

Addis Ababa University  
College of Business and Economics  
School of Commerce

The Role of Leadership on Innovation in the case of Ethiopian  
Airline Group

A project work submitted to School of Commerce, Addis  
Ababa University in partial fulfilment of the requirements for  
master of business leadership

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Addis Ababa, Ethiopia

**DECLARATION**

I declare that the research entitled “The Role of Leadership on Innovation A case of Ethiopian Airline Group” submitted to Addis Ababa University college of business and economics, department of business leaderships original and it has not been submitted previously in part or full to any university.

Henock Girma

Date: July 2023

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This to certify that the thesis prepared by **Henok Girma**, entitled “**The Role of Leadership on Innovation A case of Ethiopian Airline Group**” and submitted in partial fulfilment of requirements for the degree of master of business leadership complies with the regulations of the university, and meets the accepted standards with respect to originality and quality

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As thesis research advisor, I hereby certify that I have read and evaluated this thesis prepared, under my guidance, by Henock Girma entitled Role of leadership on Innovations in the case of Ethiopian Airlines Group. I recommended that it can be submitted as partial fulfilling of the thesis requirement

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## **ABSTARCT**

*This study is aimed at examining the role of leadership on Innovation at Ethiopian Airlines Group. To achieve this objective, the study adopted a descriptive type of research design. The research was quantitative research. The research is carried out with questionnaire adopted MLQ and Holm and Sjolander (2015) to measure leadership and innovation respectively. Correlation analysis was used to test for the association among the dependent variables and independent variables for the study. The research was quantitative research. From the total population of 355 employees, the sample of 260 respondents were selected using Yemane (1967) sample size determination formula. A structured online questionnaire was used to collect the data. Correlation analysis was used to test for the association among the dependent variables and independent variables for the study. Results of correlation analysis showed that transformational and transactional leadership style had a significant and positive impact on innovation. Correlation analysis also showed that laissez-faire leadership style has a significant negative impact on innovation. Autocratic leadership was found to have an insignificant negative relationship with innovation. The researcher concluded transformational, transactional and laissez- faire leadership styles had a significant impact on innovation whereas autocratic leadership had insignificant impact on innovation. The researcher recommended the organization develop processes and introduce training that promotes transformational and transactional leadership styles while discouraging the laissez-faire and autocratic leadership styles. Thereafter, regression analysis was used to test for the effect of the independent variable of the leadership on the dependent variable (innovation). The results were presented in form of tables and figures with brief descriptions.*

**Keywords:** *Leadership; Innovation, Leadership style, Autocratic leadership, laissez-faire leadership, innovation.*



## **Chapter One: Introduction**

This chapter deals about background of the study; statement of the problem; objectives of the study; significance of the study; scope of the study; limitations of the study; operational definition of key terms, and organization of the study.

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

Many organizations seek ways to stimulate and encourage staff innovation, one of which is leadership that can boost staff innovation behaviour. There are strong indications that leadership is important for organizational innovation (Nadler & Tushman, 1990). Leadership plays a decisive role in enhancing organizational creativity Gaddis, & Strange (2002), launching and driving innovation projects (Bossink, 2007), and implementing innovation projects and overcoming resistance (Gilley, Dixon, & Gilley, 2008). Somech (2006) concludes that corporate leaders are the key drivers, who either promote or inhibit innovation management in the organization. Deschamps (2005) goes even further, saying that the failure of innovation projects is most likely due to ineffective leadership skills (see also Bass 1990).

One research stream focuses on investigating the influences of leadership (Dong et al., 2003; West et al., 2003), since top managers are in a central position and their leadership behaviours can influence the organizational innovation in several ways (Makri & Scandura, 2010). Some researchers like Bhaskar & Junni, (2016, p. 1543) demonstrated that Leadership has been put forth as a key driver of organizational innovation.

Leadership is a key factor in the management and control of employees and the organization and, can be viewed as a series of managerial attitudes, behaviours, characteristics, and skills, based on individual and organizational values, leadership interests and, reliability of employees in different situations (Alkhatani, 2016). Leadership is executed in different styles depending on the leader's personality and the situation at hand. Irwin (2014) suggests that style is the outward face of a leader because it is the most readily observable way we interact with others. There are various evolutionary models of leadership styles that have been developed, majority of them lying along a continuum of job centeredness and employee centeredness (Achua & Lussier, 2013). Daft (2008) while reference to

Fielder's Contingency Model, refers to relationship orientation or task orientation leadership styles. Job entered leadership style is said to be the degree to which a leader takes charge to get the job done, while the employee centered leadership style is where the leader endeavours to meet the personal needs while developing relationships (Achua & Lussier, 2013).

With the fact stated above, innovation is critical for improving efficiency and operational capabilities in any business in general and particularly in airline business. Thus, to ensure innovation more successful and become a culture in the organisation, leader's commitment/ton at the top is critical. Leaders play a crucial role in shaping innovative attitudes in the company. They should be open to new ideas and initiatives of employees; they should support them instead of undermining them. Moreover, they ought to trust their employees by creating a favourable working atmosphere based on teamwork, loyalty and trust. Employees must be aware of their real impact on innovation processes within the company. The more managers themselves comprehend the essence and nature of innovation, the easier it is to prepare and convince employees to do so (Janasz and Koziol-Nadolna 2011).

Since studying the relationship between leadership and innovation in general is too broad a topic for this study, the focus of this research is exclusively on leadership style regarding innovation. The main advantage of focusing on leadership styles is that they are representative of different lines of thought and comprehensive at the same time. One stream of well-established leadership styles contains transformational leadership and transactional leadership, which are treated as opposite ends of a continuum (Bass B. M., 1990). It has been argued that these two kinds of leadership play significant roles in organizational innovation performance (e.g. (Bhaskar & Junni, 2016).

Kanter (1982) finds that autocratic leaders drive innovation processes by controlling, monitoring, instructing, and hierarchical influence. Somech (2006, p. 140) specifies that authoritarian leaders provide "team members with a framework for decision making and action in alignment with the superior's vision". Research on innovation provides evidence on the specific benefits of authoritarian leadership regarding different innovation-related goals. Research shows that authoritarian leadership is particularly beneficial for establishing clear rules (Somech, 2006).

## **1.2 Background of the study organization**

Despite its humble beginnings, Ethiopian Airlines (Ethiopian) has had more than 75 years of successful journey which made it the leading Aviation Group in Africa. Of course, Ethiopian is ageing beautifully. Over the decades, the airline has established itself as the leader in all facets of the

aviation business: technology leadership, network expansion and aviation mentoring. Ethiopian started its operation with five C-47 aircrafts back in 1946 and made its debut flight to Cairo via Asmara. Ever since, it has been growing in leaps and bounds, and continued to introduce cutting-edge aviation technology and systems.

As aviation technology leader, Ethiopian was a pioneer in ushering in new aviation technology into Africa including the first jet airplane as well as the first B767, B777-200LR, B787 Dreamliner, and 787-9 in the continent. Ethiopian also led the way in operating Africa's first Airbus A350 XWB. Currently, the airline has a fleet of more than 144 modern aircraft with average fleet age of five years; it also has 31 ultramodern aircraft on order. Living its motto of Bringing Africa Together and Beyond, Ethiopian has created Africa-wide and transcontinental air connectivity networks linking its main hub Addis Ababa to the rest of the world.

The airline serves 131 international passenger and cargo destinations, including 63 African cities, with daily and multiple flights with a minimum layover in Addis. As a veteran carrier serving a vast intra-African network, Ethiopian flies to more destinations in the continent than any other airline. Having met its 15-year strategic plan, Vision 2025, ahead of time, Ethiopian has charted out a more ambitious strategic roadmap called Vision 2035 to further bolster its continuous growth. In December 2011, Ethiopian took a giant leap forward in its successful journey by joining Star Alliance, the world's largest airline network. Over the years, the multi-award-winning airline has received countless coveted accolades and recognitions for its excellence, including Skytrax's Four-Star Airline Certification and Best Airline in Africa title for 5 consecutive years, and Overall Excellence for Outstanding Crisis Leadership Award in 2020 to mention but a few. Building on its continuous success, Ethiopian has achieved an average growth rate of 25 percent in the seven years prior to the COVID-19 pandemic.

The company assign responsible departments which are Cost Saving Department and Business Development and Innovation hub department in order to facilitate, encourage, and award innovative ideas in the company. Though, the company give a due attention for innovation even in its business strategy, we couldn't say that all employee innovative idea is properly attended and successful. Moreover, this is the reason for I want to research the role of leadership in innovative activity in Ethiopian Airlines Context.

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

Today's organizations need leaders who will not only guide other people directly, but above all will work with them to attain common goals, develop new risk-taking and responsibility skills. Leaders

should be more flexible and better prepared to immediately respond to change and innovation, thus shaping a responsible relationship with the company's immediate and remote environment.

In order to enhance innovative activities in Ethiopian Airlines Group, the company establish a cost saving department who facilitate innovative ideas from the employee thought the company and work for implementation of the ideas, periodically award best innovative ideas which has major cost saving impacts and follow up all department to encourage their employee on cost saving initiatives. Further to cost saving department the company establish Innovation and business transformation department to promote innovative ideas in an area and conduct periodic research and recommend new innovative ideas which enhance the company internal process, increase revenue and save cost.

However, innovative ideas is not grown as expected and innovative activities is not consistently implemented through the company. Moreover, based on the interview with selected employees, it is understood that large number employees leave their department and transfer to others section mainly due to absence on comfortable working environment for new way of doing things and practicing their innovative activities.

The interview conducted with senior managements and employees from Information Technology department and Cost Saving department indicate that, though, the company give a due attention for innovation even in its business strategy, it is not effectively cascaded to lower level for implementation, management attitude for innovation, frequent management change, inadequate rewarding for innovative activities, raised as major challenge they experienced on the area they working. Moreover, it is not clearly evaluating the role of leadership on promoting innovative activities in the company.

Based on the management/employees feedback I understand that management's educational background, their experience on the organisations and their leadership style has direct impact on promoting innovative activities in their department and same is not adequately studied.

This research as case study helping leaders and practitioners better understand innovation and how it is facilitated by leaders. This study has the potential to greatly impact current and future practitioners in public education. Because the idea of leadership in innovation is relatively unexplored, qualitative research methods prove beneficial in exploring this new concept, and the research findings can be used to create a platform to explore new research interests and questions (Yin, 2015). This study can serve as a reference point to help researchers refine theories of leadership as it applies to innovation and may suggest implications for further research (Stake, 1995).

### **1.4 Research Questions**

In this research, I intend to address the following questions:

- Does the company strategy on innovation is properly understood by the middle, lower level management and employees?
- Is the current working environment and leadership style is suitable for innovation?
- Does the middle level and lower level management give necessary support for their employee for innovative activities?
- Does the management have positive attitude for innovative activities?
- How employees rewarded for their innovative ideas and in encourage them for further innovative activities.
- What is the effect of transformational, Transactional, autocratic and laissez-faire leadership style on innovation?

### **1.5 Objective of the study**

#### **1.5.1 Specific objectives**

The specific objectives this research were:

- To evaluate the company strategy, policy, procedure and overall working environment is suitable for promoting innovative idea.
- To assess management attitude toward innovation and its impact on promotion of innovative activities in the company.
- To evaluate the whether the management give necessary support for their employee for innovative activities.
- To examine whether employees are rewarded for their innovative ideas and in encourage them for further innovative activities.
- To Examine the effects of leadership style on innovation.

#### **1.5.2 General objectives**

The main objective this research was to assess the effects of leadership style on innovative activities in the case of Ethiopian Airline Group.

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

This study was believed to be relevant for a number of reasons. First it is expected to stimulate university students, academics, scholars, and business planners to use as a reference and to conduct

future research on the role of leadership on innovation. The findings and gaps and concert suggestion identified in this research were thought help for others as an input for further study.

The study also help Ethiopian Airlines group by providing the current status of leadership and innovations in the company. The research compares & contrasts current leadership impact on promoting innovations, identifying fundamental gaps and challenges to promote innovations in the company. The result of this research and analysis would assist decision makers in determining the type of leadership that may best suit them to improve innovation. The study helped form the base for further study in leadership and innovation.

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

The study was performed in one single company, Ethiopian Airlines Group and the results were focused on selected department managements' role on innovations and its effects on innovation. The study try to cove demographic characteristics of leaders and its impact on promoting innovative activities in the selected departments. The study will also covers impacts of organisational strategy on innovation, leadership style, leaders attitude on innovation. This thesis was confined in identifying the role of leadership styles on innovation in Ethiopian Airlines group in the fiscal year 2022/23.

