



**INTERACTION BETWEEN STRATEGIC LEADERSHIP BEHAVIOURR  
& ORGANIZATIONAL PERFORMANCE: THE CASE OF  
WEGAGENBANK S.Co.**

**By:**

**Tilahun Mamo**

**A Research Thesis Submitted in Partial fulfillment of the Requirement for the  
Award of Master of Arts Degree in Business leadership**

**Addis Ababa University**

**College of Business and Economics**

**School of Commerce Graduate Studies Business leadership Program Unit**

**June, 2020**

**Addis Ababa**

**INTERACTION BETWEEN STRATEGIC LEADERSHIP BEHAVIOUR &  
ORGANIZATIONAL PERFORMANCE: THE CASE OF WEGAGENBANK S.Co.**

**By:**

**Tilahun Mamo**

**A research thesis submitted in partial fulfillment of the requirement for the Award of  
Master of Arts Degree in Business leadership**

**Addis Ababa University**

**College of Business and Economics**

**School of Commerce**

**Graduate Studies**

**Business leadership Program Unit**

**Advisor: Bahran Asrat (Ph.D.)**

**June, 2020**

**Addis Ababa**

### **Declaration**

I hereby declare that this study entitled “*Interaction between strategic leadership behaviour and organizational performance: the case of Wegagen Bank s.co*” is my original work prepared under the guidance of my advisor, Bahran Asrat (Ph.D). This paper is submitted in partial fulfillment of the requirement for the Award of Master of Arts Degree in Business leadership and it has not been previously submitted to any diploma or degree in any college or university. I would like also to confirm that all the sources of materials used in this study are duly acknowledged.

Name: - Tilahun Mamo

Sig.:- \_\_\_\_\_

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

### **Statement of certification**

This is to certify that Tilahun Mamo has carried out his research work entitled “*Interaction between strategic leadership behaviour and organizational performance: the case of Wegagen Bank S.Co.*” in partial fulfillment of the requirement for the Award of Master of Arts Degree in Business Leadership at Addis Ababa University College of Business and Economics School of Commerce. This paper is an original work and has not been submitted to any diploma or degree in any college or university.

---

**Bahran Asrat (Ph.D)**

**Addis Ababa University**  
**College of Business and Economics**  
**School of Commerce**  
**Graduate Studies**

**Interaction between strategic leadership behaviour & organizational Performance:**  
**The case of Wegagen Bank SC**

**By:**

**Tilahun Mamo**

**Approved By the Board of**  
**Examiners:**

**Bharan Asrat (PhD)**

Advisor

\_\_\_\_\_

Signature

**Wubishet Bekalu (PhD)**

Internal Examiner

\_\_\_\_\_

Signature

**Dereje Teklemariam (PhD)**

External Examiner

\_\_\_\_\_

Signature

## Table of Content

Table of Content .....	i
List of Tables .....	iii
List of figures .....	iv
<b>Acronyms</b> .....	v
ACKNOWLEDGEMENT .....	vi
<i>Abstract</i> .....	vii
CHAPTER ONE-INTRODUCTION.....	1
1.1 BACKGROUND OF THE STUDY .....	1
1.2. STATEMENT OF THE PROBLEM .....	4
1.3 RESERCH QUESTIONS .....	6
1.4. OBJECTIVE OF THE STUDY .....	7
1.4.1. General Objective .....	7
1.4.2. Specific Objective.....	7
1.5. SIGNIFICANCE OF THE STUDY.....	7
1.6. SCOPE OF THE STUDY .....	8
1.7 LIMITION OF THE SCOPE.....	8
1.8. ORGANIZATION OF THE STUDY .....	8
1.9 DEFINATION OF KEY TERMS.....	8
CHAPTER TWO-LITERATURE REVIEW .....	10
2.1. THEORETICAL REVIEW .....	10
2.2 EMPERICAL REVIEW .....	13
2.2.1 What is strategic leadership? .....	14
2.2.2 Strategic leadership behaviour.....	15
2.2.3 Types of strategic leadership behaviour .....	15
2.2.4 Organizational performance.....	19
2.2.5 Measurement of organization Performance .....	20
2.2.6 Measurement of Bank’s Performance.....	20
2.3 CONCEPTUAL FREAMWORK.....	22
CHAPTER THREE-RESEARCH METHODOLOGY .....	24
3.1 RESERCH DESIGN.....	24
3.2 DESCRIPTION OF VARIABLES .....	24

3.3 STUDY AREA AND TARGET POPULATION.....	25
3.4 SAMPLING TECHNIQUE .....	25
3.5 DATA SOURCE.....	25
3.6 DATA ANALYSIS.....	26
3.7 RELIABILITY AND VALIDITY .....	26
3.8 ETHICAL CONSIDERATION .....	27
CHAPTER FOUR-DISCUSSION AND ANALYSIS .....	29
4.1 SURVEY RESPONSE RATE AND RELIABILITY .....	29
4.2 RESPONDANTS PROFILE.....	30
4.3 OVERVIEW OF RESPONDENTS PERCEPTION.....	31
4.3.1 Attribute towards Transformational leadership style behaviors .....	31
4.3.1 Attribute towards Transactional leadership style behaviors .....	33
4.4 DESCRIPTIVE STATISTICS.....	34
4.5 PRINCIPAL COMPONENT ANALYSIS (PCA).....	36
4.6. CORRELATION ANALYSIS.....	36
4.7 REGRASSION MODEL .....	37
4.7.1 Regression Results and Interpretation .....	38
4.8 ANALYSIS SECONDARY DATA .....	43
4.9. FINDING AND DISCUSSION.....	50
CHAPTER FIVE-SUMMARY, CONCLUSIONS AND RECOMMENDATIONS .....	52
5.1. SUMMARY AND CONCLUSIONS .....	52
5.2. RECOMENDATION.....	54
5.2.1. Recommendations for Bank Leaders .....	54
5.2.2. Recommendations for Banks Stakeholders .....	55
5.2.3. Recommendations for Future.....	56
REFERENCE.....	57
Appendex .....	I

### **List of Tables**

Table 1: Leadership behaviour dimensions in transformational leadership style (Bass & Avolio, 1997).

Table 2: Reliability Test

Table 3: Descriptive statistics for behaviours under Transformation leadership style

Table 4: Descriptive statistics for behaviours under Transactional leadership style

Table 4: Descriptive statistics for behaviours under organizational performance

Table 5: Correlation analysis

Table 6: Model Summary and ANOVA –transformation leadership behaviours attribute towards organizational performance

Table 7: Coefficient table transformation leadership behaviour

Table 8: Model Summary and ANOVA –transactional leadership behaviours attribute towards organizational performance

Table 9: Coefficient table for transactional leadership behaviour

Table 10: Performance of Banks for fiscal year 2017/2018

Table 11: Performance growth rate table for period from 2014/2015-2018/2019

## List of figures

Fig1. Types of performance indicators

Fig2. Self developed conceptual frame work

Fig3. Year of service for peer banks

Fig4. Market share distribution in number of Branches

Fig5. Market share distribution in number of Customers

Fig6. Market share distribution in amount of Deposit

Fig7. Income / Expense performance report of peer banks

Fig8. Market share Growth of Wegagen Bank for 5 Years

Fig9. Income Expense Growth of Wegagen Bank for 5 Years

Fig10. Profit Growth of Wegagen Bank for 5 Years

Fig11. Growth of Earning per share Wegagen Bank for 5 Years

## Acronyms

<b>CEO</b>	-Chief Executive Officer
<b>CR</b>	- Contingent Reward
<b>IC</b>	- Individualized Consideration
<b>II</b>	-Idealized Influence
<b>IM</b>	-Inspirational Motivation
<b>IS</b>	- Intellectual Stimulation
<b>MBEA</b>	- Management-by-Exception (Active)
<b>MBEP</b>	-Management-by-Exception (Passive)
<b>MLQ</b>	- Multifactor Leadership questionnaire
<b>NBE</b>	-National Bank of Ethiopia
<b>ROA</b>	- Return on Asset
<b>ROE</b>	-Return on Equity
<b>TFLS</b>	- Transformational Leadership Style
<b>TRLS</b>	-Transactional Leadership Style
<b>WB</b>	-Wegagen Bank

## ACKNOWLEDGEMENT

First of all, I would like to express my appreciation to my advisor **Bahran Asrat (Ph.D)**, who has given me his invaluable advice, guidance, and encouragement from the beginning up to the end the study.

My deepest gratitude goes to my family for their love and moral support and for being there in my whole life. I would like also to thank my friends who have helped me complete this study by providing moral support and their invaluable suggestions.

Finally, I offer my regards to those that were involved in administering the questionnaires, without their help this research would not have been possible

## *Abstract*

*This study has tried to look at the interaction between leadership behaviours on organization performance the case of Wegagen Bank s.c. The main objective of the study relationship between strategic leadership behaviour and organizational performance specific to leader behaviours seen or practiced under both transactional and transformational leadership styles on banks performance in specific bank. Transformational leadership behaviours relevant in the study were idealized influence, inspirational motivation, intellectual stimulation and individual consideration and Transactional leadership behaviours considered relevant were constructive/contingent reward management by exception active(MEA) and management by exception passive (MEP). The study adopted census data design, and employed evaluative quantitative analysis method. Analysis was based on primary data generated through structured questioner which was developed by adapting the multifactor leadership questionnaire (MLQ) and secondary data collected from national bank of Ethiopia's financial audited report. Random effect regression model (LM model) was specified, estimated and evaluated. The result showed that there is no clear picture seen that leaders behaviours interact with the banks performance and further study is needed in Wegagen bank case.*

**Key Words: Leadership style, leadership behaviour, and organizational performance**

# CHAPTER ONE

## INTRODUCTION

### 1.1 BACKGROUND OF THE STUDY

In all organizations one of the key components is leadership. With technology development and globalization, the capacity and its function are in a complicated change (Punnett, 2004).

As a suggestion given by strategic leadership theory, higher level manager's demographics and leadership style play a major function in the formulation of the strategy, and implementation of effective strategy that requires specific skills, specific knowledge, and leadership styles of the key decision-makers (Zhen Shao 2019).

Being a strategic leader is about the ability to anticipating and foreseeing the future. And also it is about thinking strategically, retaining flexibility, and being a team player to initiate changes so that strategic leadership enables an organization to have a competitive advantage in the future (Hitt et al., 2012; Voelpel et al.2006).

Organizational performance is about acquiring resources (human financial and other physical) and properly processing to achieve goals of the organization (Madella, Bayle, & Tome, 2005).

The goal and objectives of an organization are bases of measurement tools for the Organizational performance or outcome (Lee, 2008).

There are several pieces of researches done on the studies related to leadership and performance to separate the values, motivations, and other personality dimensions that are unique to successful leaders (Brockhaus & Horwitz 1986; Ginn & Sexton 1990). Leadership has been examined from various perspectives, including the personal characteristics of the leader, nature of the organizational context, and subordinates' behaviour (Yukl 1998).

Previous researches indicate that leadership plays a significant role in meeting the need for a

competitive market and achieving and increasing organizational performance (Arslan & Staub 2013).

Strategic leadership behaviour is a set of actions taken by individuals in a position of influence, to encourage and nurture others through mechanisms of empowerment, commitment, and collaborative assignment to meaningful work (Jordan S.R. 2016). Organizational performance measures efficiency and effectiveness with which administrators take advantage of resources to satisfy customers and attain the organization's goals (Karina C. Arredondo 2019). Scholars suggested that organizational performance incorporates; financial performance (profit, ROA, ROE), product market performance (sales and market share), and shareholders return. Strategic leadership behaviour promotes happiness well being, and mindfulness as goals for organization that are as important as profit, achievement, and winning competitive situations (Jordan 2016).

Naturally and logically, leaders that tend to be moral in their behaviour, this commitment and responsibility are well in front of others shows at the ends of the organization and their employees. Moral leadership studies indicate features such as ethical understanding, moral quality, and integrity, people encouragement, and empowerment orientation to moral accountability and the community (Resick et al, 2006).

Moral character refers to the pattern of intentions, wishes, and righteousness, which provides the base for ethical behaviour are the features. A large portion of the everyday disclosure about leadership and leader takes it for granted that leaders make a big difference in organizational performance. But some scholars argued that based on attribution theory psychologists try to define leadership impact on performance is a social building; the leadership presence by itself does not result in high or low performance instead other factors may be considered (Weber et.al 2001).

Other studies show that top managers have sufficient discretion to influence performance by putting strategic choice (Ireland & Hill 1999; Thomas 1988). Those scholars mention by shaping the organization strategy culture and structure through sharing insights knowledge and responsibilities leaders have a vital impact on performance. .

The finance sector plays a significant role in the country's economy in many aspects but the bank's main objective is maximizing the wealth of the shareholders by maintaining and securing good performance and market share from the industry.

Wegagen Bank S Co is established in June 1997 after the government liberalized the financial sector for local investors in 1991 with an initial capital of Birr 30 million by 16 founding members who recognized the critical role that financial institutions would play towards creating a sustained economic development in the country.

