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**COLLEGE OF BUSINESS AND ECONOMICS  
SCHOOL OF COMMERCE**

**The Effect of Transformational Leadership on Employees' Retention: The  
Case of Bank of Abyssinia**

**By: Ruth Mergia**

**Advisor: Dr. Zegeye Muluye**

**ADDIS ABABA UNIVERSITY  
COLLEGE OF BUSINESS AND ECONOMICS  
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**Addis Ababa**

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of Abyssinia**

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**A Thesis Submitted to Addis Ababa University College of business and economics  
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## **Declaration**

I, Ruth Mergia, hereby declare that this thesis titled “The effect of Transformational Leadership on employees’ retention: The case of Bank of Abyssinia” submitted by me for the award of Masters of Art in Business leadership (MBL) is my original work and it has never been presented in any university. All sources and materials used in this thesis are properly acknowledged.

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

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**APPROVAL SHEET**

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## **LIST OF ABBREVIATIONS/ACRONYMS**

BOA –	Bank of Abyssinia
IC –	Individualized Consideration
II –	Idealized Influence
IM –	Inspirational Motivation
IS –	Inspirational Stimulation
SPSS -	Statistical Package for Social Science
TS –	Transformational Leadership

## ABSTRACT

*The aim of this study is to explore the effect of Transformational Leadership on employees' retention in Bank of Abyssinia. Elements of Transformational Leadership (Idealized Influence, Inspirational Motivation, intellectual stimulation and Individualized Consideration) were used as independent variables to predict Employee Retention (IV). Primary data was used. The research followed cross-sectional explanatory research design, quantitative approach, survey method and questionnaire was used as data collection instrument. Samples were taken from 14 departments of Bank of Abyssinia Head quarter. Proportional stratified sampling was used. Data were collected from the sample of 200 from the organization through standard questionnaire. Descriptive statistics, correlation and regression analysis was used to analyse the data with the aid of SPSS version 26. The study finds that Idealized Influence, intellectual simulation and individual consideration has a positive and significant effect on Employee Retention. However Inspirational Motivation was not significant in this study. The research concluded that the effect of Transformational Leadership is significant in retaining employees. Therefore, since Transformational Leadership is shown to make employees loyal to the bank and reduces turnover, the bank should adopt it at all levels including the branches. In order to develop a good result training should be given to the bank's leaders so that to develop Transformational Leadership characteristics. The recruiting process also needs to recruit potential managers as a successor, who has transformational leader character*

**Key words:** Transformational Leadership, Employee Retention

# CHAPTER ONE: INTRODUCTION

The first chapter of this thesis deals with the introductory part of the study and it includes the following sections: background about the study, statement of the problem, research question and objectives, definition of terms, scope of the study, limitation, significance and organization of the study.

## 1.1 Background of the Study

Employees are an organization's most valuable resource. Because of their critical nature, they can be referred to as an organization's life-blood. Even though technological advancement has caused most organizations to become increasingly technology-driven, this does not diminish the value of employees in an organization because technology requires human resources to function. With issues such as globalization, competition in most industries is becoming increasingly fierce. This situation necessitates the retention of human resources. To remain competitive, organizations must not only attract and manage the best talent, but also retain them.

Employee Retention is concerned with keeping or encouraging employees to stay with an organization for as long as possible. It is a technique used by businesses to maintain an effective workforce while also meeting operational requirements (Mita 2014). Bidisha (2013), on the other hand, defined it as a process in which employees are encouraged to stay with the organization for the longest possible time or until the project is completed. Employee Retention, according to Workforce Planning for Wisconsin State Government (2015), is "a systematic effort to create and foster an environment that encourages employees to remain employed by having policies and practices in place that address their diverse needs."

Various studies have discovered various factors for Employee Retention. Organizational culture, remuneration and benefits, training opportunities, and fair and equal treatment, according to Ghapanchi and Aurum (2011), all play a significant role in Employee Retention. According to Loan-Clarke et al. (2010), autonomy, work-schedule flexibility, and social support assist organizations in retaining their employees for a longer period of time. Christeen (2014) identified a conducive environment, social support and development opportunities, and work-life balance as factors for Employee Retention. Andrews and Wan

(2009), on the other hand, emphasized management style and leadership to increase an organization's retention capability.

Leadership is the ability one individual to motivate and influence others (de Oliveira Rodriguez & Ferreira, 2015). Transformational leaders inspire their teams to excel by establishing an appealing and exciting vision, setting challenging yet achievable goals, being confident and optimistic, and emphasizing team spirit and shared values (Bass, 1985; Grant, 2012).

Developing a retention-rich organization that attracts, engages, and builds long-term loyalty among the most talented employees is critical to success in today's globalized economy. The cost of losing employees is far greater than the cost of retaining them through compensation plans (Carter et al., 2019). Employee Retention is critical for organizations to achieve and sustain success (Arachchillage and Senevirathna, 2017; Paul and Vincent, 2018). Retention decisions are influenced by Transformational Leadership (Sulamuthu and Yusof, 2018). Furthermore, the Transformational Leadership theory strongly supports the link between Transformational Leadership and Employee Retention (Amankwaa and Anku-Tsede, 2015)

The study was carried out at the Bank of Abyssinia. The current Bank of Abyssinia was founded on February 15, 1996, in accordance with the new policy and the Ethiopian investment code; this is 90 years to the day after the first but defunct private bank was founded in 1906 during Emperor Menelik). The bank was founded with a subscribed capital of 25 million Birr, an authorized capital of 50 million Birr, and a paid-up capital of 25 million Birr ([www.bankofabyssinia.com](http://www.bankofabyssinia.com), Accessed on May 1, 2022).

The Bank is now expanding its reach through strategically placed branch locations as well as digital means. As a result, the bank increased its total number of branches to 608 as of the 2020/21 fiscal year. In an effort to reach out to more customers, the bank increased its deposit customer base by more than 2.55 million, bringing the total customer number to 5.16 million, with Interest Free Banking accounts accounting for 0.62 million of that total.

The Board of Directors of Abyssinia Bank consists of 9 members. Furthermore, the bank has two Shariah advisory committees. The Executive Management consists of 12 members and is chaired by the CEO. Accordingly, the number of employees has increased to 8,146 at the end of the 2020/21 fiscal year, a 21.3 % increase over the previous year's same period human resource strength.

## **1.2 Statement of the Problem**

In an organization, leadership style has a significant impact on increasing individuals' interest and commitment, which leads to the organization's success or failure (Obiruwu, 2011; Al Khajeh, 2018).

Transformational Leadership is a modern form of leadership in which the leader collaborates with employees to identify the necessary change, develops a vision to guide the change through inspiration, and implements it with committed members of the group (Riggio & Conger, 2008).

A study of Nigerian banks found a strong relationship between leadership style and organizational performance. The relationship was discovered to have both positive and negative aspects. Transformational Leadership, which focuses on real-time problems, defines new benchmarks, and motivates and shapes subordinates' behaviour to achieve organizational goals effectively, was found to have a positive effect on bank performance in the study. Whereas transactional and bureaucratic leadership styles had a negative impact on organizational performance, implying that the styles do not motivate employees to perform as expected. This suggests that these leadership styles demoralize employees, which may lead to high turnover intentions (Ojokuku et., al 2012; Arif and Akram, 2018).

Different researches have listed different factors for Employee Retention. A research done by Yousuf & Siddiqui (2019), on banks, concerning the Factors influencing Employee Retention; Performance appraisal, training and development, working environment were taken and all three independent variables were evident to be an influencing factor to different extents in shaping the employees' decision of staying within the organization.

According to Abba (2018)'s study on the Effects of Training and Development on Employee Retention in Banks, training and development have a positive relationship with Employee Retention; additionally, a study done on Tanzanian commercial banks revealed a significant linear relationship between leadership and Employee Retention. The study suggests that bank managers and supervisors receive leadership training (Mwita & Tefurukwa, 2018). Furthermore, Transformational Leadership was found to have a negative relationship with turnover intentions in a study conducted on targeted banks in Pakistan (Shah et., al 2018).

Furthermore, a study conducted at Bahir Dar University on the Impact of Leadership Style on Employee Commitment discovered that transformational and transactional leadership styles had a positive and statistically significant impact on employee commitment, resulting in Employee Retention. A study conducted on Wegagen Bank also showed a positive, strong, and significant relationship between transformational and transactional leadership and employee work performance (Kebede & Lemi, 2020)

Bank of Abyssinia recognizes human capital as an important determinant of organizational effectiveness as one of its major assets. According to its mission statement, the Bank recognizes that deploying competent and motivated human capital is critical to achieving its goal. In this regard, BOA has implemented a consistent HR strategy that will allow the bank to attract, develop, and retain best suit leaders and employees, resulting in increased productivity and overall business efficiency. In order to provide better and more efficient services to customers, the bank conducts a series of developmental and technical trainings, in addition to providing financial assistance for short and long-term formal education (BOA annual report, 2021).

