This multifaceted leadership strategy is essential for CBE to remain competitive and achieve sustainable growth in the evolving banking industry. By leveraging the unique strengths of each leadership style, CBE can build a resilient organization capable of adapting to both current challenges and future opportunities.

## **CHAPTER FIVE**

### **5 SUMMARIES OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

This research aimed to look into the role of leadership in organizational development as it relates to the Commercial Bank of Ethiopia. The conclusion and recommendations drawn from the study's findings are addressed in this chapter.

#### **5.1 Summary**

This study aimed to examine the impact of bureaucratic, ethical, and transformational leadership styles on the organizational development of the Commercial Bank of Ethiopia (CBE). Recognizing the critical role of leadership in determining organizational success, particularly in the dynamic banking sector, the research focused on understanding how these leadership styles influence CBE's growth and sustainability. The study involved 262 participants, including team leaders, managers, and directors, with data collected through a structured questionnaire. Both descriptive and inferential statistical methods were used to analyze the findings.

The research identified bureaucratic leadership as the most influential style in driving CBE's organizational development. This style, marked by strict adherence to rules, policies, and a hierarchical decision-making process, significantly contributed to the bank's operational stability and efficiency. Bureaucratic leadership ensured streamlined processes, enhanced accountability, and consistent adherence to established standards. This was especially crucial for managing the complexities of CBE's operations, given its large size and extensive branch network. In this context, bureaucratic leadership proved essential for maintaining control, ensuring risk management, and achieving operational consistency.

Ethical leadership also played a significant role in fostering organizational development at CBE. Leaders who demonstrated high ethical standards were pivotal in cultivating a culture of trust, transparency, and accountability. This leadership style created a supportive environment where employees felt secure, which, in turn, enhanced their commitment and productivity. Ethical leadership was instrumental in ensuring compliance with both internal policies and external regulations, safeguarding CBE's reputation and long-term sustainability. The focus on ethical

practices reinforced the bank's integrity, both internally among employees and externally with customers and stakeholders.

While transformational leadership had a positive correlation with organizational development, its impact was more moderate compared to bureaucratic and ethical leadership. Transformational leaders at CBE were noted for their ability to inspire and motivate employees toward innovative problem-solving and embracing change. However, the rigid bureaucratic framework sometimes limited the immediate effectiveness of transformational initiatives. Despite this, transformational leadership proved most effective when combined with a solid bureaucratic foundation, allowing visionary leadership to drive innovation within a structured and stable environment.

The study underscored the interrelationship between these leadership styles, highlighting that CBE's success is rooted in the strategic integration of multiple leadership approaches. Bureaucratic leadership provided the necessary stability and consistency for long-term growth, while ethical leadership ensured a transparent and trustworthy organizational culture. Transformational leadership, though moderate in its influence, was critical in fostering innovation and adapting to evolving market demands.

The findings have several practical implications. Firstly, the results suggest that CBE should continue to prioritize bureaucratic leadership to maintain operational stability, particularly in the highly regulated banking industry. However, there is also a need to bolster transformational leadership to foster a more innovative and dynamic environment, especially as the bank faces increasing competition and the pressures of digital transformation. Additionally, ethical leadership must be continuously reinforced to sustain the trust and integrity crucial for maintaining the bank's competitive edge in the Ethiopian banking sector.

The study affirms that a balanced integration of bureaucratic, ethical, and transformational leadership is essential for sustainable organizational development. This combination of leadership styles ensures a stable, ethical, and innovative organization capable of navigating internal and external challenges. By continuing to invest in leadership development programs that nurture these styles, CBE can enhance its operational efficiency and capacity for long-term growth. This research provides valuable insights into leadership and organizational

development, particularly within the Ethiopian banking industry, and offers practical solutions for improving leadership effectiveness at CBE.

## **5.2 Conclusion**

This study underscores the pivotal roles that bureaucratic, ethical, and transformational leadership styles play in shaping the organizational development of the Commercial Bank of Ethiopia (CBE). Among the three, bureaucratic leadership demonstrated the most significant positive impact. Its structured approach, characterized by clear processes, hierarchical decision-making, and accountability, aligns seamlessly with the operational needs of a large and complex institution like CBE. The emphasis on stability and consistency provided by bureaucratic systems is crucial for ensuring compliance, risk management, and efficient resource allocation in the highly regulated banking sector. This structured framework fosters a stable environment conducive to sustained growth and effective management.