Since its establishment, Wegagen Bank determined to join the competition in full force, by setting principles for service delivery and customer handling. Most importantly the bank is a pioneer in adaptation of information technology and with its innovative business strategies and prompt response to customer demand the bank becomes a modern bank in attracting a massive base of customers.

The bank first chief executive officer (CEO) who had ample experience in developed countries banking business plays a vital role in setting standards for the bank. She programmed recruiting fresh graduate Young professionals (YPs) and provides them three months of intensive training about banking service and related issues before an assignment is given and also she introduced the bank to work with the then state of the art information technology.

At the time of her leadership, Wegagen bank becomes a modern bank in attracting a massive base of customers. In the past 23 years, the Wegagen bank s.co board of directors' assigned 5

CEOs to lead the bank in different periods including the current CEO assigned one, who joined the bank a year ago. The bank also revised its strategic plans every five years since its formation; and modified its organizational structures twice with the help of international consultants.

Compared with its initial time and the era of the first CEO the bank growth in all aspects with its peer banks is declining from time to time. This is assumed that due to the internal factor (proper lack of leadership which leads to employee dissatisfaction and high turnover) and External Factor (high competition in the sector among players) various studies tried to show how leadership affects employee performance and effectiveness and its impact on organization performance in various sectors.

Few studies on Ethiopian banks tried to measure employee's performance and effectiveness in contributing organization performance achievement in the case of banks in Ethiopia. As a leadership student, I would like to cover how Strategic leadership behaviour is interacting positively with organizational performance to meaningful work in Wegagen bank.

## **1.2. STATEMENT OF THE PROBLEM**

Leadership behaviour plays a significant role in an organization in enhancing the interest and obligation of the members in the organization (Obiruwu et al., 2011). Among other factors leadership style contribute to motivating employees and their commitment to fulfill organizational goals and increase work performance, and organizational dedication is positively related to job performance. (Chi, Lan, & Dorjgotov, 2012). Studies declare that leadership behaviours can contribute to the improvement of both leadership capability and performance of followers; this ultimately contributes to enhancing organizational performance. Banks are involved in the uncertain business world; Due to this, they need to practice and have a proper strategic management team to tackle this uncertainty and to avoid losses. Serious liquidity and

financial issues caused by flexible and incompetent management and very low-risk interest (Beltrattand stulz 2009). As per the Essay presented by Mudaassar Rasheed (2014) in German and US banks (Deutsche Bank and Bank of America); in the banking industry, proper strategic management and its application and Implementation are very important and integral. The impact of strategic leaders on developed world banking industry seen in Deutsche bank by providing innovative financial products and give them a competitive advantage among competitors and for Bank of America helps to gain sound sovereign support and fits well in the frame of its internal and external resources and lead to get higher revenue and help to retain customers and also the bank tackles the financial crisis of 2007/08 (Rasheed 2014).

Few studies show's that in few African countries recorded immoral and unethical banking practice, gratification, high labor turnover, inability to meet basic required obligation lead banks to bankruptcy, and unplanned merger due to lack of proper strategic leadership behaviour by leaders.

Although the beginning of banking in Ethiopia was marked in 1906 G.C with the establishment of the Bank of Abyssinia, it has gone through many ups and downs with the change of different governments and their respective policies ( Bashkar R. & Tewodros S., 2011). Currently, in Ethiopia, there are 18 bank operators in the sector (2 states owned and 16 established by private local investors). Depend on their operating age those private commercial banks can be categorized into two (a. 6 Private banks operating in the market for more than 20 years and b. 8 Banks in the sector for less than two decades; Wegagen Bank categorized in the first group).

The two government-owned banks (Development Bank and Commercial Bank of Ethiopia); having a different reason for operating in financial sector get senior management direct assignment by central Government. But the rest of private banks senior management selection

and assignment (CEO and Vice Presidents) have done by the board of directors of the banks following the approval of NBE.

As per the study made on the effect of leadership behaviour on employee performance and organizational commitment on commercial banks of Ethiopia, there is a positive relationship between transformational and transactional leadership behaviours with organizational commitment (Desalegn Worku,2016).

Wegagen bank operating in the sector and its annual performance growth in all aspects (ROA, ROE, market share, loan capacity, and others) is in a declining manner from period to period and also compared to the peer competitors it is lagging; as a stakeholder and business leadership student the reason of this study is to measure the impact of strategic leadership behaviours( sharing the vision to followers, creating inspiration on employees, being a role model, a culture of appreciating innovation, passion among leaders and enabling others to act) on the bank performance.

### **1.3 RESERCH QUESTIONS**

The main research question of present study is as follows:

- 1) What is the nature of strategic leadership behaviour in Wegagen Bank?
- 2) What are the relationships between the strategic leadership behaviours and organizational objective issues in Wegagen Bank?
- 3) What are the relationships between strategic leadership behaviours and performance in Wegagen bank?
- 4) What is the relationship between demographics and commitment and performance?

## **1.4. OBJECTIVE OF THE STUDY**

### **1.4.1. General Objective**

The general objective of the study was to demonstrate the interaction between strategic leadership behaviour and organization performance and how a strategic leader's behaviour gives a competitive advantage to an organization in boosting performance.

### **1.4.2. Specific Objective**

1. To identify the nature of leadership behaviour in Wegagen Bank.
2. To determine the relationship between leadership behaviours and organizational objective issues in Wegagen bank.
3. To determine the relationship between leadership behaviours and performance in Wegagen Bank.
4. To determine the relationship between demographics and commitment and performance.

## **1.5. SIGNIFICANCE OF THE STUDY**

The researcher believed that the result of this study will have any importance or significance. First, the bank would benefit from the output since it is expected to pinpoint the loopholes in implementing all leadership behaviours (empowering, innovation, creating inspiration, and other behaviours) in understanding and execution of the mission and vision of the bank.

This would enable the bank to apply mechanisms for intervention in the process based on the recommendation that this study will forward. Besides, broadening the researcher's knowledge on the subject, it would be used as a reference by others who wish to research the subject. And also it would add knowledge of how management officials' behaviour has an impact on the profitability of the bank.

## **1.6. SCOPE OF THE STUDY**

This study is focused on WB management team behaviour and its impact on bank performance in the past years. Since the most recent data are mandatory to find out the possible result for the problems in the current situation. The positions incorporated in the research paper the level of district managers and above.

## **1.7 LIMITATION OF THE SCOPE**

In conducting this study the researcher faced few problems which bring to a concrete finding on the relationship between leadership behaviour and organizational performance. The less emphasis given by management team towards the data collection tool (questioner) creates problem on the final finding and also the current world pandemic also has an impact to conduct interviews as other tool to collect data from the concerned organs.

## **1.8. ORGANIZATION OF THE STUDY**

The study will be presented in five chapters. The first chapter deals with the problems and its approach which includes a background of the study, statement of the problem, and objectives of the study, significance of the study, and scope and limitation of the study. The second chapter will cover a review of the literature aimed at supporting the findings and conclusion of this research. The third chapter deals with the research methodology. Chapter four incorporated data presentation and analysis whereas chapter five consisted of the conclusion and recommendation part of this research.

## **1.9 DEFINATION OF KEY TERMS**

Leader- in this study refers the person who is appointed by the organization or owner to follow up the entire or sub-activities of the organization as well as the subordinates.

Strategic leadership is dealing with strategy formulation and implementation; its focus points are executives who have overall responsibilities of the organization. Their character in the organization what they do, the way doing things, and shows how they affect the organization's performance.

Leadership behaviour - refers to a pattern of behaviour and actions of leaders (Challenging the process, inspiring a shared vision, and enabling others to act, Modeling the way, and Encouraging the heart) that use to achieve the desired outcomes of an organization.

As different studies on showed, most of them recommended two leadership styles (transformational and transactional) are better and under this project paper leader behaviours under those leadership styles are looked on their interaction with Wegagen's bank performance.

## CHAPTER TWO

### LITERATURE REVIEW

Under this chapter, the theoretical and empirical pieces of evidence focusing on the leadership styles' behaviour effect on organizational performance are presented. Firstly it elaborates the concept of leadership, and then presents a theoretical review on leadership styles in the preceding sections it discusses the recently adopted leadership styles: transformational and transactional and kind of behaviours expressed those leadership styles.

And also it presents what organization performance in general and what it expresses in measuring performance, finally it presents the empirical evidence which is the findings of other studies on the relationship between leadership behaviour and organizational performance.

#### 2.1. THEORETICAL REVIEW

Leadership is about creating a difference towards internal and external stakeholders in terms of the consequences of their actions and effectiveness in many facets. Today, flexibility in resource utilization and promotion of continuous learning is essential for an organization to cope up itself with an ever-changing business environment: technology, economic, social, political and legal conditions, and internal processes (James & Collins, 2008; Leavy&Mckiernan, 2009).

These day's leadership tasks demand leaders in organizations to respond to change properly. Leadership defines influencing someone's' behaviour through a constructed relationship. Thus, the behavioural relation between leader and follower determines the type of leadership style that the leader is practicing.

Through time, several thinkers have come out with their ideas about what kind and how it should be of the organizational leadership styles. They all contributed their parts for the development and enrichment of leadership thought and they stirred up many to adore their idea.

Several theories emerged and adhered because of their dominant assumption and explanation and again were criticized and led the way for the development of another theory because of their dearth. There are several leadership style theories of which the major ones are discussed here.

**Great Men theory:**-The scholar and researchers began to study leaders late nineteenth and early twentieth century focusing on the great leaders raised in history: Moses, Jesus, Mohammed, Winston Churchill, Abraham Lincoln, and the like.

The great man theory believed that great leaders rise when there is a period needs to someone shine, and according to the theory leaders born with innate, unexplainable talents that make them super performer, more than average people. The theory affirms that great leaders are heroes who shaped the world by their charisma, intelligence, wisdom, or use of political skill (Carlyle, T. 1841).

**Trait theory:** - On the footstep of the great man theory the trait theory is emerged in the second quarter of the twentieth century by studying the specific quality that the great leaders possessed. Like that one of the great men, the trait theory state that leaders are born and not made, it belief as leaders are blessed inborn with the gene (DNA) that has got some sufficient combination of the trait that enables them to lead. The theory sets its base on the psychological and physical attributes that the leaders have acquired. There are various researches made to identify the basic qualities of leaders (Stogdill, 1974) and identified different traits and skills of leaders that he considered as the main once in the leadership.

**Behavioural theory:** - The behavioural theory assumes that leaders are not born but made. The study of leadership emphasizes what the leaders do rather than what personality they have. It extensively discussed theory X and Y, two opposite dimensional characteristics. Theory X assumes average people did not like to work and taking responsibly and are not motivated for the

objective achievement, therefore, the coercive, authoritarian, dictator leadership is required for those people; In contrast, the Theory Y assumes that the average people are self-motivated, self-controlled, and willing to take responsibility, therefore, coaching, consulting, participative leadership style is required.

The behavioural theory assumes that the strategy of leadership is influenced by the leaders' assumptions about human nature. However, the theory failed to take into account the contextual factor that can affect the leader's effectiveness and failed to establish the causal relationship from two independent dimensions of leadership quality. Both trait and behavioural theory oversimplified determinates of successful leadership. (Wellman, Humphrey, 2011)

**Contingency theory:** - The inconsistent and inclusive result of behaviourist theory in determining effective leader leads for the development of contingency theory. In the late 1960's, Fred Fiedler came with a contingency model states that no single leadership style is best in every circumstance.

The effectiveness of a leader depends on the interaction with the situational variables: the internal and external environment of the organization, the task, and the subordinate, leader, and leading authority. Different circumstances require different behaviours. A routine or highly repetitive environment requires directive leadership behaviour, while a dynamic work environment will be more successful with flexible and participative leadership behaviour. Thus, to be effective, the leader has to change his/ her behaviour in a way that suits the given circumstance. However, the theory is criticized for its inconsistency of results and confusion of measurement instruments. (Zaccaroa, Rittmana, Marks, 2001)

**Situational theory:**-The deficiency of contingency theory in showing consistent results and clear measurement instruments led researchers to seek for another approach. Paul Hersey and Kenneth

Blanchard (1967, 1993) have developed a situational theory as a leadership theory model in an attempt of enriching some gaps in the previous theory. The situational theory assumes more flexibility of leadership style for a different situation than the contingency theory does. In Hersey/Blanchard model, the level of development of subordinates as determining the leader's behaviour is introduced.

This shows that leadership style needs continuous change from more autocratic into more democratic, as the level of development of subordinate increases. The recent development theories tried to solve the limitation and problems in the so-far described theories of leadership inconsistency of results and lack of clarity in measurement tools, which calls scholars to search for other approaches that can get rid of the ambiguity in previous theories and describes the behaviour of contemporary leadership undoubtedly.

In recent years the powerful transformational, transactional, and laissez-faire theory become popular and started to be conceptualized in organizational terms. The researchers become focused in the terms of organization on contrary to that of political and social terms which, the previous theorists base their origin as they were from sociology, psychology, and/another science background.