Even though the bank invest so much on attracting and developing employees based on its HR policy, senior employee turnover is highly observed. Employees are leaving the bank and joining newly established banks which has been growing rapidly but struggling to fit in this competitive business environment in Ethiopia. Even though technology advancement and digitalization play major role in today's banks, what differentiate one bank from other is its human resource and human resource management policies and practices used by managers. To be successful and compete with this giant bank industry, employee's performance plays a significant role (Bartel, 2004; Temesgen, 2011).

This paper tries to see the effect of Transformational Leadership from the perspective of Bank of Abyssinia. The application of this style for the relational working ties between employees and management and Employee Retention was studied.

### **1.3 Research Questions**

- ✓ To what extent transformational leadership affects employees' retention?
- ✓ What is the effect of transformational leaders on creating a good working environment for the employee and retaining employees?

- ✓ What is the effect of Idealized Influence, Inspirational Motivation, intellectual stimulation, and individual consideration on Employee Retention?

## **1.4 Hypothesis of the Study**

Ha1: Transformational Leadership style has a positive and significant effect on Employee Retention in Bank of Abyssinia

Ha 1.1. Idealized Influences has positive and significance effect on Employee Retention in Bank of Abyssinia

Ha 1.2. Inspirational Motivations has positive and significance effect on Employee Retention in Bank of Abyssinia

Ha 1.3. Intellectual stimulation has positive and significance effect on Employee Retention in Bank of Abyssinia

Ha 1.4. Individual considerations has positive and significance effect on Employee Retention in Bank of Abyssinia

## **1.5 Objectives of the Study**

### **1.5.1 General Objective**

The overall objective of this study is to assess the effect of Transformational Leadership styles on Employee Retention in Bank of Abyssinia.

### **1.5.2 Specific Objectives**

- ✓ To identify the extent of the effect of Transformational Leadership implementation in Bank of Abyssinia.
- ✓ To examine the effect of Transformational leadership on employee retention.
- ✓ To assess the effect of factors of Transformational Leadership (Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individual Consideration) on Employee Retention

## **1.6 Significance of the Study**

This study's findings will help the bank to see the impact of leadership style has on Employee Retention. In addition to this it will help the bank to realize the magnitude of its employee turnover and set strategies to minimize it. The bank can also use the findings of this research to develop a better leadership style that promote best way to promote employee's retention. It will also help the managers and employees of BOA to have clear understanding of Transformational Leadership construct that contribute highly for Employee Retention. In addition to this, the findings of this research will be used by future researchers, students and academicians digesting the effects of Transformational Leadership on employee's retention

## **1.7 Scope of the Study**

To address the problem under consideration, this research is delimited to the effect of Transformational Leadership style on Employee Retention at Bank of Abyssinia S.C. To measure the effect of Transformational Leadership the research will implement a regression model, and to identify the relationship the research will implement correlation using primary data. The geographic area in which the study will be focused on is the banking industry, specifically Bank of Abyssinia S.C., headquarters and the study is intended to assess the role of Transformational Leadership style on employee's retention only from employees' perspective in the bank and the respondents are all in Addis Ababa Ethiopia. The research will be conducted on the Headquarter of the bank. This research will incorporate data for the financial period 2020/2021.

## **1.8 Limitation of the Study**

The study is limited to the effects of Transformational Leadership on employee's retention of the Bank of Abyssinia and as such does not study other type of leadership type and factors that could impact employee's retention. Furthermore, time and financial constraints would be a factor in limiting sample size to a manageable level since Bank of Abyssinia has branches across country wide distribution network covering almost all regions.

## **1.9 Organization of the Study**

The study is organized in to five chapters. The first chapter starts with the introduction part which was consisted background of the study, statement of the problem, research objectives,

scope of the study, significance of the study, limitation and organization of the study; the second chapter discusses literature review, the third chapter also focuses on research design and methodology and the fourth chapter also discusses data analysis and discussion and finally chapter five presents summary of key findings, conclusions and possible recommendation.

## **1.10 Definition of Terms**

**Transformational Leadership:** Style of leadership where the leader works with employees to identify the needed change, creating a vision to guide the change through inspiration, and executing the change in tandem with committed members of the group (Riggio and Conger, 2008)

**Idealized Influence** is defined as having transformational leaders who behave in ways that result in their being role models for their followers. These leaders are admired, respected and trusted. Followers identify with the leaders and want to emulate those (Bass, 1999).

**Individualized Consideration:** Socio-emotional support given by leader to his/her followers, in response to their specific needs, which promotes their development and empowerment (Riggio and Conger, 2008).

**Intellectual Stimulation:** Development of new and different solutions to common problems and conducting work in new ways (Yusuf, Mohammed and Kazeem, 2014).

**Inspiration motivation:** It is the promotion of the leader to the members about a consistent vision, which offers them a set of values that provide a meaning. Members invest considerable effort to achieve their tasks having a firm belief in their abilities.

**Employee Retention:** organizational goal of keeping talented employees and reducing turnover by fostering a positive work atmosphere to promote engagement, showing appreciation to employees, and providing competitive pay and benefits and healthy work-life balance.

# CHAPTER TWO: LITERATURE REVIEW

## 2.1 Introduction

This chapter tries to discuss the theoretical aspect of the subject matter, summarize previous related research on the research topic. In order to be informed about the existing knowledge in the subject area and strengthen the research outputs, the literature review portion of this study examines relevant reviews, studies and journals of other researchers and scholars that are done in the area of Transformational Leadership style and Employee Retention.

The banking sector is a fundamental component of economy in almost any given society (Belias & Kustelios 2014). Leadership teams at financial institutions seem to not have the courage and/or capacity to embrace change - and it is up to strong leaders to both allow and push their employees to be creative and innovative. Customer behaviour, technology and competition are rapidly evolving, on-going, and simultaneously; therefore, bank leaders must be ready for challenges as well. Banks, similarly, to any other industries, should start viewing change as a norm rather than an exception. (Pilcher 2015) Chris Skinner (2015).

## 2.2 Transformational Leadership Style

The term Transformational Leadership was first coined by Downton in *Rebel Leadership: Commitment and Charisma in a Revolutionary Process* (1973, as cited in Covey, 2007). During his study of political leadership, James MacGregor Burns first coined the concept of Transformational Leadership in his book *Leadership* by the year 1978, but this term is now used in organizational psychology as well. He mentioned it not as a set of specific behaviours, but rather an on-going process by which leaders and followers raise one another to higher levels of morality and motivation. According to Covey (2007) the goal of Transformational Leadership is to “transform or convert” people and organizations in a literal sense – to change them in mind and heart; clarify purposes; make behaviour congruent with beliefs, principles, or values; enlarge vision, insight, and understanding and bring about changes that are permanent, self-perpetuating, and momentum building." Transformational Leadership involves a leader-follower exchange relationship in which the followers feel trust, loyalty, and respect toward the leader, and are motivated to do more than originally expected (Bass, 1985).

The transformational leader removes the "fear factor" from work by emphasizing opportunities to grow and learn rather than focusing on the outcomes of efforts. They fundamentally alter the behavioural patterns and mind sets of their followers (Wright & Pandey, 2010). According to the evidence, Transformational Leadership plays a critical role in reducing turnover intention (Waldman et al., 2015). This leadership style fosters a sense of ownership among employees, which strengthens their team-oriented vision toward a larger goal (Eberly, et al., 2017). It fosters a sense of maturity and ideals in its employees.

Transformational leaders increase employees' sense of right and wrong by attracting them to high and ideal standards such as rectitude, equality, peace, and freedom rather than relying on emotional standards such as fear, greed, envy, and ill will (Ennis, Gong, & Okpozo, 2018). Leaders with this style are quick to respond in order to foster a collaborative working environment and communicate a shared vision among organizational members (Sun & Wang, 2017).

Transformational Leadership focuses on both the development and the needs of followers. Managers who use a Transformational Leadership style focus on the growth and development of their employees' value systems, inspirational levels, and moralities as a prelude to their abilities. According to Bass, Transformational Leadership occurs when leaders become broader and uphold the interests of their employees, when they generate awareness and acceptance for the group's purpose and assignment, and when they combine employees to appear beyond their own self-interest for the good of the group.

Transformational leaders, according to Bass and Avolio (1990), encourage followers to view problems from new perspectives, provide support and encouragement, communicate a vision, and stimulate emotion and identification. Transformational Leadership, according to Podsakoff et al. (1990), has an active influence on individual and organizational outcomes such as employee satisfaction and performance.

Transformational Leadership style consists of four main dimensions; Inspirational Motivation, Idealized Influence, Individualized Consideration and Intellectual Stimulation.

### **2.2.1 Inspirational Motivation**

Inspirational Motivation entails the exchange of meaningful vision through words and actions that appeal to others to be motivated by a leader's positive attitude toward his or her followers in order to overcome the challenges ahead. It refers to managers who persuade their

employees to support the organization's vision. Managers who are inspirational in their motivation encourage team spirit in order to achieve the organization's goals of increased revenue and market growth. Employees expect leaders to instil a vision that is both appealing and worthy. Transformational leaders accomplish this by communicating a vision so effectively that followers internalize it and adopt the goal of achieving that vision as their own. This begins with instilling a strong sense of purpose in employees and establishing high standards and expectations for achievement.

