



**ADDIS ABABA UNIVERSITY**

**SCHOOL OF COMMERCE**

**The Effect of Transformational Leadership Style on Employees'  
Innovative Work Behavior with reference to Kifiya Financial  
Technology**

**BY: BINYAM SOLOMON (ID NO. GSD/4512/11)**

**A PROJECT PAPER SUBMITTED TO ADDIS ABABA UNIVERSITY SCHOOL OF  
COMMERCE**

**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF  
MASTER OF BUSINESS LEADERSHIP**

**ADVISOR: DR. SOLOMON MARKOS**

June, 2022

Addis Ababa, Ethiopia

**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF COMMERCE**

**The Effect of Transformational Leadership Style on Employees’  
Innovative Work Behavior with reference to Kifiya Financial  
Technology**

**BY: BINYAM SOLOMON (ID NO. GSD/4512/11)**

**A PROJECT PAPER SUBMITTED TO ADDIS ABABA UNIVERSITY SCHOOL OF  
COMMERCE**

**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF  
MASTER OF BUSINESS LEADERSHIP**

**ADVISOR: DR. SOLOMON MARKOS**

June 2022

Addis Ababa, Ethiopia

**ADDIS ABABA UNIVERSITY  
SCHOOL OF COMMERCE**

**STATEMENT OF DECLARATION**

I, the **undersigned**, declare that this work or any part thereof has not previously been presented in any form to the university or to other whether for the purpose of assessment, publication or for any other purpose. I confirm that the intellectual content of the work are the result of my own efforts and no other person.

Name of student: **Binyam Solomon Assefa**

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

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

**ADDIS ABABA UNIVERSITY  
SCHOOL OF COMMERCE**

**STATEMENT OF CERTIFICATION**

This is to certify that Binyam Solomon has carried out his project paper on the topic entitled: *The Effect of Transformational Leadership Style on Employees' Innovative Work Behavior with reference to Kifiya Financial Technology*. The work is original in nature and is suitable for submission for the award of the Degree of Master's in Business Leadership at the Addis Ababa University, School of Commerce.

**Dr. Solomon Markos**

(Advisor)

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

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

**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF COMMERCE**

**The Effect of Transformational Leadership Style on Employees' Innovative Work  
Behavior with reference to Kifiya Financial Technology**

**By**  
**Binyam Solomon**

**Approved by the Board of Examiners:**

**Dr. Solomon Markos**

Advisor

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Dr. Hailemariam Kebede**

Internal Examiner

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Dr. Workneh Kassa**

External Examiner

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

## **Acknowledgment**

First, I would like to praise God for making all this happen, then I would like to express my gratitude to my Advisor Dr. Solomon Markos, who have been keeping supporting me in preparing and completing this research by giving me his unlimited feedbacks and directions. I would also like to thank Kifiya Financial Technology leaders and employees who have responded to my questionnaire in short period of time which allows me to complete the research on time. Finally, I would also like to broaden my thanks to School of Commerce and Business Leadership department for giving me the chance to conduct this research paper.

## **Abstract**

In the current competitive global market, innovative behavior of employees is a key to the survival of organizations. Employees' innovative work behavior is highly influenced by the type of the leadership style applied. Empirical studies show that there is strong relationship between transformational leadership and employees' innovative work behavior. This research paper focuses on the effect of transformational leadership on employees' innovative work behavior in Kifiya Financial Technology. More specifically, the paper analyses the impacts of the four components of transformational leadership on innovative behavior. Data was collected through a standardized questionnaire in census method, comprising of 102 respondents. The findings after statistical regression analysis made on SPSS revealed that among the four components of transformational leadership, idealized influence and inspirational motivation are positively and significantly influence innovative work behavior. While on the other hand, intellectual stimulation and individualized consideration have positive but insignificant relationship with innovative behavior. The results of this study imply that companies can benefit from the application of transformational leadership that brings the culture of innovative work behavior among employees. Finally, there must be more research that need to conduct in similar areas in order to gain adequate knowledge on the impact of transformational leadership on innovative work behavior.

**Keywords:** *Transformational Leadership, Innovative Work behavior, Kifiya Financial Technology*

## Contents

CHAPTER ONE .....	1
INTRODUCTION .....	1
1.1. Background of the Study .....	1
1.2. Background of the Company .....	2
1.3. Statement of the Problem.....	3
1.4. Basic Research Questions .....	5
1.5. Objectives of the Study .....	5
CHAPTER TWO .....	6
LITERATURE REVIEW .....	6
2.1. Introduction.....	6
2.2. Theoretical Review .....	6
2.2.1. The Concept of Leadership.....	6
2.2.2. Theoretical Development of Leadership.....	6
2.2.3. Transformational Leadership.....	8
2.2.3.1. Characteristics of Transformational Leadership.....	9
2.2.4. Innovative Work Behavior.....	11
2.2.5. Transformational Leadership and Innovative work Behavior .....	12
2.3. Empirical Review.....	13
2.4. Conceptual Framework.....	16
2.5. Hypothesis Development.....	17
CHAPTER THREE .....	19
RESEARCH METHODOLOGY.....	19
CHAPTER FOUR.....	26
DATA ANALYSIS AND RESULTS DISCUSSION .....	26
4.1. Introduction.....	26
4.2. Response rate .....	26
4.3. General information .....	26
4.3.1. Gender of Respondents .....	26
4.3.2. Respondent Marital Status .....	26
4.3.3. Respondents age.....	27
4.3.4. Educational background of respondents .....	27

4.3.5. Respondents Working Level.....	28
4.4. Descriptive Statistics for Transformational Leadership and Innovative Work Behavior..	29
4.5. Regression Analysis Results.....	35
4.6. Hypotheses Testing.....	38
4.7. Challenges Underlying Transformational Leadership and Innovative Work Behavior ....	38
CHAPTER FIVE .....	40
SUMMARY, CONCLUSION AND RECOMMENDATION.....	40
5.1. Summary .....	40
5.2. Conclusion .....	41
5.3. Recommendations.....	42
6. REFERENCES .....	44
Annex I: Questionnaire .....	50

<b>Table No</b>	<b>Description of the Table</b>	<b>Page No.</b>
3.1	Target Population	19
3.2	Table 3.2. Reliability Statistics on Idealized Influence and Innovative Work Behavior Leadership	21
3.3	Table 3.3.: Reliability Statistics on Inspirational Motivation and Innovative Work Behavior	22
3.4	Table 3.4. Reliability Statistics on Intellectual Stimulation and Innovative Work Behavior	22
3.5	Table 3.5. Reliability Statistics on Individualized Consideration and Innovative Work Behavior	22
3.6	Table 3.4. Reliability Statistics on Innovative Work Behavior	23
3.7	Table 3.4. Reliability Statistics on Transformational Leadership and Innovative Work Behavior	23
4.1	Table 4.1. Gender of Respondents	26
4.2	Table 4.2. Marital Status	27
4.3	Table 4.3. Age of Respondents	27
4.4	Table 4.4. Respondents Education Status	28
4.5	Table 4.5. Working level of Respondents	28
4.6	Table 4.6. Descriptive Statistics on Idealized Influence	29
4.7	Table 4.7. Descriptive Statistics on Inspirational Motivation	30
4.8	Table. 4.8. Descriptive Statistics on Intellectual Stimulation	30
4.9	Table 4.9. Descriptive Statistics on Individualized Consideration	31
4.10	Table 4.10. Descriptive Statistics on Transformational Leadership	31
4.11	Table 4.10. Descriptive Statistics on Innovative Work Behavior	32
4.12	Tables 4.11. Spearman rank correlation coefficients	34
4.13	Table. 4.12. Model Summary	35
4.14	Table 4.13. ANOVA <sup>a</sup> (Analysis of Variance)	35
4.15	Table 4.14. Coefficients <sup>a</sup>	36

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

The role of transformational leadership in organizations is becoming increasingly important as it helps improve the performance of the organization through implementing innovative processes. (Pieterse et al, 2010) defined transformational leadership as a style of leadership that transforms followers to rise above their self-interest by altering their morale, ideals, interests, and values, motivating them to perform better than initially expected. On the other hand, innovative behavior is the behavior of employees who continually introduce and/ or apply a new idea, process, product or procedure that is relevant and beneficial to the unit both in his role as individuals, group, or organization. (Spiegelaere et al, 2012)

Because organizations rely on a variety of factors to encourage innovative work behaviors, organizational leaders play an important role to encourage innovative work behaviors in the workplace in order to bring new changes at the time to challenging situations to maintain organizational sustainability. Recent scholarly research emphasize leadership as one of the key factors influencing innovative work behavior. Therefore, organizations recognize the need to hire leaders who can overcome complex problems with innovative solutions through employees' innovative work behavior. Innovative behavior is a multi-stage process of problem recognition, generation of ideas or solutions, building support for ideas, and idea implementation.

Bass (1985) as cited in Ariyani (2018) stated that among the various styles and types of leadership, transformational leadership is the most valuable type to bring innovative behavior. Transformational leaders may inspire innovative behavior. Transformational leaders with a new understanding of the future encourage employees to follow their expectations and achieve a new future. Because employees think of and implement innovative solutions, identifying how leadership can impact the innovative behaviors of these employees is vital for gaining a competitive edge (Pieterse et al, 2010).

Kroes (2015) as cited in Ariyani (2018) emphasized that innovation is a form of work behavior that is highly demanded by the company for the success of its employees and the company as well. The innovation process requires the full commitment of employees and leaders in order to maintain

the continuity, sustainability and growth of the company that is created through the creative development and implementation of new ideas. Maximizing the potential for innovation for employees is a priority that any organization should achieve and thus shapes innovative work behavior. Innovative behavior can create competitive advantage and job satisfaction through product and service differentiation and improvement. (Park et al., 2013).

## **1.2. Background of the Company**

Established in 2010, Kifiya Financial Technology is a technology and services company that developed scalable and secure technology platforms over the past eleven years. In 2019, Kifiya transitioned into a technology ventures holding company focused on launching an ecosystem of vertically integrated digital businesses across various sectors. The businesses primarily fall into three focus areas - marketplace, logistics, and digital financial services. The marketplace businesses focus on solving market inefficiencies and information asymmetry by more effectively connecting market supply to market demand. Kifiya developed an e-commerce marketplace platform for micro, small and medium enterprises (Shega), a marketplace for informal sector workers (Shega Muya), a marketplace for online hotel and tourism packages (Shega Travel), a digital contract farming platform and marketplace (Shega Fre), and a last-mile distribution agent network (Shega Zenbil). The logistics businesses focus on better utilizing available transportation assets to reduce the transaction costs of delivery. Kifiya has a point-to-point delivery business serving individuals, businesses, and networked operations (Che), a freight and logistics digital platform (Che Freight), a long-distance bus ticketing platform (Che Bus), and an e-prescription and pharmaceutical delivery platform (Che Med). Kifiya's digital financial service stream focuses mainly on digital lending and payment solutions. Its digital lending platform, Qena, aims at providing access to credit with innovative credit scoring tools. This platform uses a credit scoring algorithm to provide uncollateralized loans to individuals and companies. The digital payment solution named MelaPay, envisions to deliver simple, affordable, secure and within reach transactions through building integrated and scalable technology and distribution infrastructure that enables access to financial and non-financial service.

