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**THE ROLE OF LEADERSHIP STYLES IN ORGANIZATIONAL CHANGE  
EFFECTIVENESS  
THE CASE OF ETHIOPIA COMMODITY EXCHANGE**

**BY: MULUKEN BELHU**

**JUNE 2021**

**ADDIS ABABA, ETHIOPIA**



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**BY: MULUKEN BELHU**

**A RESEARCH PROJECT WORK SUBMITTED TO OFFICE OF THE GRADUATE STUDIES OF  
THE ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE IN PARTIAL FULFILLMENT OF  
THE REQUIREMENT FOR THE DEGREE OF MASTERS IN BUSINESS LEADERSHIP**

**ADVISOR: SOLOMON MARKOS (PHD)**

**JUNE 2021**

**ADDIS ABABA, ETHIOPIA**

## Statement of Declaration

I, Muluken Belhu, hereby declare that this research project entitled —*The Role of Leadership Styles on Organizational Change Effectiveness: The Case of Ethiopia Commodity Exchange* submitted by me for the award of Master's Degree in Business Leadership is my original work and it has not been presented for the award of any other Degree, Diploma, Fellowship or any other similar titles of any other university or institutions.

Muluken Belhu

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Declared By

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Signature

June 2021

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Date

## Statement of Certification

This is to certify that Muluken Belhu has carried out his research work on the topic entitled “*The Role of Leadership Style in Organizational Change Effectiveness: The Case of Ethiopia Commodity Exchange*” is his original work and is suitable for submission for the award of Master's Degree in Business Leadership.

Solomon Markos (PHD)

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Advisor

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Signature

June 2021

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Date

**Addis Ababa University School of Commerce**  
**Department of Business Leadership**

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**Approved by the Board of Examiners:**

_____	_____	_____
Advisor	Signature	Date
_____	_____	_____
Internal Examiner	Signature	Date
_____	_____	_____
External Examiner	Signature	Date

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## **Abstract**

The purpose of this explanatory research project is to examine the role of leadership style in the organizational change effectiveness at ECX. A structured questionnaire was prepared to measure the role of leadership styles (independent variable) on the organizational change effectiveness (dependent variable). Primary and secondary data sources were used. Questionnaire and interviews were data collection methods. Both quantitative and qualitative research approaches were implemented and the research questions were also examined on a sample of 147 staff of ECX at the Head Office in Addis Ababa. Out of the 147 distributed questionnaires, valid response was collected from 111 respondents. The data were analyzed using descriptive statistics, correlation analysis to identify any relationship between the variables & regression analysis to predict the change in the dependent variable when the independent variables change. The result showed that the Transformational Leadership Style is predominantly practiced at ECX followed by the Transactional Leadership Style with high and moderate correlation coefficients respectively. Laissez-faire leadership style has positive but weak correlation with the Organizational Change Effectiveness. The independent variables are also found to be good predictors of the dependent variable. Furthermore, the Transformational and Transactional Leadership Styles are found to be statistically significant predictors of the Organizational Change Effectiveness while Laissez-faire is not. Based on the findings and conclusion, the researcher recommended that top management should give more emphasis to the Transformational Leadership Style as it was found as the dominant leadership style at ECX currently which also found to have a strong positive correlation with the Organizational Change Effectiveness. This dominant leadership style was also found to be statistically significant predictor of the Organizational Change Effectiveness.

**Key Words:** transformational leadership style, transactional leadership style, laissez-faire leadership style, organizational change effectiveness, Ethiopia Commodity Exchange.

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## **List of Abbreviations**

CR: Contingent Reward

E-auction: Electronic Auction

ECX: Ethiopia Commodity Exchange

IC: Individual Consideration

II: Idealized Influence

IM: Inspirational Motivation

IS: Intellectual Stimulation

MBE: management-by Exception

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

Heraclitus, a Greek philosopher, once said the only constant matter on this world is change. It occurs anywhere, everywhere and at any time. No one is isolated from the impact of change. Everyone is affected in varying degree with differing outcomes. In this ever changing and dynamic environment, it is critical for all living beings to adapt to change and survive. It is a complex process in which systematic efforts are employed to move from the current status quo in to a new desired state.

As per Ali Mohammad Mosadeghrad (2014), unsuccessful change programs were attributed to insufficient education and training, employees' apathy, inadequate management support, poor leadership, inappropriate organizational culture, inadequate resources, poor communication, inappropriate planning, insufficient customer focus, and lack of a monitoring and measurement system. From this it can be learnt that lack of or poor change management efforts by companies may result in poor performance outcomes and even collapse of the business. Srinidhi (1998) argue that lack of top management involvement is the most critical barrier to strategic quality management implementation. Low management commitment and involvement can result in failure in as many as 80% of firms (Atkinson, 1990; Jaehn, 2000).