## **2.2 EMPERICAL REVIEW**

Leadership is among the driving forces for improving organizational performance. A lot is expected from leaders of an organization; they are key decision-makers on the acquisition of resources, resource deployment, effective conversion of resources to valuable products and service, to the development of the organization, and last but not least creating value to stakeholders of the organization.

Thus, they are influential sources of an organization in maintaining a competitive advantage

(Avolio 1999 Lado 1992 and Rowe 2001). Most researches indicated that leadership style has a significant role in maximizing and maintaining organizational performance. Regarding their nature different leadership styles may have a positive or negative correlation with the organizational performance, depending on the variables used by researchers (Fu-Jin et al., 2010).

### **2.2.1 What is strategic leadership?**

a strategy is a framework that establishes the limit and scope of activity choices about products and services provided, market served, and the key capability needed that decide the nature and direction of an organization (Mike Freedman 2003). Scholars define strategic leadership: it is about the capacity to envision, anticipate, maintain flexibility and give power to others to be a part of strategic change as necessary and also it is a process of directing and inspiring followers towards creating or maintaining a strong organization From the functional perspective, strategic leadership is guiding senior executives and leaders to “doing the right things” for the organization not just “doing things right” (Dr. Ted Merra).

In strategic leadership various tasks are incorporated such as managing through others, managing an organization as a functional unit, attracting and managing human capital, and meaningfully influencing others i.e being an example to others are among few. Strategic leadership researchers mostly examined it from the financial performance perspective.

Organization performance indicators are profitability, growth, and survival which are the outcomes of good strategy (Hambrick & Mason, 1984). Whereas stakeholder theory examined strategic leaders on their effectiveness economic success as observed through return on asset (ROA) (Maak, 2007). What is summarized about strategic leadership in indicating organization performance achievement valued from different perspectives?

### **2.2.2 Strategic leadership behaviour**

Leadership has behavioural, relational, and situational aspects, and occurs at an individual, group, and organizational level, both within the situational environment and in leader–subordinate interaction (Sadler, 2003). Leadership behaviour has been linked to individual and organizational creativity as well as to innovation, but there has been very little empirical research investigating the nature and existence of this attachment (Mumford et al., 2002).

leadership behaviours are focused on the five distinct practices identified by Kouzes and Posner; these are inspiring the shared vision and bringing to reality through followers, model the way by showing what is expected from followers, challenge the status quo by creating a balance between challenges, Encouraging the heart through building a positive working relationship and enabling others to act by understanding the strength of employees and their potentials (Chiok Foong Look 2001).

These five distinct practices which outstanding leaders use to affect employees have an impact on employee outcome (job satisfaction, productivity, organization commitment) that in return plays an important role in organizational performance achievement (Chiok Foong Look 2001). Several assumptions indicate that there should be a relationship between leadership behaviour and organizational performance.

The first is that today's dynamic and demanding markets feature, price/performance rivalry, innovation-based competition, price/performance competition, decrease in income, and the creative destruction of existing competencies (Santora 1999; Venkataraman, 1997).

### **2.2.3 Types of strategic leadership behaviour**

Different leadership behaviours were conceptualized by different scholars; those theories emphasize different aspects of the leadership process. In trait theory, the individual behaviour of

a leader is expressed in using different forms of powers in the power influence approach and situational context it uses situational approach (J. Schweitzer and S. Gudergan, 2010). Another approach of leadership behaviour is servant behaviour which is categorized as informal leadership behaviour and integration of trait, behavioural, and situational approaches (Greenleaf, 1977).

The modern leadership behaviour encompasses on transformational and transactional leadership styles; and full-range leadership theory introduced by (Bass and Avolio, 1995). Due to their core link to performance and various elements of leadership behaviour incorporated with those leadership styles; the main objectives of this project paper are to assess behavioural approaches incorporated in each leadership style and their interaction with organization performance in general and particularly in the case of Wegagen Bank.

Transformational Leadership emphasizes the importance of leaders' relationships with followers. Key behaviours of transformational leaders include expressing a vision, determination, making sense of missions, communicating, and showing expectation high performance.

Four dimensions are identified in transformational leadership; these are idealized influence (attribute and behaviour), intellectual stimulation, inspirational motivation, intellectual stimulation, and individualized consideration (Bass & Avolio, 1997).

Idealized influence is described as charismatic leadership and it concerns the degree in which leaders behave charismatically. A leader acquiring idealized influence act as an example their followers and they seriously follow strong ethical and moral values and considered as leaders creates behavioural influence.

The second dimension is inspirational motivation; its main concern on communicating a vision that appeals to followers. Leaders in this dimension are enthusiastic; they motivate followers for

higher goals achievement and also set high principles for followers with an optimistic view. Due to the high correlation between them into one ‘Charisma’ factor; Idealized influence and inspirational motivation often called charismatic leadership (Van Knippenberg & Sitkin, 2013).

Intellectual stimulation the third dimension, leaders provide intellectual stimulation to followers and ensure them to be conscious of their problems and challenge them to view problems from a new perspective and, hence, encourage them to generate creative ideas. The challenge enables employees capable of analyzing and solving their problems in extraordinary ways (Bass & Avolio, 1997).

The fourth Dimension is individual consideration which is about giving support to followers, coaching them, and giving them personal attention. In this dimension everyone gets special attention based on his/her personal needs and characteristics; such leaders give attention to their subordinates, direct t and teach them on an individual basis (Bass & Avolio, 1997).

To summarize Transformational leader style incorporates the above-listed leadership behaviour and supports followers to achieve the organizational goals and mission by working with them and through them.

Leadership traits	Descriptions
Idealized Influence	Provides strategic vision and sense of mission, insightful and knowledgeable
Inspirational Motivation	Communicates high expectations, articulation and representation of a clear vision, optimism and enthusiasm
Intellectual stimulation	Creating awareness, encouragement, problem solving, new perspective and creating ideas
Individual consideration	Personal attention, coaching, advising and giving support

*Table1. Leadership behaviour dimensions in transformational leadership style (Bass & Avolio, 1997).*

Transactional leadership focuses on exchanging one thing for another. Transactional leaders define and communicate the work to followers and they will receive contingent-reward exchanges and active management-by-exception for completing the stated objectives (Avolio et al., 1999).

In other words, followers may be rewarded or penalized by the leader depending on the adequacy of their performance (Ristow, 1997). Three behaviour components have been distinguished in transactional leadership style; those are the contingent reward, management by exception (active), and (passive); also studies show that all have a relationship with organizational performance Bass (1985).

Contingent reward (CR) one of the components of transactional leadership refers to situations where the leader gives compensation to employees when they perform according to contract or expectation. Generally, it is about rewarding employees when the stated goals are achieved (Knies, E.; Jacobsen, C. & Tummers, L.G. 2016).

The other component is a concept of management by Exception explains the degree in which a leader watches followers closely for mistakes or role violations. In general management by exception concentrate on the degree to which the leader's action to followers' behaviour line with what is expected (Northouse, 2007).

Management by exception is categorized into two components either Active or Passive. Management-by-exception active (MBEA) is when leaders arrange actively monitor deviances from standards, mistakes, and errors in the follower's assignments and will take proactive action before serious difficulties created by followers in the process and the organization performance (Judge & Piccolo, 2004).

Management-by-exception Passive (MBEP) is the patience of leaders till something has gone

wrong and corrective action followed. The leader waits passively for deviances, mistakes, and errors to happen and then take corrective action (Judge & Piccolo, 2004; Bass & Avolio, 1994). Such type of leaders avoid explaining expectations, describing agreements, and standards to be achieved by subordinates, but will mediate after particular problems become visible (Amir Sadeghi, et al 2012). Management-by-exception is necessary for some situations.

Managers who employ active management-by-exception regularly tend to focus too heavily on mistakes and in this way discourage the workforce; Those who rely heavily on passive management-by-exception, usually only attempt to sort problems out when they become chronic, which in many instances is too (late Bass and Avolio, 1994).

#### **2.2.4 Organizational performance**

Performance can be viewed as the output out of an engagement that is undertaken within a specified period (Armstrong 1994), can be tangible in terms of goods or products, and can be intangible like for the case of services. Good performance in organizations achieved through a deliberate and a well thought out process through excellent strategic leadership.

Organizational performance means achieving certain outcomes by transforming inputs into outputs. Performance informs about the relationship effective cost and realized output (efficiency), between minimal and effective cost (economy) and between output and achieved outcome (effectiveness) (Chen 2002).

Organizational performance concentrates in organization outcomes in three specific areas: (a) financial performance (return on assets, profits, return on investment, etc.); (b) product-market performance (market share, sales, etc.); and (c) shareholder return (economic value-added, total shareholder return, etc.) (Richard et al. 2009).

### **2.2.5 Measurement of organization Performance**

Measuring organization performance is an important role in valuing the success of the organization. The measurement is done by using different qualitative (employee satisfaction, employee turnover, customer satisfaction, job creation, and others) and quantitative (cost, profit, ROA, ROE, and others) performance indicators. An organization must set the relevant indicators with an impact on the organization's goals and their dependence on the performed activities (Anees Ullah karamat, 2013).

It is essential for leaders to know the characteristic of each performance indicator and their relationships with other indicators and also relations to other formalized concepts such as goals, processes, and roles. By doing this leaders can design and analysis of organizations and the evaluation of their performance and also enable them to reuse, exchange, and alignment of knowledge and activities between organizations, (Anees Ullah karamat, 2013).

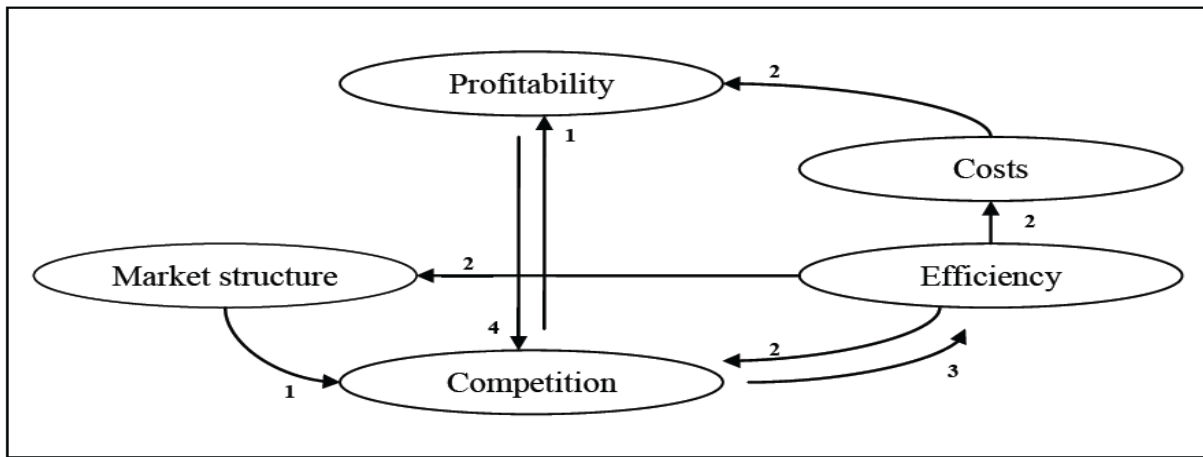
The growth of an organization also must be measured; it is done by using momentum indicators. Both qualitative and quantitative momentum indicators are necessary to create a picture of things are working accurately or not. In an organization's performance market position strength, organizational vitality and productivity gain are measured by using those indicators, and also they are necessary for measuring the outcomes financial performance and stakeholder value produced.

### **2.2.6 Measurement of Bank's Performance**

Bank performance can be explained as all the internal and external services and activities or investment carried out in the firm in the given period and measured by the total amount of revenue collected from various banking service provided to the internal and external customers and also its growth from period to period.

Special attention must be given in monitoring, analyzing, and controlling bank performance concerning the operation and performance results from the viewpoint of different audiences, regulators, customers/clients, like investors/owners, and management themselves (Olugbenga and Olankunle, 1998).

The contribution of Banks in an economy is crucial in connection with core products and services they provide; five types of performance indicators are distinguished apart from competition and effectiveness, these are profit (margin), costs, and market structure.



*Explanation:* Relations according to the SCP paradigm are indicated by the figure 1, those according to the efficiency hypothesis by the figure 2. Relations according to the ‘quiet life’ hypothesis (and its reversal) are marked by the figure 3, while the relation following from a general principle is indicated by 4.

*Fig 1. Types of performance indicators*

Both transformational and transactional leadership styles impact in Banks situated UAE were examined after running a multiple regression the study found out that the transformational leadership style is related to job satisfaction and self-perceived performance. Thus, the results confirmed that to obtain higher levels of performance achievement among employees, managers to demonstrate transformational leadership attributes (Raed Awamleht et al, 2005).

In an attempt to monitor and assess the performance of banks, most financial economists and analysts have been using financial ratios (Ayadi et al. 1998). The most popular and commonly used ones return on equity (ROE) and return on assets (ROA). As the common agreement

between researchers; return on equity as a financial measure could be discovered in the majority cases of analyzing the performance of banks and concern analysis reports of financial results Badreldin (2009).