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

The globalization of business practices and the growing demand for diversified products and services are putting pressure on companies to continually change the way organizations function and respond (Wasono et.al, 2018). Ariyani (2018) states that the relatively rapid change in the global business world accompanied by rapid technological developments as well as unpredictable economic, social, and political trends change; the companies must continually adjust for their business practices in order for them keep their competitive advantage and sustain their business. One of the strategies is with the adoption of new knowledge and apply it that is known as innovation. Li, (2019) strengthens this idea stating that that Innovative work behavior (IWB) is a vital factor that a leader needs to consider, significantly, to gain a competitive advantage and establish organizational sustainability. Mostly, modern companies use research and development as an importance tool for sustainability. However, in addition to research & development, organizations operating in a highly competitive business environment should work in other aspects of the company to meet market needs and discover alternative ways to stay competitive in the business world which one and most important factor might be practicing innovative work behavior among their employees. An important question for leadership research and practice is here how leadership can play its role to stimulate employee innovative work behavior. Benner & Tushman (2003) indicate that the key factors of the driving of change and development in digital business are how the leader based on the intelligent decision could coordinate the different internal resources to achieve the firm objective. However, research made to study the impact of leadership applied on employees' innovative work behavior is minimal most companies in Ethiopia.

Digital payment service providers like Kifiya Financial technology needed to find new value research to maintain their competitive advantage through continuous innovation, through internal capacity development, and through technology partnerships or investments in digital infrastructure. Internal capacity development mainly focuses on working on the intellectual and psychological capacity of leaders and employees.

Most business organizations face the problem of ignoring the impact of transformational leadership on innovative work behavior after adopting a leadership style that expects cohesive relationships among the players, leaders and employees, to achieve their strategic goals. Therefore, there is little understanding of the impact of transformational leadership on innovative work

behavior It is observed that new start-up competitors in the industry are coming to the Ethiopian market with new products and services while Kifiya's current businesses are still struggling to enter to the market. This implies that there is little understanding of the impact of transformational leadership on innovation by most of the leaders of the different business streams of Kifiya Financial Technology.

Kifiya Financial Technology has been transforming for the past two years, by recruiting highly skilled professionals both from domestic and abroad. Moreover, the company is striving to bring innovative digital products and services to the domestic digital payment market. There is a clear indication that the company has implemented transformational leadership style to sustain its business. However, from the researcher's personal experience in the company, that the application of transformational leadership is inconsistent.

The relationship between transformational leadership and innovative work behavior has been studied by Gobena (2014)). However, this study was conducted in a government institution. The study was conducted in Ethiopian Electric Corporation by Gobena (2014), which the study revealed that there is a positive and significant relationship between transformational leadership style and innovative work behavior. More research should be conducted to strengthen that there is a positive and significant relationship between transformational leadership on employees' work behavior in Ethiopian companies.

Therefore, this study examines the impact of transformational leadership on innovative work behavior in private digital payment company, Kifiya Financial Technology. The reasons why the researcher motivated to study this topic are, first, due to lack of enough research on the impact of transformational leadership in Ethiopian companies, and second, addressing the impact of change on innovative work behavior is a major concern today for the company. This study will be considered as important to investigate the possible relationships between transformational leadership and innovative work behavior in Kifiya Financial Technology. The positive effects of transformational leadership can increase employee satisfaction, motivation, engagement, and become the core competencies of the company.

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

The main research questions raised in this study are:

- Does transformational leadership influence innovative work behavior?
- Do Kifiya leaders practice transformational leadership?
- Do Kifiya Kifiya employees practice Innovative Work Behavior?
- Are there any potential challenges in practicing transformational leadership style?

#### **1.5. Objectives of the Study**

##### **1.5.1. General Objective**

The main objective of this study is to examine the effects of transformational leadership in innovative work behavior in Kifiya Financial Technology.

##### **1.5.2. Specific Objectives**

- a) To assess if transformational leadership is practiced in Kifiya Financial Technology
- b) To determine Kifiya's employees innovative work behavior
- c) To identify the relationship between transformational leadership and innovative work behavior in the company
- d) To determine the potential sources of problems/challenges underlying the leadership styles and innovative work behavior in the company

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1.Introduction**

This chapter discusses existing literature on the concept of transformational leadership and innovative work behavior that will help to provide a context for investigating and addressing the relationship between transformational leadership style and employee's innovative work behavior.

#### **2.2.Theoretical Review**

##### **2.2.1. The Concept of Leadership**

Leadership as a concept is complex and very subjective to define as it continues to evolve in through time (Daft, 2008). Bass and Riggio (2006) describe leadership as a universal phenomenon - an interaction between two or more members of a group that often involves structuring or restructuring of the situation & the perception & expectations of the members. Though there are hundreds of definitions by different scholars, the term "leadership" can be best described as the "process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task" (Gujral, 2013). Leadership is different from Management. Leadership requires a person's individual traits while Management can be learnt through experience and requires the use of various means which also includes penalties (Kolodziejczyk, 2015). Leadership consists of major elements like a leader, followers, an influence, and a common goal/purpose. Leadership involves influence, which commonly happens among people, who deliberately want significant changes, which reflect the common interest shared by leaders and followers. According to Daft (2008) influence means that the relationship among people that is not passive, multidirectional and noncoercive.

##### **2.2.2. Theoretical Development of Leadership**

Over the years, many leadership theories have been published. Khan (2016) indicates that leadership theories have been refined and modified with passage of time and none of the theory is completely irrelevant. Every theory has been deployed in different areas according to the specific

requirements. Among these theories Great Man Theory, Trait Theory, Behavioral Theory, Transactional Theory, and Transformational Theory are the major ones.

**Great Man Theory:** According to this theory, leaders are born and that only those men who are impersonated with heroic characters could ever become the leaders (Khan 2016). In this theory, Leaders are portrayed based on the common belief by a particular society that they are extraordinary, born with innate qualities of leadership, and are destined to lead but not nurtured or made. According to this theory, people inherit certain qualities and traits that make them better suited for leadership.

**Trait Theory:** Trait leadership theory states that people are born with certain qualities that make them excel in various leadership roles. Significant relationships exist between leadership and such individual traits as: intelligence, adjustment, extraversion, conscientiousness, openness to experience, and general self-efficacy (Gujral, 2013). The trait theory sees these characteristics as innate, people with these qualities are born with it (Eyamba, 2020). Studies show that the trait theory mainly deals with analyzing physical, mental and social characteristics in order to acquire more understanding of characteristics that are common among leaders.

**Behavioral Theory:** Leadership behavior theory is categorized as such because it focuses on the study of a leader's specific behavior. According to Eyamba (2020), unlike trait theorists, behavior theorists have brought a new perspective focusing on a Leader's behavior as opposed to the traits related to mental, physical, or social. For behavioral theorists, a leader's behavior is the main factor to measure his/her leadership influence and leadership practices. These theorists explained leadership as a result of distinctive actions used by effective versus ineffective leaders (Datche, 2015).

**Transactional Theory:** Khan (2016) states that this leadership approach focuses on the practices that focusing on the exchanges of actions and consequences between the followers and leaders. This approach emphasizes that the relationship between leaders and subordinates focuses on the mutual benefits that result from a type of agreed action plan in which the subordinates get a reward or penalty from the leader because of his/her commitment or performance. This style is most used by managers because it focuses on the management, organization, and short-term planning management processes. Transaction theory is characterized by transactions between leaders and

their followers. For transactional leadership theory to be effective, leaders must find appropriate means of rewarding or punishing followers based on the tasks performed.

**Transformational Theory:** Transformational leadership is a recent leadership development which involves leaders and followers' personal factors and the participation of followers in any organizational processes or activities. (Khan, 2016). Transformational leadership theory describes the process of interaction among leaders and employees by building strong relationships with each other that lead to a high percentage of trust and cohesiveness among themselves to achieve a common goal. This later leads to increased intrinsic and extrinsic motivation for both leaders and followers that will increase their organizational commitment. The importance of transformation theory is that leaders transform their followers through their inspirational and charismatic character. The rules and regulations are flexible and are based on group norms. These attributes give followers a sense of belongingness because they can easily identify the leader and motivated to understand the purpose (Eyamba, 2020). As per this research, the most appropriate theory that can be used in the research is this leadership theory.

### **2.2.3. Transformational Leadership**

Bass and Riggio (2006) observe that transformational leadership has become the approach of choice for much of these days research and application of leadership theory that has captured the attention of scholars, of practitioners, and of students of leadership. Diaz-Saenz (2011) defines transformational leadership as a process by which a leader transforms group or organizational performance beyond expectation by bringing strong emotional attachment with his or her followers combined with the collective commitment of follower to a higher moral value. Khan (2016) states that transformational leaders consider their relationships with followers as very high priority and demonstrate individualized consideration in meeting followers' needs for empowerment, achievement, enhanced self-efficacy and personal growth. In transformational leadership, leaders have qualities of proactively dealing with issues, work to change the organization culture by implementing new ideas, make followers achieve goals and objectives with high moral values, and motivate followers by encouraging them to put group interests first. According to Gujral (2013), transformational leadership enhances the motivation, morale, and performance of followers through a variety of mechanisms. These include creating sense of belongingness by connecting the follower's sense of identity to the mission and the collective identity of the organization; being a

role model for followers who inspires them to achieve a shared organizational vision and goals; challenging followers to take greater ownership for their work, and understanding the strengths and weaknesses of followers, so the leader can align followers with tasks that optimize their performance (Gujral, 2013). Transformational Leadership focuses on the concept of positive attribution of the leader for achieving “performance beyond expectations” in followers (Al-Shammari, 2019).

### **2.2.3.1.Characteristics of Transformational Leadership**

Bass (1985) defined a transformational leader as an individual who possesses certain characteristics, which are posited to motivate followers to move beyond their self-interest and commit themselves to organizational goals, thus performing beyond expectations. Transformational leadership is a unique leadership style, which is theorized to bring employees involvement in an organization’s success. It can influence employees’ moral values and ethics in such a way that they tend to perform better than expected.

There are four major characteristics/components of Transformational Leadership (Bass and Riggio, 2006):

**Idealized Influence** - Idealized influence as Anderson (2017) states is a leadership providing followers the vision and mission of an organization while displaying the leader’s total commitment to achieve the vision and mission. The leader acts as a role model for the followers who want to follow in his/her footsteps. Through their actions, effective transformational leaders gain the attention of their followers that result in trust and affection of their followers. Idealized Influence provides the leader attributes like being a role model for high ethical behavior, brings pride, gains respect and trust. In general, it refers to the behavior of transformational leader which inspires his/her followers’ so that he/she gains trust and, respect from their followers which as a result followers will have a desire to impersonate their leaders (Al-shammari, 2019). These behaviors include prioritizing the needs of followers over the interests of the leader himself and showing consistency and good ethics in their behavior. According to Bass (1985) and Khan (2016), a leader with high levels of idealized influence or charisma can create among followers the feeling of trust, showing admiration, loyalty, and respect toward the leader.