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

The first limitation of the study, the questionnaires were self-report measures which may have resulted in single-source bias. Leaders personally rated their leadership which could have raised the problems of reactivity and social desirability because of the direct relevance of the issue with their role. Thus, through cross-ratings, e.g., ratings by the subordinates on the leadership style of the managers could mitigate the bias. Findings were less generalizable as the sample was collected only from three departments. Future researches may include the all departments throughout the company. Moreover, future researches may address the moderating (factors that influence) and mediating factors of leadership styles and organizational innovation performance.

The second limitation of the study was time, the time given to conduct the project was not quite enough to exhaustively collected the required data, which is critical to conduct detail analysis on the subject.. The third limitation of the study was the respondent's personalities and preferences on supervisor's leadership. Personality and personal preferences would affect people's perceptions on leadership styles and their relationships with supervisors. This study did not take culture, personal

leadership styles preferences in to account. The limited sample size was the other limitation. Limited conclusions and generalizations could be made based on the limited sample size. Generalization of this research topic was difficult to make to other populations. And finally, this study examined that how different leadership styles affected organizational innovation performance, the high level of innovation performance was due to supervisor's leadership style, but there are still other factors that would affect organizational innovation performance at Ethiopian Airlines Group. Future research could focus on other factors that might also affect organizational innovation performance and not only the few leadership styles.

### **1.9 Organisation of the study**

This paper is organized into five chapters. The first chapter is an introduction that includes the background of the study, problem statement, the objective of the study, research questions, significance of the study, and scope of the study. The second chapter is a review of related works of literature which consists of theoretical background and important findings from different pieces of literature. The third chapter involves methodologies that will be applied in the study. Chapter four presents Result, Findings and Discussions. Then, chapter five concludes based on the findings of the study and recommendations are given based on the result findings.

## **Chapter Two: Literature Review**

This chapter discusses leadership, leadership styles, innovation and organizational innovations. It then delves into four types leadership styles: transformational, transactional, autocratic, and laissez-faire leadership. The present discussion will culminate with an account of how these four leadership styles affect organizational innovation performance.

### **2.1 Theoretical Concept**

There are many theories of the concept of leadership in the area of management sciences, such as theories of qualities of an effective leader, behavioural theories of leadership, situational leadership theories, visionary and charismatic theories, and theories of power, influence and competence, transactional theory, transformational theory.



### **2.1.1 Behavioural theories of leadership**

The behavioural leadership theory focuses on how leaders behave, and assumes that these traits can be copied by other leaders. Sometimes called the style theory, it suggests that leaders aren't born successful, but can be created based on learnable behaviour. Behavioural theories of leadership focus heavily on the actions of a leader—this theory suggests that the best predictor of leadership success is viewing how a leader acts. Action rather than qualities are the focal points of behavioural learning theory. Patterns of behaviour are observed and categorized as “styles of leadership” in this theory. Some of the styles of leadership include task-oriented leaders, people-oriented leaders, country club leaders, status-quo leaders, dictatorial leaders, and more. At the end of the day, the actions and actual behaviours of a leader are what defines success in this theory.

The behavioural theory has many advantages, primarily that leaders can learn and decide what actions they want to implement to become the kind of leader they want to be. It allows leaders to be flexible and adapt based on their circumstances. Another great benefit of this leadership style is that it suggests anyone is capable of becoming a leader. Some disadvantages of the behavioural theory are that while it allows flexibility, it doesn't directly suggest how to behave in certain circumstances. There are dozens of leadership styles that stem from the behavioural theory, but there isn't a right one for every circumstance.

### 2.1.2 Situational leadership theories

Situational leadership theories states that every situation that requires leadership is different and requires a specific type of leader. The favourability of a situation depends on how much influence and power you have as a leader. Situational favourableness is determined by three variables:

- Leader-member relations
- Task structure
- Position power

Leader-member relations are all about trust. Does your team trust you as a leader? The more they do, the higher your degree of leader-member relations and the more favourable the situation is task structure refers to the clarity of the tasks required to complete a project. Higher task structure results in a more favourable situation. The more clear-cut and precise tasks are, the higher the situation's task structure whereas the vaguer they are, the lower the situation's task structure. Finally, position power refers to the authority you have over your team as a leader. If you can reward them, punish them, or tell them what to do, your position power is high. As you can imagine, higher position power makes the situation more favourable.

### **2.1.3 Visionary and charismatic theories**

Daniel Goleman first coined visionary leadership in 2002 as part of the Goleman Leadership Styles framework. It's a concept that relates to Goleman's perspective on conditional leadership, where certain leadership styles work best under certain conditions. Goleman defines visionary leadership as "the ability to take charge and inspire with a compelling vision" and postulates that this type of leadership is best used "when changes require a new vision or when a clear direction is needed."

Visionary Leadership is when a leader inspires others to pursue a long-term vision. Visionary Leadership builds on participation, communication, and goal setting. A visionary leader can lose short-term focus since all efforts are focused on the vision. Nelson Mandela is an example of a visionary leader.

Charismatic leadership focuses on influencing and inspiring others. Charismatic leadership is tightly connected with the persona and charisma of the leader, and it is more personality bound than any of the other leadership styles. The charismatic leader often connects to their personal view on morals and passion. The charismatic leader also plays on the emotions of their followers, who recognize and appreciate their leader's morals and passion. Where does the line between charisma and leadership skills go.

Charismatic leadership is when a leader uses charismatic qualities to inspire others. Charismatic leadership can be very inspirational and motivational, leading to unity and engagement. Charismatic leadership risks becoming an autocratic one-man show. Dr. Martin Luther King Jr. is an example of a charismatic leader.

#### **2.1.4 Transactional Theory**

The leadership theories, by the late 1970s and early 1980s, activated to diverge from the specific perspectives of the leader, leadership context and the follower and toward practices that concentrated further on the exchanges between the followers and leaders. The transactional leadership was described as that in which leader-follower associations were grounded upon a series of agreements between followers and leaders (Shamir, House, & Arthur, 1993). The transactional theory was “based on reciprocity where leaders not only influence followers but are under their influence as well”. Some studies revealed that transactional leadership show a discrepancy with regard to the level of leaders action and the nature of the relations with the “ followers.

Bass and Avolio (1994) observed transactional leadership “as a type of contingent-reward leadership that had active and positive exchange between leaders and followers whereby followers were rewarded or recognized for accomplishing agreed upon objectives”. From the leader, these rewards might implicate gratitude for merit increases, bonuses and work achievement. For good work, positive support could be exchanged, merit pay for promotions, increased performance and cooperation for collegiality. The leaders could instead focus on errors, avoid responses and delay decisions. This attitude is stated as the “management-by exception” and could be categorized as passive or active transactions. The difference between these two types of transactions is predicated on the timing of the leaders involvement. In the “ active form, the leader continuously monitors performance and attempts to intervene proactively (Avolio & Bass, 2002).

### **2.1.5 Transformational Theory**

Transformational leadership distinguishes itself from the rest of the previous and contemporary theories, on the basis of its alignment to a greater good as it entails involvement of the followers in processes or activities related to personal factor towards the organization and a course that will yield certain superior social dividend. The transformational leaders raise the motivation and morality of both the follower and the leader (Shamir, House, Arthur, & Michael., 1993). It is considered that the transformational leaders “engage in interactions with followers based on common values, beliefs and goals”. This impacts the performance leading to the attainment of goal. As per Bass, transformational leader, “attempts to induce followers to reorder their needs by transcending self-interests and strive for higher order needs”. This theory conform the Maslow (1954) higher order needs theory. Transformational leadership is a course that changes and approach targets on beliefs, values and attitudes that enlighten leaders practices and the “ capacity to lead change.

The literature suggests that followers and leaders set aside personal interests for the benefit of the group. The leader is then asked to focus on followers’ needs and input in order to transform everyone into a leader by empowering and motivating them (House, Wright, & R.N, 1997). Emphasis from the previously defined leadership theories, the ethical extents of leadership further differentiates the transformational leadership. The transformational leaders are considered by their capability to identify the need for change, gain the agreement and commitment of others, create a vision that guides change and embed the change (MacGregor, 2003). These types of leaders treat subordinates individually and pursue to develop their consciousness, morals and skills by providing significance to their work and challenge. These leaders produce an appearance of convincing and encouraged vision of the future. They are “visionary leaders who seek to appeal to their followers better nature and move them toward “ higher and more universal needs and purposes” (MacGregor, 2003)

### 2.1.6 Innovation-oriented and traditional leadership theory

There are many different ways to lead. CEOs with markedly divergent styles can be successful in different ways. The same leader will often adopt different styles in different circumstances. There is no one correct way to lead or manage. Ultimately the right way is the one that works for you and for the organization in delivering the goals you set out to achieve.

Table 1 **Innovation-oriented and traditional leadership**

| <b>Innovation-Oriented Leadership</b> | <b>Traditional Leadership</b>                               |
|---------------------------------------|-------------------------------------------------------------|
| Long-term perspective                 | Short-term perspective                                      |
| Vision                                | Plans and budgets                                           |
| Risk-taking                           | Risk avoidance                                              |
| Discovering new territories           | copying existing solutions                                  |
| Initiating changes                    | Stabilization                                               |
| Building commitment                   | Control and bureaucracy, formal procedures and instructions |
| Encouraging diversity                 | supporting uniformity                                       |
| Passion invoking                      | Rationality invoking                                        |
| Innovation-oriented                   | Routine-oriented                                            |
| Employee as strategic resource        | Employee substitutability                                   |

Source: Sitko-Lutek 2013

### 2.2 Leadership and Organizational Innovation

As explained above leadership can be defined in several different ways by different authors and intellectuals. Different styles of leadership can be exercised based on the various organizational factors and environmental requirements.

A number of researchers claim that leadership is not relevant at all; this statement relies on the supposition of the existence of substitutes for leadership. An example of such a substitute would be strongly knit teams of highly trained employees. Such a group could be considered to be so self-propelled and have so strong focus on the goal that they would not require leadership at all. But despite this fact, self-managing a group would seem they will require delegation by a higher authority (DuBrin, 2010).

One can therefore conclude that leadership is indeed needed, although to different extent for different groups. According to Jung et.al (2003) leadership is the factor that has been identified by many

researchers as being one of the most important enhancers of organizational innovation. Previous research in the area has shown that leaders affect followers in both indirect and direct ways. An example of a direct effect is leaders catering to follower's intrinsic motivation and higher level needs, which are known to be important sources of creativity. Indirectly, leaders support creativity by establishing a work environment that encourages employees to try out different approaches without worrying about being punished (Jung, Chow, & Wu, 2003) .

By creating an environment where experimentation and making mistakes is allowed, the leader can contribute to improved creativity. The leaders' act therefore becomes a significant contributor towards the organization and innovation work within the organization. When it comes to sustaining high creativity Jung et al. specifically stresses the importance of leadership. According to them, leaders' action should lend a hand in "creating and sustaining an organizational climate and culture that nurtures creative efforts and facilitates diffusion of learning" (Jung, Chow, & Wu, 2003, p. 527) and "when leaders supported constructive problem solving and followers' self-efficacy, followers displayed higher levels of creativity" (Jung, Chow, & Wu, 2003, p. 528). In today's competitive market there is a special challenge for leadership to act and coordinate creative behaviors. "Unless the creative behaviours of individual employees can

be coordinated and their creative outputs and ideas are harnessed to yield such organizational level outcomes, the company still would be left without effective responses to the challenges of competitive marketplace" (Jung et al. 2003 p.526). It is also known "that employee produced more creative work when they were supervised in a supportive, non-controlling manner" (Jung, Chow, & Wu, 2003, p. 528).

### **2.3 Empirical review**

### 2.3.1 The relationship between leaders and innovations

Leadership and management support are fundamental for employee performance when dealing with innovation strategy (Chen et al. 2014; Pasamar et al. 2019). Depending on the leadership styles companies adopt, innovation performance levels may change widely (Khan et al. 2020). However, despite the different leadership styles, it is not reliable to defend that one style is better than the others, as innovation depends on multiple contextual and organizational variables. Moreover, every leadership style presents important contributions, as different companies may require different leadership styles (Pasamar et al. 2019).

Extant literature offers at least 21 alternative leadership styles; however, the existing styles are not precisely connected to the organizational innovation strategies (Alblooshi et al. 2020). Moreover, there are two major streams of connection, pointing toward a direct or indirect impact (Alblooshi et al. 2020). In this paper, we decided to analyze the four main leadership styles, which differ from each other in terms of the allowance for participation of the staff, and explain their contribution to the implementation of innovation strategies as they present an essential role in promoting this mindset (Pasamar et al. 2019).