The changes in rapid technological advancements, changes in customer preferences and other political, economic and societal changes enforce organizations to change and adapt to the demanding environmental factors. The former CEO of the General Electric, Jack Welch, once said "If

you are still doing things now the same way you did them five years ago, you are doing something wrong". Gardner (1990) also stated that the only way to conserve an organization is to keep it changing.

Various researches have been made on the impact of the role of leadership styles in the organizational change effectiveness. Leadership is the process through which an individual exerts control over another or other individuals with the intention of providing guidance, influencing them and facilitating activities amongst the team members in an organization setting (Boedker, Vidgen, Meagher, Cugin, Mouristen, & Runnalls, 2011). In their course of interactions with subordinates, leaders tend to employ combinations of character traits, skills and behaviors widely known as leadership style (Iqbal, Inayat, Ijaz, & Zahid, 2012). Different leaders employ different leadership style in organizations. And even sometimes a leader may follow different leadership style depending on the context and situation. So it may not be possible to conclude that a specific leadership style is more important than others in the overall organizational change effectiveness.

Though there are various researches available on the role of the leadership in organizational change effectiveness, there is no specific research made on the role of the leadership style in organizational change effectiveness at Ethiopia Commodity Exchange. The effective organizational change implementation at ECX is significantly important as its operation affects the life of the poor Ethiopian farmers on one side, and the exporters (buyers) on the other side. The Government of Ethiopia is also affected by the operation of ECX as all the agricultural export commodities, which bring significant hard currency to the nation, are transacted at ECX. i.e. the organizational change effectiveness is significantly important. In spite of the changes undertaken at the organization since its inception, especially

in the last five years, there is no any formal research study made on the subject of this research project. The aim of this research project is therefore to make a study of the role of the leadership in the organizational change effectiveness of the Ethiopia Commodity Exchange.

## **1.2. Background of the Organization**

The Ethiopia Commodity Exchange (ECX) is a new initiative for Ethiopia and the first of its kind in Africa. The ECX is a unique partnership of market actors, the Members of the Exchange, and its main promoter, the Government of Ethiopia. ECX represents the future of Ethiopia, bringing integrity, security, and efficiency to the market. ECX creates opportunities for unparalleled growth in the commodity sector and linked industries, such as transport and logistics, banking and financial services and others

Since its inception, the Ethiopia Commodity Exchange has undergone numerous changes that can be expressed in terms of introducing new products and services, changes in operational models, changes in the leadership, organizational structure and others. The major changes that have occurred at the Ethiopia Commodity Exchange were the organization wide changes that resulted in splitting the Exchange in to two i.e. the new ECX that was mandated to provide the trading service alone whereas the second organization, Ethiopian Agricultural Commodities Warehousing Service Enterprise (EACWSE) that was mandated to provide services ranging from quality certification, grading and warehousing to delivering the commodities. The two companies operated independently for 20 months. However in 2017, the same Council of Ministers which span-off the Ethiopia Commodity Exchange in to two in 2015, liquidated the EACWSE and merged back with ECX claiming that the required efficiency could not be achieved. The merger of both organizations resulted in critical

operational, organizational and system wide challenges that required solid leadership capacity for its effective implementation.

Ethiopia Commodity Exchange has its Head office at Addis Ababa, 23 branches across the country and 4 outlying trading centers in addition to the one at the Head Office. It has more than 1,080.00 regular employees at the end of April 2021. Since its inception, the Exchange has gone under various changes ranging from operational models to major structural changes.

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

Murphy (1999) suggests that “change is inevitable, but growth is optional.” However, how to manage such ongoing natural process to the best interest of those affected matters most. For organizations to be successful in managing change and get the most out of it, it should be implemented at three levels i.e. at the individual, the group and the organization level. Gardner (1990) states the only way to conserve an organization is to keep it changing in the dynamic environment. The change can either be a planned change that mainly focuses on the individual, group and organizational effectiveness or the unplanned (haphazard) change that occur randomly (Porras & Robertson, 1992)