Ethical leadership also emerged as a crucial driver of organizational development at CBE. Leaders who demonstrated fairness, transparency, and integrity were instrumental in building trust among employees and stakeholders. Ethical leadership not only strengthened the internal organizational culture by promoting accountability and trust but also enhanced CBE's external reputation. This is vital in maintaining customer loyalty and meeting regulatory expectations, both of which are essential for the bank's long-term sustainability. The findings suggest that ethical leadership forms the backbone of a sustainable organizational model, where integrity underpins performance and accountability.

The study also looked at the influence of transformational leadership, which, while positively correlated with organizational development, had a more varied impact in the case of Commercial Bank of Ethiopia. Transformational leadership at CBE encourages innovation and employee engagement by inspiring and motivating teams toward a shared vision. However, its effectiveness is highly contingent on the presence of robust organizational frameworks, such as those provided by bureaucratic systems. The findings suggest that an over-reliance on visionary leadership without adequate structural support can potentially lead to instability, particularly in a highly regulated environment like banking. The interplay between these leadership styles highlights that transformational leadership is most effective when complemented by the stability and structure of bureaucratic leadership.

The regression analysis revealed that bureaucratic leadership has the strongest positive correlation with organizational development at CBE, emphasizing the importance of stability and adherence to established processes as key drivers of growth. The study also found moderate to strong positive correlations between transformational and bureaucratic leadership, as well as between ethical and bureaucratic leadership. This indicates that integrating the visionary aspects of transformational leadership with the structured governance of bureaucratic leadership, underpinned by ethical principles, can lead to more holistic organizational growth. Leaders at CBE who can balance these styles foster an environment where innovation and stability coexist, promoting a culture of continuous improvement within a framework of ethical governance.

These findings align with existing literature on the role of leadership in organizational development. As Callahan (2017) notes, bureaucratic leadership is particularly effective in environments where order and efficiency are paramount. This is supported by the strong positive correlation observed in this study between bureaucratic leadership and organizational development at CBE. The research emphasizes the benefits of combining leadership styles rather than relying solely on one approach. While bureaucratic leadership ensures operational stability, transformational leadership drives innovation and adaptability, fostering an environment where creativity and visionary thinking thrive. Ethical leadership reinforces this dynamic by embedding a culture of accountability and trust, essential for sustainable development, as highlighted by Bansal and Kumar (2018).

The study suggests that CBE's success lies in its ability to embrace a combination of bureaucratic, ethical, and transformational leadership styles. Together, these approaches ensure not only operational stability but also foster continuous growth through innovation and ethical practices. This well-rounded leadership strategy supports a future-focused work environment, positioning CBE for long-term success in the evolving banking industry.

### **5.3 Recommendation**

Most importantly, the Commercial Bank of Ethiopia (CBE) is encouraged to strengthen its leadership effectiveness. The bank better prioritize ethical leadership development, strengthen bureaucratic leadership practices, and promote transformational leadership for innovation. The bank might encourage a collaborative leadership culture that incorporates bureaucratic, ethical, and transformational approaches. Leaders and managers at all levels should be trained to understand the features of each types of leadership and apply them flexibly in response to organizational demands.

CBE may also promote leadership inclusion and diversity, with a view of creating a welcoming atmosphere that values varied leadership styles and backgrounds. The bank might have rigorous systems for monitoring leadership effect and organizational outcomes, allowing for dynamic adaption of leadership approaches.

Continuous learning and professional growth are also critical to CBE's competitive edge. The bank might implement comprehensive leadership development programs which emphasize a balanced approach to leadership, such as coaching, mentoring, and peer learning.

Transformational leadership approaches better be reconsidered, with practical tools and institutional frameworks, to prevent unreasonable expectations.

### **5.3 Future Study Implications**

- Future research should explore additional leadership styles that may complement the existing models at CBE, such as servant leadership or participative leadership, which emphasize employee empowerment and decision-making. Understanding how these styles interact with the dominant bureaucratic and ethical frameworks at CBE could provide deeper insights into fostering innovation without compromising stability. Furthermore, longitudinal studies examining the impact of leadership on organizational development over extended periods would be beneficial. Such studies could provide a clearer picture of how leadership strategies need to evolve to meet changing market conditions and technological advancements.
- Future studies should explore context-specific factors affecting the relationship between transformational leadership and organizational development.

- Longitudinal studies could provide deeper insights into the long-term impacts of various leadership styles on organizational development.
- Including additional variables in future studies could enhance the explanatory power of the model, offering a more comprehensive understanding of factors influencing organizational development.
- Lastly, future research could explore the cultural factors influencing leadership effectiveness in Ethiopian organizations, especially in the banking sector. Given the socioeconomic dynamics specific to Ethiopia, studies that delve into the cultural adaptability of different leadership styles could offer valuable insights into how to best implement leadership practices in this unique context. This would help tailor leadership strategies to the needs and expectations of both employees and external stakeholders, ensuring sustained growth in the Ethiopian banking industry.