#### 2.3.1.1 Autocratic Leadership

Autocratic leadership was first introduced by Lewin (1935) and can be used from an inclusive perspective, focusing on investing in human capital, balancing the team, and exclusively concentrating on ‘producing numbers’ (Moore et al. 2020; Wagner 1995). Similarly, this style can be very effective when the leader has high emotional intelligence and can be effective during stressful periods and when decisions must be resolved quickly (Abdullahi et al. 2020). Whether it is a high-tech company or a more traditional one, autocracy is vital to maintain deadlines and responsibilities. For this reason, they can support innovation processes (Schaeffer 2002). In addition, autocratic leaders play an important role during stressful periods (Brillo and Boonstra 2018).

This leader is present in companies characterized by typical masculine cultures and hierarchical structures, high power distance, and collectivism. Thus, it is related to external environment orientation and small firms in their initial period (Abdullahi et al. 2020; Moore et al. 2020). Autocratic leaders retain all the power and control by forcing their subordinates to work according to their rules. On the other hand, these leaders clarify processes and give clear directions. However, autocratic leaders do not normally allow their subordinates to have their techniques because they tend not to trust their followers’ capabilities (Abdullahi et al. 2020).

One of their main characteristics is being very controlling, not considering their followers’ opinions, and being very assertive in terms of work directions (Dyczkowska and Dyczkowski 2018; Peker et



**al. 2018**). Regarding creativity and innovation, these leaders are less creative and restricted to communication, affecting employees' satisfaction and leading to low motivation patterns (**Beerbohm 2015**). Sometimes, this can lead to high absenteeism standards and employee turnover (**Abdullahi et al. 2020**).

In contrast, autocratic leaders present a positive approach when imprisoning workers with high knowledge levels and stifling long-term innovation processes (**Wagner 1995**). In organizations with this leadership style, the strict hierarchic structure dominates (**Peker et al. 2018**). However, in certain contexts, leaders should be autocratic (**Beerbohm 2015**). Autocratic leadership is essential within organizations that demand error-free outcomes and manufacturing industries (**Brillo and Boonstra 2018**). This style is famous among military, political leaders, sports coaches, and some industrial CEOs. The authoritarian style is important when employees need training quickly, such as in fast-food companies. Moreover, this leader can be seen in the music industry, specifically in big orchestras (**Peker et al. 2018**). Thus, this leader plays an important role in many industries and ensures high-efficiency standards in the results presented. However, it may not motivate followers, and dropout rates may be higher, causing a lack of focus on innovation processes (**Dyczkowska and Dyczkowski 2018**). Based on these characteristics, the following hypothesis was proposed:

Hypothesis 1a, *Autocratic leadership has a negative impact on innovation processes.*

### **2.3.1.2 Transactional Leadership**

Transactional leadership was first described by **Weber (1947)** when the author was studying transformational leadership (**Barbuto 1977**). Transactional leadership is characterized by how leaders can benefit from employees based on the way followers comply with their leaders in an exchange of rewards (**Alblooshi et al. 2020**). This leadership style ensues when an individual takes the initiative to interact with others to acquire something valued in exchange (**Noruzi et al. 2013**). These values are essential to the exchange process, such as integrity, responsibility, and reciprocity. Moreover, these values are based on the followers' needs and are associated with their job performance (**Fakhri et al. 2020; Pasamar et al. 2019**). Rewards and management consist of two indicators: management with active or passive exception; i.e., the characteristics of the leaders can be analyzed by contingent reward, exception management, and *laissez-faire* (**Fakhri et al. 2020**). Therefore, the transactional leader focuses on leader-follower trades in benefits, rewards, incentives, and self-interest (**Donate and Guadamillas 2011**). If the subordinate does not achieve the goal, this results in punishment (**Abdullahi et al. 2020**).

Transactional leadership can be a barrier to innovation and does not contribute to organizational learning (**Jia et al. 2018; Naqshbandi and Tabche 2018**). In addition, this leadership style is focused

on the context, and it is based on micromanagement or classic management once they are afraid to try new methods (**Łukowski 2017**). These leaders seek to maintain control to avoid risks in projects or daily tasks (**Jia et al. 2018**). The relationship between the leader and the subordinate results in a sense of obligation; this happens because subordinates must show high-quality outcomes and effort through leaders' deliberative actions (**Echebiri and Amundsen 2021**).

Regarding human capital, they are more likely to foster specialized human capital by focusing on individual responsibilities instead of teamwork (**Jia et al. 2018; Pasamar et al. 2019**). Likewise, these leaders prefer to invest in existing talent rather than outsourcing, since it is important to take advantage of existing resources (**Jia et al. 2018**). As such, transactional leadership is expected to trigger less innovation performance once creativity is limited, since goals are already set (**Alblooshi et al. 2020**). However, it is important when companies want to achieve short-term goals promptly and works nicely in large organizations (**Brillo and Boonstra 2018**).

Hypothesis 1b, *Transactional leadership has a negative impact on innovation processes.*

### **2.3.1.3 Laissez – Fair style**

Robbins (2007) explained the laissez-fair style as “Abdicates responsibilities avoid making decisions” (p.475). Similarly (Luthans, 2005), defined laissez- fair style as “Abdicates responsibilities avoids making decisions” (p.562).Laissez- Fair is uninvolved in the work of the unit. It's difficult to defend this leadership style unless the leader's subordinates are expert and well-motivated specialists, such as Scientists. “Leaders let group members make all decision” (Mondy & Premeaux, 1995, p. 347). “Behavioral style of leaders who generally give the group complete freedom, Provide necessary materials, participate only to answer questions, and avoided giving feedback” (Bartol&Martin, 1994). The concept of laissez was also given by Osborn as “Abdicates responsibilities and avoiding decisions” (Osborn, 2008, p.258). Above All the Authors defines the Laissez – Fair Leadership with their own words according to their given definitions the idea of this type of leadership is same. Authors defines that in this style the Leaders normally don't want their interference in decision making process. They normally allowed to their subordinates that they have power to get their personal decisions about the work. They are free to do work in their own way and they are also responsible for their decision. Normally Leaders avoids to making decision and don't involve in working units because the leaders gives to subordinates to completely freedom to do decisions. Sometimes the leaders provide them to important material and they just involve the answer & question but avoiding feedback.

#### 2.3.1.4 Transformational Leadership

This style was first introduced by **Burns (1978)** and later developed when studying political leaders and explored by **Bass (1985)**, who explained more in depth the psychological mechanisms between transformational and transactional leadership based on the Multifactor leadership questionnaire (**Łukowski 2017**).

Transformational leadership has shown increasing interest as it generates and facilitates creativity and organizational innovation (**Wipulanusat et al. 2017**). Transformational leadership is the most researched leadership style on innovation (**Łukowski 2017**). Furthermore, this style can be analyzed considering four sub-concepts: individualized influence, inspirational motivation, intellectual stimulation, and individualized consideration. These four sub-concepts justify how these leaders affect innovation; for instance, they can communicate to followers the importance of achieving specific goals and ensuring they feel intrinsically motivated to work harder to achieve them increasing their performance (**Ryu and Shim 2020**).

These leaders can be found in companies that have flexible work environments and innovative workplaces, and they promote teamwork by focusing on collective interests and goals (**Alblooshi et al. 2020**). In addition, this style is more innovation-oriented compared to transactional leadership once transformational leaders engage and connect employees to the organization's mission (**Pasamar et al. 2019**). In addition, they seek to try new methodologies to solve problems in different ways and to get the most out of their employees, which is one of the reasons they are known as the champions of driving innovation (**Aga et al. 2016; Alblooshi et al. 2020; Pasamar et al. 2019**). Companies benefit from innovation when their employees have learning skills, as these leaders focus on stimulating learning, so they positively affect learning cultures (**Aga et al. 2016; Gil et al. 2018**).

This leadership style tends to induce innovation at a high level by establishing simple common goals and by inspiring and encouraging employees, providing vision, and gaining trust and confidence (**Pasamar et al. 2019**). Consequently, with these practices, leaders can empower followers and generate an appropriate climate for innovation, creating better outcomes and achieving competitive advantages (**Jia et al. 2018; Pasamar et al. 2019; Wipulanusat et al. 2017**). They encourage employees to think outside the box and beyond expectations; the motivation they transmit is so charismatic that followers tend to become passionate about their jobs (**Alblooshi et al. 2020**). One of the main attentions of transformational leaders is the ownership they give to employees by exploring multiple alternatives to solve problems from different angles. They are both good communicators and risk-tolerant, impacting how the team generates and creates ideas, new products, services, or even technologies (**Abdullahi et al. 2020; Mariz-Pérez et al. 2012; Pasamar et al. 2019**).

This leadership style is crucial for innovation, since it focuses on mentoring and coaching that generate intellectual stimulation and charismatic influence to help followers become more efficient without judging them (Chen et al. 2014; Pasamar et al. 2019). When the mentoring is high-skilled and experienced, transformational leadership tends to be effective (Abdullahi et al. 2020). Nevertheless, leaders must support followers by training them and sharing resources to innovate (Alblooshi et al. 2020). These leaders stimulate exploration learning and monitoring motivation by asking employees for systematic feedback (Pasamar et al. 2019). However, this leadership is more than motivation or compliance; it involves subordinates' beliefs, needs, and values (Noruzy et al. 2013). The relationship in this style is based on employees' long-term and positive relationships centred on trust and confidence (Abdullahi et al. 2020; Gil et al. 2018).

Transformational leadership impacts both incremental and radical innovation, affects the way followers develop other innovation capabilities, and influences organizational learning that boosts innovation (Pasamar et al. 2019). Transformational leadership style influences project success both directly and indirectly (Aga et al. 2016). As such, the following hypothesis is put forward:

Hypothesis 1d. *Transformational leadership is positively related to innovation processes.*

### **2.3.2 The Impact of Leadership on Innovation**

How leaders stimulate their employees, communicate with them and create the conditions for them to take action, e.g., by motivating them, setting goals clearly or giving them autonomy either facilitates or inhibits the ability and willingness of members to create and implement innovations. Many researchers suggest that the best way to stimulate innovation in an organization is to promote the creativity and innovation of its members (Siguaw et al. 2006). Leadership which contributes to creating an environment of openness for employees can significantly promote an organization's innovativeness (Tang 1999). Some researchers use a leadership theory based on two fundamentally different types of leadership behaviour transactional leadership and transformational leadership to assess the impact of leadership on an organization's innovation (Avolio et al. 1999).

According to (Bass and Avolio 1993; Vaccaro et al. 2008; Pichlak 2011), transactional leadership does not inspire internal motivation in employees to innovate, as opposed to transformational leadership, which stimulates employees to generate and implement innovations. Transformational leaders benefit from the inspirational motivation and intellectual stimulation, which are critical factors for innovation (Elkins and Keller 2003; Srivastava et al. 2006; Zuraik and Kelly 2019). Jung's research (Jung et al. 2003) shows that transformational leadership is significantly and positively linked to organizational innovation. In addition, its impact on the organization's readiness to innovate and on the market success of innovations was confirmed. Another Vaccaro et al.'s research (Vaccaro et al. 2012) showed the impact of transactional leadership on the implementation of management innovations. The sub factor of contingent reward correlates positively with innovative behaviour (Chang et al. 2015).