**Inspirational Motivation** - The key to transformational leadership is members’ understanding of having a consistent vision, mission, and set of values. They will have a clear insight of what they

want to get from each engagement. Here, leaders try to develop the consciousness of followers by aligning them towards the organizational mission and vision (Khan 2016). Inspirational Motivation refers to transformational leaders sharing an inspirational vision or goal with their followers and constantly motivating them to reach for the goal while strengthening their confidence and motivating them to overcome any possible barriers. It is the degree to which the leader articulates a vision that is appealing and inspiring to followers. Leaders with inspirational motivation challenge followers with high standards, communicate optimism about future goals, and provide meaning for the task at hand. Followers need to have strong sense of purpose if they are to be motivated to act.

**Intellectual stimulation** –Leaders encourage followers to be imaginative and original. They encourage followers to come up with new ideas and when there is a mistake made by followers these leaders never disrespect or publicly blame them for their mistakes. Intellectual Stimulation calls up on transformational leaders to challenge followers to embrace new ways of thinking and doing, and to reassess values and belief (Anderson, 2017). Transformational leaders encourage their followers to practice creativity and innovativeness by questioning norms and finding new approaches and solutions to problems. It is the degree to which the leader challenges assumptions, takes risks and obtains followers’ ideas. Leaders with this style stimulate and encourage creativity in their followers. They coach and support people who think independently. The followers ask questions, think deeply about things, and figure out better ways to execute their tasks.

**Individualized Consideration** – involves leaders coaching, mentoring, and providing feedback in a manner consistent with everyone’s needs (Anderson, 2017). Followers are treated according to their level of skills and abilities. Based on their level of skills and ability, they are empowered to make decisions and always have the resources and support needed to make their decisions. Individualized Consideration refers to the individual attention that leaders pay to followers. Leaders act as coaches and mentors by recognizing followers’ concerns and treating them as individuals as well as team members. Leaders listen to the concerns and needs of their followers. Leaders provide empathy and support, keep communication open, and challenge followers. It also embraces the need for respect and celebrates the individual contributions each follower can make to the team. The followers have a will and aspirations for self-development and have intrinsic motivation and commitment to achieve their tasks.

#### **2.2.4. Innovative Work Behavior**

The concept of innovation management refers to a process of planning, implementing, organizing and controlling organizational innovation activities systematically for the purpose of realizing innovative ideas efficiently and effectively (Wasono, 2018). According to Akram (2020) and Raykov (2014) Innovation is defined as “a process through which economic or social value is extracted from knowledge. It happens through the creation, diffusion, and transformation of knowledge to produce new or significantly improved products or services that are then placed to use by society”. Innovative work behavior (IWB) typically includes exploration of opportunities and being creative to bring new ideas (creativity related behavior), which also includes behaviors related to implementing change, applying new knowledge, or improving systems and processes to boost up individual and business performance (implementation-oriented behavior) (De Jong and Den Hartog, 2007). Innovation can be described as the process that enables individuals to develop and implement new ideas or knowledge to perform better in their job.

Innovation can range from gradual and incremental improvements to transforming ideas that affect processes or products across the whole organization (Axtell et al. 2000). While the latter are rather rare and mostly only employees or organization who are working in the research and development domain can contribute in such a manner, the former minor suggestions and improvements are much more common and concern of employees from all areas. Examples of innovative work behavior include thinking in alternative ways of doing tasks, searching for improvements in processes or systems, figuring out new ways to accomplish tasks, looking for new and enhanced technologies, applying new work methods, and investigating and securing resources to make new ideas happen (Dorner, 2012). In most organizations, innovative work behavior is not part of the day-to-day job of employees.

Innovation is a multi-step process that involves the individual ability to recognize a problem, generate novel ideas, and can support and implement these ideas. De Jong and Den Hartog (2010) characterize innovation as a multi-stage process that consists of idea exploration, idea generation, idea championing, and idea implementation:

- Idea exploration is the first stage of innovation process that involves the process of searching for new ideas and opportunities, development of new business processes, and finding new products and services alternatives (Ornek, 2015)

- Idea generation refers to the process where information is combined and reorganized for problem solving and increased performance by means of brainstorming, mind mapping and morphological analysis (Theurer, 2018). Idea generation is concerned with development of new product, services or current business processes, process of entering to a new market or solution of problems occurred in business.
- Idea championing includes promotion of finding support of new ideas. By relying on innovative behavior of employees, it is the formation of enthusiastic structure that deals with the new idea and ensures inclusion of employees' right to the continuous membership in the process team (Ornek, 2015).
- Idea implementation comes at final stage when new ideas have already been generated, brainstormed and agreed up on the readiness for implementation. It is more complex as it describes the process of converting ideas into either transformed or improved (incremental) products, services, or ways of doing things (Saeed, 2019).

### **2.2.5. Transformational Leadership and Innovative work Behavior**

In the current competitive global market, innovative behavior of employees is key to the survival of organizations. However, employee innovative behavior is highly affected by the leadership style that the leaders in an organization have adopted. According to Jung, Chow and Wu (2003), there is a direct positive relationship that exists between transformational leadership style and organizational innovation.

Li (2019) indicates that transformational leadership usually focuses on the consideration, intellectual stimulation, and inspirational motivation of the individuals that help in facilitation of employees' innovative work practices. Transformational leaders are more trustworthy, truthful, and practical, which could help employees accomplish their tasks and have the potential to develop innovative work behavior.

According to Bass (1985), transformational leaders articulate and present a clear vision, demonstrating enthusiasm and passion for the vision and inspire and motivate employees to work hard to obtain that vision

Zhang and Bartol (2010) stated that innovative behavior at every organization level either directly or indirectly requires the support of leaders. Thus, the leader has a huge role and should focus on

the establishment of employee's innovative behavior (Yuan and Woodman, 2010). According to Seppala (2016), to cultivate innovation behavior, a leader must inspire, embrace kindness, and pay attention to the issues related to the personal lives of employees, such as health, happiness, and welfare.

Transformational leaders encourage employees to participate in work or organization solidarity, show commitment, developing their personal influence, and improve performance (Kroes, 2015). An employee who gets the support, inspiration, and guidance from his leader, will face more challenging work experience and learning, which he/she will be enjoying it as it will become more satisfying. In time, all of that will result in the high commitment of employees on the task and work (Tims et al., 2011). Innovation is influenced by motivation, organizational support, and the personality of the individual. Kroes (2015) stated that to improve innovative behavior, special attention is required on employees work engagement, namely employees who have favorable conditions in their heart, aligned with that in their mind driven by passion, dedication, and solemnity. Employees with good work engagement will provide more contributions, especially in generating ideas for the better development of the company and producing initiatives that will have an impact on innovation.

A transformational leader can influence followers by linking their self-concept and ambition to the objectives of the organization. This will lead to followers becoming self – expressive that will in turn translate into the expression of greater willingness and commitment to contribute to overall organizational objectives. Transformational leadership is therefore a leadership style that generally enables employees to feel important and give out their best to the organization. Employees produce more creative work when they are supervised in a supportive, non-controlling manner.

### **2.3. Empirical Review**

Several research studies have been conducted on the relationship between leaders' behavior and employee's innovation. Poppendick (2009) researched on direct and indirect effects of transformational leadership on innovative behavior. The study was quantitative in nature, and he used questionnaires to collect data from 71 respondents. The results of the analysis did not support the direct link between transformational leadership and innovative employee behavior but supported the moderator effect of affective commitment to the organization and the moderator effect of innovative climate between transformational leadership and innovative employee

behavior. Sajeet & Lalatendu (2019) researched on does meaningful work explains the relationship between transformational leadership and innovative work behavior? The study was conducted using two samples, executives of aero manufacturing plant and the steel manufacturing plant. The result from the analysis revealed that both samples confirm that transformational leadership significantly influences employee's innovative work behavior. Also, the study (both Samples I and II) finds meaningful work to partially mediate the relationship between transformational leadership and employees' innovation. Dartey-Baah & Ampofo (2015) carried out a study to examine the influence of transformational and transactional leadership style on perceived job stress among Ghanaian banking employees. The study made use of structured questionnaires to collect quantitative data. The findings revealed a significant negative relationship between transformational leadership and job stress and a significant positive relationship between transactional leadership and job stress. Al Ahamad et al., (2019) also researched on the effect of transformational leadership on innovation: evidence from Lebanese Banks. The study employed the quantitative and explanatory analysis using the Structural equations modeling (SEM) with AMOS 20 to examine the relationship between Transformational Leadership and innovation. Research data were collected through a survey method. The sample result was determined by the probability stratified sampling technique of about 310 employees at 27 banks in Lebanon. The study finds that there is positive significant relationship between transformational leadership and innovation in the banking sector. Khan et al (2009) carried out a research study on transformational leadership and organizational innovation: moderated by organizational size. A purposive sample of 296 managers from the telecommunication sector of Pakistan participated in the study. The age range of managers was from 25 to 60 years with mean age of 42.5, (SD = 11.27) years. A hierarchical regression models demonstrated organizational size significantly moderating the relationship between all facets of transformational leadership was used.

EYAMBA et.al (2020), conducted research on Effect of Transformational Leadership Style on Innovative Work Behavior of Employees. This study focuses on the effect of transformational leadership on innovative behavior of employees. The quantitative approach was used, and questionnaires were issued to employees of TV3 Network Limited, generating a dataset of 70 respondents. The findings unearthed that there is a positive effect of transformational leadership on innovative work behavior of employees.

### **Idealized Influence and Innovative Work Behavior**

Li (2019) studied Influence of Transformational Leadership on Employees Innovative Work Behavior in Sustainable Organizations Test of Mediation and Moderation Processes in 281 multinational organization employees in China. The findings revealed that transformational leadership and work engagement were significantly related to innovative work behavior. The results also showed a significant moderating effect of empowerment on transformational leadership and innovative work behavior. For boosting employees' innovative work behavior, leaders in the organization should strive to engage them effectively in their work by gaining their trust, which could help them participate in creative activities. This study shows us that Idealized influence of transformational leadership can stimulate employees Innovative work behavior.

Abbas (2012) conducted a study on Relationship between Transformational Leadership Style and Innovative Work Behavior in Educational Institutions Results indicate that five elements of transformational leadership including idealize influence attributed, idealized influence behavior, inspirational motivation, intellectual stimulation, and individualized consideration are significantly correlated with four elements of innovative work behavior including idea promotion, idea generation, work commitment and idea implementation.