In the banking sector, it is important to give attention to those ratio measurement tools (ROA and ROE) which largely correlate with each other and both give particularly the same indication of performance linked with the tendency and movement of financial performance (Karr 2005).

The study presented by Deborah Cole, in 2009 is to examine the existence of leadership style and bank performance relationship. She used return on asset (ROA) as the banks' performance measurement while using the same multifactor leadership questioner (MLQ) to assess the leadership styles. However, the results of the study did not allow for a statistically significant correlation between the ROA and all the null hypotheses were accepted that the study concluded as there was no correlation between the ROA and the Multifactor Leadership Questionnaire (MLQ) trait scores for the hypotheses.

### **2.3 CONCEPTUAL FREAMWORK**

The study has one independent variable and seven dependent variables which are incorporated under the two leadership styles that are assumed by previous researchers that are fit for banking sector. Leadership behaviour plays an independent role and the leader's commitment and organizational performance as dependent variables. The organizational commitment will be the mediating factor.

Multifactor Leadership Questionnaire (MLQ) distributed to leaders of the target bank for evaluating leadership behaviour under two different leadership styles: Transformational, Transactional, and It allows the management team members to measure how they perceive themselves concerning specific leadership behaviours (using the Leader/Self form), but the heart

of the MLQ comes in the rater/other feedback that is enabled with the rater form.

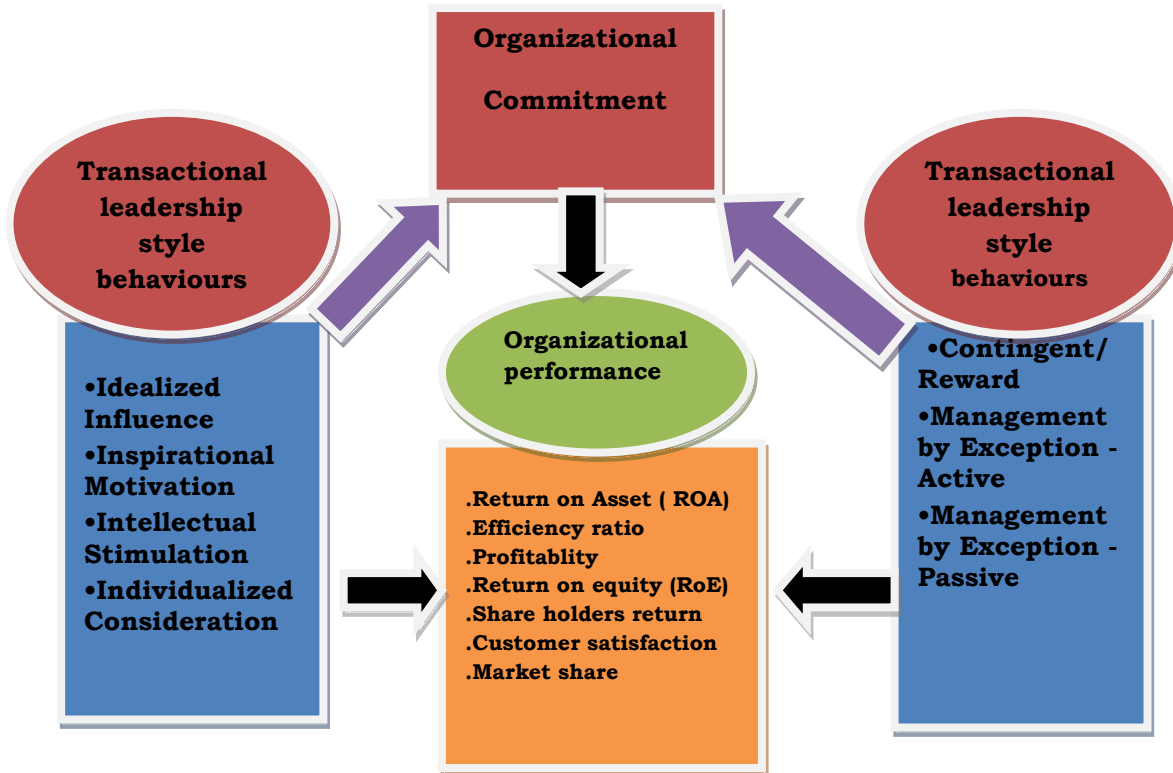


Fig 2. Self developed conceptual frame work

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

This chapter discusses the research methodology used for conducting this research. The population and sample of the study, the type of data collected and the instruments used, methods of data analysis, and finally, ethical issues related to the study are explained and justified.

#### **3.1 RESERCH DESIGN**

The study is mainly an explanatory research since it tries to look in to the interaction of strategic leadership behaviour and organization performance in banking industry. The study used primary quantitative census data collected through survey using self-administered questionnaire. Survey is popular since it allows the collection of a large amount of data from a sizeable population in a highly economical way (Saunders, Lewis, & Thornhill, 2009).

The study also used different annual reports of the bank and annual reports from National Bank of Ethiopia regarding banks performance achievement as secondary sources of data.

#### **3.2 DESCRIPTION OF VARIABLES**

The research is essentially both descriptive (as in describing the extent to which the different leadership behaviours are demonstrated in the bank and the level of the various types of commitment exhibited) and explanatory (as in the leadership behaviours being scrutinized for their effect on performance). The leadership behaviours that are to be identified later in this chapter are used as independent variables in conducting the explanatory analysis while organization performance was generally treated as dependent variables.

Leaders behaviours that are recognized under transformational leadership styles (idealized influence (attributed and behaviour), inspirational motivation, intellectual stimulation, and individualized consideration and Leader behaviours under transactional leadership styles

(contingent reward, management by exception (active) and management by exception (passive) ) are the independent variables while, bank performance measuring variable in this case, return on asset (ROA), return on equity ROE, profit and market share is depended variable.

The research method employed in the study was quantitative, used to describe trends or tendencies between variables. The quantitative research method was appropriate for this research because the nature and extent of the relationship between the variables were calculated, measured, and explained statistically (Cole, 2009).

### **3.3 STUDY AREA AND TARGET POPULATION**

As the study is conducted on the strategic issue the main target population for the study is top management team members. All top management team who are engaged in strategy formulation and implementations are included. Area of study covers mainly in Addis Ababa and in all district offices located in the nation,

### **3.4 SAMPLING TECHNIQUE**

Considering the organizational structure and functional departments in WB there are 81 top level management teams distributed from district offices to Head quarter in different departments. Due to they are few in numbers all officials from deputy district managers to CEO positions selected for data collection for the intended research and census method is chosen as sampling technique for the study.

### **3.5 DATA SOURCE**

The study depends on the primary data collected through self-administered questionnaires. Questionnaires are applied usually for descriptive, which identify and describe the variability in different phenomena or explanatory research, which examine and explain relationships between

variables (Saunders, Lewis, & Thornhill, 2009).

The secondary data source of this study is the annual reports of WB and NBE for performance measurement return on asset (ROA), return on equity (ROE), profit, market share, and shareholders' investment.

### **3.6 DATA ANALYSIS**

With regard to data analysis, the study utilized both descriptive statistical analysis and multiple regression analysis. Descriptive statistics will be used mainly to organize and summarize the demographic data of the respondent as well as their overall perception of organizational performance.

On the other hand, multiple regression analysis will be used to measure the dependent variable organization performance as measured by the strategic leadership behaviours incorporated in two mainly selected leadership styles. Idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration behaviours of leaders in transformation leadership style and contingent reward, management by exception (active) and management by exception (passive) behaviours a transformational leader as independent variables.

### **3.7 RELIABILITY AND VALIDITY**

Validity and reliability are the two main issues that one should consider in developing data collection instruments.

Validity: - is defined as the degree to which a measurement represents characteristics that exist in the phenomenon under investigation (Malhotra & Birks, 2007). Multifactor Leadership Questioner was one of the most extensively used instruments by several researchers to assess individual and organizational success and to evaluate the leadership in different fields. Avolio& Bass (2004) pointed out as the instrument was used extensively in field and laboratory research

to study transformational, transactional, and passive/avoidant leadership style.

The MLQ was adopted by Walumbwa et al. (2004) and Gupta and Krishnan (2004) [ cited by Cole, 2009 pp 66] for determination of the role of collective efficacy in the relations between transformational leadership and work outcomes, and to assist in providing an understanding of transformational leadership behaviours shown by leaders vary depending on the follower's socialization method respectively. Again Cole (2009) herself used the MLQ while assessing the relationship between leadership style and bank performance among minority-owned depository institutions.

Reliability: - is the extent to which a measurement reproduces consistent results if the process of measurement was to be repeated (Malhotra & Birks, 2007). Authors of this particular questionnaire have over 20 years of experience invalidating evidence for the MLQ and through that experience, they have developed a strong foundation for what contributes to the success of such an instrument ( Avolio & Bass, 2004).

The MLQ (5X-Short Form) contains 48 items and a reliability test was conducted using Cronbach-Alpha. Cronbach-alpha is widely used in educational research when instruments for gathering data have items that are scored on a range of values, i.e. different items have different scoring points or attitude scales in which the item responses are in the continuum (Oluwatayo, 2012). The questions require respondents to complete with the timeframe of 15 minutes.

This coefficient varies from 0 to 1, and a value of 0.6 or less generally indicates a poor level of internal consistency (Malhotra & Birks, 2007).

### **3.8 ETHICAL CONSIDERATION**

In the context of research, ethics is defined as the appropriateness of the researcher's behaviour in relation to the rights of the participants or subjects of the research work (Saunders, Lewis, &

Thorn hill, 2009). This study was governed by the general rules of research ethics in such a way that respondents were requested to provide information on a voluntary basis, there was prior communication about the purpose of the study, and confidentiality of the information was guaranteed. Moreover, the researcher, to his best level, was abided by the rules and regulations of the University and has conducted the study on the basis of objective judgment.

## **CHAPTER FOUR**

### **DISCUSSION AND ANALYSIS**

In this chapter, the data collected through survey are analyzed using statistical tool of SPSS Version 20. First, the survey response rate and the reliability of the scales used are discussed followed by discussion on the respondent's profile, their perception on both transformational leadership behaviours (idealized influence, inspirational motivation, intellectual stimulation and individual consideration) and transactional leadership behaviours (contingent/reward, management by exception active and management by exception passive), their interaction with the organizational performance using descriptive statistical tools. Finally, the results of the principal component analysis and multiple regression analysis are presented.

#### **4.1 SURVEY RESPONSE RATE AND RELIABILITY**

Questionnaires were administered at the district offices and HQ of the bank to all higher officials, a total of 81 questioners were distributed to the positions from deputy district managers to CEO level. However, a total of 75 questionnaires were collected and found to be usable and ready for analysis, which is 92.59 % response rate.

After coding and entry of data into SPSS version 20, the first analysis conducted was to check the reliabilities of the scales used in the data collection instrument. According to Malhotra & Birks (2007), reliability is the extent to which a measurement reproduces consistent results if the process of measurement were to be repeated. Cronbach-alpha, a widely used measure of internal consistency, was run using SPSS 20 version and all of the scales used for this study are found to be reliable as their respective alpha values are higher than 0.6 and for most closer to 1.

Measurement Scale	Cronbach-Alpha	No. of items
Idealized influence	0.601	7
Inspirational motivation	0.611	6
Intellectual simulation	0.655	9
Individual consideration	0.755	8
Contingent/reward	0.606	3
MBEA	0.609	5
MBEP	0.603	3
Organization Performance	0.826	7

Source: - Survey result (June, 2020)

Table 2: - Reliability Test

## 4.2 RESPONDANTS PROFILE

In this section, the basic demographic profile of the respondents such as Age, sex, education level and occupation are presented (Appendix IV).

### Age and Gender

The total target group for the study is 81 individuals among them 75 of them responded the questioner properly which is 92.5% of the total target population. Out of the total 75 respondents, 42 of them fall in the age category of 26-35 comprising 56 % followed by those in the age category of 36-45 with 28 respondents (37.3%). Respondents with the age group of above 45 were very small constituting 6.7%. This show the bank is managed by young and energetic team. On the other hand, looking at the distribution of the respondents in terms of gender, among the total 75 respondents of the bank management team 67 of them are male that is 89.3% and the rest 8 are only females. From this we can understand that the bank needs to do more in bringing females to the top management team.

## **Educational Status and Occupation**

In terms of education, respondents with first degree and second degree have the highest share comprising 14.7% and 84%, respectively and there is a single person in the team holds PHD.

With respect to the work experience of the 75 respondents 49.3% of them acquired from 10 to 15 years experience in the bank and 41.3% of them served the bank from 15 to 20 years and the remaining 9.3% stayed in the bank for more than 20 years. Among the top management team 94.7 % of them served the bank in various positions and the rest 5.3% join the bank team of management directly for the position currently assigned from other organizations. The top management team of Wegagen bank s.co served the bank with loyalty, this is seen that from their response 59 of the 75 respondents work only in the bank and the remaining 16 only have an experience in working with other employers. This gives an advantage to the bank in retaining the organization culture among the team and also may have a negative in impact allowing and experiencing a new challenge in the organization.