The motivation to succeed is not based on fear, but rather on the example of others. Transformational leaders set high standards and expectations for themselves and then model them for their employees and the entire organization. Their actions instil in their followers the same sense of passion that they have for a project, a goal, or the larger organizational vision. Employees now have a strong sense of purpose and a "mission mind set" to help them achieve their objectives (Kent et al., (2001); H. R. Diaz-Saenz (2011)).

### **2.2.2 Idealized Influence**

Idealized Influence represents a leader's high competency and moral values, which influence followers. Idealized Influence refers to managers who serve as role models for their employees. Managers with Idealized Influence can be trusted and respected by colleagues for making sound business decisions.

As previously stated, the most effective way to instil Inspirational Motivation in employees is to positively model it. In every way, transformational leaders serve as role models for their employees. This includes modelling ethical and socially desirable behaviour, remaining committed to work goals, and demonstrating enthusiasm for company strategy.

This influence is built on trust and respect; not just "for the good of the organization," but for the good of the team and for them as individuals. Employees become followers as a result of this trust, wanting to emulate their leaders and internalize their ideals (Bass et al., 1987).

### **2.2.3 Individualized Consideration**

Individualized Consideration is another factor that identifies a person's strengths, weaknesses, and needs while mentoring them toward their full potential. It refers to managers who serve as coaches and advisors to their subordinates. Individual consideration managers

encourage associates to achieve goals that benefit both the associates and the organization. One of the key Transformational Leadership traits among the various traits is the ability to transmit a sense of the larger culture to the individual, giving employees a sense of ownership in company goals and independence in the workplace.

Transformational leaders care about the professional development of their employees and strive to build positive relationships with them. This entails maintaining open lines of communication, attending to employees' individual needs, mentoring them, and recognizing each person's unique contributions. Those leaders are frequently recognized by the trust, respect, and admiration that others have for them (H. R. Diaz-Saenz , 2011).

#### **2.2.4 Intellectual Stimulation**

Intellectual stimulation entails requiring followers to participate in decision making in order to broaden their perspective and find a solution to the challenges (Bass, 1996). It refers to managers who encourage innovation and creativity by challenging a group's conventional beliefs or views. Managers who are intellectually stimulated encourage critical thinking and problem solving in order to improve the organization. Leaders place a premium on new experiences, new opportunities, and new ways of thinking.

### **2.3 Employee Retention**

In today's world of global competition, the emphasis is on human resources. The most valuable resource of any organization is its people. Human Resource Management is now recognized as a critical management activity capable of making a significant contribution to the success/effectiveness of any organizational endeavour. Organizations have recently established that increasing emphasis on human resources is one of the most significant developments. People are regarded as essential to organizations because they bring perspectives, values, and characteristics to organizational life; and when managed effectively, these human traits can provide significant benefits to the organization Human resource management is a function in organizations that is concerned with managing people in the workplace and is essential to the organization's existence (Ekwoaba, et al., 2015).

Human resource, particularly skilled human resource, is an important asset for a country's development. Beyond all, the political, economic, and social-cultural development of any country is dependent on the number of qualified and skilled human resources available in that

country. A greater supply of physical and financial resources does not guarantee a country's economic development unless efficient and effective manpower is available in the country (Foot and Hook, 2005). Such human resources need proper attention and follow up to retain them where they are so that to avoid a cost of recruiting and replacing.

Employee Retention became popular in the 1970s and early 1980s. Prior to this, most people joined organizations and stayed for a long time, sometimes for the rest of their working lives. However, as job mobility and voluntary job changes increased dramatically, employers faced the problem of employee turnover, and a matching management tool known as Employee Retention was developed. Retention is a voluntary move by an organization to create an environment that engages employees for the long term. It refers to efforts to keep employees in the organization and reduce voluntary turnover.

The primary goal of retention is to keep competent employees from leaving the organization, which could have a negative impact on productivity and service delivery. The goal of retention policies should be to find and keep committed employees for as long as it is mutually beneficial to both the organization and the employee. When employees are satisfied with their jobs, they do not consider leaving their current positions. Retaining top performers (employees) simply boosts productivity and morale while lowering the associated and related costs of turnover (Madiha, Ayesha, Sajid, & Raza, 2009).

According to Samuel and Chipunza (2009), there are numerous factors that influence employees' decisions to leave or stay in an organization. These variables include training, reward, recognition, a competitive salary package, and job security. Whereas Carl et al., (1999) highlighted HRM practice to focus an individual as a proactive approach by management and also became a competitive advantage for the business in the last decade.

According to Azhar and Fariha (2010), management must consider the improvement of HRM practices of the highest quality in order to retain employees in the organization. Employee Retention can be increased further through job-specific training, career development opportunities, a friendly work environment, and rewards with other benefits that should be planned by the organization.

The cost of losing employees is much higher than retaining them through compensation plans (Carter et al., 2019). Transformational Leadership influences the retention choices of employees (Sulamuthu and Yusof, 2018). Furthermore, the theory of transformational leaders

strongly supports the relationship between Transformational Leadership and Employees retention (Amankwaa and Anku-Tsede, 2015; Khan, 2015).

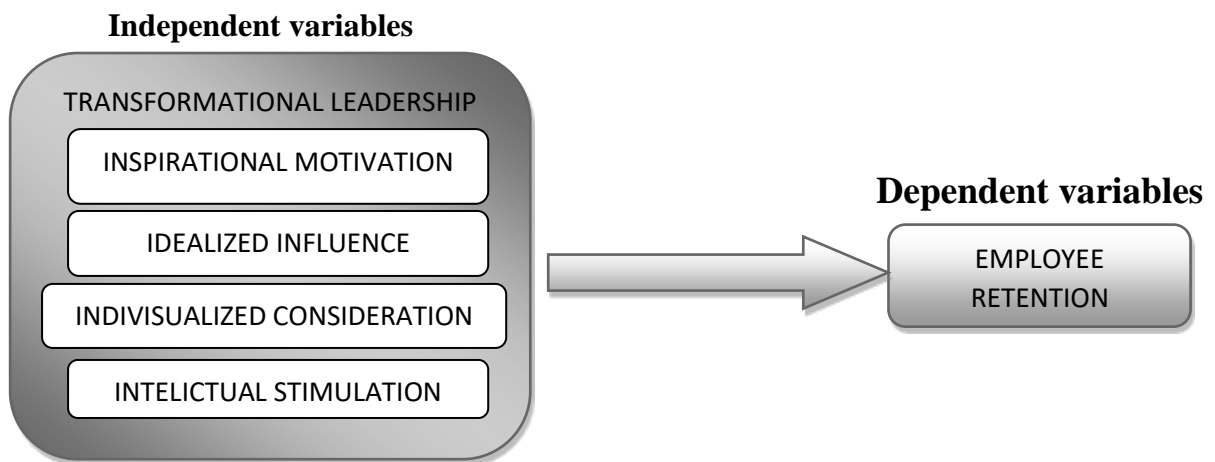
## **2.4 Role of Leadership Style on Employee's Retention**

An effective Employee Retention strategy can provide a competitive advantage and be the key to an organization's success. It is beneficial not only to the organization, but also to the individual.

One of management's most important responsibilities is to foster a work environment that will endear the organization to its employees. It also includes persuading these employees to remain committed to the organization. The role of leadership is critical in retaining employees. Organizations cannot afford to entrust the responsibility of retaining high-performing employees to human resource departments. Responsibility and accountability for retaining talent must shift to leaders, and their ability to create a retention climate, a culture that speaks to employees in a way that encourages them to stay, will be an organization's best defence against unwanted turnover. Leaders are thus the secret weapon in retaining valued talent for a longer period of time (Abba, M. T. (2018).

Leadership behaviour has a positive impact on organizational commitment and intention to leave. Transformational Leadership was discovered to be the most important factor in lowering and mitigating turnover intentions. For example, faith in the leader, support from the leader, and developing a blame-free culture fosters employee engagement at work (Kahn, 1990) leading to be retained in the organization. In addition to these, as a result, it is clear from the literature that leadership style is critical in staff retention. Organizations must therefore exercise extreme caution when hiring managers; in addition to professional competence, managers must be thoroughly tested for their potential leadership style (Wakabi, B. M. (2016).

## 2.5 Conceptual Framework of the Study



**Figure 2.1 Conceptual Framework**

## **CHAPTER THREE: METHODOLOGY**

The previous chapter provided a review of related literature on the relationship between Transformational Leadership and Employee Retention. The methodology chapter discusses and explains the research design and methods, the target population, sampling size and techniques, as well as the data collection procedure which includes the questionnaire design and measurement of the tools.

### **3.1 Study Area**

Abyssinia bank has more than 608 branches in the country. However, this research took headquarter to study the effect of Transformational Leadership and it's constructs on Employee Retention in the Bank.