However, as an employee of Ethiopia Commodity Exchange for more than the past decade and from discussions made with some Chief Officers and Managers, there is a gap that the various changes that have occurred have not been evaluated in light of the leadership style that is assumed to be predominantly existing at the company. So far, there is no any formal research made on the critical role of the leadership and the related leadership style in organizational change effectiveness at Ethiopia Commodity Exchange. Various changes such as changes in coffee trade model as a result of reform on the coffee value chain, implementation of e-

auction system, introduction of new membership type and introduction of Special Window Service for processors are some of the changes implemented previously. When considering the role of ECX on the nation's foreign currency earning capacity, the effectiveness of the organizational change implementation play the determinant role, as otherwise of which will adversely impact the Ethiopian economy since most of the commodities traded at ECX are export commodities on which the Government of Ethiopia is currently dependent up on. In this research project, the critical roles of the leadership styles have been studied in the overall organizational change effectiveness at ECX the result of which would have significant practical implication for the leadership in its future effective organizational change implementation.

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

The study attempted to identify if any leadership style among the practically existing styles prevails on top at the Exchange and see if the leadership style adopted has any role in the organization's change effectiveness. The Transformational, Transactional and Laissez-fair Leadership styles that are considered to be in effect in the Ethiopian context are the subject of this study. For this purpose, the following research questions have been developed to uncover the relationship between the leadership styles adopted and the role of the leadership in the organizational change effectiveness:

- What specific leadership styles are most significantly associated with the organizational change effectiveness?
- Do these specific leadership styles play a role in the process of organizational change effectiveness?
- To what extent do these leadership styles affect the organizational change effectiveness?

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

### **1.5.1. General Objectives**

The general objective of this study was to identify the role of the dominant leadership styles in managing organizational change effectively in the case of Ethiopia Commodity Exchange.

### **1.5.2. Specific Objectives**

Specifically, this research had the following objectives:-

- Identify the dominant leadership style exhibited by the top management at the Ethiopia Commodity Exchange;
- Identify the relationship between leadership styles and the effective organizational change effectiveness using mean, correlation and regression analysis; and
- Examine the extent to which the leadership style influences the overall organizational change effectiveness process.

## **1.6. Significance of the Study**

As the role of the Ethiopia Commodity Exchange has a pivotal contribution in the country's effort to improve the livelihood of the poor farmers on one hand; and to improve the foreign currency earning capacity of the nation on the other hand, the efficient and effective implementation of the frequent changes initiated by the Government of Ethiopia or ECX itself or the Market Actors or other stakeholders is decisively important. In light of this, the research study will have a practical implication to all the stakeholders who are significantly affected by the operations of the Ethiopia Commodity Exchange. The finding of the study is expected to particularly help the leadership team of ECX to get an insight in to how the company can effectively manage the change to the benefits of its very purposes, the outcomes of which will positively impact the stakeholders in varied degrees.

### 1.7. Scope/Delimitation of the Study

The scope of this study was delimited to the role of the leadership style in the effective organizational change effectiveness at Ethiopia Commodity Exchange. **Geographically**, the study is intended to cover management and staffs of Ethiopia Commodity Exchange here at the Head Office at Addis Ababa. Regarding the **conceptual scope**, of the study, transformational, transactional and laissez-fair leadership styles have been considered to be studied in the context of the Ethiopia Commodity Exchange. **Methodologically**, the study employed both the qualitative and quantitative research methods

### 1.8. Limitations of the Study

This study was limited to identifying the leadership style that is dominant at ECX and tried to find out the relationship between the leadership style and the role of leadership in the organizational change effectiveness at Ethiopia Commodity Exchange.

### 1.9. Organization of the Study

This research project has been organized in to five chapters. Chapter One deals with Introduction consisting background of the study, background of the organization, statement of the problem, research question, research objectives, significance of the study, scope of the study, limitation of the study and definition of key terms. Chapter Two deals with review of the related literatures while Chapter 3 presents the entire research methodology including the research approach, research design, data type and sources, sample size and sampling techniques and data analysis techniques. Chapter Four discusses the results and interpretation of the findings and the final Chapter Five presents the conclusion and recommendation based on the uncovered findings in the preceding chapter.

## CHAPTER TWO

### REVIEW OF THE RELATED LITERATURE

#### 2.1. Introduction

The chapter discusses the problem under study through theoretical, empirical and conceptual aspects. It highlights the concept of organizational change and its efforts, organizational change management, change agents, change management models, challenges of organizational change management, leadership and leadership styles under the theoretical review. It also reviews various empirical studies on the relationship between organizational change effectiveness and the three leadership styles under study. Based on theoretical and empirical literature reviews and the gaps identified, the conceptual framework has been developed.