## **4.3 OVERVIEW OF RESPONDENTS PERCEPTION**

Respondents' perception on strategic leadership behaviors summarized the respond for MLQ containing five items for each sub scales of transformational and transactional leadership styles.

The summary of statistical result containing the percentage of respondents are presented in subsequent order below for all subscales: idealized influence, inspirational motivation, intellectual stimulation and individual consideration of the transformational leadership style and; contingent reward, management by exception- active and management by exception- passive of the transactional leadership style.

### **4.3.1 Attribute towards Transformational leadership style behaviors**

The idealized influence that involves the influence of leader on the fellow subordinates by

getting their respect, loyalty, trust and confidence is one of highly rated behavioral component of the transformational leadership style. More of the respondents answered as the items under idealized influence such as installing pride, walking first, taking risks and in response getting admiration, respect, loyalty, and confidence from their fellow subordinates are highly prevailed characteristics of the leader in their work place.

Though, nearly quarter of the respondents says this kind of leaders characteristics prevailed sometimes others respond as the prevalence of the characteristics is once in a while and not at all respectively. Thus, idealized influence is perceived by most as it is most highly prevailing transformational leadership styles behavioral component.

The majority of responses for the inspirational motivation items such as inspiring and motivating employees, talking optimistically about the future, communicating effectively, stating vision clearly has fallen under sometimes category, 19 % fairly often and only 1 % frequently if not always; the remaining 29 % and 2 % answered as once in a while and not at all respectively. Thus, majority perceived as this kind of transformational leadership subscale prevail only some times in their work place.

More than half of the respondent answered that the intellectual stimulation items such as looking things from different perspectives, integrating different ideas, consistent questioning of work method, challenging employees thinking, and proposing new way other than traditional one reflected sometimes, around 31 % answered fairly often, 5 % answered frequently if not always and 11 % and 2 % answered once in a while and not at all respectively. Implies that the majority of respondents perceived the prevalence of intellectual stimulation only sometimes though, there are some who perceived as it prevails fairly often.

Concerning individualized considerations questions such as treating one as an individual rather

than a member of group, spending time teaching and coaching others, giving personal attention for who seem rejected, helping others to grow and develop one's own capabilities, delegating responsibilities; 6% answered frequently if not always, 37% of the respondent answered fairly often, 35 % answered some times, 21 % answered once in a while, and the remaining 2 % answered not at all. It indicates that the existence of individual consideration component behavior of the transformational leadership style is perceived fairly often by majority of the respondents.

#### **4.3.1 Attribute towards Transactional leadership style behaviors**

The majority of respondent 57 % answered sometimes for the contingent reward items including assistance provision in exchange for ones effort; recognition/ rewards when one reach desired goals. 20 % answered fairly often, 2 % answered frequently if not always while the remaining 19 % and 2 % answered once in awhile and not at all respectively. Thus, the majority of respondents perceived the existence of contingent reward behavior of the leadership only sometimes.

The majority of respondents 40 % said fairly often for management by exception active items that involve telling the work standards, focusing attention on irregularities, mistakes, exceptions and deviations from standards; predicting problems before happening; 26 % said frequently if not always; 18 % said sometimes; and the remaining 12 % and 4 % said once in awhile and not at all respectively. The management by exception behavior of the transactional leadership style's component is perceived as it is prevailing fairly often in the work place by majority of respondents.

Management by Exception- Passive Lastly the majority of respondents, 54 %, answered sometimes for the management by exception passive items questions such as not explaining expectations and standards to be achieved waiting for things to go wrong before taking

corrective action, waiting passively mistakes and errors to occur; 13 % answered fairly often for these questions, 6 % answered frequently if not always; while the remaining 23 % and 4 % answered once in a while and not at all respectively.

This indicates that the existence of management by exception passive behavior of the transactional leadership perceived only some times by the majority of respondents.

#### 4.4 DESCRIPTIVE STATISTICS

The descriptive statistics was used as a way to examine the mean, standard deviation and other information which are not apparent in the raw data. It was needed to determine the prevailing or dominant leadership style behaviours in the bank.

**Transformational leadership style**

Behaviour	N	Mean	Std. Deviation
Idealized influence	75	3.88	.784
Inspirational Motivation	75	3.84	.894
Intellectual Simulation	75	3.59	1.100
Individual Consideration	75	3.79	.941
Valid N (average)	75	3.775	.95475

Source: Own Survey, 2020

Table 2: Descriptive statistics for behaviours under Transformation leadership style

As can be seen from the above table, respondents have shown their assumed practice regarding the behaviours categorized under transformational leadership style.

From the outcome those behaviours have average mean 3.775 and SD of .95475 With respect to the items in the scale, the item "intellectual simulation", which shows strong intention, has lower mean (M = 3.59) and large variability as indicated by SD=1.1.

This shows the bank management team has an intention of having or practicing the behaviours under transformation leadership behaviour.

**Transactional leadership style**

Behaviour	N	Mean	Std. Deviation
Contingent	75	3.07	.973
ManagebExcepA	75	2.94	.713
ManagebExcepp	75	2.95	.721
Valid N (listwise)	75	2.988	.802

Source: Own Survey, 2020

Table 3: Descriptive statistics for behaviours under Transactional leadership style

The above table shows that respondents have not an intention practicing the behaviour listed under the transactional leadership styles. As it seen from the result both management by exception practices are below the average Mean 2.988 and contingent or reward scored above the average SD = .802

The management team tried to put their aspiration about the status of the organization performance in the questioner distributed for them to respond the following table shows their response in comparison with the industry average.

**Descriptive Statistics**

	N	Mean	Std. Deviation
Banks profit is where it is Expected	75	2.71	1.323
Bank is competant in Market Share	75	2.68	1.254
paying share holders above industry Average	75	2.20	1.090
ROA is above industry average	75	2.05	.820
ROE is above industry average	75	2.08	1.010
Enough allocation of Resources	75	2.64	1.035
Customer Satisfaction	75	2.65	.846
Valid N (listwise)	75	2.43	1.054

Source: Own Survey, 2020

Table 4: Descriptive statistics for behaviours under organizational performance

The respondent's perception towards organization performance has an Average mean of 2.43 and SD of 1.054. From their response the bank is under the industry average in ROE, ROA and in paying share dividend. But organizational performance records are collected from the secondary data.

#### **4.5 PRINCIPAL COMPONENT ANALYSIS (PCA)**

Previous researches conducted in organization performance and strategic leadership revealed that there are interrelationships among the human behaviour and performance..

The implication of such interrelationships for this particular study is that there is expected correlation among the items used to represent the four variables, which means that it will not be appropriate to use the survey result for regression analysis due to multi colinearity problem. Thus, it is necessary to convert the items in to certain uncorrelated components that will be used in the regression analysis.

One of the important statistical tools to operate such task is principal component analysis. Principal Component Analysis is one approach of factor analysis used for data reduction and summarization purpose, where a large number of interrelated variables are reduced to a manageable level and be presented in terms of a few underlying factors (Malhotra & Birks, 2007). Although factor analysis is used for different reasons, it is most commonly used to reduce large number of correlated variables in to certain dimensions or factors to be used for subsequent multivariate analysis.

#### **4.6. CORRELATION ANALYSIS**

In this section the correlation between variables of transformational and transactional leadership styles: idealized influence, inspirational motivation, and intellectual stimulation, individual, contingent reward, management by expectation- active, management by exception – passive and return on asset have been presented and analyzed. A correlation matrix used to ensure the correlation between explanatory variables. Cooper & Schindler (2009) suggested that a correlation coefficient above 0.8 between explanatory variables should be corrected for because it is a sign for multicollinearity problem. Mashotra (2007) argued that the correlation coefficient

can be 0.75. Lastly, Hair et al. (2006) argued that also correlation coefficient below 0.9 may not cause serious multicollinearity problem. In the study the correlation result for all variables are below 0.8 which shows the absence of multicollinearity problem.

Concerning the correlation between bank performance measuring variables and; leadership behaviour: idealized influence, inspirational motivation, intellectual stimulation, individualized consideration, contingent reward, management by exception –active and management by expectation- passive; only inspirational motivation, the component of transformational leadership style has shown negative correlation, while correlation result for all of other variables found to be positive though it is weak.

**Correlations**

CORRELATION	II	IM	IS	IC	CR	MBEA	ME	Organiaperformance
II	1							
IM	.069	1						
IS	.121	.125	1					
IC	-.107	.144	-.114	1				
CR	.088	.160	-.150	.142	1			
MBEP	-.061	.107	.075	.194	.040	1		
Orga performance	-.048	.036	-.028	.113	-.025	.090	1	
	-.035	.084	-.043	.192	.101	.187	.118	1

Source: Own Survey, 2020

Table 5: Correlation analysis

## 4.7 REGRASSION MODEL

Multiple regression analysis was conducted with the aim of identifying the interaction of leadership behaviour and organization performance. The seven components from leadership

styles four from transformation leadership and three from transactional leadership were used as independent variables whereas organization performance were used as dependent variables. The necessary conditions required for the regression analysis along with the results of the analysis is discussed in this section.

#### **4.7.1 Regression Results and Interpretation**

The two most important conditions to be fulfilled before conducting regression analysis are the adequacy of the sample size and non –existence of correlation among the independent variables.

The sample size has a direct effect on the statistical power of the significance testing in multiple regressions, which refers to the probability of detecting statistically significant R-square or a regression coefficient at a specified significance level (Ho, 2006). Ho (2006) also suggested the sample size (the number of cases) to be at least 20 times more than the number of independent variables, as a rule of thumb, in order to get the preferred level of statistical power.

The other important condition for regression analysis is that there should not be interrelationship between the independent variables. The situation in which the independent/predictor variables are highly correlated is known as Multicollinearity. When independent variables are multicollinear, there is “overlap” or sharing of predictive power, which may lead to a situation where the regression model fits the data well, but none of the predictor variables has a significant effect in predicting the dependent variable (Ho, 2006).

According to HO (2006), the existence of multicollinearity can be checked B using the “Tolerance” and “Variance Inflation Factor (VIF)” values for each B predictor. The tolerance value is an indication of the percentage of variance B in one predictor that cannot be accounted for by the other predictors. The value of tolerance should be above 0.10 and any value lower than this indicates the existence of multicollinearity.

On the other hand, VIF is computed as “1/tolerance,” and a VIF value greater than 10 indicates the existence of multicollinearity (Saunders, Lewis, & Thornhill, 2009). For this particular study, multicollinearity is expected to be a problem since the independent variables used are the components extracted from factor analysis and correlation exist among the components extracted through such analysis.

Moreover, as seen from under presented tables, both the values of tolerance and VIF calculated for each independent variable on both regression analyses may not fulfill the criteria discussed above, which indicate the existence of multicollinearity in the variables.

### Results of the Regression Analysis

Two regression analyses were conducted to check the effect of the independent variables (idealized influence idealized influence, inspirational motivation, intellectual stimulation, individualized consideration, contingent/reward, management by expectation- active, management by exception – passive) on the dependent variables organization performance.

#### A. Effect of transformation leadership behaviour on organization performance

In regression analysis, the first thing to check is the strength of the relationship, which is measured by R square and also known as coefficient of determination. The coefficient of determination measures the proportion of the variation in a dependent variable that can be explained statistically by the independent variables and it takes on any value between 0 and 1

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change in statistics				
					R Square change	F change	Df1	Df2	Sign f change
5	.203 <sup>a</sup>	.041	.0	.753	.041	.750	4	70	.561b

a. Predictors: (Constant), IndividConsideration, idealinfule, IntelSemulation, InspiMotivation

b. Dependent Variable: Organiaperformance

**ANOVAa**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1.700	4	.425	.750	.561 <sup>b</sup>
Residual	39.667	70	.567		
Total	41.367	74			

a. Dependent Variable: Organiaperformance

b. Predictors: (Constant), IndividConsideration, idealinfule, IntelSemulation, InspiMotivation

Source: Survey result (2020)

Table 6: Model Summary and ANOVA –transformation leadership behaviours attribute towards organizational performance

The R-square value of the model is given by 0.041 and the adjusted R square is 0, which implies the variation in the dependent variable is not explained by the independent variables.

Analysis of Variance (ANOVA) is used to test the hypothesis of no linear relationship between the independent and dependent variables (i.e. R-square = 0). As can seen from the above table, the F value, which serves to test how well the regression model fits the data, is given by .750 with significance level of .561. Since the observed significant is greater than 0.05, the hypothesis that there is linear relationship between the independent and dependent variables is accepted.

The coefficients of the regression equation is presented in the following table, which shows that all the independent variables (idealized influence idealized influence, inspirational motivation, intellectual stimulation, individualized consideration) relationship with the dependent variable (attitude towards organization performance).