### **Inspirational Motivation and Innovative Work Behavior**

Al-Shammari (2019) has made research on Transformational Leadership and Innovative Work Behavior in an IT Department of a Public Organization in the Kingdom of Bahrain. An online questionnaire hyperlink was sent to 127 randomly chosen employees. The completed and submitted questionnaires were 98, at a response rate of 77%. Results of the Spearman rank correlation tests indicated that there were significant relationships between transformational factors and employees' innovative behavior, except for the idealized influence factor that showed no significant relationships. Furthermore, the study found significant relationships between innovative behaviors and employee demographic variables (gender and academic qualification). Victor et al. (2008) found a positive correlation between transformational leadership and organizational innovation and organizational performance in 164 Taiwanese pharmaceutical firms.

### **Intellectual Stimulation and Innovative Work Behavior**

Ogola et.al (2017) researched on The Influence of Intellectual Stimulation Leadership Behavior on Employee Performance in SMEs in Kenya. This study targeted the KPMG top 100 SMEs of 2014 in Kenya. A correlational research design was employed to investigate the relationship between the independent variable and the dependent variable. The results showed that intellectual stimulation leadership behavior and Employee Performance in SMEs in Kenya had a strong positive and significant correlation and a positive and significant relationship. The study concluded that better employee performance is achieved when a leader encourages employees to think critically in dealing with problems that they encounter in the course of their work, use their own initiative, and seek innovative methods to approach their work and assignments.

Thuan (2020) studied on Motivating follower creativity by offering intellectual stimulation. The research was conducted on employees of information technology sector in Vietnam. The research findings show that the study found a positive direct relationship between leader intellectual stimulation and follower creative performance. Moreover, the follower proactive personality moderated this direct relationship. Furthermore, the results illustrated that follower creative ability and job autonomy partially mediated the positive effect of leader intellectual stimulation on follower creativity.

### **Individualized Consideration and Innovative Work Behavior**

Ogola (2017) conducted another research on The Influence of Individualized Consideration Leadership Behavior on Employee Performance in Small and Medium Enterprises in Kenya. Pearson's correlation, multiple regression and chi-square techniques were used to analyze the data. The results showed that Individualized Consideration leadership behavior and Employee Performance in SMEs in Kenya had a strong positive and significant correlation, and a positive and significant relationship. The study concluded that high performance is achieved when the leader recognizes employees' efforts, creates confidence, encourage self-development practices, effective communication as well as mentoring and coaching.

#### **2.4. Conceptual Framework**

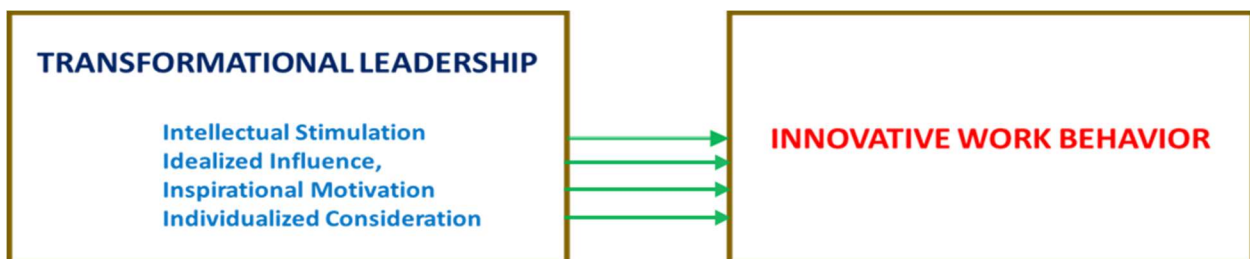
The ability to continuously innovate and improve products, services and work processes is nowadays crucial for organizations. According to Trott (2008), innovation is critical for

organizations to identify the kind of innovation needed in new product development and continuous improvement.

Innovative work behavior is a key in every organization that seeks to outperform its competitors. However, how leadership impacts and moulds the innovative work behavior of employees holds the promise of gaining a competitive edge. An important question for this study is how leadership may stimulate employees' innovative work behavior. For this research, the concept of leadership will be construed as transformational leadership since it is the type of leadership mostly associated with stimulating creative thinking in followers or employees (Gumusluogu & Ilsev, 2009).

Therefore, the researcher of this study investigates effects of Transformational Leadership on employee's Innovative Work Behavior in Kifiya Financial Technology. The relationship between the two variables (TL and IWB) is studied based on the four elements of TL and the four processes of IWB (See Figure 2.1).

**Figure 2.1. The Relationship Between Transformational Leadership and Innovative Work Behavior (Source: Based on Literature Review)**



## 2.5. Hypothesis Development

From the previous studies, the following hypotheses have been drawn:

**H1: There is a statistically positive and significant relation between idealized influence and employees' innovative work behavior.**

**H2: There is a statistically positive and significant relation between inspirational motivation and employees' innovative work behavior.**

**H3: There is a statistically positive and significant relation between intellectual stimulation and employees' innovative work behavior.**

**H4: There is a statistically positive and significant relation between individualized consideration and employees' innovative work behavior.**

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1. Research Design and approach

The research design is explanatory type. This method of research design helps the researcher to assess transformational leadership and innovative work behavior in Kifiya Financial Technology, as well as assessing the impacts on innovation and creativity of employees from TL perspective. The researcher found that the approach used in the study will be mixed approach. Quantitative approach will be used because the theory needs to be tested by examining the relationships between variables, and research needs to examine the effects and relationships between transformational leadership and innovative work behaviors. Qualitative approach will be used to explain findings like challenges of transformational leadership that are difficult to quantify and express through numbers.

#### 3.2. Target Population

The total population for this study is the employees of the nine different business streams of the company and their respective employees. A census method will be used to collect data.

**Table 3.1: Target population**

No.	Business	No of Staff
1	Shega	47
2	ShegaTravel	5
3	ShegaMuya	4
4	ShegaZenbil	6
5	ShegaFre	8
6	Che Mobility	8
7	Tilla	4
8	Qena	12
9	MelaPay	8
	<b>Total</b>	<b>102</b>

### **3.3.Source of Data**

In the process of conducting the research, both primary and secondary data are used. The primary data has been collected using structured questionnaires and interviews. Formal interviews were conducted to secure data related to the impact of transformational leadership on innovative work behavior in their respective fields and its impact on overall company performance. Secondary data from literature has been collected to assess the global and domestic trends in digital payment service provision as well as identify the opportunities and challenges of digital payment services in Ethiopia.

### **3.4.Data Collection Instrument**

Questionnaires were used to collect data from both from employees and Interview were used to collect data from the leaders of the different business streams.

#### **Innovative Work Behavior**

The innovative work behavior was defined as a multiple-stage process in which an individual recognizes a problem for which she or he generates new (novel or adopted) ideas and solutions, works to promote and build support for them, and produces an applicable prototype or model for the use and benefit of the organization or parts within it (Carmeli et al., 2006). A ten-item questionnaire on a five-point Likert scale was adapted from De Jong and Den Hartog (2010).

#### **Transformational Leadership**

The Transformational Leadership was defined as a process where leaders and their followers raise one another to higher levels of morality and motivation (Burns, 1978). An eleven-item questionnaire on a five-point Likert scale was adapted from Hoogh et al. (2004).

The first section of the questionnaire shall contain questions to collect background information of the participant. The second part of the questionnaire emphasizes on questions to measure transformational leadership and innovative work behavior.

### 3.5.Data Collection Procedure

The primary data is collected via questionnaires using self-administered drop and pick method. The interviews were conducted with few staff who are at managerial position. The respondents were selected randomly as the main objective of the interview was mainly to gain insights on the challenges of transformational leadership in the company. The interviews were recorded in paper which are later used to show the challenges of transformational leadership in the company.

Responses of questionnaires have been captured in structured way in Microsoft Excel then exported to, the Statistical Package for the Social Sciences (SPSS) software for analysis.

### 3.6.Reliability Analysis

The Cronbach's Alpha value is used to test the reliability, or internal consistency, of the scale items measuring each variable. The reliability measure coefficients reflect how well items in a set are positively correlated to each other. A Cronbach's alpha value of 0.70 or above implies acceptable scale reliability (Cronbach, 1951). The items listed in the questionnaire are proper to measure the intended outcome of the research. Moreover, the measuring items in the questionnaire are free from bias as they are standard sets of criteria.

**Table 3.2. Reliability Statistics for Idealized Influence**

Cronbach's Alpha	N of Items
.871	3

$r > 0.70$  = very strong reliability;  $0.50 \leq r < 0.70$  = strong reliability;  $0.20 \leq r \leq 0.50$  = moderate reliability;  $0.10 \leq r \leq 0.20$  = weak reliability;  $r < 0.10$  = none/negative reliability.

The Cronbach's alpha value 0.871 indicates that the questions responded on the idealized influence show a very strong reliability because the alpha value exceeds 0.70. This result strengthens the concept that transformational leadership is practiced in the company.

**Table 3.3.: Reliability Statistics on Inspirational Motivation**

Cronbach's Alpha	N of Items
.789	3

$r > 0.70 =$  very strong reliability;  $0.50 \leq r < 0.70 =$  strong reliability;  $0.20 \leq r \leq 0.50 =$  moderate reliability;  $0.10 \leq r \leq 0.20 =$  weak reliability;  $r < 0.10 =$  none/negative reliability.

The Cronbach's alpha value 0.789 indicates that the questions responded on the inspirational motivation show a very strong reliability because the alpha value exceeds 0.70. This result strengthens the concept that transformational leadership is practiced in the company.

**Table 3.4.: Reliability Statistics on Intellectual Stimulation**

Cronbach's Alpha	N of Items
.832	2

$r > 0.70 =$  very strong reliability;  $0.50 \leq r < 0.70 =$  strong reliability;  $0.20 \leq r \leq 0.50 =$  moderate reliability;  $0.10 \leq r \leq 0.20 =$  weak reliability;  $r < 0.10 =$  none/negative reliability.

The Cronbach's alpha value 0.832 indicates that the questions responded on the intellectual stimulation show a very strong reliability because the alpha value exceeds 0.70. This result strengthens the concept that transformational leadership is practiced in the company.

**Table 3.5.: Reliability Statistics on Individualized Consideration**

Cronbach's Alpha	N of Items
.808	3

$r > 0.70$  = very strong reliability;  $0.50 \leq r < 0.70$  = strong reliability;  $0.20 \leq r \leq 0.50$  = moderate reliability;  $0.10 \leq r \leq 0.20$  = weak reliability;  $r < 0.10$  = none/negative reliability.

The Cronbach's alpha value 0.808 indicates that the questions responded on the individualized consideration show a very strong reliability because the alpha value exceeds 0.70. This result strengthens the concept that transformational leadership is practiced in the company.