### **3.2 Research Design**

Research design is the entire framework for the study. It refers to the overall strategy that a researcher chooses to integrate the different components of the study in a coherent and logical way; it constitutes the blueprint for the collection, measurement, and analysis of data (Saunders et al., 2016). It also covers the procedures for gathering, analysing, interpreting, and reporting data in research studies, as well as how all of this contributes to answering the research question. The manner in which the research question is stated, the objectives of the study, the available data sources, and the availability of time all have an impact on the choice of an appropriate research design (Saunders et al., 2009).

The purpose of this study is to assess the impact of Transformational Leadership style on Employee Retention using quantitative data. The researcher used an explanatory research design based on the study's purpose. In addition, a cross-sectional study was conducted.

Appropriate approaches must be considered in order to collect relevant empirical data for academic research (Bryman & Bell, 2005). Research approaches are research plans and procedures that cover everything from broad assumptions to detailed data collection, analysis, and interpretation methods. And the research approach was chosen based on the nature of the research problem or issue being addressed, the researcher's personal experiences, and the study's target audiences (Creswell, 2014). According to Creswell, specific approaches are required for certain types of social research problems. For example, if the problem requires

identifying factors that influence an outcome, determining the effectiveness of an intervention, or determining the best predictors of outcomes, a quantitative approach is preferable. Quantitative approach involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion (Kothari, 2004).

Therefore, given the nature of data, the problem taken into account and pre-determined objectives in this study, the research design for this study was a cross-sectional descriptive survey type by applying quantitative research approach.

### **3.3 Target Population and Sources of Data**

The source population for this study was all Head office employees of Bank of Abyssinia. As target population for the study, only employees of core departments of the bank were included. Because, the researcher believes that those departments understand and give useful response about Transformational Leadership behaviour and its impact on Employee Retention in the bank. Employees working at different branches of BOA were not included in this study. The target population in which the samples were taken are 400 employees of the Abyssinia bank Head quarter.

In general there are two types of data sources; primary data and secondary data sources. Information collected and processed directly by the researcher is one of the primary data sources. This can be seen in observations, surveys, interviews, and focus groups. Secondary data sources, on the other hand, include information gleaned from earlier sources. Examples include the Internet, various research articles, journals, and library searches. The researchers used primary data sources, through questionnaires, to analyse and discuss the targeted objective.

In addition to the primary sources, different published books, internet websites, journals, previous research papers and official reports of the Banks documents were used as secondary data. Published books were reviewed to review related theoretical literatures to interpret research findings. Journals and research papers were also used in this study as a base for conducting this study to attempt adding some new finding on the existing knowledge.

### 3.4 Sampling and Sample Techniques

Sampling is the process or technique of selecting a suitable sample for the purpose of determining parameters or characteristics of the whole population (Adams et al, 2007). The researcher applied stratified sampling technique since it is intended to include employees from all the departments. The respondents from each stratum were selected randomly so that the findings of the study will be meaningful representation from all the departments that the bank has.

There are different formulas in the literature regarding determination of representative sample size. To determine the sample size and representative of the target population, the study used statistical instrument formula. This thesis used Yaman's sampling formula.

$$n = N/1 + N(e)^2$$

The study assumes that the margin of error 5% and confidence level or error free of 95%.

Using the above portrayed statistical formula, the sample size of study was determined as follows.

$$n = 400/1 + 400(0.05)^2$$

$$n = 200$$

Where

n= sample size

N= population

e= error margin

Therefore, the Sample size was 200.

### 3.5 Data Collection Methods

Data collection method describes all about how data is gathered or collected. There are various methods of data collection such as census, experiment, survey and observation. In this study, the researcher use sample survey method where structured questionnaires with five point Likert scale, were administrated. A survey design provides a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that

population. From sample results, the researcher generalizes or makes claims about the population (Creswell 2014).

Quantitative data was collected from employees of the bank using questionnaires for the research questions and objectives to be answered. Questionnaire is selected since it allows users to collect large amounts of data in a short period of time. Furthermore, it enables the standardized response of a large number of issues. The Questionnaires for Transformational Leadership was Measured By 15 items which indicates Idealized Influence, Inspirational Motivation, intellectual stimulation and individual consideration which were adopted from Bass (1990) with a little modification.

The first section of the questionnaire contains the demographic characteristics of the respondents where respondents are requested to provide information about their gender, age, experience and education level. The second section of the questionnaire contains questions related with each variable in the study. The items are formed with a 5-point agreement–disagreement Likert format with 1=Strongly Disagree and 5=Strongly Agree.

### **3.6 Data Analysis Method**

In this study, the data collected from the respondents was analysed by applying descriptive and inferential statistics using Statistical Package for Social Science (SPSS). Frequency tables are used to summarize the respondent's profile in the form of frequency and percentages whereas the descriptive statistics such as mean, mode of employees' answers were calculated to determine employees' perceptions toward Transformational Leadership.

Correlation analysis statistical tools were employed to examine the relationship between Transformational Leadership elements with Employee Retention. Moreover, regression analysis was employed to determine the effect of independent variable (Transformational Leadership variables) on dependent variable (Employee Retention).

### **3.7 Reliability Test**

Reliability is essentially a test by which our measurement method produces stable and consistent result, over instruments and over groups of respondents (Cohen et. al., 2005). To make sure the measurements of variables under this study reliability is conducted for each of the variable under the study (Transformational Leadership and Employee Retention). As stated by Nunnaly (1978) the closer the reliability coefficient to 1.00 is the better. In general,

reliabilities less than 0.60 are considered poor; those in the range of 0.60 to 0.80 are considered good and acceptable. In this study, all the independent variables and dependent variable, met the above requirement. The Chronbach's alpha value for each variable is identified and summarized below.

Reliability statistics		
	Cronbach's Alpha	N of Items
Idealized Influence	.74*	4
Inspirational Motivation	.72	4
Intellectual simulation	.66	4
Individual consideration	.79	2
Employee Retention	.71	9

**Table 3.1 Reliability Statistic**

\* One item was reduced to increase the reliability of Idealized Influence, by using corrected item total correlation

As can be seen in table 3.1, the reliability of both the independent and dependent variables is good and in the acceptable value. Out of the five variables the reliability of intellectual stimulation is 0.66, since it is very closer to the acceptable value of 0.7 the researcher accepted it.

### 3.8 Model Specifications

Employee Retention was determined by independent variables. Linear regression analysis was used to capture the causal relationship between the dependent variable and the independent variables. Therefore, multiple linear regression was employed to see the effect of predictor variables on employee's retention. Following Green (2012), the linear regression models were specified as:

$$Y_i = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon_i, \text{ where}$$

$Y_i$  = Employee Retention (dependent variable)

$X_1$  = Idealized Influence

$X_2$  = Inspirational Motivation

X3 = Intellectual stimulation

X4 = Individual consideration

X1-X4 are the independent (explanatory) variables considered to have influence on the dependent variable (Employee Retention)

$\beta_1 \dots \beta_4$  = regression slopes corresponding to the respective  $X_i$

B is defined as the rate of change in Y for a unit change in  $X_i$ , while the effects of the other independent variables remain constant.

$\epsilon_i$  = Error term

### **3.9 Ethical Consideration**

The foundation of any research study is trust between the participant and the researcher. To successfully complete a research, respondent cooperation from all departments of the bank was essential. It is the researchers' responsibility to be trustworthy and to treat respondents with respect and honesty. The two overarching rules of not harming participants and obtaining informed consent from participants were strictly followed in this thesis. Each participant was fully informed about the nature and purpose of the research, as well as the fact that their responses would be used solely for academic purposes. Respondents' anonymity was protected. No names or any identifiable information from respondents were taken to ensuring the ethical principle of keeping all information confidential. The actual data collected from respondents was honestly interpreted.

## CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

The previous chapters discussed the introduction to the research, a review of related literature, and the methodology used. This chapter deals with the presentation, analysis, and interpretation of data obtained from Bank of Abyssinia employees. The questionnaires were distributed to 215 respondents after their validity and reliability were verified. 200 people (93.02%) responded. Despite the fact that the sample size was 200, the researcher added an additional 15 to increase the response rate. The data gathered was adequate and sufficient to draw a conclusion for the study.

This chapter presents demographic characteristics of respondents in terms of gender, age, service years, and department. The findings are discussed using descriptive and inferential statistics to assess the relationship between Transformational Leadership and Employee Retention based on data collected via questionnaire. In this study, Pearson correlations and multiple linear regression analysis were used. Before running the regression, the various assumptions were validated. The results were summarized and presented in several tables.