**Coefficients<sup>a</sup>**

Model	Unstandardised Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	1.890	.698		2.708	.009	.498	3.283		
Idealinfluence( II)	-.016	.113	-.017	-.139	.890	-.242	.210	.972	1.029
InspirationMotivation (IM)	.053	.100	.063	.525	.601	-.147	.252	.954	1.048
IntellectualSimulation( IS)	-.020	.081	-.029	-.241	.810	-.182	.143	.957	1.045
IndividualConsideration(IC)	.127	.086	.178	1.479	.144	-.044	.299	.951	1.051

*a. Dependent Variable: Organizational performance*

*Source: Survey result (2020)*

*Tabel 7:- Coefficient Tabel*

Transformation leadership behaviour measures have positive and negative effect on organization performance, among which individual consideration has the highest effect with coefficient 0.127, followed by individual motivation (0.053), the others Idealized influence (-0.016), and Intellectual simulation (-0.20 both having negative effect). The t-tests were used to test the significance of the coefficient of each independent variable.

The t-values of the variable are given by Idealized influence (-0.139), individual motivation (0.525), Intellectual simulation (-0.241), and individual consideration match (1.479), all with significance level of above 0.05. This implies that the regression coefficients of the independent variables are statistically not significant.

**B. Effect of transaction leadership behaviour on organization performance**

For the regression equation involving consumers' purchase intention, the R square value of the model is given by 0.055 and the adjusted R square is 0.015, which implies that variation in the dependent variable is explained by the independent variables.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.234 <sup>a</sup>	.055	.015	.742	.055	1.369	3	71	.259

a. Predictors: (Constant), ManagebExcepp, Contingent, ManagebExcepA

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.263	3	.754	1.369	.259 <sup>b</sup>
	Residual	39.104	71	.551		
	Total	41.367	74			

a. Dependent Variable: Organiaperformance

b. Predictors: (Constant), ManagebExcepp, Contingent, ManagebExcepA

Source: Survey result (2020)

Table 8: Model Summary and ANOVA –transactional leadership behaviours attribute towards organizational performance

The Analysis of Variance (ANOVA) indicates that the F value of 1.369 with significance level of .259 and since the observed significant is greater than 0.05, the hypothesis that there is linear relationship between the independent and dependent variables is accepted.

Table 4.12 presents the coefficients of the regression equation, which shows that all the independent variables (contingent/reward, management by exception active, and management by exception passive match) have positive relationship with the dependent variable (purchase intention).

Coefficients <sup>a</sup>									
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	1.345	.556		2.419	.018	.237	2.454		
Contingent (CR)	.074	.089	.096	.835	.407	-.103	.251	.998	1.002
ManagebExcepA	.182	.122	.174	1.499	.138	-.060	.425	.990	1.010
ManagebExcepp	.109	.120	.105	.907	.368	-.131	.349	.991	1.009

*a. Dependent Variable: Organiaperformance*  
*Table 9 coefficient table for transactional leadership behaviour*

As can be seen from the above table, transactional leadership behaviours measures have positive effect on organization performance, among which management by exception active has the highest effect with coefficient 0.182, followed by management by exception passive (0.109), contingent/reward match (0.074).

The t-tests were used to test the significance of the coefficient of each independent variable. The t-values of the variable are given by management by exception active (1.499), management by exception passive (0.907) contingent/reward (0.835). The significant level of all the variables is greater than 0.05, the regression coefficients of the independent variables are not statistically significant.

#### 4.8 ANALYSIS SECONDARY DATA

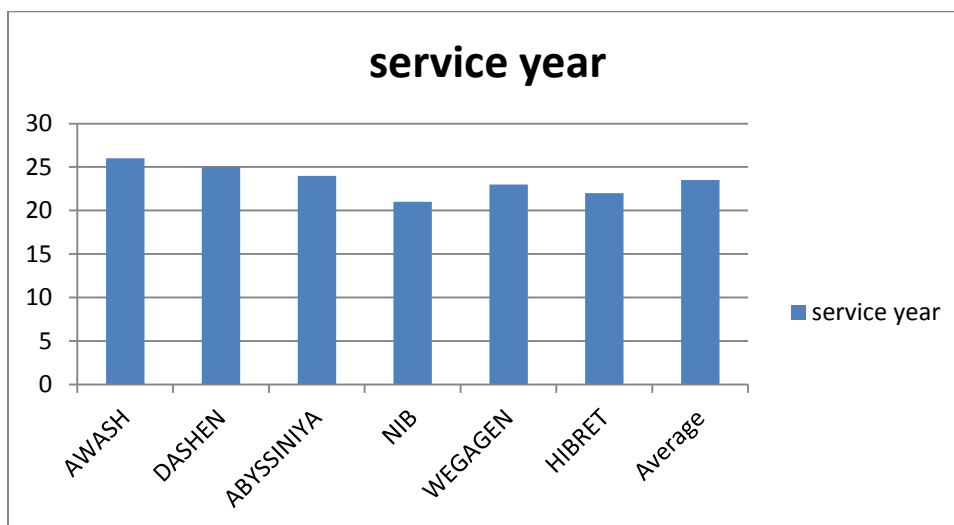
Ethiopian Banking industry has 18 operators among them 2 of them owned by the central government the rest 16 are established by private promoters. Those private 16 banks can be classified into two based on the experience and age they are operating in the market. 6 Banks are operating for more than two decades and the rest 8 banks operate in the industry from 10 to 15 years.

Wegagen bank s.co is among 6 banks which served the society for the 20 plus years and our interest in this group. For comparison, purpose data from the annual report of those 6 banks are collected concerning their annual performance for the year 2017/2018, and few performance indicators only selected for the comparison.

After the government reform introduced a new financial regulation in the year 1991 for the financial sector Awash bank is the first private bank started operation in the year 1994. Within the year 1995-1999, the rest 5 banks joined the industry. From the recorded data found each bank is opened each year.

The performance report of those banks; i.e Market Share (deposit collected number of customers and number of branches), human resource, the capital they registered, Profit, expense incurred income generated, and earnings per share are computed and the average for each performance parameter is set as a benchmark.(Appendix)

The average service year for those 6 banks is 23 years 5 months WB giving service for the last 23 years three banks started service before it.



*Service year of peer Banks*

*Fig3: year of service for peer banks*

The following figures show market share tools computed between those peer banks are deposit Amount, the number of branches and the total number of customers is the indicators. In all those competing factors Wegagen Bank scored below the average figure set for each market share tool.

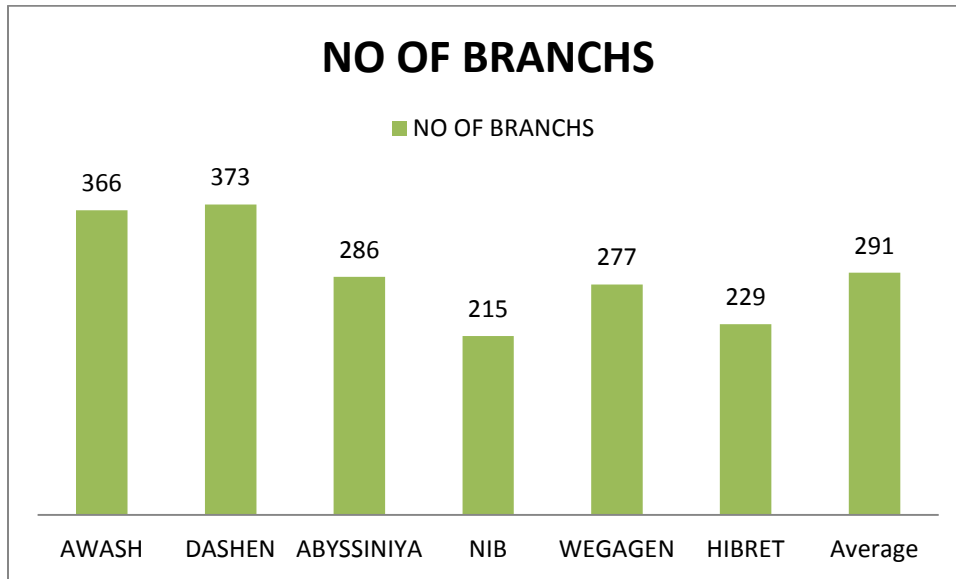


Fig 4. Market share distribution in number of Branches

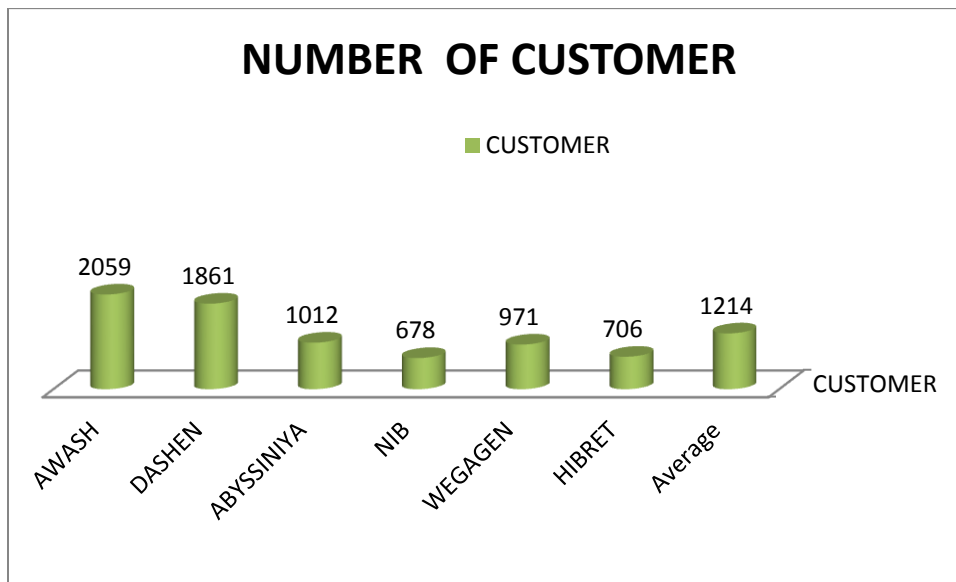
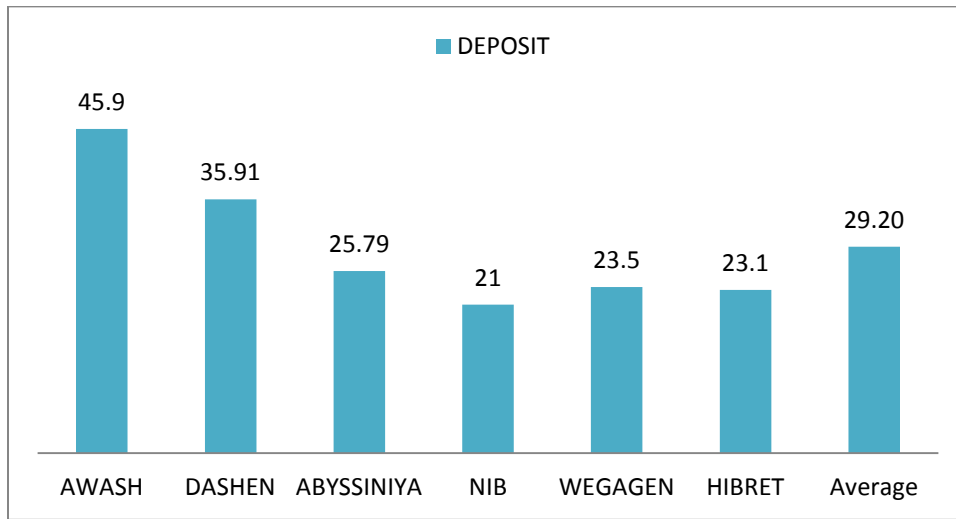


Fig 5. Market share distribution in number of customers in (,000)

Regarding deposit performance, had been delaying 3 years difference with Awash bank to inter

in the industry the deposit amount collected by Awash bank shows a 195.3% increment with that of Wegagen. Awash secured a deposit amount of 45.9 billion rather Wegagen collected only 23.5 billion which is also less of Dashen Bank and Abyssinia bank both collected Br 35.91 billion and Br 25.79 respectively.



*Fig 6. Market share distribution in amount of Deposit collected (million)*

The other market share element Branch distribution (availability), as per the figure above Wegagen opened a total of 277 branches across the country whereas the bank of Abyssinia Awash and Dashen has 286, 366 and 373 branches respectively. Opening many branches in different areas has a significant impact on boosting deposit performance and securing a vast number of customers. The same history is observed regarding the number of bank customers. As mentioned above all the tree market share items are interrelated to one another.

The other comparing tool for bank performance is generating a sustainable income and effective cost management. Even if other income services are provided by banks credit facility is a major contributor to boosting banks' income; a bank that secures a better position in collecting deposits had a better chance of providing credit service to the market. Wegagen Banks' recorded income for the period was 3.21 million which is near to the average figure 3.25 but here also Awash,

Dashen, and Abyssinia secured a better income than the other three this is directly related to their market base.