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## Appendix



### **Questionnaire design for supervisors and leaders of Commercial bank of Ethiopia**

Dear Respondent,

I am undertaking research as part of my master's degree requirements in business leadership. This questionnaire is intended to collect relevant information for the research on the topic "The role of Leadership on organizational development: The Case of Commercial Bank of Ethiopia". The study is conducted solely for academic purposes. Consequently, your responses will be kept strictly confidential. The soundness and validity of the findings are heavily dependent on your honest and insightful comments. I'd like to request that you spend some of your valuable time (5-10 minutes) filling out this questionnaire to the best of your ability. There's no need to write your name.

Thank you in advance for your thoughtful assistance!

#### **Part I: General Information about the Respondents**

For the following questions, please put "tick mark" (✓) in the boxes provided.

1. Position:

Team leader

Director

Manager

2. Age:

Less than: 25

25-35

36-45

More than

45

4. Gender:

Male  Female

5. Academic qualification:

Bachelor's Degree

Master's degree & above

6. Service years at CBE:
- Less than 3                       5-10
- 3-5                                       More than 10
7. Years of Service in the Current Position:
- Less than 3                       5-10
- 3-5                                       More than 10

**Part II: Specific Information**

This section addresses specific questions about the Role of Leadership in Organizational Development: In the case of Commercial Bank of Ethiopia. Please tick (√) the number that you believe most appropriate, using the scale from 1 to 5. (Where 1 = Strongly disagree, 2 = Disagree, 3= Neutral, 4 = Agree, and 5 = Strongly agree).

<b>Transformational leadership</b>		1	2	3	4	5
1	CBE leadership inspires and stimulates employees' intellect for the bank's long-term growth.					
2	CBE leadership believes in innovation is crucial for maintaining the bank's competitiveness and continual growth.					
3	CBE's overall development depends critically on its employees having a thorough understanding of the bank's vision, objectives, and strategy.					
4	CBE Leadership believes that motivating and engaging employees in decision making plays a significant role in enhancing a bank's productivity and growth.					

5	CBE leadership sets an example for employees by delegating responsibility, subordinating and inspiring them to be more productive.					
<b>Bureaucratic leadership</b>		1	2	3	4	5
1	At CBE, decisions are made in accordance with established rules and regulations, along with a clear chain of command.					
2	At CBE, departments act independently and avoid involvement in issues beyond their scope of authority					
	in order for employees to focus on their own responsibilities and thus be productive.					
3	To enhance productivity, CBE leadership believes that employees must adhere to the bank's hierarchy, job specialization, procedures, and rules.					
4	To ensure the bank's continued growth, CBE leadership closely watches and strictly supervises its personnel.					
5	Bank executives at CBE makes every decision without consulting other staff members and make quick decisions to increase the bank's productivity.					
<b>Ethical Leadership</b>		1	2	3	4	5
1	CBE leadership treats all employees with equal respect and hence make employees more productive.					

2	CBE leadership promotes open communication among employees and leaders at all levels so as to create a positive working environment and thereby enhance productivity.					
3	CBE fulfills its social responsibilities by participating in community development initiatives and enhance the bank's positive image.					
4	To increase productivity CBE leadership engages in team building activities, promotes employee involvement, boosts motivation, and improves problem-solving techniques.					
5	CBE leadership manages stress in the workplace and not impose personal or professional pressure on employees.					
<b>Organizational Development</b>		1	2	3	4	5
1	CBE is carrying out its assigned obligations while increasing production.					
2	CBE has capacitated itself in human and material resources to be more competitive in the banking industry.					
3	CBE invests consistently in personnel training and skill development.					
4	CBE responds appropriately to changes and opportunities in the marketplace by surveying markets to understand the context of the business, recognizing trends, and investigating possibilities.					

5	CBE continuously strives to enhance customer value creation by learning what customers want, understanding their values, building excellent relationships with them, having direct contact with them, engaging them, being responsive to them, and focusing on continuously enhancing customer value.					
6	CBE maintains solid and long-term relationships with all stakeholders by networking widely, discharging social responsibility, and establishing mutually beneficial opportunities and win-win relationships.					
7	CBE implements adaptable ICT systems throughout the organization, introducing ICT technologies everywhere in the workplace.					

**Thank you for completing the questionnaires!**