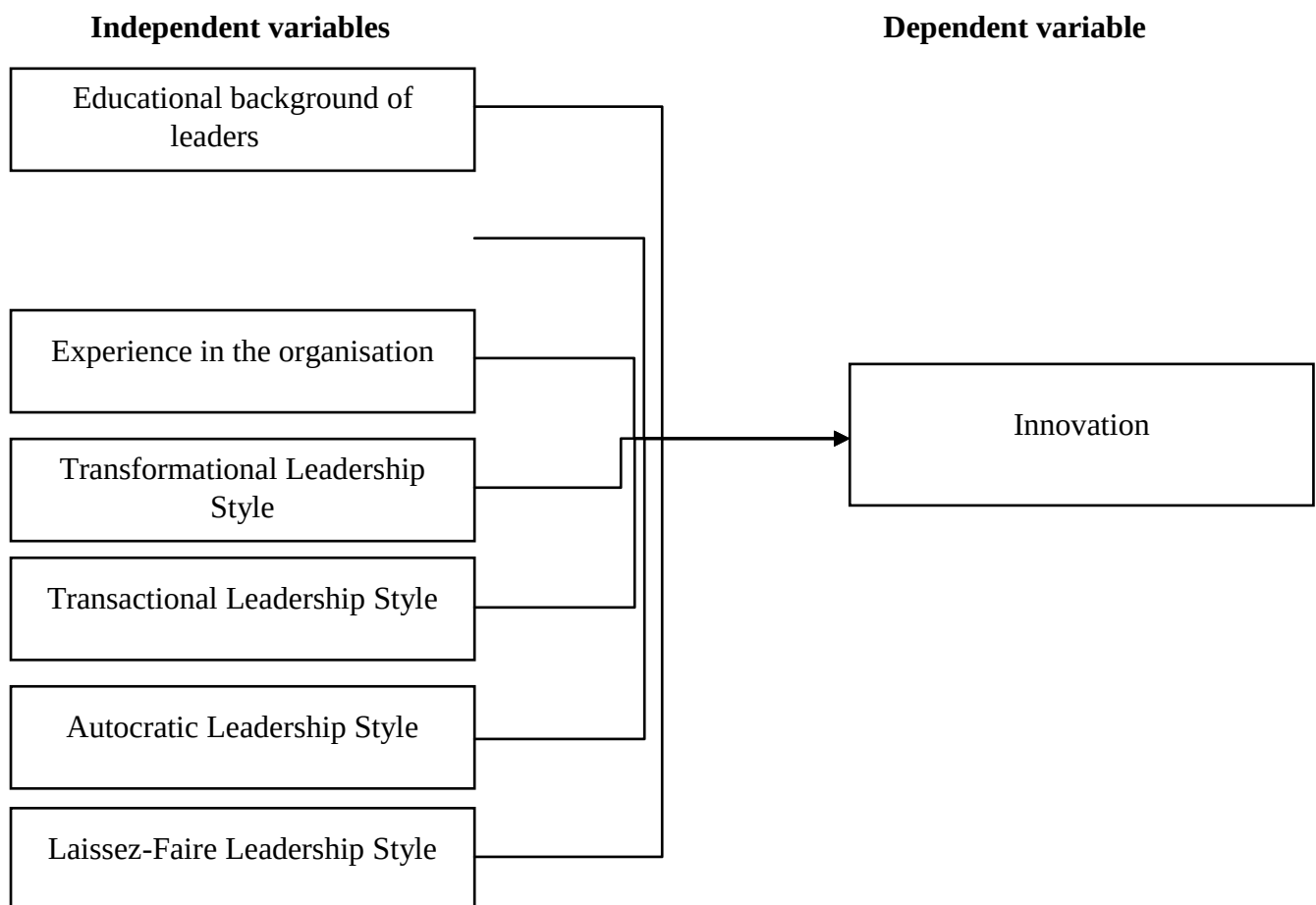
As a result of the research, Nawrat (2013) presents the following characteristics of an innovative manager: openness, a broad view of problems, the ability to solve problems and conflicts creatively, adapting to changes, creativity. According to the respondents, an innovative manager is up-and-coming, constantly searching and introducing changes and improvements, communicative and friendly, able to inspire others, listen to their opinions and acknowledge good ideas. The two main factors that influence the development of innovative competences are subjective conditions— such as predispositions, features, abilities, personality type, personal and social competences, which are considered the most important and professional environment (Nawrat 2013).

### **2.4 Conceptual Framework**

The importance of leadership in an organization and the impact of leadership on innovation cannot be overemphasized as different scholars have given various definitions due to its complexity and importance.

Leadership has been viewed as an exchange between a leader and his/her subordinates. It had also been defined as a process of influencing people towards a particular objective or goal. Whichever leadership style that is exhibited by a person is a combination of traits, characteristics, skills and behaviours.

**Figure 2.3 Conceptual Framework**



Source: *Developed from the literature reviewed*

The research sought to identify the impact of Transactional leadership style, Transformational Leadership style, laissez faire leadership style and Autocratic leadership style (independent variables) exercised by leaders at Ethiopian Airlines Group on the Innovation (depended variable) in the company.

The research also sought to understand how attributes of transactional, transformational, laissez faire and autocratic leaders impact the Organizational innovation at Ethiopian Airlines Group and if indeed the leaders at Ethiopian Airlines Group exhibit the attributes to further innovation at the company.

The research also seeks to understand the extent to which transactional leadership style, transformational leadership style, laissez faire leadership style and autocratic leadership style is practiced in the company and whether or not it impacted the Organizational innovation.

### **Chapter Three: Research Methodology**

This chapter presents the methodology that was used to carry out the study. The chapter considers in detail the methods that will be used to collect the data required in the study. It includes the research design, source and type of data, target population and sampling method, method of data presentation, analysis and interpretation as well as ethical issues to consider in the study.

#### **3.1 Research design and Approach**

The study was a quantitative because quantitative researches show the relationship of variables involved in the research through cause-and-effect fashion and If and when a strong relationship between or among variables are found, it can be established that the cause-and-effect relationship is highly probable.

The research design used for this research is correlational design, as the research is examine relationship between leadership style and innovation, the approach is appropriate and useful in assessing the relationship and drawing conclusions from the findings.

#### **3.2 Data types, Data sources, and methods of data collection**

The study combines both qualitative and quantitative data which was collected from primary and secondary sources. The primary data collected through Questioners and interview. The questioners developed using online format and invite to respondents via company e-mail address, this make the survey simple accessibility, ensuring confidentiality and help to obtaining a high enough response rate for data analysis. Participation in the survey was completely voluntary and anonymous.

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

The target population is 355 employees, from IT Department, Business Development, Innovation-hub Department and Cost Saving Department.

Stratified sampling technique is used to select our sample from each subgroup. The respondents from each stratum were identified using simple random sampling so that every respondent had an equal chance of being selected to participate in the study. The strata in this study are each departments. Stratified random sampling was selected for the study., and enabled different research methods and procedures to be used in different strata.

### 3.4 Sample size

For the purpose of this study, a simplified formula, Yamane's formula (1967) is used to select the sample size for the study which brought the sample size, 260 respondents, using the following formula.

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

Where:

n is sample size

N is population size

1 is constant

e<sup>2</sup> margin of error with 95% confidence level

Sample size of the strata was calculated using the proportionate stratification formula.

$$n_h = (N_h/N) * n$$

Where n<sub>h</sub> is the sample size for stratum h, N<sub>h</sub> is the population size for stratum h, N is total population size, and n is total sample size.

**Table 3.4:** Population Distribution

| Population characteristics | Total Population | Sample |
|----------------------------|------------------|--------|
| IT department              | 198              | 132    |
| Research and Development   | 112              | 87     |
| Cost Control department    | 45               | 41     |

All questions help us to assess leaders' role, behaviour, experience and their leadership style on promoting innovation. It also helps us to assess employees' feedback on management role/support for their innovative activities.

Open ended interview questions for selected senior management and employees has been present, which help us to deeply understand their own role on innovations and their subjective opinion on



impact of leadership on innovations in the case of Ethiopian Airlines group. The question was semi-structured questionnaire, to guide the interview towards the satisfaction of research objectives, additional questions also raised based on the interviews.

### **3.5 Methods of Data Analysis**

A descriptive analysis was done to check for the meaning of the data provided using percentages and summaries. A reliability as well as validity analysis was conducted to check for consistency of the responses and variables that best described the given responses respectively. Correlation analysis was used to test for the association among the dependent variables and independent variables for the study. Thereafter, multi variable regression analysis was used to test for the effect of the independent variable of the transformational, transactional, laissez-faire and autocratic leadership styles on the dependent variable (innovation). The results were presented in form of tables and figures with brief descriptions.

### **3.6 Ethical Considerations**

(Diener 1978) suggest four principled considerations regarding ethics during the conducting of research. These considerations could include, if there is harm to the participants, lack of informed consent, privacy invasion and deception. There are certain ethical considerations that taken into consideration. All participants treated with respect and courtesy. A strategy of ‘informed consent’ also adopted, with the aim and methods of the research being made clear to all participants. The confidentiality and anonymity of individual respondents is assured.

## Chapter Four: Result, Findings and Discussions

This chapter presents the study results and findings. The results have been presented using figures and tables. The chapter includes response rate, demographic response, and response rate for effect of leadership style on innovation.

*Table 4.1. Respondents' response rate*

| <i>Questionnaires Distributed</i> | <i>Questionnaires Returned</i> | <i>Percentage</i> |
|-----------------------------------|--------------------------------|-------------------|
| 260                               | 249                            | 96%               |

*Source: Own field survey, 2023*

As shown in table 4.1 above, about response rate, 260 questionnaires were distributed to respondents and 249 were appropriately filled and returned with the rate of 96%. Since according to Ruta, (2017), response rate of 50% is satisfactory, 60% is good and 70% and above is excellent for a study. This implies that, the information gained were sufficient enough to conduct the analysis. Hence, based on this sample size, i.e., 249 (96%) the next analysis was carried out.

### 4.1 The demographic characteristics of respondents

*Table 4.2: Respondents profile*

| No | Factors (Variables) | Categories/ Characteristics | No. | %   |
|----|---------------------|-----------------------------|-----|-----|
| 1  | Sex                 | Male                        | 159 | 64% |
|    |                     | Female                      | 90  | 36% |
| 2  | Work experience     | Less than 1 year            | 28  | 11% |
|    |                     | 1 to 5 years                | 68  | 27% |

|   |                   |                |     |     |
|---|-------------------|----------------|-----|-----|
| 3 | Educational level | 5 to 10 years  | 110 | 44% |
|   |                   | Above 10 years | 43  | 17% |
|   |                   | First degree   | 132 | 53% |
|   |                   | Master degree  | 117 | 47% |
|   |                   | PHD            | 0   | 0%  |

Source: Own field survey, 2023

As shown in table 4.2 above, concerning gender distribution of respondents, 96 (36%) were females whereas 159 (64%) males. This shows that both genders within the organization were considered in the study and were significantly represented, and it also shows that male respondents were more in the organization. The male respondents were more and this could be explained by the nature of the organizations business and the overall experienced workforce availability with the required experience in the market place.

According to the work experience of respondents, as shown in the table 4.2 above, 28 (11%) respondents were 1 year and below experience in the organisation, whereas 153 (61%) respondents have more than 5-year experience in the organisations. The result shows that all employees regardless of the number of years with the organization were considered in the study and were significantly represented. The result also shows that the majority of the respondents had been with the organization for more than Five years which shows they were best placed to respond to the questions.

As shown in above Figure 4.4 out of the total respondents 132 respondents which is 53% have First degree, 117 respondents which is 47% have second-degree and no one has PHD. It shows that the available educational level is fairly represented.

#### 4.2 The relationship between the demographic characteristics and innovations

This part of the study was followed by an analysis of the correlation between seniority, education, the size of the organization, the position, the type of an organization and the selected variables. Below tables present the selected results of the correlation analysis, only statistically significant correlations are presented ( $p < 0.05$ ).

**Table 4.3:** The values relationship between seniority and selected variables

| 1. Innovative Behaviour Inventory                            | Measure<br>$\chi^2$ | Measure<br>$\phi$ | Measure<br>$p$ |
|--------------------------------------------------------------|---------------------|-------------------|----------------|
| I try new ways of doing things at work                       | 5.5                 | 0.194             | 0.006          |
| I try to get new ideas from colleagues or business partners. | 3.52                | 0.139             | 0.046          |

Source: Own field survey, 2023

Above table presents the results of the correlation analysis between seniority and the selected variables. There was a moderate, statistically significant correlation between seniority and new ways

of doing things at work ( $\chi^2=5.500$ ;  $\phi=-0.194$ ;  $p=0.006$ ); employees whose seniority was shorter (less than 5 years) were significantly better acquainted with innovations. Generation Y or Z were known as the generations of networks made up of people growing up in the world of the new media. Computers and the Internet were their daily life and due to their high level of digital competence were not a major challenge (Tapscott 2009).

There was a statistically significant correlation between seniority and try to get new ideas from colleagues or business partners ( $\chi^2 = 3.989$ ;  $\phi = 0.139$ ;  $p = 0.046$ ) as employees with lesser seniority were significantly more likely participate on innovative activities. This was probably due to the fact that the new generation had more interest for innovation activists and, consequently, their behaviour was more innovative.