### 4.1 Characteristics of Respondents

<b>Sex</b>		
	Frequency	Percent
Male	106	53.0
Female	94	47.0
<b>Age</b>		
Below 30	83	41.5
30 - 40	83	41.5
40 - 50	34	17.0
<b>Experience</b>		
Below 3 years	40	20.0
3 - 6 years	87	43.5
7-10 years	40	20.0
above 10 years	33	16.5
<b>Qualification</b>		
Degree	76	38.0
Masters	120	60.0
PhD	4	2.0

Department		
Accounting and finance	13	6.5
IB banking	13	6.5
Deposit Mobilization	9	4.5
Digital Banking	5	2.5
HR Management	14	7.0
MIS & Information tech.	37	18.5
Credit Management	12	6.0
Risk and Control	19	9.5
Know your Customer	23	11.5
Treasury	18	9.0
Legal	19	9.5
Interest free banking	18	9.0

**Table 4.1 Demographic Characteristics**

The number of male and female respondents in this study is relatively equivalent, with a slight increase in male percentage (53%). Based on the information, this implies that BOA can be taken as role model, since it encouraged female employees by giving an equal opportunity. The questionnaire was completed by thirteen core departments in the bank. The majority of those respondents are under the age of 40. 60% of respondents have a master's degree, while 38% have a bachelor's. In addition to this, majority of the respondents have prior experience. 80% of them have three years or more of work experience.

Accordingly, the researcher believes that the educational background of respondents in the core departments and the experience possessed by those employees will qualify them as ideal respondents for the questionnaire to see the effect of Transformational leadership style on employee retention in Bank of Abyssinia.

## **4.2 Descriptive Statistics**

Descriptive statistics are brief descriptive coefficients that summarize a given data set, which can be a population sample. Measures of central tendency (mean and mode) and measures of variability (standard deviation) were used in this study to present and interpret the variables. In the tables below descriptive statistics of both dependent and independent variables is presented, discussed and interpreted.

<b>IDEALIZED INFLUENCE</b>						
<b>Descriptive Statistics</b>	Mean	SD	Mode			
			Highest	%	lowest	%
My manager goes beyond self-interest for the good of the group.	3.515	1.31	SA (77)	38.5	A(18)	9
My manager acts in ways that build my respect.	3.880	.753	A(97)	48.5	D(4)	2
My manager displays a sense of power and confidence.	3.185	1.22	D(73)	36.5	SD(3)	1.5
My manager specifies the importance of having a strong sense of decisions.	3.780	.941	N(82)	41	SD(3)	1.5
My manager emphasizes the importance of a collective sense of mission	3.695	.936	SA(99)	49.5	N(15)	7.5
<b>IDEALIZED INFLUENCE</b>	3.611	.742				
<b>INSPIRATIONAL MOTIVATION</b>						
My manager talks optimistically about the future.	3.245	1.39	A(81)	40.5	SA(32)	16
My manager talks enthusiastically about what needs to be done.	3.070	1.34	N(65)	32.5	26(SA)	13
My manager expresses a compelling vision of the future.	3.410	1.28	A(82)	41	(35)SA/ SD	17.5
My manager expresses confidence that goals will be achieved.	3.125	1.35	A(73)	36.5	SA(25)	12.5
<b>INSPIRATIONAL MOTIVATION</b>	3.212	.99				

**Table 4.2 Descriptive Statistics (II & IM)**

Table 4.2 shows that respondents agree with the actions of transformational leaders in the bank. With a mean of 3.89 and a standard deviation of 0.75, employees agree that their manager acts in ways that earn their respect. Confidence and sense of power had the lowest mean of 3.19 and standard deviation of 1.23 of the five questions concerning Idealized Influence. The standard deviation of 0.74 was used to calculate the dispersion of responses around the grand mean of Idealized Influence's value of 3.61.

This implies that even though respondents did not strongly believe that their manager did not display a sense of power, the managers earned respect by employees. The mean value which is above average shows that respondents agree on the points mentioned in Idealized Influence. The standard deviation result, which is 0.74, shows that the data is clustered to the mean.

When comparing the mode for the responses, the manager's act that goes beyond self-interest for the good of the group, as well as their emphasis on the importance of a collective sense of mission, had the highest frequency of 77 & 99 for the “strongly agree” option. Managers' power and confidence, on the other hand, had the highest frequency of disagreement, with 73 respondents. This implies that employees are happy with the managers’ act of self-less thinking.

Four questions were used to assess the other component of instructional leadership, Inspirational Motivation. The leader's ability to instil confidence, motivation, and a sense of purpose in his followers was evaluated, as well as the leader's ability to articulate a clear vision for the future, communicate expectations, and demonstrate a commitment. Inspirational Motivation had a mean value of 3.21 and a standard deviation of 0.99 in the respondents' responses. With a mean value of 3.41 and a standard deviation of 1.28, respondents rated their managers' ability to express a compelling vision of the future as the highest. My manager expresses optimism about the future. This implies that respondents relatively agree with their managers ability to articulate the vision of the bank and committed to it. The standard deviation result, which is 1.28, shows that the data is slightly dispersed from the mean.

The highest frequency for the Inspirational Motivation questions is observed for managers' optimistic talk about the future and managers' expression of a compelling vision of the future, with 81 and 82 respondents in agreement, respectively.

<b>INTELICTUAL STIMULATION</b>						
	Mean	SD	Mode			
			Highest	%	Lowest	%
My manager re-examines critical assumptions to questions whether they are okay.	3.870	.994	A(69)	34.5	D(23)	11.5
My manager seeks differing perspectives when solving problems.	3.660	.953	N(67)	33.5	D(23)	11.5
My manager gets me to look at problems from many different angles.	3.740	.952	A(72)	36	D(22)	11
My manager suggests new ways of looking at how to complete assignments	3.625	.893	A(97)	48.5	D(28)	14
<b>INTELICTUAL STIMULATION</b>	3.724	.668				
<b>INDIVISUALIZED CONSIDERATION</b>						
My manager spends time teaching & coaching.	4.420	.628	A(84)	42	SA(46)	23
My manager helps me to develop strengths	4.305	.695	A(79)	39.5	D(24)	12
<b>INDIVISUALIZED CONSIDERATION</b>	4.363	.488				

**Table 4.3 Descriptive Statistics (IS & IC)**

As shown in table 4.3, four questions were used to assess intellectual stimulation. The ability of a leader to foster innovation and creativity, as well as critical thinking and problem-solving, had a mean value of 3.72 and a standard deviation of 0.67. The ability to re-examine critical assumptions had the highest mean value of 3.87 and standard deviation of 0.99 of the four questions used to assess leaders' intellectual stimulation. Managers' ability to suggest new approaches to completing assignments had a relatively low mean value of 3.63 and standard deviation of 0.89. When comparing the modes for intellectual stimulation, the "agree" option had the highest frequency of 97 for the manager's suggestion of new ways of looking at how to complete assignments. This shows that managers are critical thinkers and

in the occurrence of problem they tend to solve it quickly. In addition to this around 50% of respondents agree with managers' ability to do things in a new way.

Individualized Consideration, the final component of Transformational Leadership, assessed the extent to which leaders attend to each follower's needs, mentor, coach, or guide employees by listening to their concerns and needs or sympathizing with them. As shown in table 4.3, it has the highest mean of 4.36 and a standard deviation of 0.49.

Individualized Consideration questions show the highest frequency of managers spending time teaching and coaching, with 130 respondents agreeing or strongly agreeing.

<b>EMPLOYEE RETAINTION</b>						
	Mean	SD	Mode			
			Highest	%	Lowest	%
I am not actively looking for a new job.	4.260	.560	A(124)	62	N(12)	6
I am not planning on working for another organization within a period of three years	4.383	.591	A(100)	50	N(11)	5.5
Within this bank, my work gives me satisfaction	4.130	.875	SA(79)	39.5	D&SD (6)	3
If I want to do in a similar industry with another department, I would look first at the possibilities within this bank	4.0450	.696	A(112)	56	D(3)	1.5
I would choose to work for the bank for the next five years	4.350	.843	SA(104)	52	SD(3)	1.5
The work that I am doing is very important to me	4.280	.619	A(117)	58.5	D(3)	1.5
If I could start over again, I would choose to work for this organization	3.780	.908	A(98)	49	D(24)	12
I would recommend my friends to join the bank	3.940	.990	A&SA (140)	70	D(22)	11
It doesn't matter if I am working for the bank or another org. as long as I've work	3.785	1.23	A(70)	35	D(11)	5.5
<b>EMPLOYEE RETAINTION</b>	4.103	.464				

**Table 4.4 Descriptive Statistics (IR)**

Employee retention is the organizational goal of retaining talented employees and reducing turnover by fostering a positive work environment to promote engagement, expressing appreciation to employees, providing competitive pay and benefits, and promoting a healthy work-life balance. As table 4.4 illustrates, Employee retention was evaluated from the employee's point of view. Employees were asked if they wanted to stay in their current position, if they are looking for new opportunities, or if they have plans to do so. Employees were asked if they would recommend the job to others in addition to being retained by the bank. As shown in table 4.4, the mean value of Employee Retention was 4.10 with a standard deviation of 0.46, indicating that the majority of them want to stay in their job and in the banking industry in the coming year. Furthermore, they recommend it to a friend.

When analysing the frequency of responses for the dependent variable, Employee Retention, for all the questions the highest frequency was observed in agreeing or strongly agreeing with the question. This shows the extent in which the employees' of Bank of Abyssinia want to stay at the bank.