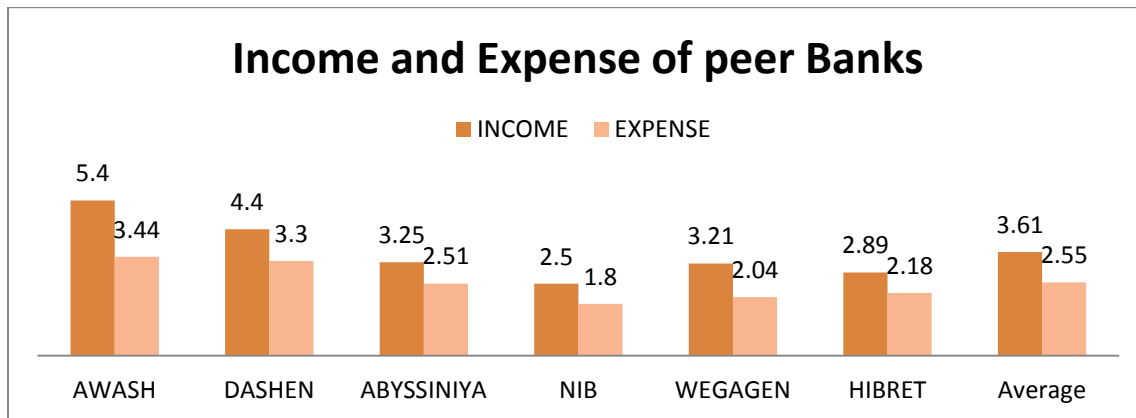


Fig7. Income / Expense performance report of peer banks

The other performance measurement tool is cost effectiveness or managing expenses; from the graph above it is easy to see that Wegagen bank Expense is below the average which is an encouraging thing but it does not show that the bank is in a better position compared with the banks who scored more than Wegagen in other performance measurement aspects which are presented above, the cost is incurred in securing other competitive advantages. If we compare Wegagen cost-effectiveness with Hibret Bank it shows Wegagen is good in managing expenses but all comparisons must be evaluated (eg. Earnings per share)

The other competing factor is collecting better profit from the service by netting income and expenses, profit factor for this period recorded for Wegagen Bank which is second to Awash bank 1.95 billion. Netting a good profit performance is good for shareholders to earn better return on investment or earning per share that delights them but not always true when there are a lot of shareholders. It is seen that for the year 2017/18 Wegagen paid below the industry average of its peers (Appendx II).

Just like measuring bank performance compared with other competitors in the sector, a bank also measures the growth of each outcome by comparing from period to period. Such growth measurement is will play a significant role in management decide on single or few components that need attention internally (Appendix II).

The capacity of leadership also evaluated in maintaining sustained growth of the organization in all performance aspects. The momentum growth measurement of organization performance indicates how the leadership team is acting in terms of performance growth even if it is difficult to relate directly with the leaders behaviour. From the data collected about Wegagen bank 5 year consecutive performance from its annual report it shows some inconsistencies in few measurement tools.

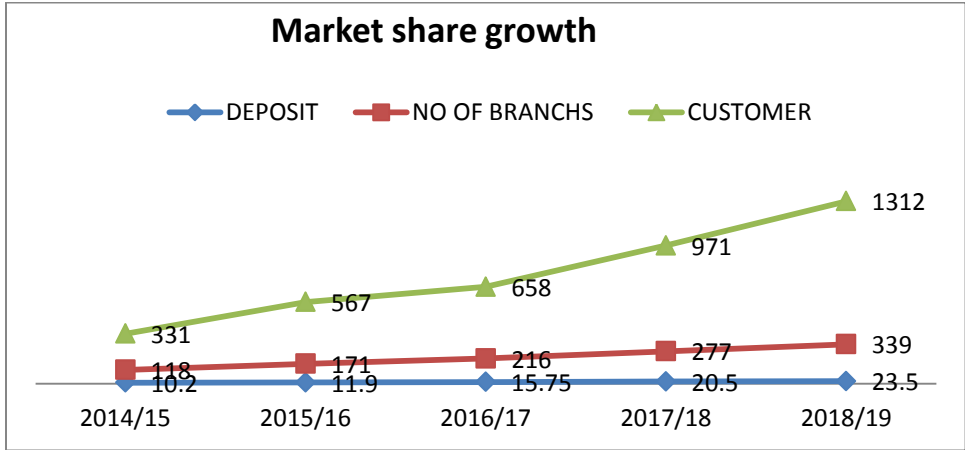


Fig8. Market share Growth of Wegagen Bank for 5 Years

The above figure shows that in terms of market the bank recorded a positive image that it is growing in a constant manner this can be taken as a positive trend in the bank.

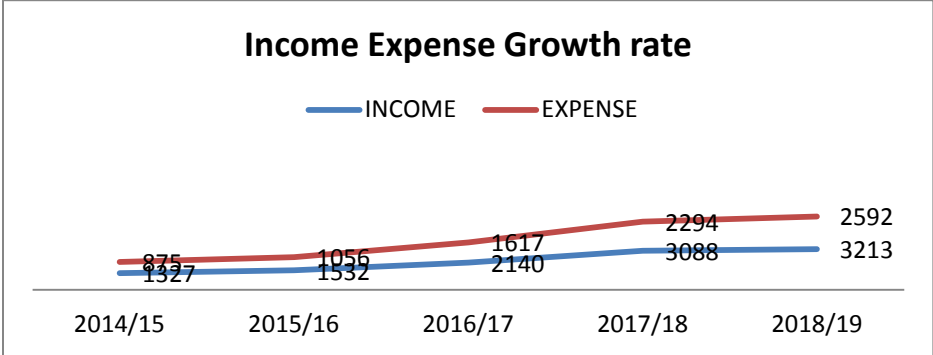


Fig9. Income Expense Growth of Wegagen Bank for 5 Years

As the above figure describes the bank expense is increasing a higher rate than the growth recorded in the annual income of the bank this shows there is a poor management in controlling the bank expense; just like the other factors here also it is difficult to relate directly the behaviour of the leaders.

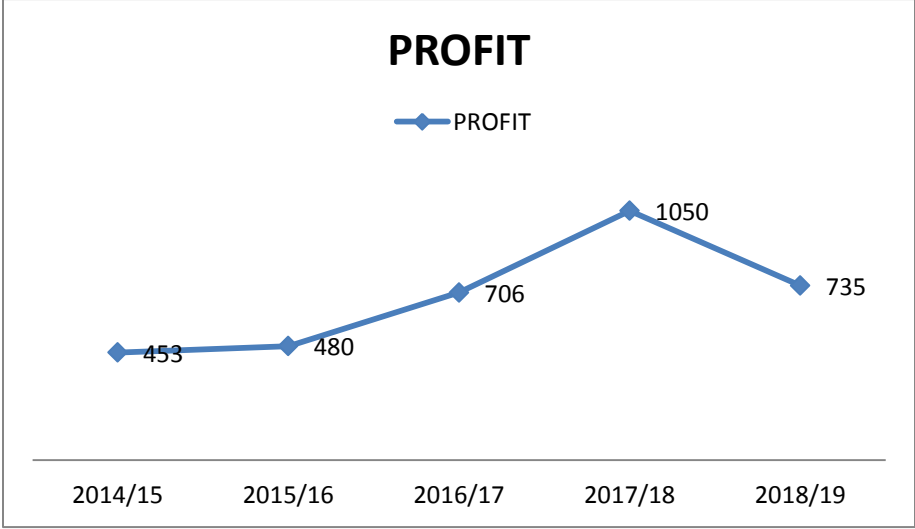


Fig10. Profit Growth of Wegagen Bank for 5 Years

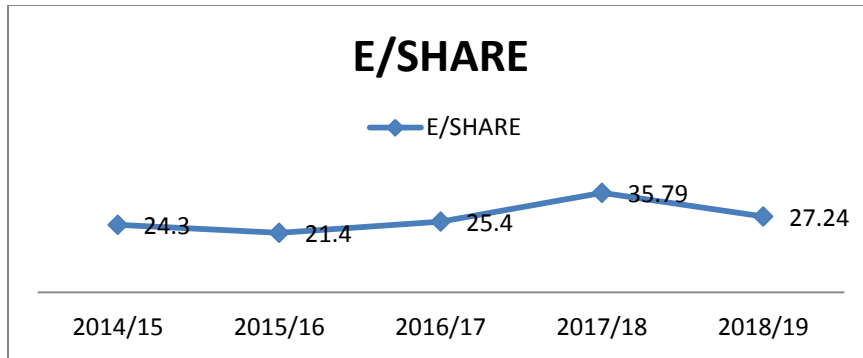


Fig11. Profit Growth of Wegagen Bank for 5 Years

The above two figures shows (fig10and Fig11) clearly indicate that there is inconsistency in achieving profit objectives and distributing the required earning per share to the individual who invest their equity on the bank.

#### 4.9. FINDING AND DISCUSSION

In this explanatory research, behavioral variables in both leadership styles are used to measure their relation and significance effect on bank's performance. The finding of this study shown there is existence of positive and negative relationship between behaviours under transformational leadership style and banks performance

The reward in exchange for the extra effort, recognition of the work are common in Ethiopian banking sector: bonus, promotion, salary increment takes place when banks get profit that employee are committed and perform well to be rewarded. In general, the findings of the study are not found to be consistent with previous studies that claim the existence of relationship between leadership behaviours in transformational and transactional styles; and organizational performance.

Thus, it is difficult that for this study to relate leadership behaviours in transformational style that brings organizational performance in working environment by inspiring and motivating employees for changes, creation, innovation, to go beyond from what they actually think they

can; and transactional that reward employees and make recognition in exchange for the work they perform, giving close directions and guidance.

As mentioned in chapter three limitation part the willingness of respondents in responding in careful manner is in question. This observed on the validity test which lies on the margin and also for data collected from secondary sources seen that the bank performance is not in a competitive manner compared with its peer banks.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter summarizes the major result of the study; draws conclusions based on the findings and forward recommendations for the concerned bodies.

#### 5.1. SUMMARY AND CONCLUSIONS

The main objective of the study was to look the extent of relationship between leadership behaviours and organizational performance in case of Wegagen bank S.Co.

To this end, both secondary and primary data were collected from selected sample and both statistical and econometric regression analysis were made. The primary data about the leadership styles was collected from leaders multifactor questioner while, the dependent variable, ROA,ROE, Profit, market share, customer satisfaction and share holders return on Investment was obtained from banks` annual reports and from audited financial report of national bank of Ethiopia.

In descriptive analysis, mean and standard deviation value for independent variables were used to determine the perception of the respondents toward the behaviour or style of leadership in the bank, while the result of regression analysis has shown the extent of relationship between leadership behaviours and banks performance which, is measured in terms of ROA, ROE, Profit, market share, customer satisfaction and share holders return on Investment.

The major findings of the study results from both descriptive and regression analysis are summarized as follows: Descriptive analysis results revealed that the respondent perceived the leaders in the respective bank as they are not exhibiting constant leadership behaviour always but the combination of two leadership styles in some incidence.

According to the respondents? Perceptions, idealized influence is relatively most exhibited

component of transformational leadership style followed by intellectual stimulation and individual consideration, while inspirational motivation is the least exhibited component of transformational leadership style with the mean score of only 3.59.

On the other hand, management by exception – active has been perceived as relatively more exhibited component of transactional leadership style as compared with contingent reward and management by exception-passive. The random effect regression was carried out to examine how and to what extent the behaviours in each type of leadership style relate to the bank performance, which, is measured in terms, ROA, ROE, Profit, market share, customer satisfaction and share holders return on Investment.

Behaviours in both transformational and transactional leadership styles are not clearly found to have an effect on performance in the case of the Bank. Thus, the result for both transformational and transactional leadership styles are consistent with others studies

Previous studies shows that transformational leaders has a behaviour that instills confidence, build trusts, encourage creativity and innovation, motivate and inspire workers to achieve organizational goal; and make employee to perform what they thought is impossible. This makes employee to handle and overcome the problems and challenges that is arising from current dynamic environment of individual bank and there by maintain the profitability of bank.

On the other hand, the existence of positive relation of transactional leadership style behaviours on the performance implies the reward and recognitions that leaders make for fellow subordinates up on accomplishment of the given task has strong effect on the performance. The reward or compensation for the work performed; in bank cases bonus, salary increment can increase the performance of an individual there by the banks.

The other transformational leadership style traits; idealized influence and intellectual stimulation

have positive and strong effect, while the individual consideration has positive but weak effect on banks performance. On the other hand, the contingent reward and management by expectations – active have positive and significant effect on banks performance, while management by exception – passive trait of transactional leadership style has positive but weak effect on banks performance.

Finally, this study concludes that both transformational and transactional leadership styles have significant effect on bank performance that exhibiting or not exhibiting of both transformational and transactional leadership behaviours leads, respectively, to an increase or decrease on Wegagen bank s.co.

## **5.2. RECOMENDATION**

This study has found out that there is picture that relation between behaviours that associated with transformational and transactional leadership has more effect on organizational performance in the case of Wegagen bank.

But previous studies in the context of Ethiopian banking sector shows, transformational leadership behaviours which focuses on change and transformation of organization and individual performer and, the transactional leadership behaviours which involves reward and recognition in exchange for the work done and close assistant and guidance are more relevant. Based on the resulted findings from the current performance of the bank compared with its peer competitors, the researcher forwarded the following Recommendations for the bank leaders, stakeholders and for future researchers.