**Table 4.4:** Values of correlation between educational of the respondents and selected variables.

| <b>1. Innovative Behaviour Inventory</b>                     | <b>Measure<br/><math>\chi^2</math></b> | <b>Measure<br/><math>\phi</math></b> | <b>Measure<br/><math>p</math></b> |
|--------------------------------------------------------------|----------------------------------------|--------------------------------------|-----------------------------------|
| I try new ways of doing things at work                       | 6.423                                  | 0.177                                | 0.011                             |
| I try to get new ideas from colleagues or business partners. | 10.725                                 | 0.229                                | 0.001                             |

Source: Own field survey, 2023

There was a moderate, statistically significant correlation between the education of the respondents and considering searching of new way of doing things and get new ideas from colleagues or business partners ( $\chi^2=6.423$ ;  $\phi=0.177$ ;  $p = 0.011$ ). Employees with higher education level have significantly interested on innovative activities. Employees with higher education level were likely interested on introduce creativity or new insights in to the organization. Moreover, they were positive to share innovative ideas with their colleagues

There was a moderate, statistically significant correlation between the education of the respondents and prefer to work that requires original thinking ( $\chi^2 = 10.725$ ;  $\phi = 0.229$ ;  $p = 0.001$ ); people with higher education were significantly more likely to prefer work that requires original thinking. This confirms the first hypothesis that Employees with higher education level is more interested with, introduce creativity or new insights in to the organization. In this case, leaders with higher education were more likely to introduce creativity or new insights in to the organization because they were better acquainted with different methods and techniques for innovation.

### 4.3 Impacts of Management attitude on innovation

**Table 4.5:** Analysis of Management Attitude on Innovation

| <b>No</b> | <b>Items</b>                              | <b>Rating Scales</b> |          |          |          |          | <b>Mean</b> | <b>St. dev</b> |
|-----------|-------------------------------------------|----------------------|----------|----------|----------|----------|-------------|----------------|
|           |                                           | <b>1</b>             | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |             |                |
| 1         | My manager displays conviction in his/her | 1                    | 12       | 33       | 48       | 155      |             |                |

|                                 |                                                                    |    |    |    |    |     |             |             |
|---------------------------------|--------------------------------------------------------------------|----|----|----|----|-----|-------------|-------------|
|                                 | ideals, beliefs, and values of innovation                          |    |    |    |    |     | 4.38        | 1.32        |
| 2                               | My manager gets me to look at problems from different angles.      | 6  | 3  | 28 | 52 | 160 | 4.43        | 1.41        |
| 3                               | My manager questions the traditional ways of doing things.         | 10 | 17 | 24 | 58 | 140 | 4.21        | 1.02        |
| 4                               | My manager encourages me to express my creative ideas and opinions | 7  | 12 | 56 | 94 | 80  | 3.92        | 0.94        |
| <b>Overall (aggregate) mean</b> |                                                                    |    |    |    |    |     | <b>4.23</b> | <b>1.17</b> |

Source: Own field survey, 2023

Regarding conviction in his/her ideals, beliefs, and values of innovation (mean 4.38) and looking at problems from different angles (mean 4.43) was rated high. Moreover, encourages me to express my creative ideas and opinions was rate high (mean 3.92). Regarding questioning traditional way of doing things, the statement that manager questions the traditional ways of doing things also rated high (mean score of 4.21). The results show that employees are highly motivated and feel successful whenever their manager have positive attitude for innovative activities.

#### 4.4 Suitableness of working environment on Innovations

**Table 4.6:** Analysis of working environment on Innovations

| No                              | Items                                                                                                      | Rating Scales |    |    |    |     | Mean        | St. dev     |
|---------------------------------|------------------------------------------------------------------------------------------------------------|---------------|----|----|----|-----|-------------|-------------|
|                                 |                                                                                                            | 1             | 2  | 3  | 4  | 5   |             |             |
| 1                               | There is freedom in the development process to come up with novel solutions                                | 2             | 8  | 26 | 78 | 135 | 4.35        | 0.97        |
| 2                               | The entire process from idea exploration to commercialization is clearly structured and allows innovation. | 7             | 12 | 56 | 94 | 80  | 3.92        | 0.94        |
| 3                               | The company is interested in innovation                                                                    | 1             | 12 | 33 | 48 | 155 | 4.38        | 1.32        |
| 4                               | There are guidelines or frameworks to guide and support work with innovation.                              | 9             | 7  | 12 | 91 | 130 | 4.31        | 1.09        |
| <b>Overall (aggregate) mean</b> |                                                                                                            |               |    |    |    |     | <b>4.35</b> | <b>1.09</b> |

Source: Own field survey, 2023

Regarding freedom in the development process to come up with novel solutions (mean 4.35) and clearly structured and allows for innovation. (mean 3.92) was rated high. Moreover, the company is interested in innovation encourages (mean 4.38) and guidelines or frameworks to guide and support work with innovation. was rate high (mean 4.31).

#### 4.5 Effect of leadership style on innovation.

**Table 4.7:** Analysis of leadership style on innovation \_\_\_\_\_

| No                       | Items                                                                             | Rating Scales |    |    |    |     | Mean | St. dev |
|--------------------------|-----------------------------------------------------------------------------------|---------------|----|----|----|-----|------|---------|
|                          |                                                                                   | 1             | 2  | 3  | 4  | 5   |      |         |
| Transactional Leadership |                                                                                   |               |    |    |    |     |      |         |
| 1                        | My manager provides recognition/rewards when others reach their innovative goals. | 13            | 25 | 61 | 42 | 108 | 3.83 | 1.10    |
| 2                        | My manager calls attention to what others can get for what they create            | 18            | 32 | 65 | 58 | 76  | 3.57 | 0.83    |
| 3                        | My manager provides me with assistance in exchange for my creative efforts.       | 11            | 21 | 35 | 61 | 121 | 4.04 | 1.30    |

|                                    |                                                                                                                                                |                                 |    |    |    |     |             |             |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----|----|----|-----|-------------|-------------|
|                                    |                                                                                                                                                | <b>Overall (aggregate) mean</b> |    |    |    |     | <b>3.92</b> | <b>0.83</b> |
| <b>Transformational Leadership</b> |                                                                                                                                                |                                 |    |    |    |     |             |             |
| 4                                  | As long as things are working, my manager does not try to change how we go about our innovation.                                               | 13                              | 31 | 53 | 48 | 104 | 3.80        | 0.80        |
| 5                                  | My manager tells me the standards we have to know to carry out our creative work                                                               | 18                              | 32 | 61 | 42 | 96  | 3.67        | 0.81        |
| 6                                  | My manager focuses attention on irregularities, mistakes, exceptions, and deviations from innovation standards.                                | 11                              | 23 | 72 | 58 | 85  | 3.73        | 0.85        |
|                                    |                                                                                                                                                | <b>Overall (aggregate) mean</b> |    |    |    |     | <b>3.73</b> | <b>1.28</b> |
| <b>Authoritative Leadership</b>    |                                                                                                                                                |                                 |    |    |    |     |             |             |
| 7                                  | My manager believes employees need to be supervised closely they are not likely to do their innovative work.                                   | 9                               | 12 | 58 | 41 | 129 | 4.08        | 0.90        |
| 8                                  | As a rule, my manager believes that employees must be given rewards or punishments in order to motivate them to achieve innovation objectives. | 10                              | 53 | 45 | 32 | 109 | 3.97        | 0.95        |
| 9                                  | My manger believes most employees are too lazy creative.                                                                                       | 11                              | 23 | 41 | 58 | 116 | 3.98        | 0.95        |
|                                    |                                                                                                                                                | <b>Overall (aggregate) mean</b> |    |    |    |     | <b>4.01</b> | <b>1.13</b> |
| <b>Laissez Faire Leadership</b>    |                                                                                                                                                |                                 |    |    |    |     |             |             |
| 10                                 | As a rule, my manager allows me to appraise my own Innovations                                                                                 | 71                              | 65 | 58 | 41 | 14  | 2.45        | 1.01        |
| 11                                 | My manager gives me complete freedom to solve problems on my own.                                                                              | 70                              | 53 | 45 | 32 | 49  | 2.75        | 1.43        |
| 12                                 | In general my manager feels it's best to leave subordinates alone                                                                              | 91                              | 23 | 41 | 58 | 36  | 2.70        | 1.39        |
|                                    |                                                                                                                                                | <b>Overall (aggregate) mean</b> |    |    |    |     | <b>2.63</b> | <b>1.28</b> |

Key: 1 = strongly disagree; 2 = disagree, 3 = neutral; 4 = agree and 5 = strongly agree

Source: Own field survey, 2023

The statistical description of the table above shows transformational leadership styles with the mean value of 3.73 and standard deviation was 0.95% shows lower dispersion from its mean value. The result of the study shows that most leaders' exercise the same level of transformational leadership styles.

The statistical description of the table above shows transactional leadership styles with the mean value of 3.92 and standard deviation was 0.83% shows lower dispersion from its mean value. The result of the study shows that most leaders' exercise the same level of transformational leadership styles.

The statistical description of the table above shows autocratic leadership styles with the mean value of 4.01 and standard deviation was 1.13% shows lower dispersion from its mean value. The result of

the study shows that most leaders' do not exercise the same level of transformational leadership styles.

The statistical description of the table above shows laissez-faire leadership styles with mean value of 2.63 and standard deviation was 1.28% shows higher dispersion from its mean value. The result of the study shows that most leaders' do not exercise the same level of transformational leadership styles.

Skewness of the independent variables transactional leadership styles and autocratic leadership style are positive, indicating that the distributions are skewed to the right. Skewness of the independent variables transformational leadership styles, laissez-faire leadership styles and the dependent variable innovation are negative, indicating that the distributions are skewed to the left.

The Kurtosis of all the independent variables (transformational leadership style, transactional leadership styles, autocratic leadership style and laissez-faire leadership styles and the dependent variable (innovation) is less than 3, indicating that the distribution is thin and long tailed.

The statistical description of the table below shows the mean, median, maximum, minimum, standard deviation, Skewness, Kurtosis value and number of observations for the dependent variable: *Innovation* and independent variables: *Transformational Leadership Styles, Transactional Leadership Styles, Autocratic leadership Styles, and Laissez-faire leadership Style*. Mean is a measure of central tendency used to describe the most typical value in a set of values. Standard deviation shows how far the distribution is from the mean; or the dispersion of the variables from their average. A small standard deviation implies that most of the sample means will be near the center population means thus the sample mean has a good chance of being close to the population mean and a good estimator of the population mean.

On the other hand, a large standard deviation illustrates that the given sample mean will be a poor estimator of the population mean. Skewness and kurtosis were also taken into account. Skewness is a measure of symmetry, or more precisely, the lack of symmetry. A distribution, or data set, is symmetric if it looks the same to the left and right of the centre point. Kurtosis is a measure of whether the data are peaked or flat relative to a normal distribution.

#### 4.6 The practice of the Role of Leadership in the case of Ethiopian Airline Group

**Table 4.8: Analysis of Role of Leadership in the case of Ethiopian Airline Group**

| I.N | Items                                  | Rating Scales |    |    |    |     | Mean | Std Dev |
|-----|----------------------------------------|---------------|----|----|----|-----|------|---------|
|     |                                        | 1             | 2  | 3  | 4  | 5   |      |         |
| 1   | I try new ways of doing things at work | 7             | 10 | 21 | 56 | 155 | 4.37 | 1.06    |