The descriptive analysis was stated in the preceding tables (from 4.2 to 4.4). However, because the primary goal of this paper is to assess the impact of Transformational Leadership styles on employee retention in Bank of Abyssinia, correlation of the independent variables (Idealized Influence, Inspirational Motivation, Intellectual stimulation and Individual consideration) with the dependent variables (Employee's Retention) and regression are required. As a result, the researcher performed correlation and regression analysis on the variables, as shown below.

### **4.3 Pearson's Product Moment Correlation Coefficient**

Correlation Coefficient and regression analyses were used to attain the study's objectives; to conclude about the sample and the research hypothesis. The Pearson's Product Moment correlation coefficients were used to evaluate the strength of the linear relationship between Transformational Leadership variables and Employee Retention. It demonstrated the link. The effects of each element of Transformational Leadership on employee retention were assessed using multiple linear regression.

Correlations						
		II	IM	IS	IC	ER
Idealized Influence	Pearson Correlation	1				
	Sig. (2-tailed)					
Inspirational Motivation	Pearson Correlation	-.041	1			
	Sig. (2-tailed)	.565				
Intellectual simulation	Pearson Correlation	.415	.157	1		
	Sig. (2-tailed)	.000	.026			
Individual consideration	Pearson Correlation	.548	-.038	.631	1	
	Sig. (2-tailed)	.000	.590	.000		
<b>Employee Retention</b>	Pearson Correlation	.732	.053	.704	.826	1
	Sig. (2-tailed)	.000	.460	.000	.000	
** Correlation is significant at the 0.01 level (2-tailed).						
* Correlation is significant at the 0.05 level (2-tailed).						
Correlations						
		ER		TL		
Employee Retention	Pearson Correlation	1		.806**		
	Sig. (2-tailed)			.000		
Transformational L	Pearson Correlation	.806**		1		
	Sig. (2-tailed)	.000				
Correlation is significant at the 0.01 level (2-tailed).						

**Table 4.5 Pearson Correlation**

The correlation coefficient range of Kothari et al., (2004) explains the strength of the researcher's relationship with the variables used. Pearson's Coefficient, is the most widely used method of measuring the degree of relationship between two variables. According to Kothari, Correlation coefficients less than 0.20 are considered very weak; 0.20 - 0.40 are considered moderate; 0.60 - 0.80 are considered strong; and greater than 0.80 are considered very strong. Based on the correlation coefficient ranges of Kothari et al., (2004), the relationship between dependent variables; employee retention and independent variables Transformational Leadership and its elements (Inspirational Motivation, Idealized Influence, Individualized Consideration, and intellectual Stimulation) was explained below.

Employee Retention and Idealized Influence were found to have a significant positive relationship ( $r=0.732$ ,  $p = 0.000$ ) according to the study's findings. Employee Retention was also strongly related to intellectual stimulation and Individualized Consideration, with  $r=0.704$ ,  $p=0.000$  and  $r=0.826$ ,  $p=0.000$ , respectively. Employee Retention and Inspirational Motivation were found to have a very weak and non-significant relationship ( $r=0.053$ ,  $p =0.460$ ). Employee retention and instructional leadership are said to have a strong correlation ( $r=0.806$ ,  $p=0.000$ ).

According to the above results, three of the four elements of Transformational Leadership (Idealized Influence, Individualized Consideration, and Intellectual Stimulation) had a positive and strong correlation. According to Pearson's correlation, which measures the strength of a linear association between variables, the above result implies that elements of Transformational Leadership, individually or in aggregate, can impact the bank's Employee Retention culture in this study. Employees are more likely to stay and be loyal to an organization when Transformational Leadership is present, and vice versa. The lower 'r' and 'p' values of Inspirational Motivation in this study indicate that it does not explain much of the variation in the dependent variable (Employee Retention).

#### **4.4 Diagnostics in Regression**

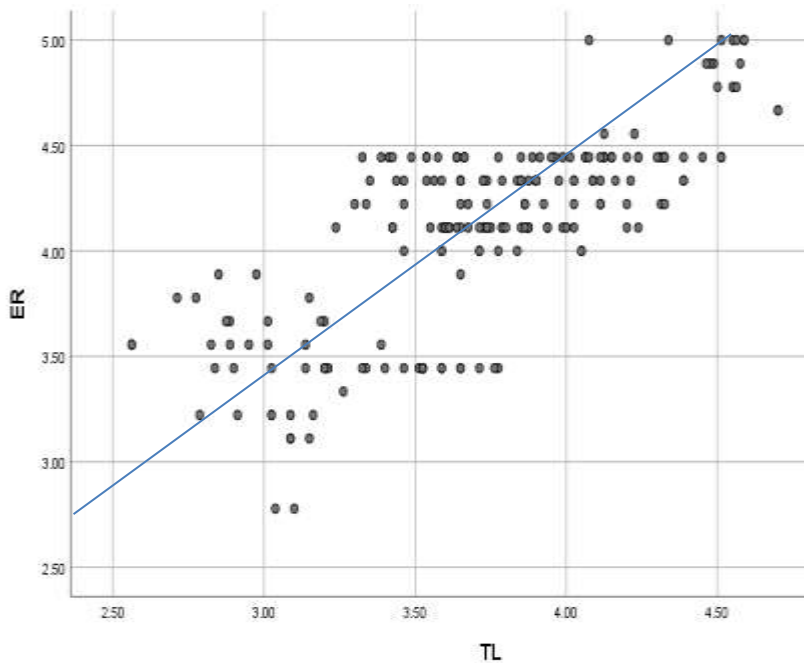
The study used different assumptions of linear regression models before performing regression analysis, which can be considered a requirement to analyse the data using multiple linear regression models. Linearity, Normality, Multicollinearity, Autocorrelation, and Homoscedasticity are all examples of this. These tests were performed to determine whether the data met the assumptions of linear regression.

##### **4.4.1 Linearity**

The assumption behind multiple regressions is that the independent and dependent variables have a linear relationship. This refers to the degree to which the change in the dependent variables is related to the change in the independent variables. It is a straight line relationship between the predictor variables and the outcome variable in the regression 2004 (Gujarati).

In order for linearity assumption between Transformational Leadership and Employee Retention to be met the points need to align along the diagonal line, when it is drawn from the bottom left corner to the top right corner, the points that are aligned along the diagonal

line demonstrate linearity between Transformational Leadership and Employee Retention as shown below.



**Figure 4.1 Scatter Plot**

#### **4.4.2 Normality**

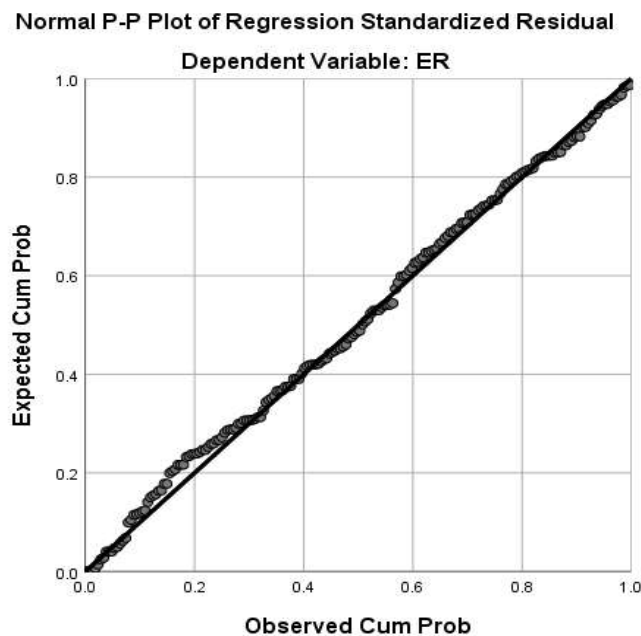
The assumption of normality is necessary in order to generalize the results of the analysis beyond the sample size. The test asserts that the sample mean distribution is normal. It also determines whether the sample data came from a normally distributed data set and whether the data set is well modeled by a normal distribution (Brown, 2016). Normality was tested using a probability plot, Skewness, and Kurtosis.

Skewness measures the data's symmetry, while kurtosis determines whether the data is heavily or lightly tailed to the normal distribution. Skewness and kurtosis should be between -2 and 2 for the data to be considered normally distributed (Hair et al, 2006).

Descriptive Statistics				
	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Idealized Influence	.081	.172	-1.210	.342
Inspirational Motivation	-.258	.172	-.732	.342
Intellectual Stimulation	-.299	.172	-.687	.342
Individualized Consideration	-.060	.172	-.947	.342
Employee Retention	-.522	.173	-.135	.344

**Table 4.6 Skewness and Kurtosis**

In addition to the normality test described above, a normal probability plot (p-p plot) was used to study the shape of a random variable's probability density function (PDF). The variable of interest is said to be normally distributed if the fitted line in the normality probability plot (NPP) is close to a straight line. The graph below depicts normally distributed data. The dots are drawn closer to a straight diagonal line that appears to fit the data reasonably well from bottom left to top right. As a result, the assumption of normalcy is satisfied.