**Table 3.6.: Reliability Statistics on Innovative Work Behavior**

Cronbach's Alpha	N of Items
.932	10

$r > 0.70$  = very strong reliability;  $0.50 \leq r < 0.70$  = strong reliability;  $0.20 \leq r \leq 0.50$  = moderate reliability;  $0.10 \leq r \leq 0.20$  = weak reliability;  $r < 0.10$  = none/negative reliability.

The Cronbach's alpha value 0.932 indicates that the 10 items in the questionnaires which required the respondents' opinion on innovative work behavior Kifiya Financial Technology show a very strong reliability because the alpha value exceeds 0.70. This shows that transformational leadership has a positive influence on employee creativity.

**Table 3.7. Reliability Statistics on Transformational Leadership and Innovative Work Behavior**

Cronbach's Alpha	N of Items
.836	5

$r > 0.70$  = very strong reliability;  $0.50 \leq r < 0.70$  = strong reliability;  $0.20 \leq r \leq 0.50$  = moderate reliability;  $0.10 \leq r \leq 0.20$  = weak reliability;  $r < 0.10$  = none/negative reliability.

The Cronbach's alpha value 0.836 indicates that the questions responded by respondents on 4 dimensions of Transformational Leadership and Innovative Work Behavior show a very strong reliability because the alpha value exceeds 0.70. This shows that transformational leadership has a positive influence on innovative work behavior if only TL attributes are taken as a major factor to influence innovative work behavior.

### **3.7. Validity Analysis**

Questionnaire has been carefully designed to collect the desired response. The items in the questionnaire are developed based on standard instruments that have been used by different scholars who study similar research topic (De Jong and Den Hartog, 2010; Hoogh et al., 2004).

Feedback has been gathered for clarity of a sentence and correctness of a language and grammar., and whether the designed instrument can fully assess the research topics prior to distributing the questioner.

### **3.8. Data Analysis**

Both Qualitative and Quantitative analysis were used for data analysis. Descriptive and Inferential Statistics have been used to interpret the collected data.

Recorded interviews were extracted and organized in writing in relation to the subject matter and were analyzed in a manner that is suitable for the specific area of research.

To interpret the questionnaire responses statistical techniques like mean, standard deviation, are used. Moreover, Regression Analysis is used to determine the relationship between Transformational Leadership and Innovative Work Behavior.

With respect to regression, a linear equation model was used which was:

$$Y = C + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + E$$

Where  $Y$  was the dependent variable (innovative work behavior),

$C$  was the constant

$B_1$  the coefficient of idealized influence,

$B_2$  the coefficient of inspirational motivation,

$B_3$  the coefficient of intellectual stimulation,

*B<sub>4</sub>* the coefficient of individual consideration,

*X<sub>1</sub>* was idealized influence,

*X<sub>2</sub>* inspirational motivation,

*X<sub>3</sub>* the intellectual stimulation,

*X<sub>4</sub>* individual consideration,

*E* was the error term.

## CHAPTER FOUR

### DATA ANALYSIS AND RESULTS DISCUSSION

#### 4.1. Introduction

This chapter presents and discusses the results of the collected secondary data. Based on the collected data, the correlation between transformational leadership style and employees innovative work behavior is presented. Different statistical analyses are shown and discussed to show key findings about the demographics of study participants and to answer the research questions.

#### 4.2. Response rate

A total of 108 questionnaires were distributed to employees of Kifiya Financial Technology, out of which 102 were filled and returned for the researcher. 6 questionnaires were not collected due to unavailability of the intended staff. This gave a response rate of 94.44 percent.

#### 4.3. General information

##### 4.3.1. Gender of Respondents

As shown below in table 4.1, from the total employees participated in the census, 55 (53.9 percent) were male and the remaining 47 (46.1 percent) were female.

**Table 4.1. Gender of Respondents**

	Frequency	Percent
Male	55	53.9
Female	47	46.1
Total	102	100.0

*Source: Own survey, June 2022*

##### 4.3.2. Respondent Marital Status

From the census participants, 37 (36.3 percent) of the respondents were married and 65 (63.7 percent) were single.

**Table 4.2. Marital Status**

	Frequency	Percent
Married	37	36.3
Single	65	63.7
Total	102	100.0

*Source: Own survey, June 2022*

#### **4.3.3. Respondents age**

As presented in summary Table 4.3 below, from the total 102 respondents at Kifiya; most of them i.e., 83 of them (81.4 percent) were between the age interval of 20-35 years, 16 (15.7 percent) fall in the age group 36-45 years, and 3 (2.9 percent) of them are found in the age interval of 46 -60 years. This indicates most of Kifiya employees are young and this helps the study to clearly see the effect of transformational leadership on employees' innovative work behavior.

**Table 4.3. Age of Respondents**

	Frequency	Percent
20 to 35	83	81.4
36 to 45	16	15.7
46 to 60	3	2.9
Total	102	100.0

*Source: Own survey, June 2022*

#### **4.3.4. Educational background of respondents**

As it is shown below in Table 4.4 education levels of the participant groups is varied. From the total number of the respondents for the study, 4.9 percent of them have a diploma, 68.6 percent is comprised of First-degree holders and 26.5 are having Master's degree.

**Table 4.4. Respondents Education Status**

	Frequency	Percent	Valid Percent	Cumulative Percent
Diploma	5	4.9	4.9	4.9
Degree	70	68.6	68.6	73.5
Postgraduate	27	26.5	26.5	100.0
Total	102	100.0	100.0	

*Source: Own Survey, June 2022*

#### **4.3.5. Respondents Working Level**

As Table 4.4 depicts below, out of the 102 census respondents, 39 of them were leaders and 63 of them were lower-level employees. As it can be seen in the table, from a total 102 respondents 11 (10.8 percent) of them are higher level or senior management team, 28 (27.5 percent) of the respondents were middle level managers, and the remaining 63 (61.8 percent) of the respondents were lower-level employees. This implies the data gathered for this study were collected from the relevant levels of working structure as well as the different departments (business streams) of the company which the researcher believes that the data gathered from these different entities helps the research to reach the required outcomes of the study.

**Table 4.5. Working level of Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Senior Management	11	10.8	10.8	10.8
Middle Management	28	27.5	27.5	38.2
Lower Level	63	61.8	61.8	100.0
Total	102	100.0	100.0	

*Source: Own Survey, June 2022*

#### 4.4.Descriptive Statistics for Transformational Leadership and Innovative Work Behavior

The research was aimed at analyzing the effect of transformational leadership style on innovative work behavior of employees of Kifiya Financial Technology. Descriptive statistics analysis was performed for transformational leadership and innovative work behavior.

##### 4.4.1. Transformational Leadership

**Table 4.6. Descriptive Statistics on Idealized Influence**

	N	Missing	Mean	Std. Deviation
Does the manager talk with you about what is important to you?	102	0	3.03	1.067
Does the manager give you the feeling of your importance in the work?	102	0	3.26	.911
Does the manager show you that he/she intends to be convinced of his/her ideas, beliefs and values?	102	0	3.10	.917
Total			3.13	.965

*Source: SPSS output based on Own Survey, June 2022*

*0 = Not at all 1 = Once in a while 2 = Sometimes 3 = fairly often 4 = frequently, if not always*

As it can be seen in the above descriptive statistics table, the mean and standard deviation of idealized influence is higher which means that idealized influence has positive effect on innovative work behavior. A high Mean value indicates that most employees of Kifiya Financial technology responded that idealized influence is practiced in the company. The standard deviation measures how concentrated the data are around the mean; the more concentrated, the smaller the standard deviation value is.

**Table 4.7. Descriptive Statistics on Inspirational Motivation**

	N	Missing	Mean	Std. Deviation
Does the manager have a vision and a picture of the future?	102	0	3.34	.724
Does the manager make you eager for his/her plans?	102	0	3.12	.871
Does the manager involve you in important work decisions?	102	0	3.18	.883
Total			3.21	0.826

*Source; SPSS Output based on own survey, June 2022*

*0 = Not at all 1 = Once in a while 2 = Sometimes 3 = fairly often 4 = frequently, if not always*

As it can be seen in the above descriptive statistics table, the mean and standard deviation of inspirational motivation is high which shows that inspirational motivation is practiced in Kifiya Financial Technology and has positive effect on innovative work behavior.

**Table 4.8. Descriptive Statistics on Intellectual Stimulation**

	N	Missing	Mean	Std. Deviation
Does the manager encourage you to think in new ways about problems?	102	0	3.26	.867
Is he/she always looking for new opportunities for the organization?	102	0	3.30	.830
Total			3.28	.848

*Source; SPSS Output based on own survey, June 2022*

*0 = Not at all 1 = Once in a while 2 = Sometimes 3 = fairly often 4 = frequently, if not always*

As it can be seen in the above descriptive statistics table, the mean and standard deviation of intellectual stimulation is high which shows that inspirational motivation is practiced in the company and has positive effect on innovative work behavior.

**Table 4.9. Descriptive Statistics on Individualized Consideration**

	N	Missing	Mean	Std. Deviation
Does the manager encourage you to think independently?	102	0	3.18	.948
Does the manager encourage you to develop your talents?	102	0	3.19	.864
Does the manager delegate challenging responsibilities to you?	102	0	3.23	.866
Total			3.2	.892

*Source: SPSS Output based on own survey, June 2022*

*0 = Not at all 1 = Once in a while 2 = Sometimes 3 = fairly often 4 = frequently, if not always*

As it can be seen in the above descriptive statistics table, the mean and standard deviation of idealized consideration is high which shows that inspirational motivation is practiced in the company. has positive effect on innovative work behavior. The standard deviation measures how concentrated the data are around the mean; the more concentrated, the smaller the standard deviation value is.

**Table 4.10. Descriptive Statistics on Transformational Leadership**

	N	Mean	Std. Deviation
Aggregated Transformational Leadership	102	3.20	.886

*Source: SPSS Output based on own survey, June 2022*

*0 = Not at all 1 = Once in a while 2 = Sometimes 3 = fairly often 4 = frequently, if not always*

As it can be seen in the above descriptive statistics table, the mean and standard deviation of transformational leadership is which depicts transformational leadership is exercised in Kifiya Financial Technology. Although, transformational leadership is exercised in the company, during the interview, some managers provided feedback on the fact that there is no clear boundary observed on transformational or transactional leadership that has been exercised. Hence, there is no track or guidelines that facilitate the leadership practices performed in the company.