|    |                                                                                                   |     |    |    |     |     |      |      |
|----|---------------------------------------------------------------------------------------------------|-----|----|----|-----|-----|------|------|
| 2  | I prefer work that requires original thinking                                                     | 6   | 8  | 21 | 44  | 170 | 4.46 | 1.02 |
| 3  | When something does not function well at work, I try to find new solution.                        | 6   | 9  | 24 | 50  | 160 | 4.40 | 0.86 |
| 4  | I try to get new ideas from colleagues or business partners.                                      | 5   | 8  | 65 | 86  | 85  | 3.96 | 0.95 |
| 5  | I am interested in how things are done elsewhere in order to use acquired ideas in my own work.   | 1   | 12 | 33 | 48  | 155 | 4.38 | 1.32 |
| 6  | I search for new ideas of other people in order to try to implement the best ones.                | 5   | 11 | 31 | 42  | 160 | 4.37 | 1.08 |
| 7  | When I have a new idea, I try to persuade my colleagues of it                                     | 4   | 10 | 22 | 58  | 155 | 4.41 | 1.15 |
| 8  | When I have a new idea, I try to get support for it from management.                              | 8   | 7  | 18 | 51  | 165 | 4.44 | 1.05 |
| 9  | I try to show my colleagues positive sides of new ideas.                                          | 2   | 11 | 21 | 40  | 175 | 4.51 | 0.93 |
| 10 | When I have a new idea, I try to involve people who are able to collaborate on it.                | 3   | 18 | 28 | 50  | 150 | 4.31 | 0.97 |
| 11 | I develop suitable plans and schedules for the implementation of new ideas                        | 6   | 3  | 28 | 52  | 160 | 4.43 | 1.41 |
| 12 | I look for and secure funds needed for the implementation of new ideas                            | 6   | 8  | 23 | 57  | 155 | 4.39 | 1.29 |
| 13 | For the implementation of new ideas I search for new technologies, processes or procedures        | 7   | 12 | 56 | 94  | 80  | 3.92 | 0.94 |
| 14 | When problems occur during implementation, I get them into the hands of those who can solve them. | 7   | 6  | 53 | 93  | 90  | 4.02 | 1.30 |
| 15 | I try to involve key decision makers in the implementation of an idea                             | 10  | 8  | 25 | 81  | 125 | 4.22 | 0.93 |
| 16 | When I have a new idea, I look for people who are able to push it through.                        | 2   | 8  | 26 | 78  | 135 | 4.35 | 0.97 |
| 17 | I am able to persistently overcome obstacles when implementing an idea                            | 8   | 12 | 24 | 75  | 130 | 4.23 | 1.12 |
| 18 | I do not give up even when others say it cannot be done                                           | 10  | 17 | 24 | 58  | 140 | 4.21 | 1.02 |
| 19 | I usually do not finish until I accomplish the goal                                               | 5   | 6  | 24 | 59  | 155 | 4.42 | 0.98 |
| 20 | During idea implementation, I am able to persist even when work is not going well at the moment.  | 6   | 7  | 69 | 102 | 65  | 3.86 | 0.93 |
| 21 | I was often successful at work in implementing my ideas and putting them in practice.             | 6   | 6  | 58 | 99  | 80  | 3.97 | 1.11 |
| 22 | Many things I came up with are used in our organization                                           | 9   | 9  | 62 | 82  | 87  | 3.92 | 1.13 |
| 23 | Whenever I worked somewhere, I improved something there.                                          | 8   | 8  | 61 | 98  | 74  | 3.89 | 1.10 |
| 24 | Our organization has set aside sufficient resources to support the implementation of new ideas.   | 9   | 7  | 12 | 91  | 130 | 4.31 | 1.09 |
| 25 | Our organization provides employees time for putting ideas and innovations into practice.         | 9   | 7  | 18 | 85  | 130 | 4.29 | 1.01 |
| 26 | Most people in Ethiopia come up with new, original ideas at work                                  | 154 | 65 | 9  | 6   | 15  | 1.65 | 1.31 |
| 27 | Most people in Ethiopia are able to really implement new ideas at work.                           | 169 | 58 | 15 | 6   | 1   | 1.44 | 1.13 |
| 28 | Most people in Ethiopia look for new challenges                                                   | 195 | 41 | 9  | 1   | 3   |      | 1.41 |



|    |                                                                                              |     |    |   |   |   |      |      |
|----|----------------------------------------------------------------------------------------------|-----|----|---|---|---|------|------|
|    | at work.                                                                                     |     |    |   |   |   | 1.30 |      |
| 29 | Most people in Ethiopia are able to improvise easily when unexpected changes happen at work. | 187 | 49 | 6 | 2 | 5 | 1.35 | 1.50 |

*Source: Own field survey, 2023*

For the entire sample, the respondents rated highest for statements that concerned find new solution for a problem (mean of 4.42) as well as communicating new ideas with collages (mean of 4.32). The statement regarding plans and schedules for the implementation of new ideas (Mean 4.07), search for new technologies and processes or procedures for implementation (mean 3.95) also rate high.

Regarding collaboration with others, involving key decision makers in the implementation of an idea (mean 4.21) and involve people who are able to collaborate on it (mean 4.32) was rated high. Moreover, overcoming obstacles throughout implementing of innovations was rate high (mean 3.52 to 4.12).

Respondents feel successful on their innovative ideas; they rated high for being often successful at work in implementing my ideas and putting them in practice (mean 3.58) and improved something whenever they assigned (mean 3.52).

Regarding organisational support, the statement that side sufficient resources to support the implementation of new ideas (mean 4.15) and organization provides employees time for putting ideas and innovations into practice (mean score of 4.44) also rated high. The results show that employees are highly motivated on innovation activities and the organisation also supports their innovative activities.

However, the respondents rated significantly low for statements related to cultural support, majority of the respondents disagree on statements. Most people in Ethiopia come up with new, original ideas at work (mean 2.21), Most people in Ethiopia look for new challenges at work (mean score 1.95) and Most people in Ethiopia are able to improvise easily when unexpected changes happen at work. This show that our cultural is not promote for innovative activities in general. Thus, it is extremely important to understand how the culture affects in communication, creativity and innovation; which is essential for innovative activity and to stimulate it.

#### **4.7 Classical Linear Regression Model (CLRM) Assumptions Tests**

After performing the descriptive analysis of the collected data the researcher performed classical regression model assumptions. The objective of the multifactor linear regression model is to predict the strength and direction of association among the independent variables (transformational, transactional, autocratic and laissez-faire leadership styles) and the dependent variables (innovation). In order to maintain the validity and robustness of the regression result of the research in classical linear regression model, it is required to satisfy the basic assumption of classical linear regression model. As noted by Brooks (2008), when these assumptions are satisfied, it is considered as all

available information is used in the model. However, if these assumptions are violated, there will be data that left out of the model. Accordingly, before applying the model for testing the significance of the slopes and analysing the regressed result, the errors equal zero mean tests, normality, heteroscedasticity, autocorrelation and multi co-linearity tests are made for identifying misspecification of data if any so as to fulfil research quality.

#### **4.7.1 Test for the Average Value of the Error-term is Zero Assumption**

The first Classical Linear Regression Model assumption is, the average value of the errors term should be zero. As per Brooks (2008), if a constant term is included in the regression equation, this assumption will never be violated. Therefore, since the constant term was included in the regression equation, this assumption is expected to be not violated.

**4.7.2 Test for Heteroscedasticity Assumption** In the classical linear regression model assumptions, the other basic assumptions is homoscedasticity assumption that states as the probability distribution of the disturbance term remains same for all observations. That is the variance of each  $u_i$  is the same for all values of the explanatory variable. However, if the disturbance terms do not have the same variance, this condition of non- constant variance or non-homogeneity of variance is known as heteroscedasticity (Bedru and Seid, 2005). To check this, ARCH test was applied. The ARCH tests of the null hypothesis that the error variances are all equal versus the alternative that the error variance are a multiplicative function of one or more variables.

**Table 4.9: Heteroscedasticity Test**

|               |          |                  |        |
|---------------|----------|------------------|--------|
| F-statistic   | 0.416539 | Prob. F          | 0.6280 |
| Obs*R-squared | 0.423957 | Prob. Chi-Square | 0.6205 |

*Source: Own field survey, 2023*

As the above table shows heteroscedasticity test ARCH concluded that there is no significant evidence for the presence of heteroscedasticity. Since the p-values were above 0.05, the null hypothesis of homoscedasticity is failed to reject at 5 percent of significant level. This implying that there is no significant evidence for the presence of heteroscedasticity in these research models.

#### 4.7.3 Testing the Absence of Autocorrelation Assumption

In this section, the researcher checked if there exists autocorrelation problem with the data. If there exists covariance between the residuals and it is nonzero, this phenomenon is called autocorrelation (Brooks, 2008). To test for Autocorrelation, the study used Breusch Godfrey Serial Correlation LM Test.

**Table 4.10** Autocorrelation Test: Breusch-Godfrey Serial Correlation LM Test

|               |          |                  |        |
|---------------|----------|------------------|--------|
| F-statistic   | 0.416539 | Prob. F          | 0.6280 |
| Obs*R-squared | 0.423957 | Prob. Chi-Square | 0.6205 |

*Source: Own field survey, 2023*

As indicated in the above table the P value of F- statics Breusch-Godfrey Serial Correlation LM test was 0.4561 that was beyond the significance level of 5%. Hence, the null hypothesis of no autocorrelation is failed to reject at 5% of significance level. This implying that there is no significant evidence for the presence of autocorrelation in this model. Therefore, we can say that there is no autocorrelation problem in this study.

#### **4.7.4 Testing of normality**

A normal distribution is not skewed and is defined to have a kurtosis coefficient of 3. Bera-Jarque formalizes this by testing the residuals for normality and testing whether the coefficient of Skewedness and kurtosis are zero and three respectively. Skewness refers to how symmetric the residuals are around zero. Perfectly symmetric residuals will have a skewness of zero. Skewness measures the extent to which a distribution is not symmetric about its mean value. Kurtosis refers to the peakedness of the distribution.

For a normal distribution the kurtosis value is 3. Kurtosis measures how far the tails of the distribution are, the Jarque Bera test for normality is based on two measures, skewness and kurtosis. For normal distribution the JB statistic is expected to be statistically indifferent from zero. The Bera-Jarque probability statistics/P-value is also expected not to be significant even at 10% significant level (Brooks, 2008). According to (Gujarati, 2004), the BJ is a large sample test and our sample of 90 was equal to the frame was large; the study considered the BJ test also. If the residuals are normally distributed, the histogram should be bell shaped and BJ statistic would not be significant. The p-value of the normality test should be bigger than 0.05 to not reject the null of normality at 5% level.

#### 4.7.5 Multi-co-linearity Test

Multi-co-linearity is a phenomenon where the two or more of the explanatory variables used in a regression model are highly related to one another. Testing for multi-co-linearity simply involves looking at the matrix of correlations between the individual variables. (Brooks 2014). Multi-co-linearity is a test that evaluates whether the independent variables are highly correlated. Its condition exists where there is high, but not perfect, correlation between two or more explanatory variables leading to unreliable and unstable estimates of regression coefficients hence causing strange results when attempting to study how well individual independent variables constitute to an understanding of the dependent variable (Cameron and Trivedi 2009; Wooldridge 2006). The consequences of Multi-co-linearity are increased standard error of estimates of the Betas, meaning decreased reliability and often confusing and misleading results. According the correlation results calculated all the variables have a tolerance level was above the 0.1 which shows there is not significance effect of the independent variables on each other.

#### 4.8 Correlation Analysis

Table 4.22 presents the results of bivariate correlation based on Pearson correlation statistics. Transformational leadership strongly and positively correlated with organizational innovation performance  $r(249) = .541, P < 0.05$ . Transactional leadership positively correlated with organizational innovation activities  $r(249) = .303, P < 0.05$ . Autocratic leadership negatively correlated with organizational innovation activities  $r(249) = -.397, P < 0.05$ . Laissez-faire leadership negatively correlated with organizational innovation performance  $r(249) = -.518, P < 0.05$ . The result shows that transformational leadership style, transactional leadership styles, laissez-faire leadership styles has a significant impact on innovation at Ethiopian Airlines Group. The impact of Autocratic leadership style on innovation at Ethiopian Airlines Group was not significant.

**Table 4.7** *Correlations for Leadership Style Factors and innovation*

|  | Innovation | Transformational Leadership | Transactional Leadership | Authoritative Leadership | Laissez-faire Leadership |
|--|------------|-----------------------------|--------------------------|--------------------------|--------------------------|
|--|------------|-----------------------------|--------------------------|--------------------------|--------------------------|

|                             |                     |         |         |        |        |     |
|-----------------------------|---------------------|---------|---------|--------|--------|-----|
| Innovation                  | Pearson Correlation | 1       |         |        |        |     |
|                             | Sig 2-tailed        |         |         |        |        |     |
|                             | n                   | 249     |         |        |        |     |
| Transformational Leadership | Pearson Correlation | .541**  | 1       |        |        |     |
|                             | Sig 2-tailed        | .000    |         |        |        |     |
|                             | n                   | 249     | 249     |        |        |     |
| Transactional Leadership    | Pearson Correlation | 0.303** | .501**  | 1      |        |     |
|                             | Sig 2-tailed        | .000    | .000    |        |        |     |
|                             | n                   | 249     | 249     | 249    |        |     |
| Authoritative Leadership    | Pearson Correlation | -.397** | -.354** | 122    | 1      |     |
|                             | Sig 2-tailed        | .000    | .000    | .080   |        |     |
|                             | n                   | 249     | 249     | 249    | 249    |     |
| Laissez-faire Leadership    | Pearson Correlation | -.518** | .060    | .224** | .414** | 1   |
|                             | Sig 2-tailed        | .000    | .389    | .001   | .000   |     |
|                             | n                   | 249     | 249     | 249    | 249    | 249 |

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

Source: Own field survey, 2023

#### 4.9 Regression Analysis for Leadership style on Innovation

The variables for Leadership styles factors were transformed by computing means of the study variable into four main categories listed as: Transformational leadership, Transactional Leadership, authoritative leadership, and laissez-faire leadership. These variables were used to carry out the regression analysis, and the results were as follows:

Table 4.6 shows the results of the regression model summary for Transformational leadership, transactional leadership, autocratic leadership and Laissez-faire leadership (independent variables), and the dependent variable which was Innovation. The adjusted R square value for the model showed



that 61.7 % of the variance in the model (Innovation) can be explained by Transformational leadership, transactional leadership, autocratic leadership and Laissez-faire leadership.