**Figure 4.2 P-P plot**

### 4.4.3 Multicollinearity

The degree to which independent variables are correlated is referred to as multi-collinearity, and it can impair the ability to estimate the relative significance of each independent variable. The problem of multi-collinearity results in high correlations between independent variables (Ramadan et al (2017). To test the multicollinearity assumption, tolerance and variance inflation factor (VIF) were used in this study.

A tolerance value of less than 0.1 indicates severe Collinearity, while a VIF value greater than 10 indicates severe Multi-collinearity. As a result, Sekaran and Bougie (2019) recommended a cut off value of 0.10 for tolerance statistics (t-stat) and a value of 10 for VIF. As shown below, there was no multicollinearity in this model.

Collinearity Statistics		
	Tolerance	VIF
Idealized Influence	.688	1.454
Inspirational Motivation	.942	1.062
Intellectual Stimulation	.553	1.808
Individualized Consideration	.483	1.070

**Table 4.7 Collinearity Statistics**

### 4.4.4 Autocorrelation

It is assumed that the residual values are independent of one another (or uncorrelated). The Durbin-Watson statistic was used to test Autocorrelation, the assumption that residuals are independent. The acceptable range for this value is 0 to 4. The extremes (zero and four) represent positive and negative autocorrelation, respectively. The Durbin-Watson value of 0.719 in table 4.10 indicates that there is no autocorrelation problem in this study (Saunders et al., 2009).

Model Summary					
Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate	Durbin-Watson
1	.913	.833	.830	.19166	.771
a Predictors: (Constant), IC, IM, IS, II					
b Dependent Variable: ER					

**Table 4.8 Autocorrelation**

### 4.4.5 Homoscedasticity

Hoscedasticity refers to the process of determining whether residuals are equally distributed or whether they tend to bunch together at some values and stretch far apart at others. There are points above and below the x-axis, as well as points on the y-axis to the left and right of zero. If the data looks like a shotgun blast, it is said to be homoscedastic. The spread of randomly distributed residuals exhibits equality of variances or homogeneity of variances, as shown in the figure below, indicating that it is constant across the linear model. This demonstrates that homoscedasticity is not violated.

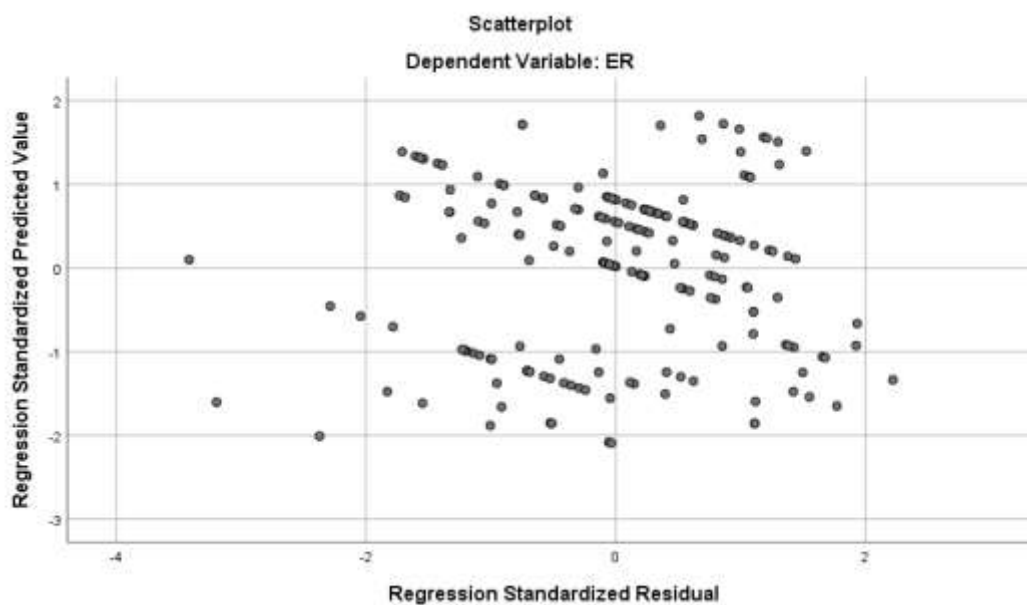


Figure 4.3 Scatter plot (Homoscedasticity)

### 4.5 Regression Analysis

Regression analysis is a statistical technique that is used to estimate the relationships between endogenous and exogenous variables. It allows for the determination of the strength of the relationship between variables as well as the predictive power of the independent variables on the dependent variable. In short, regression enables a researcher to determine how much a change in the value of the dependent variable causes a change in the value of the independent variables while other independent variables remain constant. Regression analysis is a statistical method for determining which variables have an effect. While there are many different types of regression analysis, they all focus on the impact of one or more independent variables on a dependent variable.

The overall objective of this study was to assess the effect of Transformational Leadership styles and its elements on Employee Retention in Bank of Abyssinia. In order to achieve this goal a series of analysis is done.

#### 4.5.1 Model Fit

The multiple correlation coefficient R value can be viewed as one measure of the accuracy of the dependent variable prediction (Employee Retention in Bank of Abyssinia). A prediction level of 0.913 indicates a high level of accuracy, as shown in table 4.12.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.913	.833	.830	.19166
a Predictors: (Constant), IC, IM, IS, II				
b Dependent Variable: ER				

**Table 4.9 Model Summary**

To determine how well the regression model fits the data, the  $R^2$  value is the proportion of variance in the outcome variable that can be explained by the explanatory variables. According to table 4.9, the independent variables (Inspirational Motivation, Idealized Influence, Individualized Consideration, and intellectual stimulation) account for 83.3% of the variability in the dependent variable (Employee Retention), while 16.7% is explained by factors other than the four predictors included in this model.

The Adjusted R Square (adj.  $R^2$ ), a value of 0.830 indicates that the model's predictors explain 83.0% of the variation in the outcome variable. The above model demonstrates a good model fit. In contrast, the standard error of the estimate in the above output is 0.192.

#### 4.5.2 Statistical Significance of Independent Variables

The coefficients are statistically significant if  $P=0.05$ . The purpose of these significance tests is to determine whether each explanatory variable is required in the model given that the others are already present.

Coefficients							
	Unstandardized Coefficient		Standardized Coefficient			95 % Confidence Interval.	
	B	Std. Err	Beta	t	Sig.	Lower B.	Upper B.
<b>(Constant)</b>	1.327	.102		13.06	.000		
<b>Idealized Influence</b>	.266	.025	.377	10.64	.000	.688	1.454
<b>Inspirational Motivation</b>	.022	.014	.046	1.520	.130	.942	1.062
<b>Intellectual Stimulation</b>	.169	.027	.244	6.183	.000	.553	1.808
<b>Individualized Cons.</b>	.280	.026	.463	10.96	.000	.483	2.070
<b>Dependent Variable: ER</b>							

**Table 4.10 Significance of Independent Variables**

According to table 4.10, three of the four independent variables had a positive and significant relationship with employee retention in the Bank of Abyssinia. In this study, inspirational motivation was not significant. Aside from Inspirational Motivation, Idealized Influence, Individualized Consideration, and intellectual stimulation all had a positive and significant relationship with employee retention, with p values of 0.000.

Predictors (explanatory variables) are ranked using standardized coefficients. Individualized Consideration had the highest beta value of 0.463 out of the four independent variables, as shown in table 4.10, followed by Idealized Influence (0.34) and intellectual stimulation (0.244).

### **4.5.3 Hypothesis Test Result of the Study**

In accordance with the objectives, five research hypotheses were developed in Chapter One.

*Ha1: Transformational Leadership style has a positive and significant effect on Employee Retention.*

*Ha 1.1. Idealized Influences has positive and significance effect on Employee Retention in Bank of Abyssinia*

*Ha 1.2. Inspirational Motivations has positive and significance effect on Employee Retention in Bank of Abyssinia*

*Ha 1.3. Intellectual stimulation has positive and significance effect on Employee Retention in Bank of Abyssinia*

*Ha 1.4. Individual considerations has positive and significance effect on Employee Retention in Bank of Abyssinia*

These research hypotheses were tested and decisions weather to accept or reject the alternate Hypothesis was made in this section. The table below (table 4.11) also include the beta coefficient to show the degree of impact.