#### 4.4.2. Innovative Work Behavior

**Table 4.10. Descriptive Statistics on Innovative Work Behavior**

	N	Mean	Std. Deviation
Do you often pay attention to issues that are not part of your daily work?	102	2.96	1.004
Do you often wonder how things can be improved?	102	3.27	.773
Do you often search out new working methods, techniques and instruments?	102	3.30	.793
Do you often generate original solutions for products?	102	3.25	.805
Do you often find new approaches to execute tasks?	102	3.30	.755
Do you often make important organizational members enthusiastic for innovative ideas?	102	3.14	.868
Do you often attempt to convince people to support an innovative idea?	102	3.24	.823
Do you often systematically introduce innovative ideas into work practices?	102	3.20	.833
Do you often contribute to the implementation of new ideas?	102	3.29	.791
Do you often put effort in the development of new things?	102	3.34	.790

*Source: SPSS Output based on own survey, June 2022*

*0 = Not at all 1 = Once in a while 2 = Sometimes 3 = fairly often 4 = frequently, if not always*

The descriptive statistics above shows the mean value and average value that was chosen by the respondents and standard deviation shows how spread the values chosen by the respondents are

from the mean value with respect to each item in the questionnaires. For the first item in the questionnaire, “Do you often pay attention to issues that are not part of your daily work?”, mean value is 2.96 and a standard deviation is 1.004. This implies that on the average most of the subordinates often pay attention to issues that are not part of their daily work. This clearly shows that the employees are much concerned about other organizational activities as well as their tasks assigned to them. They provide attention to other activities that might affect their assigned tasks. With respect to the second question, “Do you often wonder how things can be improved?”, mean value is 3.27, and a standard deviation is 0.773. This implies that on the average most of the employees often wonder about how things can be improved. This indicates that the employees are concerned about wholistic organization success and are also concerned about the weaknesses or gaps in the organization or sub-systems which they are giving thoughts on how these weaknesses can get improved. With respect to the third item, “Do you often search out new working methods, techniques and instruments?”, mean value is 3.30 and a standard deviation is 0.793 which shows that employees of Kifiya look for solutions and alternative ways of doing things which in turn makes them innovative. With respect to the fourth item, “Do you often generate original solutions for products?”, mean value is 3.25, and a standard deviation is 0.805. This implies that on the average most of the employees often generate original solutions for products. With respect to fifth question, “Do you often find new approaches to execute tasks?”, mean value is 3.30, and a standard deviation is 0.755. This implies that on the average most of the employees often find new approaches to execute tasks. With respect to the sixth item, “Do you often make important organizational members enthusiastic for innovative ideas?”, mean value is 3.14, and a standard deviation is 0.868. This implies that on the average most of the employees often convince others to be encouraged to bring innovative ideas. With respect to the seventh item, “Do you often attempt to convince people to support an innovative idea?”, mean value is 3.24, and a standard deviation is 0.823. This implies that on the average most of the employees often attempt to convince people to support an innovative idea. With respect to the eighth item, “Do you often systematically introduce innovative ideas into work practices?”, mean value is 3.20, and a standard deviation is 0.833. This implies that Kifiya staff not only think about new ideas but also introduce these ideas in to workplaces. With respect to the ninth item, “Do you often contribute to the implementation of new ideas?”, the mean value is 3.29, and a standard deviation is 0.791. This implies that on the average most of the employees often contribute to the implementation of new ideas. With respect

to the last item, “Do you often put effort in the development of new things?”, the mean value is 3.34, and a standard deviation is 0.790. It can be said that the employees put in effort to develop new things for the betterment of the organization as well as themselves. This clearly shows there is competition and good reward system in the organization which allows employees to work hard and to be more innovative.

#### 4.4.3. Correlation between Transformational Leadership and Innovative Work Behavior

Tables 4.11. Spearman rank correlation coefficients

			Idealized Influence	Inspirational Motivation	Intellectual Stimulation	Individualized Consideration	Innovative Work Behavior
Spearman's rho	Idealized Influence	Correlation Coefficient	1.000	.643**	.558**	.658**	.754**
		Sig. (2-tailed)	.	.000	.000	.000	.000
		N	102	102	102	102	102
	Inspirational Motivation	Correlation Coefficient	.643**	1.000	.795**	.787**	.804**
		Sig. (2-tailed)	.000	.	.000	.000	.000
		N	102	102	102	102	102
	Intellectual Stimulation	Correlation Coefficient	.558**	.795**	1.000	.735**	.681**
		Sig. (2-tailed)	.000	.000	.	.000	.000
		N	102	102	102	102	102
	Individualized Consideration	Correlation Coefficient	.658**	.787**	.735**	1.000	.750**
		Sig. (2-tailed)	.000	.000	.000	.	.000
		N	102	102	102	102	102
Innovative Work Behavior	Correlation Coefficient	.754**	.804**	.681**	.750**	1.000	
	Sig. (2-tailed)	.000	.000	.000	.000	.	
	N	102	102	102	102	102	

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

As indicated in table 4.4.3.1 above, all factors of transformational leadership are positively correlated to innovative work behavior.

#### 4.5. Regression Analysis Results

In order to achieve the objective of identifying the relationships and effects of individual consideration, idealized influence, intellectual stimulation and inspirational motivation on innovative work behavior, regression analysis was conducted.

**Table. 4.12. Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.878 <sup>a</sup>	.771	.761	3.17424

a. Predictors: (Constant), Individualized Consideration, Idealized Influence, Intellectual Stimulation, Inspirational Motivation

As indicated in Table 4.5.1 the regression statistics R-squared was 0.771. This means that 77.1% of the variations in the dependent variable are explained by the variations in the four independent variables. Thus, this is a good reflection of the true position that innovative work behavior is determined by the components of transformational leadership, which are individual consideration, idealized influence, intellectual stimulation and inspirational motivation.

Table 4.5.1 depicts the relationships between transformational leadership style and innovative work behavior. Correlation coefficient value (R) shows the strength and direction of relationship between transformational leadership and innovative work behavior. The value 0.878 in table 4.5.1 indicates that there is a strong positive relationship between transformational leadership style and innovative work behaviour. In a more comprehensive term, this means that an increase in the components of transformational leadership will lead to an increase in innovative work behavior.

**Table 4.13. ANOVA<sup>a</sup> (Analysis of Variance)**

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	3288.225	4	822.056	81.587	.000 <sup>b</sup>
Residual	977.353	97	10.076		
Total	4265.578	101			

a. Dependent Variable: Innovative Work Behavior

b. Predictors: (Constant), Individualized Consideration, Idealized Influence, Intellectual Stimulation, Inspirational Motivation

Table 4.5.2 shows the Analysis of Variance (ANOVA) was used to determine whether the regression model was a statistically significant model. That is whether all the independent variables together can predict the dependent variable. From the ANOVA table, it can be seen that the regression model is a statistically significant model ( $F(4,97) = 81.59$ ,  $p\text{-value} < 0.05$ ) since the significant value ( $p\text{-value} = 0.000$ ) is less than the level of significance (0.05). This shows that all the independent variables together can statistically predict the dependent variable. Since the combination of all the independent variables forms transformational leadership, it can be concluded that transformational leadership can statistically predict innovation work behavior.

**Table 4.14. Coefficients<sup>a</sup>**

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	6.310	1.538		4.103	.000
Idealized Influence	1.087	.181	.433	6.005	.000
Inspirational Motivation	1.373	.293	.441	4.680	.000
Intellectual Stimulation	.128	.341	.031	.377	.707
Individualized Consideration	.178	.250	.063	.713	.478

a. Dependent Variable: Innovative Work Behavior

Table 4.5.3 is a summary of the statistically significant effect of the components of transformational leadership style on innovative work behavior.

From the above table, it can be identified that 1% increase in idealized influence will lead to 1.1% increase in innovative work behavior in the organization holding the other variables constant. Also 1% increase in inspirational motivation will lead to 1.4% increase in innovative work behavior in the organization holding the other variables constant. Furthermore 1% increase in intellectual stimulation will lead to 0.13% increase in innovative work behavior in the organization holding the other variables constant. Finally, 1% increase in individual consideration will lead to 0.18% increase in innovative work behavior in the organization holding the other variables constant. Therefore, based on the positive effect of the components of transformational leadership on innovative work behavior, it can be concluded that there is a positive effect of transformational leadership on innovative work behavior in the Kifiya Financial Technology. Also, from the table 4.5.3 the statistical significance of the components of transformational leadership style on innovative work behavior can also be identified. From the table there is a statistically significant relationship between the first two components of transformational leadership style and innovative work behavior. From the table the significant values of the determinants, idealized influence (p-value= 0.000), and inspirational motivation (p-value= 0.000) are below the level of significance (0.05) while the significant value of intellectual stimulation (p-value= 0.707) and individual consideration (p-value= 0.478) is above the level of significant (0.05) showing that there is no significant relationship between intellectual stimulation and individualized consideration, and innovative work behavior in the organization. Several studies support the positive and significant correlation between idealized influence and innovative work behavior and inspirational motivation and innovative work behavior. Eyamba (2020), Al-shammari (2019), Li (2020), and others revealed this positive and significant correlation. On the other hand, several research also support the insignificance of individualized consideration and intellectual stimulation on innovative work behavior. Saripin (2019) indicated that intellectual stimulation is not a significant factor for innovative work behavior. Rashid (2018) also indicated that individualized consideration is found to be insignificant on employees' innovative work behavior. Al Ahmad (2019) also revealed that intellectual stimulation has insignificant influence on product and process innovation.

As Prabowo (2018) and Poppendick (2009) indicated, innovative behavior might have been influenced by other factors rather than transformational leadership. Before assessing possible directions for future research, it's far vital to place interest towards the constraints associated with this research.

Lack of adequate knowledge and awareness on the different leadership styles and practices can be one reason for the poor significance between transformational leadership and innovative work behavior (Nori, 2017). During the interview with some managers, one key response provided was that there is lack of knowledge and awareness in relation to the impact of transformational leadership on innovative work behavior as well as on overall organizational success. This can be one reason for the insignificant relationship of these two dimensions with innovative behavior.

#### **4.6.Hypotheses Testing**

As indicated above, the research examined the effects of the four dimensions of transformational leadership on innovative work behavior. The research statistical findings revealed that there is a statistically positive and significant correlation between Idealized Influence and employees Innovative Work Behavior that supports H1. Inspirational motivation has statistically positive and significant relations with employees' Innovative Work Behavior which confirms the support of H2. Thirdly, it is tested that Intellectual Stimulation has positive but insignificant relationship with innovative work behavior that tells H3 is partially supported. Finally, the research findings revealed that there is a positive and insignificant correlation between Intellectual Stimulation and employees' Innovative Work Behavior that leads to partial support of H4.

#### **4.7.Challenges Underlying Transformational Leadership and Innovative Work Behavior**

Finally, the researcher interviewed some of the managers of Kifiya Financial Technology in order to get their opinion about transformational leadership, its relationship with innovative work behavior, and the challenges associated to implementing it.

Most of the respondents responded that they are aware of the concept of transformational leadership but not much aware of the four major factors of transformational leadership.