**Table 4.8** Model Summary of Leadership style on Innovation

| Model | R     | R square | Adjusted R square | Std. Error of the Estimate | Change Statistics |          |     |     |              |
|-------|-------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|--------------|
|       |       |          |                   |                            | R square change   | F change | df1 | df2 | Slg F Change |
| 1     | 0.790 | 0.624    | 0.617             | 0.44450                    | 0.624             | 83.393   | 4   | 201 | .000         |

*A predictor: constant, laissez faire leadership, Transformational leadership, Transactional leadership Autocratic leadership*

*Source: Own field survey, 2023*

Table 4.8 shows the results of the regression model summary for transformational leadership, transactional leadership, autocratic leadership and Laissez-faire leadership styles (independent variables), and the dependent variable which was innovation. The adjusted R square value for the model showed that 61.7% of the variance in the model (innovation) can be explained by transformational leadership, transactional leadership, autocratic leadership and Laissez-faire leadership styles. As shows in the table above the regression result of random effect model that examines the determinant of innovation at Ethiopian Airlines Group had an R squared of 0.617 shows satisfactory levels, which mean that nearly 61.7% of the volatilities in innovation, are explained by the volatilities of independent variables (transformational leadership, transactional leadership, autocratic leadership and Laissez-faire leadership styles.). The remaining 38.3 % of changes was explained by other determinants which are not included in this model. Therefore, an adjusted R-square having value of 0.617 shows that 61.7 percent of dependent variable is explained by the independent variables included in the model. Thus, the explanatory power of the dependent variable is high.

**Table 4.11:** Regression coefficient of Leadership style

| Model            | Un-standardized Coefficients |           | Standardized Coefficients | t      | Slg  | 95% confidence interval for B |        |
|------------------|------------------------------|-----------|---------------------------|--------|------|-------------------------------|--------|
|                  | B                            | Std Error | Beta                      |        |      |                               |        |
| Constant         | 1.203                        | 0.301     |                           | 3.995  | .00  | 0.609                         | 1.979  |
| Transformational | 0.641                        | 0.079     | 0.472                     | 8.157  | .00  | 0.486                         | 0.796  |
| Transactional    | 0.297                        | 0.080     | 0.199                     | 3.694  | .00  | 0.138                         | 0.455  |
| Autocratic       | -0.009                       | 0.043     | -0.12                     | -0.21  | .828 | -0.095                        | 0.076  |
| Laissez-faire    | -3.64                        | 0.030     | -0.586                    | -11.94 | .00  | -0.424                        | -0.304 |

*Source: Own field survey, 2023*

Table 4.9 shows the regression coefficients for the model and it predicts the relationship between the independent variables Transformational leadership, transactional leadership, Autocratic leadership and Laissez-faire leadership and Innovation. The regression coefficient indicates that autocratic leadership style has a negative insignificant influence on innovation since its precision levels was less

than the threshold of  $<0.05$ . Leaders at Ethiopian Airlines Group practicing the autocratic leadership styles were not able to impact innovation significantly.

Transformational leadership style has a positive and significant influence on innovation. The result showed that transformational leadership has an impact on the innovation levels at Ethiopian Airlines Group. When Leaders exhibited the attributes of a transformational leader, innovation at Ethiopian Airlines Group increases. The result showed that business units where leaders exhibited transformational leadership improved innovation by up to 47 %. Transactional Leadership styles had a positive and significant influence on innovation. Laissez-faire leadership had a significant, negative influence on innovation. The result also showed that Transactional leadership has an impact on innovation at Ethiopian Airlines Group. When managers exhibited transactional leaders attribute, innovation at the company improves by up to 20 %.

The result also showed that laissez faire leadership style had an impact on innovation at Ethiopian Airlines Group. The more business leaders exhibited laissez faire leadership style, innovation decreases and vice versa. The results show that Laissez-faire had a dramatic negative effect on innovation at Ethiopian Airlines Group. The result suggests that innovation of business units whose leaders exhibited laissez-faire leadership style decreases up to 56%.

#### **4.10 Discussions**

#### **4.10.1 Effect of Transformational Leadership Style on Innovation**

The study showed that leaders at Ethiopian Airlines displayed a strong conviction in their beliefs and values of innovation. The study showed leaders at Ethiopian Airlines clarified the underlying purpose of the company's innovative endeavours. The study also showed that leaders at Ethiopian Airlines emphasized the importance of having a collective sense of mission. These results were in tandem with (Peterson, Byron, & Kris & Carey, 2009) state that, transformational leaders are defined as leaders, who positively envision the future scenarios for the organizations, engage primarily in improving employees self-confidence by helping them to realize their potential communicate an achievable mission and vision of the organizations to employees, and participate with employees to identify their needs and working out collaboratively to satisfy their needs. Several reasons support the expectation that transformational leadership would enhance employee creativity and innovation. First, transformational leaders go beyond exchanging contractual agreements for desired performance by actively engaging followers' personal value systems (Avolio & Jung, 2000). They provide ideological explanations that link followers' identities to the collective identity of their organization, thereby increasing followers' intrinsic motivation rather than just providing extrinsic motivation to perform " their job. By articulating an important vision and mission for the organization, transformational leaders increase followers understanding of the importance and values " associated with desired outcomes, raise their performance expectations, and increase their willingness to transcend their self-interests for the sake of the collective entity.

In a summary, multiple regression analysis indicated that, transformational leadership positively predicted organizational innovation at Ethiopian Airlines. If supervisors exhibited more transformational leadership style, the organization will have higher Organizational innovation performance. This result answers the research question "What is the effect of transactional leadership style on innovation in Ethiopian Airlines? Transactional leadership positively affects innovation at Ethiopian Airlines.

#### **4.10.2 Effect of Transactional Leadership Style on Innovation**

The study showed that leaders at Ethiopian Airlines provided recognition and rewards when employees reach their goals. The study showed that leaders usually call attention to what one can get for their accomplishments. The study showed that transactional leaders their style had a positive and significant effect on innovation. These findings were in tandem with (Jansen, Vera, & Crossan, 2009) states that, transactional leadership style is suitable for followers' motivation to contribute and participate in the organizational ideation programs. The transactional leadership behaviour drives for excellence and efficient to encourage the followers to an ideation program, such kind of programs encourage the suggestions from employees for improving the existing firm services, procedures or products etc.

Additionally, in institutionalized setting the leader having transactional behaviour may be appropriate for ideation programs, where instead of managing old ideas, new ideas are managed by focusing on efficiency and standardization most effective in refining, reinforcing, or getting the benefits of the current routines and memory assets of firms (Vera & Crossan, 2004); so like transformational behaviour leaders, the transactional leadership can affect the creativity ideation with the help of employee's ideation programs . The transactional leadership style satisfies the need of followers in the form of recognition or exchange or rewards after reaching the agreed task objectives and goals achieving the expectations of leaders (Podsakoff, MacKenzie, Moorman, & Fetter, 1990). This kind of leadership style emphasizes on swap or exchange among leaders and employees.

In a summary, multiple regression analysis indicated that, transactional leadership positively predicted organizational innovation at Ethiopian Airlines. If supervisors exhibited more transactional leadership style, the organization will have higher Organizational innovation performance. This result answers the research question "What is the effect of transactional leadership style on innovation in Ethiopian Airlines? .Transactional leadership positively affects innovation at Ethiopian Airlines. The results of transactional leadership were consistent with most of results on previous studies reviewed in chapter two.

#### **4.10.3 Effect of Autocratic Leadership Style on Innovation**

The study shows that managers at Ethiopian Airlines did not believe employees needed to be supervised to do their innovative work. When and they do that had an adverse effect on the organizations innovation performance. The study showed that, as a rule, manager at Ethiopian Airlines did not believe employees in the company must be given rewards or punishments to do their work. When this behaviour is exercised by the managers it had a significant and negative effect on the innovation performance of the company.

The study showed that leaders at Ethiopian Airlines did not believe their subordinates to be lazy. The study showed that autocratic leadership style had a significant and negative effect on the organizations innovation performance. This finding goes against findings by Kanter (1982) who stated that autocratic leaders drive innovation processes by controlling, monitoring, instructing, and hierarchical influence. Somech (2006, p. 140) specifies that authoritarian leaders provide “team members with a framework for decision making and action in alignment with the superior’s vision”. Research on innovation provides evidence on the specific benefits of authoritarian leadership with regard to different innovation-related goals. Research shows that authoritarian leadership is particularly beneficial for establishing clear rules (Somech, 2006).

In a summary, multiple regression analysis indicated that, Autocratic leadership negatively predicted organizational innovation at Ethiopian Airlines Group. If supervisors exhibited more Autocratic leadership style, innovation at Ethiopian Airlines will not be affected significantly. This result answers the research question “What is the effect of autocratic leadership style on innovation in Ethiopian Airlines? “

#### **4.10.4 Effect of Laissez-faire Leadership Style on Innovation**

The study showed that, as a rule, leaders at Ethiopian Airlines did not allow employees to appraise their own work. The study showed that leaders at Ethiopian Airlines did not give complete freedom to their employees to solve problems in their own way. The study also showed that leaders at Ethiopian Airlines did not believe it is a good thing to leave their subordinates alone during their work. The study showed that Laissez-faire leadership style had a significant and negative effect on the organizations innovation performance.

In a summary, multiple regression analysis indicated that, laissez-faire leadership negatively predicted organizational innovation at Ethiopian Airlines. If supervisors exhibited more laissez-faire leadership style, the organization will have lower Organizational innovation performance. This result answers the research question “What is the effect of laissez-faire leadership style on innovation in Ethiopian Airlines. Laissez-faire leadership negatively affects innovation at Ethiopian Airlines.

## **Chapter Five: Summary major finding, Conclusions and Recommendation**

This chapter is divided in to the following four sections that include: section 5.1 Summery of Findings, section, 5.2 Conclusion section and 5.3 Recommendations for improvement, and for further studies.

### **5.1 Summary of Major Findings**

The findings show that transformational leadership style is the most exhibited style at Ethiopian Airline Group followed by the transactional leadership style. Overall, scores in transformational leadership style were found to be strongly correlated with Innovation except for the intellectual simulation dimension, which had insignificant positive correlation with Innovation.

Transactional leadership style variables were found to be strongly correlated with Innovation. However, Management by exception had a negative and significant correlation with innovation while contingent reward had significant positive correlations. Autocratic leadership style had an insignificant and negative relationship with innovation while laissez faire leadership style had a significant negative correlation with organization innovation.

### **5.2 Conclusions**

Employees with higher education level and relatively senior staffs were likely interested on introduce creativity or new insights in to the organization. Moreover, they were positive to share innovative ideas with their colleagues

Most people in Ethiopia are able to improvise easily when unexpected changes happen at work. This show that our cultural is not promote for innovative activities in general. Thus, it is extremely important to understand how the culture affects in communication, creativity and innovation; which is essential for innovative activity and to stimulate it.

Based on analysis stated on chapter four, it is concluding that transformational leadership style, transactional leadership styles, laissez-faire leadership styles have a significant impact on innovation at Ethiopian Airlines Group. The impact of Autocratic leadership style on innovation at Ethiopian Airlines Group was not significant as follows:

### **5.2.1 Role of Transformational Leadership Style on Innovation**

The study concludes that Ethiopian Airlines Group as an organization practices transformational leadership style effectively and efficiently since its leaders positively envision the future scenarios for the organizations, engage in improving employees self-confidence by helping them to realize their potential, communicate an achievable mission and vision of the organizations innovation goals to employees, and participate with employees to identify their needs and working out collaboratively to satisfy their needs. Leaders at Ethiopian Airlines provide ideological explanations that link follower's identities to the collective identity of their organization. The study also concludes that Transformational Leadership style has a significant and positive effect on the innovation performance of Ethiopian Airlines.



### **5.2.2 Role of Transactional Leadership Style on Innovation**

The study concludes that Ethiopian Airlines Group as an organization practice transactional leadership style. The study concludes that Contingent reward had a positive and significant effect on innovation efforts at Ethiopian Airlines. Management by exception had a significant and negative effect on innovation. The study concludes that transactional leadership style had a significant and positive effect on innovation at Ethiopian Airlines Group.