Coefficients							
<b>Ha1: Transformational Leadership style has positive and significant effect on Employee Retention in Bank of Abyssinia</b>							
	Unstandardized Coefficients		Standardized Coefficients			Status	Decision
	B	Std. Error	Beta	t	Sig.		
<b>(Constant)</b>	1.43	.142		10.096	.000		
<b>TL</b>	.735	.039	.806	19.058	.000	<b>Significant</b>	<b>Accept</b>
<b>Ha 1.1 Idealized Influences has positive and significance effect on Employee Retention in Bank of Abyssinia</b>							
	Unstandardized Coefficients		Standardized Coefficients				
	B	Std. Error	Beta	t	Sig.		
<b>(Constant)</b>	1.327	.102		13.058	.000		
<b>II</b>	.266	.025	.377	10.642	.000	<b>Significant</b>	<b>Accept</b>
<b>Ha 2.2 Inspirational Motivations has positive and significance effect on Employee Retention in Bank of Abyssinia</b>							
<b>IM</b>	.022	.014	.046	1.520	.130	<b>Not Sign.</b>	<b>Reject</b>
<b>Ha 2.3 Intellectual stimulation has positive and significance impact on Employee Retention in Bank of Abyssinia</b>							
<b>IS</b>	.169	.027	.244	6.183	.000	<b>Significant</b>	<b>Accept</b>
<b>Ha 2.4 individual considerations has positive and significance effect on Employee Retention in Bank of Abyssinia</b>							
<b>IC</b>	.280	.026	.463	10.955	.000	<b>Significant</b>	<b>Accept</b>
<b>Dependent Variable: ER</b>							

**Table 4.11 Hypothesis Testing**

This research assumed that Transformational Leadership style has a positive and significant effect on Employee Retention in Bank of Abyssinia. The value of R is 0.806 (80.60%), indicating that there is a strong relationship between Transformational Leadership and Employee Retention with a p value of (P=0.000).

Therefore, the researcher has accepted the hypothesis ‘Transformational Leadership has positive and significant effect on Employee Retention in Bank of Abyssinia.

In addition to this, the researcher has accepted the hypothesis “Idealized Influence (II), has positive and significant effect on Employee Retention in Bank of Abyssinia”; Intellectual Stimulation (IS) has positive and significant effect on Employee Retention in Bank of Abyssinia and Individualized Consideration (IC) has positive and significant effect on Employee Retention in Bank of Abyssinia. However, the researcher rejected the alternate hypothesis “Inspirational Motivation has positive and significant effect on Employee Retention in Bank of Abyssinia”.

## **CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

The main findings of the study are summarized in this chapter, and conclusions on major findings are presented. Recommendations are made based on the research findings, followed by some suggestions for further research.

### **5.1 Summary**

The key points and major findings from the survey questionnaire and data analysis were summarized in this section. The researcher looked into the effect of Transformational Leadership style and its elements (Idealized Influence, Inspirational Motivation, intellectual stimulation) on BOA employee retention, in addition to this the role of transformational leaders in retaining employees were studied

The overall goal of this study was to determine the impact of Transformational Leadership on Employee Retention at Bank of Abyssinia by employing correlation and multiple linear regression models. Questionnaires were used to collect data 200 samples were taken. The sampling technique used was stratified proportional sampling. The reliability of the constructs was determined using the Chronbach's alpha coefficient, and it was within acceptable limits.

The study attempted to explain Employee Retention (the dependent variable) using Transformational Leadership style elements as independent variables (Idealized Influence, Inspirational Motivation, Intellectual Stimulation and Individualized Consideration).

Every Transformational Leadership element had a mean value greater than 3, which is greater than the midpoint. This finding indicates that the majority of respondents from the Bank of Abyssinia head quarter's sample agree with the constructs' items.

Using Transformational Leadership dimensions (Idealized Influence, Inspirational Motivation, Intellectual Stimulation and Individualized Consideration), a multiple regression was used to predict employee retention in the BOA headquarters.

## 5.2 Conclusion

The research had 3 research questions and based on the research findings the following major conclusions were drawn.

First the extent of the effect of transformational leadership on employees' retention was seen. The regression analysis was conducted and the results revealed that Transformational Leadership behaviour ( $\beta=0.806$ ,  $p<0.000$ ,  $R^2= .649$ ), are positively and significantly affected to employees retention in BOA. In addition to this, out of the four selected dimensions of Transformational Leadership, three of them (II (B=.377); IS (B=.244) and IC(B=.463) and (P=0.000)) had positive and significant impact on Employees' Retention.

The effect of Idealized Influence, Inspirational Motivation, intellectual stimulation, and individual consideration on Employee Retention was seen and as shown in table 4.5 correlation value of Idealized Influence (R=0.732), Intellectual Stimulation (R=0.704) and Individualized Consideration (R=0.826) indicates that the presence of strong correlation between the three independent variables and the dependent variable (Employee Retention). The value of  $R^2$  which is .833 indicates that the independent variables explain 83.30% of the variations on the Employee Retention (DV) with unexplained factors of 16.7 %.

Except Inspirational Motivation, three of the four Transformational Leadership style dimensions contributed statistically significantly to the prediction. When the strength of the effect of each individual independent variable was compared using their standardize beta coefficient, Individualized Consideration, was found to be the most significant contributing predictor (with a standardize beta value of 0.463). One of the predictors (Inspirational Motivation) has a contribution of 0.046, indicating that it makes no significant contribution to explaining Employee Retention when the other three significant predictors are already in the model.

## 5.3. Recommendation

Employee turnover is a difficult and costly issue for most organizations, including banks. Due to the high cost of training replacements, organizational leaders must be concerned with employee retention. A high turnover rate causes a lag in the efficiency of products and services delivered to customers. As a result of the above findings, the researcher recommends the following.

- Transformational leaders act in ways that motivate and inspire those around them by adding meaning and challenge to the work of their followers. Higher Idealized Influence, Intellectual Stimulation, and Individualized Consideration were found to cause lower employee turnover or higher employee retention, implying that the bank strategists should work on its leadership style, as Transformational Leadership appears to decrease turnover intention through employee performance.
- Idealized Influence is a trait of transformational leaders that allows them to serve as role models for their followers. It has been demonstrated that having transformational leaders has a direct impact on employee retention. Because the regression results show a positive impact on employee retention, managers must model such behaviour in order to assist the bank in satisfying and retaining its employees.
- Intellectual stimulation is an important variable that demonstrates managers' intent to motivate employees to generate new ideas or assumptions. Because managers' creativity plays a positive role in retaining employees and making them loyal, managers has to show intent and action in closely working with the employees under them in generating new ideas.
- Because Transformational Leadership appears to reduce turnover intention and has a positive and significant relationship in making employees loyal to the bank, Abyssinia Bank should adopt it at all levels including its branches.
- The bank's leaders should be trained to develop Transformational Leadership characteristics. In addition to this, new potential managers, who has transformational leader character need to be recruited as a successor.

#### **5.4 Suggestion for Future Researches**

This thesis, as stated in the Scope part, is done only in headquarter of BOA. therefore, future researches are suggested to fill this gap by including branches or other commercial bank experiences. In addition to this the study was done on employees who are still working in the bank, therefore future researchers are advised to incorporate the sides of those employees who left the bank. This will help to see the full picture of the reason for employee turnover

Finally the “not significant” relationship between inspirational motivation and employee retention needs to be re studied enough justification from prior researches.

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# APPENDICES

## QUESTIONNAIRE

Dear respondents,

My name is Ruth Mergia. This questionnaire is designed to collect data from employees of Bank of Abyssinia: for the study of “The effect of Transformational Leadership on employees’ retention: The case of Bank of Abyssinia”. Your cooperation in providing genuine answers to the following questions is highly important for the success of this study. Your responses will be used only for academic purpose otherwise it will be kept confidential.

Thank you in advance for your cooperation!

Sincerely,

### Part I : Demographic Questions

Respondent profile

- Writing your name is not necessary.
- Put tick mark “√” for each question as required.

1. Sex

Male

Female

2. Age

Below 30  30 – 40  40 – 50  Above 50

3. How long you worked in the bank

< 3 years  3 – 6 years  7 – 10 years  > 10 years

4. Highest education level

Degree  Masters  PHD  Above

5. Department \_\_\_\_\_

## Part II: Research Questions

To which extent do you agree or disagree with the following five-point scale statement?

(1= strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree)

	<b>IDEALIZED INFLUENCE</b>	1	2	3	4	5
1	My manager goes beyond self-interest for the good of the group.					
	My manager acts in ways that build my respect.					
3	My manager displays a sense of power and confidence.					
4	My manager specifies the importance of having a strong sense of decisions.					
5	My manager emphasizes the importance of a collective sense of mission.					
	<b>INSPIRATIONAL MOTIVATION</b>					
1	My manager talks optimistically about the future.					
2	My manager talks enthusiastically about what needs to be done.					
3	My manager expresses a compelling vision of the future.					
4	My manager expresses confidence that goals will be achieved.					
	<b>INTELICTUAL STIMULATION</b>					
1	My manager re-examines critical assumptions to questions whether they are okay.					
2	My manager seeks differing perspectives when solving problems.					
3	My manager gets me to look at problems from many different angles.					
4	My manager suggests new ways of looking at how to complete assignments					
	<b>INDIVISUALIZED CONSIDERATION</b>					
1	My manager spends time teaching and coaching.					

2	My manager helps me to develop strengths					
EMPLOYEE RETENTION						
1	I am actively looking for a new job.					
2	I am planning on working for another organization within a period of three years					
3	Within this bank, my work gives me satisfaction					
4	If I want to do in a similar industry with another department, I would look first at the possibilities within this bank					
5	I would choose to work for the bank for the next five years					
6	The work that I am doing is very important to me					
7	If I could start over again, I would choose to work for another organization					
8	I would recommend my friends to join the bank					
9	It doesn't matter if I am working for the bank or another organization as long as I have work					