These managers were asked if Kifiya Financial Technology has implemented transformational leadership style for which most of them responded that they believe Kifiya Financial Technology is practicing it. The issue most of these interviewees raised is that there is no clear boundary to conclude that the company has implemented transformational leadership style. Even some of them explained their opinion that transformational leadership can be a very helpful instrument in boosting up employees' innovative behavior. However, with current environmental challenges and barriers of the industry, organizations should not simply discourage transactional leadership, rather better to consider employees psychological empowerment into account to ensure organizational success. As McCan (2019) indicates in page 89, the effects of leadership styles on innovative work behavior and the role of locus of control

Finally, these managers were asked what challenges are faced in the leadership style of the company. Most of them responded that there is no clear roadmap or guideline to implement transformational leadership. Massive awareness and knowledge transfer must be conducted in order to gain the benefits of transformational leadership at a country level.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1. Summary

As stated in the Chapter One part of this research paper, the main objective of this research is to examine the effect of transformational leadership on employees' innovative work behavior in Kifiya Financial Technology. After analyzing the data gathered through structured questionnaires, the following major findings are summarized below:

- The mean and standard Deviation show that the four dimensions of Transformational Leadership are practiced in Kifiya Financial Technology
- The mean and standard deviation show that there is employees' innovative work behavior in the company
- The Spearman correlation shows there is correlation between the four dimensions of transformational leadership and innovative work behavior in the company
- Regression analysis, the regression statistics R-squared -0.771 and Correlation coefficient value (R) - 0.878, show that innovative work behavior is highly determined by the components of transformational leadership, which are individual consideration, idealized influence, intellectual stimulation and inspirational motivation in the company
- Idealized Influence is positively and significantly correlated with innovative work behavior with p-value < 0.05
- Inspirational motivation is positively and significantly correlated with innovative work behavior with p-value < 0.05
- Intellectual Stimulation is positively and insignificantly correlated with innovative work behavior with p-value .707
- Individualized Consideration is positively and insignificantly correlated with innovative work behavior with p-value .478

## 5.2. Conclusion

This study was initiated to assess transformational leadership practice and investigate the effect of transformational leadership style on innovative work behavior. Through the process of primary and secondary data collection, the study was meant to determine the effects of the components of transformational leadership on innovative work behavior. The research design was primarily quantitative with small portion of qualitative analysis to have an insight on the challenges of transformational leadership. The primary instrument used in the collection of data was an adopted questionnaire which was self-administered to the employees of Kifiya Financial Technology.

The study revealed some transformational leadership activities performed by the supervisors in Kifiya Financial Technology in relation to the four components of transformational leadership style. The supervisors make others feel good to be around them, they express themselves in few simple words what subordinates should do, enable others to think about old problems in new ways, helps others develop themselves, provide others with new ways of looking a puzzling thing, help others find meaning in their work and give personal attention to subordinates who feel rejected. The study also shows that there are some innovative work behaviors practiced by the employees and they include paying attention to issues that are not part of their daily work, wondering how things can be improved, searching out new working methods, techniques or instruments. Furthermore, the employees find new approaches to execute tasks, attempt to convince people to support an innovative idea and they put effort in the development of new things.

The findings of the study indicated that there is a positive relationship between the components of transformational leadership style and innovative work behavior. The study also revealed that there is a significant relationship between idealized influence and inspirational motivation, and innovative work behavior but no significant relationship between intellectual stimulation and individualized consideration, and innovative work behavior.

### **5.3. Recommendations**

The research study is not without limitations. The survey only addressed a single private company in Ethiopia. The topic is a very wide concept that has no similar and commonly acceptable findings. Based on the research findings revealed in this research paper and the results of other studies, this topic should be studied in a wider and more detailed manner. Though a lot of studies indicated the direct relationship and impact of transactional leadership factors on innovative work behavior, there also studies like Poppendick (2009) that show there is no direct link between transformational leadership and innovative work behavior. As it can be observed in findings of this research paper, results of studies in this area are different. This shows that the area of interest needs further research to come up with common and acceptable results. The researcher of this paper believes that there is no doubt about the fact that all the four dimensions of transformational leadership have significant relationship with innovative work behavior across all sectors and boundaries. As a recommendation, future research on similar topic should be conducted on the partially supported hypotheses that are revealed in this paper, but with larger organizations within the national and international context to generalize the results.

The researcher suggests that the leadership of Kifiya Financial Technology need to pay more attention on implementing transformational leadership for the company's sustained business. Clear guidelines and instructions shall be articulated that will facilitate the implementation and practice of transformational leadership which in turn enhances employees' innovative work behavior that will make the company stand out in the current turbulent competitive business environment.

Further, in future investigations, researchers who study the effect of transformational leadership on innovative work behavior should use data from larger organizations serving in diverse sectors (banking, healthcare, telecommunication, manufacturing, hospitality, and information technology) to contrast the current findings. It is very difficult to research why one variable is independent over the other variable. Since there is no evidence that shows the causal relation among variables, it is very difficult to conclude research finding. For example, subordinates who have greater relationship with their leader can respond on the transformational management traits positively with high value response. The researcher of this paper advises that this problem may be minimized by the gathering longitudinal data at different time and context as well as gathering data about related factors like job satisfaction and other psycho-metric parameters that may offer greater

relevant findings. The quantitative data that was used in this research can reveal the relationship between different variables but cannot explain why such an association exists as perceptions of the different variables depend on human thoughts. Sometimes moderating factors like job satisfaction and work engagement are required to analyse the impact of transformational leadership on innovative work behavior (Prabowo, 2018). Moreover, extensive qualitative data can be used in future studies to find out such a relationship and minimize the biasedness that may occur. Subsequently, the mixed method (qualitative and quantitative data) can bring a broader examination of transformational leadership and employees' innovative work.

Finally, the researcher of this paper would like to recommend that awareness and knowledge sharing are key factors

## 6. REFERENCES

1. Abbas, G.; Iqbal, J.; Waheed, A.; Naveed Riaz, M. (2012). Relationship between Transformational Leadership Style and Innovative Work Behavior in Educational Institutions. *Journal of Behavioural Sciences*. 2012, Vol. 22 Issue 3, p18-32. 15p.
2. Akram, T.; Lei, S.; Haider, M.J.; Hussain, S., T. (2020). The impact of organizational justice on employee innovative work behavior: Mediating role of knowledge sharing. *Journal of Innovation & Knowledge* 5 (2020) 117–129.
3. Al Ahmad, S.; Easa, N. F.; Mostapha, N. (2019). The Effect of Transformational Leadership on Innovation: Evidence from Lebanese Banks. *European Research Studies Journal* Volume XXII, Issue 4.
4. Alshammari, M.M. (2019). Transformational Leadership and Innovative Work Behavior in an IT Department of a Public Organization in the Kingdom of Bahrain. *International Journal of Human Capital and Information Technology Professionals* Volume 10, Issue 3.
5. Anderson, M. (2017). Transformational Leadership in Education. *International Social Science Review*, September 2017, Vol. 93, No. 1 (September 2017), pp. 1-13.
6. Ariyani, N., & Hidayati, S. (2018). Influence of Transformational Leadership and Work Engagement on Innovative Behavior. *Etikonomi: Jurnal Ekonomi*. Vol. 17 (2): 275 – 284.
7. Axtell, C.M., Holman, D.J., Unsworth, K.L., and Wall, T.D. (2000): Shopfloor Innovation: Facilitating the Suggestion and Implementation of Ideas, *Journal of Occupational and Organizational Psychology*, 73 (3), 265-285.
8. Bass, B. M. (1985). Leadership: Good, better, best. *Organizational Dynamics*, 13(3), 26–40. doi:10.1016/0090-2616(85)90028-2
9. Bass, B. M., & Riggio, R. E. (2006). *Transformational leadership*. Mahwah, NJ: Lawrence Erlbaum Associates.
10. Benner, M. J. & Tushman, M. L. (2003). Exploitation, Exploration, and Process Management: The Productivity Dilemma Revisited. *Academy of Management Review* Vol. 28, No. 2.
11. Burns, H. J. (1978). Semantic integration of verbal information into a visual memory. *Journal of Experimental Psychology. Human Learning and Memory*, 4(1), 19–31. doi:10.1037/0278-7393.4.1.19 PMID:621467

12. Carmeli, A.; Meitar, R.; Weisberg, J. (2006). elf-leadership skills and innovative behavior at work. *International Journal of Manpower*, vol. 27, iss.1.
13. Daft, R.L. (2008). *The Leadership Experience* (4th ed.). Thomson South-western. Australia.
14. Dartey-Baah, K. & Ampofo, E.Y. (2015). Examining the Influence of Transformational and Transactional Leadership Styles on Perceived Job Stress among Ghanaian Banking Employees. *International Journal of Business and Management*; Vol. 10, No. 8.
15. Datche, E.A.(2015).Influence of Transformational Leadership on Organizational Performance of State Corporations of Kenya. A Thesis Submitted in Partial Fulfillment for the Degree of Doctor of Philosophy in Human Resource Management in the Jomo Kenyatta University of Agriculture and Technology
16. De Jong, D. J., & Den Hartog, H. D. (2007). How leaders influence employees' innovative behaviour. *European Journal of Innovation Management*, 10(1), 41–64. doi:10.1108/14601060710720546.
17. De Jong, D. J., & Den Hartog, H. D. (2010). Measuring innovative behaviour. *Creativity and Innovation Management*, 19(1), 23–36. doi:10.1111/j.1467-8691.2010.00547.
18. Diaz-Saenz, H.R. (2011). *The Sage Handbook of Leadership*.Sage. Los Angeles.
19. Dorner, N. (2012). *Innovative Work Behavior: The Roles of Employee Expectations and Effects on Job Performance* D I S S E R T A T I O N of the University of St.Gallen, School of Management, Economics, Law, Social Sciences and International Affairs to obtain the title of Doctor of Philosophy in Management.
20. Eyamba, E.P. & Apau, S.A. (2020). Effect of Transformational Leadership Style on Innovative Work Behaviour of Employees. *IOSR Journal of Business and Management (IOSR-JBM)*. Volume 22, Issue 8. Ser. VIII, PP 28-38.
21. Gobena, H.M.(2014). Effects of Transformational Leadership on Organization in Ethiopian Electric Utility. A Thesis submitted to St. Mary's University School of Graduate Studies in Partial Fulfillment of the Requirements for the Degree of Master of Business Administration.
22. Gujral, G.S. (2013). *Leadership Qualities for Effective Leaders*. Vij Books India pvt ltd, new Delhi (India).