### **5.2.3 Role Autocratic Leadership Style on Innovation**

The study found out that autocratic leadership was not a widely used style of leadership style at Ethiopian Airlines Group. And when it gets exercised it had an adverse effect on innovation. The study concludes autocratic leadership has a negative and insignificant effect on innovation at Ethiopian Airlines Group.

#### **5.2.4 Role of Laissez-faire Leadership Style on Innovation**

The study found out that laissez-faire leadership was not a widely used style of leadership style at Ethiopian Airlines Group. And when it gets exercised it had an adverse effect on innovation. The study concludes laissez faire leadership has a negative and significant effect on innovation at Ethiopian Airlines.

#### **5.3 Recommendations**

The results and conclusions of this study pave the way for future scientific research. The results of the research may broaden the knowledge on the roles of leaders in stimulating the organization's innovative activity. The employees' opinions on the leadership role in stimulating innovation in the organization should be further examined. It also seems important to investigate the impact of leadership (specific roles) on the organization's innovativeness. Apart from leadership, the organizational climate (culture) also ought to be explored as a factor conducive to innovation. The results of the conducted analyses can also significantly contribute to the discussion on the influence of soft aspects of management on the innovativeness of contemporary organizations.

Transformational leadership had strong and positive effect on organizational innovation performance. Therefore, leaders or supervisors should be aware of the importance of transformational leadership style and try to put it in practice to aid in improving and sustaining an innovative work environment.

The study recommends leaders at Ethiopian Airlines Group to apply transactional leadership style since employees that are provided with rewards at the work place, feel acknowledged for their contribution, which in turn leads to a sense of shared purpose among them. This encourages them to offer their best innovative effort to the organization.

Autocratic leadership had a negative correlation with organizational innovation performance. It was obvious to see that autocratic leadership style was not an effective leadership style. The study recommends leaders at Ethiopian Airlines Group to apply autocratic leadership style less since it has revealed that employees who perceive their managers as autocratic leadership behaviour are less likely to be committed to the innovation work in their organizations.

The study recommends leaders at Ethiopian Airlines Group to apply laissez-faire leadership style less since it has revealed that employees who perceive their managers as hands off leaders are less likely to be committed to the innovation work in their organizations. Laissez-faire leadership style has an adverse effect on organizational innovation performance. The leaders of the company should come up with trainings and process that will make sure this leadership style is not practiced.

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## APPENDICES

Dear Respondent,

I am **Henok Girma**, a Masters student at Addis Ababa University. I am carrying out a study on “**The role of Leadership on Innovation: a Case Study of Ethiopian Airlines Group** ” the Partial Fulfilment of the requirements for master of business leadership. To that end, I would like to request that you spend some of your valuable time to complete this questionnaire to the best of your knowledge.

A guide is provided under each part of the questionnaire. Your timely completion of this questionnaire is highly appreciated. To maintain anonymity, I have not included names on the

questionnaire. Your responses will be treated with the confidentiality it deserves. All the data you provide will be strictly used for the stated purpose only. Furthermore, your responses will only be presented in aggregate and no single results will be traceable back to individual respondent.

Yours Sincerely,  
Henok Girma  
Tel. +251910781945  
Email- [tedahen@gmail.com](mailto:tedahen@gmail.com)

### **Part One: Demography**

Read all the questions first and choose the appropriate answer box by ticking only one number for each question. All information will remain confidential and to maintain anonymity, no names are required.

1. What is your gender?

☐ Male

☐ Female

2. Your position in the organization

☐

Management

☐ Non-Management

3. Experience in the company

☐ Less than 1 year

☐ 1 to 5 years

☐ 5 to 10 years

☐ Above 10 years

4. Education level

☐ First degree

☐ Master degree

☐ PHD

**Part Two: Innovation**

The sets of statements aimed at helping you assess your role and experience on innovations while leading your team. You are requested evaluate rate the following questions to access the impact of your role on innovating activities under your team, where the following ratings are:

1 = Strongly Disagree, 2 = Disagree, 3 = Moderately Agree, 4 = Agree, and 5 = Strongly Agree

Please place a tick (✓) or a mark (x) in the box (cell) that represents your appropriate level of agreement.

| 1. Innovative Behaviour Inventory                                                               | 1 | 2 | 3 | 4 | 5 |
|-------------------------------------------------------------------------------------------------|---|---|---|---|---|
| <b>1.1 Innovative behaviour</b>                                                                 |   |   |   |   |   |
| I try new ways of doing things at work                                                          |   |   |   |   |   |
| I prefer work that requires original thinking                                                   |   |   |   |   |   |
| When something does not function well at work, I try to find new solution.                      |   |   |   |   |   |
| <b>1.2 Idea search</b>                                                                          |   |   |   |   |   |
| I try to get new ideas from colleagues or business partners.                                    |   |   |   |   |   |
| I am interested in how things are done elsewhere in order to use acquired ideas in my own work. |   |   |   |   |   |
| I search for new ideas of other people in order to try to implement the best ones.              |   |   |   |   |   |
| <b>1.3 Idea communication</b>                                                                   |   |   |   |   |   |
| When I have a new idea, I try to persuade my colleagues of it                                   |   |   |   |   |   |
| When I have a new idea, I try to get support for it from management.                            |   |   |   |   |   |
| I try to show my colleagues positive sides of new ideas.                                        |   |   |   |   |   |

|                                                                                                       |          |          |          |          |          |
|-------------------------------------------------------------------------------------------------------|----------|----------|----------|----------|----------|
| When I have a new idea, I try to involve people who are able to collaborate on it.                    |          |          |          |          |          |
| <b>1.4 Implementation starting activities</b>                                                         |          |          |          |          |          |
| I develop suitable plans and schedules for the implementation of new ideas                            |          |          |          |          |          |
| I look for and secure funds needed for the implementation of new ideas                                |          |          |          |          |          |
| For the implementation of new ideas I search for new technologies, processes or procedures            |          |          |          |          |          |
| <b>1.5 Involving others</b>                                                                           |          |          |          |          |          |
| When problems occur during implementation, I get them into the hands of those who can solve them      |          |          |          |          |          |
| I try to involve key decision makers in the implementation of an idea                                 |          |          |          |          |          |
| When I have a new idea, I look for people who are able to push it through.                            |          |          |          |          |          |
| <b>1.6 Overcoming obstacles</b>                                                                       |          |          |          |          |          |
| I am able to persistently overcome obstacles when implementing an idea                                |          |          |          |          |          |
| I do not give up even when others say it cannot be done                                               |          |          |          |          |          |
| I usually do not finish until I accomplish the goal                                                   |          |          |          |          |          |
| During idea implementation, I am able to persist even when work is not going well at the moment.      |          |          |          |          |          |
| <b>1.7 Innovation outputs</b>                                                                         |          |          |          |          |          |
| I was often successful at work in implementing my ideas and putting them in practice.                 |          |          |          |          |          |
| Many things I came up with are used in our organization                                               |          |          |          |          |          |
| Whenever I worked somewhere, I improved something there.                                              |          |          |          |          |          |
| <b>2. Innovation Support Inventory</b>                                                                | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| <b>2.1 Organizational support</b>                                                                     |          |          |          |          |          |
| The way of remuneration in our organization motivates employees to suggest new things and procedures. |          |          |          |          |          |
| Our organization has set aside sufficient resources to support the implementation of new ideas.       |          |          |          |          |          |
| Our organization provides employees time for putting ideas and innovations into practice.             |          |          |          |          |          |
| <b>2.2 Cultural support</b>                                                                           |          |          |          |          |          |
| Most people in Ethiopia come up with new, original ideas at work                                      |          |          |          |          |          |
| Most people in Ethiopia are able to really implement new ideas at work.                               |          |          |          |          |          |
| Most people in Ethiopia look for new challenges at work.                                              |          |          |          |          |          |
| Most people in Ethiopia are able to improvise easily when unexpected changes happen at work.          |          |          |          |          |          |

### Part Three: Leadership style

|                                                                                     |          |          |          |          |          |
|-------------------------------------------------------------------------------------|----------|----------|----------|----------|----------|
| <b>Idealized Influence (II)</b>                                                     | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| My manager displays conviction in his/her ideals, beliefs, and values of innovation |          |          |          |          |          |
| My manager clarifies the central purpose underlying our Innovations.                |          |          |          |          |          |

|                                                                                                                                                |  |  |  |  |  |
|------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|--|
| My manager talks about how trusting each other can help me overcome difficulties in innovation.                                                |  |  |  |  |  |
| My manager emphasizes the importance of having a collective sense of mission in our innovative work.                                           |  |  |  |  |  |
| My manager considers the moral and ethical consequences our innovations                                                                        |  |  |  |  |  |
| My manager takes a stand on difficult innovation issues                                                                                        |  |  |  |  |  |
| My manager behaves in ways that are consistent with his/her expressed creative values                                                          |  |  |  |  |  |
| <b>Inspirational Motivation (IM)</b>                                                                                                           |  |  |  |  |  |
| My manager sets high innovation standards.                                                                                                     |  |  |  |  |  |
| My manager envisions exciting new innovative possibilities.                                                                                    |  |  |  |  |  |
| My manager makes me aware of essential innovation related issues                                                                               |  |  |  |  |  |
| My manager shows determination to accomplish what he/she sets out to do                                                                        |  |  |  |  |  |
| My manager expresses his/her confidence that we will achieve our innovative goals.                                                             |  |  |  |  |  |
| My manager talks optimistically about the future of our innovation.                                                                            |  |  |  |  |  |
| My manager articulates a compelling and creative vision of the future                                                                          |  |  |  |  |  |
| <b>Intellectual Simulation (IS)</b>                                                                                                            |  |  |  |  |  |
| My manager encourages me to express my creative ideas and opinions                                                                             |  |  |  |  |  |
| My manager questions the traditional ways of doing things.                                                                                     |  |  |  |  |  |
| My manager emphasizes the value of questioning assumptions.                                                                                    |  |  |  |  |  |
| My manager re-examines critical assumptions to question whether they are appropriate.                                                          |  |  |  |  |  |
| My manager seeks differing perspectives when solving problems.                                                                                 |  |  |  |  |  |
| My manager suggests new ways of looking at how we do our jobs                                                                                  |  |  |  |  |  |
| My manager gets me to look at problems from different angles.                                                                                  |  |  |  |  |  |
| My manager encourages non-traditional thinking to deal with traditional problems.                                                              |  |  |  |  |  |
| <b>Individual Consideration (IC)</b>                                                                                                           |  |  |  |  |  |
| My manager treats me as an individual rather than just a member of a group                                                                     |  |  |  |  |  |
| My manager focuses me on developing my creative strengths                                                                                      |  |  |  |  |  |
| My manager treats each of us as individuals with different needs, abilities and aspirations                                                    |  |  |  |  |  |
| <b>TRANSACTIONAL LEADERSHIP</b>                                                                                                                |  |  |  |  |  |
| My manager provides recognition/rewards when others reach their innovative goals.                                                              |  |  |  |  |  |
| My manager calls attention to what others can get for what they create.                                                                        |  |  |  |  |  |
| My manager provides me with assistance in exchange for my creative efforts.                                                                    |  |  |  |  |  |
| My manager discusses in specific terms who is responsible for achieving performance targets.                                                   |  |  |  |  |  |
| <b>Management by exception (MBE)</b>                                                                                                           |  |  |  |  |  |
| As long as things are working, my manager does not try to change how we go about our innovation                                                |  |  |  |  |  |
| My manager tells me the standards we have to know to carry out our creative work                                                               |  |  |  |  |  |
| My manager focuses attention on irregularities, mistakes, exceptions, and deviations from innovation standards                                 |  |  |  |  |  |
| <b>Authoritative Leadership</b>                                                                                                                |  |  |  |  |  |
| My manager believes employees need to be supervised closely they are not likely to do their innovative work.                                   |  |  |  |  |  |
| As a rule, my manager believes that employees must be given rewards or punishments in order to motivate them to achieve innovation objectives. |  |  |  |  |  |
| <b>Laissez Faire Leadership</b>                                                                                                                |  |  |  |  |  |

|                                                                    |  |  |  |  |  |
|--------------------------------------------------------------------|--|--|--|--|--|
| As a rule, my manager allows me to appraise my own Innovations.    |  |  |  |  |  |
| My manager gives me complete freedom to solve problems on my own.  |  |  |  |  |  |
| In general my manager feels it's best to leave subordinates alone. |  |  |  |  |  |

*Source: Developed based on Holm and Sjolander (2015)*