### **5.2.1. Recommendations for Bank Leaders**

The leaders in Wegagen bank are recommended to exhibit really the combination of both transformational transactional leadership behaviours according to the ongoing work environment

circumstances even if they perceive that they are applying that.

The leaders of the bank should focus on playing a role model by taking first step of what they talk about and keep consistent in their action in way that getting trust and loyalty from employees and in instilling confidence, commitment and vision in employees. In this way leaders can get employees work commitment or improvement in their performance by assuring the psychological attachment of employees to the organization and this in return help organization to increase its performance.

In order to cope up with ongoing and upcoming changes in the banking environment, the leaders in banks should acquire predictable ability and prepare in advance by giving more focus for research and development, making the working environment suit for creativity and innovation, and appreciating and entertaining of different ideas arises from individual or group of employees. On the other hand the leaders in the bank should give attention to close guidance and close follow up or supervision to the employees when the employee seem new to the work at the hand. The leader should also tell clearly what is expected from the employee and attached rewards and recognition for the achievement to induce the improvement of the performance of employee and then bank as a whole.

### **5.2.2. Recommendations for Banks Stakeholders**

Stakeholders in the bank should consider taking banking in a non-traditional direction by placing more emphasis on understanding leadership and its effects on improving results. The leadership behaviour is learnable that the stakeholders of the bank should consider the need to present training to leaders to increase performance results.

The stakeholders might also consider holding national conferences on innovative leadership models used to support the vision of the banking industry and seminars might be warranted to

show financial leaders how to apply leadership models to everyday activities and develop strategies that might go with contemporary banking environment.

### **5.2.3. Recommendations for Future**

Research In future research, it would be interesting to assess causal relationships by taking more cross sectional data in different time using longitudinal design (e.g. observations or (interviews) to determine if the findings tested are likely to be sustained. Further research should also involve a larger sample size from survey covering whole population of the bank.

Future studies can also benefit by including leadership styles and other variables such as organizational culture and other environmental factors in determining the bank performance.

## REFERENCE

- Knies, E.; Jacobsen, C. & Tummers, L.G. (2016). *Leadership and organizational performance: State of the art and research agenda*. In: Storey, J., Denis, J.L., Hartley, J. & 't Hart, P. (Eds.). *Routledge Companion to Leadership* (pp. 404-418). London: Routledge.
- Metesebiya Boru Lelissa and Tesfaye Boru Lelissa (May 2016) *The Link between Performance Management System and Employee Effectiveness: The Case of Ethiopian Banks*, *Journal of Poverty, Investment and Development*, Vol.23, 2016.
- Pejman Ebrahimi, Seyedeh Marzieh Moosavi\*, Ebrahim Chiraniactors (2016), *Relationship between Leadership Styles and Organizational Performance by Considering Innovation in Manufacturing Companies of Guilan Province*, *Procedia - Social and Behavioural Sciences* 230 ( 2016 ) 351 – 358
- Suzanne M. Carter and Charles R. Greer (January 2013), *Strategic Leadership: Values, Styles, and Organizational Performance*, *Journal of Leadership & Organizational Studies* (2015)
- Waleed Mohammad Kayed Alhyasat, and Zainon Mat Sharif (September 2018), *The relationship between strategic leadership and organization performance in Jordan industrial estates company*, *Universiti Tenaga Nasional, Graduate Business School, Putrajaya Campus, Jalan IKRAM-UNITEN, 43000 Kajang, Selangor, Malaysia* College of Graduate Studies, Universiti Tenaga Nasional, Malaysia
- Yafang Tsai(2011), *Relationship between Organizational Culture, Leadership Behaviour and Job Satisfaction*, *BMC Health Services Research* 2011
- Yoseph Moges (2015), *Effects of leadership style on organizational performance the case of Ethiopian banks*, *saint merry university* 2015
- Ojokuku R. M1, Odetayo T. A2\* and Sajuyigbe A. S3 (2012)*Impact of Leadership Style on Organizational Performance A Case Study of Nigerian Banks*, *American Journal of Business and Management*, Vol. 1, No. 4, 2012, 202-207
- Zhen Shao (2019) *Interaction effect of strategic leadership behaviours and organizational culture on IS-Business strategic alignment and Enterprise Systems assimilation*, *International Journal of Information Management* 44 (2019) 96–108
- Dasalegn Worku (2016) *The Leadership Behaviour in CBE and Its Effect on Employee Performance: The Mediating Role of Organizational Commitment*. AAU
- J. CHIOK FOONG LOKE (2001)RN MBA BN CCN*Leadership behaviours effects on job satisfaction, productivity and and organizational commitment*, *Journal of Nursing Management*, 2001, 9, 191±204
- Jochen Schweitzer\* and Siegfried Gudergan (2010) *Leadership behaviours as ongoing negotiations and their effects on knowledge and innovation capabilities in alliances*, *Int. J. Knowledge Management Studies*, Vol. 4, No. 2, 2010
- Olatunji Joseph Ajiboye (2017) *Effective Leadership Practices of Bank Leaders in Nigeria*, *Walden University*

- *Obiwuru Timothy C. Okwu, Andy T. (Corresponding Author) Akpa, Victoria O. Nwankwere, Idowu A . (2011) Effects of leadership style on organizational performance: A survey of selected small scale enterprises in IKOSIKETU Council development area of Lagos state, Nigeria, Australian Journal of Business and Management Research, Vol.1 No.7 [100-111] | October-2011*
- *Anees Ullah Karamat,(2013) Impact of Leadership on Organizational Performance A Case Study of D&R Cambric Communication university of applies science vaasaan ammattikorookilo, 2013*

# Appendex

## Appendix– I

### Multifactor Leadership Questionnaire (MLQ) - Adapted

Dear respected respondent,

I am graduating class MBL student of 2020 at Addis Ababa University College business and Economics

This questionnaire is designed to assess the leadership style of your organization. The purpose of this questionnaire is academic that will be used in master thesis. Completion of this information is voluntary; whatever information you give me is strictly confidential.

For any enquiry you can reach me *mamotilahun@gmail.com*

### SECTION I: Demographic Information

Please tick appropriately []

1. Your gender: Male [] Female []
2. Your age (years): Below 25[  ] 26-35 [  ] 36-45 [  ] above 45 [  ]
3. Your educational qualification: PHD [  ] Post graduate [  ] Graduate [  ] Professional studies [  ]
4. Years of work experience in years: Below 10[  ] 10-15[  ] 15-20[  ] above 20[  ]
  - a. What is your position in this bank.....
  - b. How many years have you occupied your current position.....
  - c. Have you occupied any other position before in this bank.....
  - d. Have you worked in any other bank or institution before.....
  - e. If your Answer is yes for the above question please respond the following
    - i. What was your position in the bank or institution.....

## Section II Multifactor Leadership Questionnaire (MLQ)- Adapted

Filling this questionnaire may take no more than 10-15 minutes. I would like to take this opportunity to thank you for your precious time and valuable opinion.

There is a rating scale ranging from **1 to 5** that you are required to rate by using [√] sign on the one that best reflects your perception. The rating scales reflect the frequency that each statement fits you. It ranges from **1** that doesn't fit you at all to **5** which fits you frequently or always. Here are the exact meanings of each rating scale.

<b>Not At All</b>	<b>Once in a while</b>	<b>Sometimes</b>	<b>Fairly Often</b>	<b>Frequently, if not always</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

Therefore, you are required to judge how frequently each statement fits you.

The word "others" may mean your peers, clients, direct reports, supervisors, and/or all of these individuals. If you are unsure or do not know the answer, leave the answer blank.

Sr.No	Description	1	2	3	4	5
1	I call attention to what others can get for what they accomplish					
2	I make others proud to be associated with me					
3	I talk optimistically about the future					
4	I tell others the standards they have to know to carry out their work.					
5	I Propose new ways of looking at how to handle the given tasks					
6	I spend time teaching and coaching others					
7	I provide immediate response to urgent questions					

8	I have a habit of taking immediate action before things to go wrong					
9	I provide others with assistance in exchange for their efforts.					
10	I take risks for the interest of team or organizational benefit					
11	I talk enthusiastically about what needs to be done to improve performance					
12	I focus attention on irregularities, mistakes, exceptions, and deviations from standards					
13	I get others to rethink ideas that they had never questioned before					
14	I have a habit of giving attention to individuals					
15	I give attention to the need of others					
16	I give attention for problems before they become chronic					
17	I provide recognition/rewards when others reach their goals.					
18	I act in the way that build others' admiration and respect for me					
19	I communicate the vision of the bank with fluency and confidence					
20	I predict problems before happening					
21	I give ear to others' ideas even if different from mine					
22	I give personal attention to others who seem rejected					
23	I am good in taking initiative role					

24	I have a practice of looking attentively for deviances from standards, mistakes and errors and then takes corrective action					
25	I believe that employees must be rewarded for what they did					
26	I consider Moral and ethical issues when making decisions					
27	I Inspire and motivate others to reach ambitious goals that may have previously seemed unreachable					
28	I take corrective actions before behaviour makes severe difficulties					
29	I Bring together and integrate a diverse range of perspectives					
30	I Help others to develop and grow their own capabilities					
31	I am interested on getting involved when important issue arise					
32	I allow making agreements or explain expectations and standards to be achieved					
33	I establish methods for monitoring individual performance and providing feedback					
34	I lead others after assuring their readiness to be lead					
35	I articulate vision in the way that inspire and motivate others					
36	I Intervene in others work when they are not putting forth the effort expected of them					
37	I consider challenges and problems of work environment as an opportunity					
38	I delegate tasks to other					

39	I allow making decision or taking positions					
40	I interfere only when desired goal is not met					
41	I share the vision of the bank and creates impression on others					
42	I believe that the bank's profit is where it is expected to be					
43	I believe that the Bank is competent in maximizing market share					
44	I believe that the bank is paying to its share holders above the industry average					
45	I agree that the Bank's return on assets (ROA) is above the industry average					
46	I agree that the return on investment (ROE) is above the industry average					
47	I believe that each of the bank's business portfolio is allocated enough resources (human resource, financial etc. ) and are released appropriately and timely					
48	I assume that bank's customer's satisfaction can be described as excellent.					

## Appendix II

### Wegagen Bank S.Co 5 years performance report

year	DEPOSIT	INCOME	EXPENSE	CAPITAL	NO STAFF	NO OF BRANCHES	ASSET	CUSTOMER	PROFIT	E/SHARE
2014	10.2	1.327	875	2.4	2226	118	13.7	331	453	24.3
2015	11.9	15.32	1056	2.9	2887	171	16.2	567	480	21.4
2017	15.75	2.14	2140	3.3	3449	216	20.9	658	706	23.2
2018	20.5	3.1	3088	3.8	4086	277	27.4	971	1050	25.6
2019	23.5	3.2	3209	4.3	4561	339	29.8	1312	735	27.24

**Source annual financial report from 2014 /2015 to 2018/2019**

**Tabel 11:- Performance growth rate table For period from 2014/2015-2018/2019**

**Deposit –Billion**

**Income billion**

**Expense-billion**

**Capital Billion**

**Asset Billion**

**Profit Billion**

## APPENDECIES III

Source Financial statement of Banks for the year 2017/2018

Comparison table of pear Banks performance

Fiscal Year 2017/2018

BANK	DEPOSIT	INCOME	EXPENSE	CAPITAL	NO STAFF	NO OF BRANCHS	ASSET	CUSTOMER	PROFIT	E/SHARE	YEAR ESTABLISHED	service year
AWASH	45.9	5.4	3.44	6.5	7881	366	55.3	2059	1964	54.3	1994	26
DASHEN	35.91	4.4	3.3	5.9	8950	373	45.25	1861	929	43	1995	25
ABYSSINIYA	25.79	3.25	2.51	4.25	5825	286	31.98	1012	770	61.1	1996	24
NIB	21	2.5	1.8	3.4	4322	215	27	678	659	47.6	1999	21
WEGAGEN	23.5	3.21	2.04	3.8	4081	277	27.4	971	1050	36.5	1997	23
HIBRET	23.1	2.89	2.18	3	3726	229	28	706	706.98	35.79	1998	22
Average	29.20	3.61	2.55	4.48	5799	296	35.82	1214	1013	46.38		23.50

## Appendix IV-Demographic Status of Respondents

### Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	26 up to 35	42	56.0	56.0
	36 up to 45	28	37.3	93.3
	Above 45	5	6.7	100.0
	Total	75	100.0	100.0

### Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	67	89.3	89.3
	Female	8	10.7	100.0
	Total	75	100.0	100.0

### Educational Qualification

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	PHD	1	1.3	1.3
	Post Graduate	63	84.0	85.3
	Graduate	11	14.7	100.0
	Total	75	100.0	100.0

### Work Experience

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	10 up to 15 years	37	49.3	49.3
	15 up to 20 years	31	41.3	90.7
	Above 20 Years	7	9.3	100.0
	Total	75	100.0	100.0