23. Gumusluogu, L., & Ilsev, A. (2009). Transformational leadership, creativity, and organizational innovation. *Journal of Business Research*, 461-473.
24. Hoogh, A. H. B., den Den Hartog, D. N., Koopman, P. L., Berg, H. T., van den Berg, P. T., van der Weide, J. G., & Wilderom, C. P. M. (2004). Charismatic leadership, environmental dynamism, and performance. *European Journal of Work and Organizational Psychology*, 13(4), 447–471. doi:10.1080/13594320444000164
25. Jung, D.I.; Chow, C.; Wu, A. (2003). The role of transformational leadership in enhancing organizational innovation: Hypotheses and some preliminary findings. *The Leadership Quarterly*, Volume 14, Issues 4–5, August–October 2003, Pages 525-544.
26. Khan, R.; Rehman, R.U.; Fatima, A. (2009). Transformational leadership and organizational innovation: Moderated by organizational size. *African Journal of Business Management* Vol.3 (11), pp. 678-684.
27. Khan, Z.A.; Nawaz, A.; Khan, I. (2016). Leadership Theories and Styles: A Literature Review. *Journal of Resources Development and Management*. Vol.16
28. Kolodziejczyk, J. (2015). Leadership and Management in the Definitions of School Heads. *Athens Journal of Education - Volume 2, Issue 2 – Pages 123-136*
29. Kroes, B. (2015). The Relationship Between Transformational Leadership and Innovative Work Behavior: The Role of Self-Efficacy and The Effect of Perceived Organizational Support on Innovative Work Behavior. (Unpublished Dissertation). Netherlands: Tilburg University.
30. Li, H.; Sajjad, N.; Wang, Q.; Ali, A.M.; Khaqan, Z.; Amina,S. (2019). Influence of Transformational Leadership on Employees’ Innovative Work Behavior in Sustainable Organizations: Test of Mediation and Moderation Processes. *Journal of Sustainability* 2019, 11, 1594.
31. Prabowo,T.S.; Noermijati , N.; Irawanto, D.W. (2018). The Influence of Transformational Leadership and Work Motivation on Employee Performance Mediated by Job Satisfaction. *Journal of Management*. vol.16.No.1.
32. Nori, R.; Alias, M.; Rosdi, I.S.(2017). Understanding the Drivers of Innovative Work Behavior in Malaysian SMEs. *Proceedings of the 5<sup>th</sup> International Conference on Innovation and Entrepreneurship*. The Multimedia University. Malaysia.

33. Ogola, M.G. (2017). The Influence of Individualized Consideration Leadership Behavior on Employee Performance in Small and Medium Enterprises in Kenya. *International Journal of Business and Social Science* Vol. 8, No. 2.
34. Ogola, M.G.; Sikalieh, Damary; Linge, Teresia, K. (2017). The Influence of Intellectual Stimulation Leadership Behavior on Employee Performance in SMEs in Kenya. *International Journal of Business and Social Science* Vol. 8, No. 3.
35. Ornek, A.S. & Ayas, S. (2015). The Relationship Between Intellectual Capital, Innovative Work Behavior and Business Performance Reflection. *World Conference on Technology, Innovation and Entrepreneurship*. doi: 10.1016/j.sbspro.2015.06.433.
36. Park, Y. K., Song, J. H., Yoon, S. W., & Kim, J. (2013). Learning Organization and Innovative Behavior: The Mediating Effect of Work Engagement. *European Journal of Training and Development*. Vol. 38(½): 75-94.
37. Pieterse, N. Nederveen; Knippenberg, D. VAN; La Schippers, M.; Stam, D. (2010). Transformational and transactional leadership and innovative behavior: The moderating role of psychological empowerment. *Journal of Organizational Behavior*. 31, 609–623 (2010)
38. Poppendick, P. (2009). Direct and indirect effects of transformational leadership on innovative behavior. Bachelor thesis in Work and Organizational Psychology. University of Twente.
39. Pradhan, S. & Jena, L.K. (2019). Does Meaningful Work Explains the Relationship Between Transformational Leadership and Innovative Work Behaviour? *The Journal for Decision Makers* 44(1) 30–40.
40. Rashid, N.R; Halim, N.A. (2018). Innovative Behavior in Educational Institutions: The Role of Transformational Leadership and Teamwork Attitude. *Journal of Management Science, Suratthani Rajabhat University*. Vol.1 No.1
41. Raykov, M. (2014). Employer support for innovative work and employees' job satisfaction and job-related stress. *Journal of Occupational Health*, 56, 244–251.
42. Saeed, B.B.; Afsar, B.; Shahjehan, A.; Shah, S.I. (2019). Does transformational leadership foster innovative work behavior? The roles of psychological empowerment, intrinsic motivation, and creative process engagement. *CONOMIC RESEARCH-EKONOMSKA*

43. Saripin, M.S.; Kassim, E.S. (2019). FACTORS OF INNOVATIVE BEHAVIOR IN MALAYSIA. *Academy of Strategic Management Journal*. Volume 18, Issue 6, 2019
44. Seppala, E. (2016). To Motivate Employees, Do 3 Things Well. *Harvard Business Review*, Available on January 04, 2016. Available in <https://hbr.org/2016/01/to-motivate-employees-do-3-things-well>. accessed on 29th July 2016.
45. Spiegelaere, S.D.; Gyes, G.V.; Hootegem, G.V. (2012). Job Design and Innovative Work Behavior: One Size Does Not Fit All Types of Employees. *Journal of Entrepreneurship, Management and Innovation (JEMI)*, Volume 8, Issue 4, 2012: 5-20
46. Theurer, C.P.;Tumasjan, A; Welp, I.M. (2018). Contextual work design and employee innovative work behavior: When does autonomy matter? <https://doi.org/10.1371/journal.pone.0204089>.
47. Thuan, L.C. (2020). Motivating follower creativity by offering intellectual stimulation. *International Journal of Organizational Analysis*. Vol.28, iss., 4.
48. Tims, M., Bakker, A.B., & Xanthopoulou, D. (2011). Do Transformational Leader Enhance Their Followers' Daily Work Engagement?, *The Leadership Quarterly*. Vol. 22: 121-131.
49. Trott, P. (2008). *Determinants of Innovative Behaviour*. Palgrave Macmillan,2008.
50. Victor,J., Fernando, M., & Nuria, H.(2008).Influence of transformational leadership on organizational innovation and performance depending on the level of organizational learning in the pharmaceutical sector. *Journal of Organizational Change Management*, 21(2), 188–212. doi:10.1108/09534810810856435.
51. Wasono, L.W. & Furinto, A. (2018). The effect of digital leadership and innovation management for incumbent telecommunication company in the digital disruptive era. *International Journal of Engineering & Technology*, 7 (2.29) (2018) 125-130.
52. Yuan, F. & Woodman, R. W. (2010). Innovative Behavior in the Workplace: The Role of Performance and Image Outcome Expectations. *Academy of Management Journal* Vol. 53, No. 2.

53. Zhang, X. & Bartol, K. (2010). The influence of creative process engagement on employee creative performance and overall job performance: A curvilinear assessment. *Journal of Applied Psychology*, 95(5), 862–873. <https://doi.org/10.1037/a0020173>

## **Annex I: Questionnaire**

Dear respondent,

The purpose of this questionnaire is to gather information about the relationship between transformational leadership style and employees innovative work behavior in Kifiya Financial Technology. The collected data will be utilized as a primary data in the study which I am conducting as a partial fulfillment of the requirement for the successful completion of the master's degree in Business Leadership.

Please spare few minutes of your time and respond to the questionnaires below as honestly as you can. The information provided by you will be for academic purposes only and will be treated as private and confidential.

Your genuine and timely responses are quite vital to determine the success of this study. So, I kindly request your contribution in filling the questionnaire below.

### **Instruction:**

- No need of writing name.
- Kindly answer the following questions by ticking the appropriate box or provide your answer or suggestion /comments whenever appropriate.
- Please respond as accurately as possible and at your earliest possible time

Thank you for your commitment & cooperation in advance.

Binyam Solomon

Email: [Binyam.solomon@gmail.com](mailto:Binyam.solomon@gmail.com)

Mob: +251 911 10 46 77



Middle level (Unit heads, Mgrs.)  ...

Lower level (Coordinators & below)  ....

7. How long did you work for Kifiya?

1-5 Years

6-10 Years

11-15 Years

Above 15 Years

8. How long have you been working on the current position? :-

\_\_\_\_\_ years

9. How long have you worked with your current leader? \_\_\_\_\_years.

10. How long is your previous work experience on the same position? (\_\_\_\_\_years

**Section B: Transformational Leadership (TL) Survey-**

This questionnaire is designed to help you to describe your company’s leadership style as you perceive it. Please answer items below by entering a number from 0 to 4 that best reflects your perception. Judge how frequently each statement fits your view. The word "others" meant for 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. Whatever information you give me is strictly confidential and could be used for academic purpose only. Use the below rating scale.

S. No	Questionnaire for TL	Not at all	Once in a while	Sometimes	Fairly Often	Frequently, if not always
		0	1	2	3	4
	<b>Idealized Influence</b>					
1	Does the manager talk with you about what is important to you?					
2	Does the manager give you the feeling of your importance in the work?					
3	Does the manager show you that he/she intends to be convinced of his/her ideas, beliefs and values?					
	<b>Inspirational Motivation</b>					
4	Does the manager have a vision and a picture of the future?					
5	Does the manager make you eager for his/her plans?					
6	Does the manager involve you in important work decisions?					
	<b>Intellectual Stimulation</b>					

7	Does the manager encourage you to think in new ways about problems?					
8	Is he/she always looking for new opportunities for the organization?					
	<b>Individualized Consideration</b>					
9	Does the manager encourage you to think independently?					
10	Does the manager encourage you to develop your talents?					
11	Does the manager delegate challenging responsibilities to you?					

Source: Adapted from Hoogh et al. (2004).

Any comments

---



---



---



---

**Section C: Innovative Work Behavior (IWB) Survey.**

Please indicate the extent of your agreement or disagreement with each statement as objectively as you can by circling a number from **0 to 4**. Whatever information you give me is strictly confidential and could be used for academic purpose only, so please respond honestly. Use the following rating scale.

S. No	Questionnaire IWB	Not at all	Once in a while	Sometimes	Fairly Often	Frequently, if not always
		0	1	2	3	4
	<b>Idea Exploration</b>					
1	Do you often pay attention to issues that are not part of your daily work?					
2	Do you often wonder how things can be improved?					
	<b>Idea Generation</b>					
3	Do you often search out new working methods, techniques and instruments?					
4	Do you often generate original solutions for products?					
5	Do you often find new approaches to execute tasks?					
	<b>Idea Championing</b>					

6	Do you often make important organizational members enthusiastic for innovative ideas?					
7	Do you often attempt to convince people to support an innovative idea?					
	<b>Idea Implementation</b>					
8	Do you often systematically introduce innovative ideas into work practices?					
9	Do you often contribute to the implementation of new ideas?					
10	Do you often put effort in the development of new things?					

Source: Adapted from De Jong and Den Hartog (2010).

Any comments

---



---

## **Annex II: Interview Questions for Managers**

### **I. General information/Background information**

1. What is your position?
2. How long have you been serving Kifiya?
3. What style of leadership does your company follow?

### **II. Effects of transformational Leadership on Organizational innovation**

1. How do you explain transformational Leadership?
2. Do you think transformational leadership has an impact on organizational Innovation?
3. What are the effects of Transformational Leadership & employees innovative work behavior?
4. Is there an internal study conducted before about the relationship or impact of transformational leadership & Organizational Innovation?
5. Are there any potential challenges in practicing the leadership style?
6. What are the causes of the potential challenges underlying the transformational leadership style?