#### 2.2. Theoretical Review

In the contemporary world, almost everything is rapidly changing. Organizations are encountering challenges arising from these rapid changes in the market. Unless they take the proper timely action in a response to the changes in their environment, it becomes really difficult to stay in the market. They cannot keep on doing the business the way they used to do in the past. The former CEO of the General Electric, Jack Welch, once said "If you are still doing things now the same way you did them five years ago, you are doing something wrong". Gardner (1990) also stated that the only way to conserve an organization is to keep it changing. In this twenty first century with the vast technological advancement, in order to make organizations gain the competitive advantage than their competitors, organizations should be more adaptive to change. Singh

(2011) believes the adaptive to change can only be achieved through organizational leadership.

### **2.2.1. Organizational Change and Organizational Change Efforts**

In today's ever-changing environment, change management has become one of the most important success criteria for every company. Technology advances, client preferences shift, new market laws emerge on a regular basis, and businesses must navigate huge global crises. Companies that are unable to adapt and seize growth opportunities are more likely to be outperformed by agile competitors.

According to Warner Burke (2018), organizational change, in the context of organizational development, is defined as a planned process in an organization's culture through the utilization of behavioral science technology, research and theory. Richard Beckhard, the famous American organizational theorist, defined organizational change management in the context of the organizational development as an effort that is well planned, mostly organization wide, managed from the top to enhance the organizational effectiveness and health through planned interventions in the organization's processes using behavioral science technology.

Organizational change, according to Hussain (2018), is the explanation of an organization's transition from a present known condition to an unknown intended future state. Meanwhile, Jones (2010) describes it as the process through which organizations improve their performance by moving from their current condition to a desired future state.

Organizational change can be classified into two types: planned and unplanned. According to Porras & Robertson (1992), planned change is a deliberate decision or procedure to move the organization forward,

whereas unplanned change is a reaction to external factors such as new technologies or competitors that have an impact on the organization's main business. To deal with this predicament, businesses must work proactively in order to respond to planned change in a more flexible manner.

### **2.2.2. Change Management**

Change management is one of the critical and challenging responsibilities of leaders in managing a healthy business and exploiting its growth potential. Without the effective change management, organizations will fall short of their objectives for existence.

Strategic change interventions result in significant alignments between the organization and its competitive environment, as well as between the strategy, design features, and culture of the organization (Cummings and Worley, 2009). In other words, the outcome of any change management effort will have an impact on the business's external environment. These external competitive business settings provide the firm with both opportunity and challenges. Effective change management measures by the leadership would result in the organization's best interests being served, resulting in increased profit in the now and possible growth in the future. Failure to manage changes to the needed degree, on the other hand, may result in poor performance outcomes or, in the worst-case scenario, the business's collapse as a result of external obstacles. Internally, the result of change management may need a review and necessary action on the organization's business strategies, the design of how the business functions, and challenges the present culture in order to bring the business to the new desired state i.e. the new status quo. Shifting the company to a new operating system necessitates aggressive leadership from the top executives. It is in the power of the leaders to lead change. Leaders assist

people in developing required abilities to help them cope with changes in the workplace (Awuor & Kamau, 2015).

Successful change implementation consist of five distinct parts (Cummings and Worley, 2009), which are:- The first is change motivation. Motivating is about developing preparation for change and overcoming resistance to change as change moves from the known to the unknown. The next one is **creating a vision** that includes describing the core ideology of the change and constructing the envisioned future. The other is **developing political support** which is a step-by-step action including assessing change agent power, identifying key stakeholders and influencing the stakeholder towards achieving the intended change. The forth key element is **managing the transition**. Any change movement does not occur immediately and does require transition period during which the organization is required to take actions such as activity planning, commitment planning and management structures. The final key action is **sustaining momentum**. Once organizational changes are implemented, special attention must be paid to maintaining the enthusiasm and commitment that has already been achieved. It is the final critical factor in effective change management initiatives, which involves providing change resources, forming a support structure for change agents, developing new competencies and abilities, reinforcing new behaviors, and keeping in loop.

When planning and implementing the intended change, the organization's leadership must pay close attention to each of these actions for a successful organizational change management. They must ensure that it is properly implemented and that progress is being tracked at each stage.

Cummings and Worley (2009) also explained that there are three strategic change interventions. These are:

*Transformational change*: it is an emerging part of the organization development that goes far beyond making the existing organization better or fine-tuning the status quo. It is concerned with fundamentally altering the prevailing assumptions about how the organization functions and relates to its environment. It assumes that change is triggered by environmental and internal disruptions; change is initiated by senior executives and line managers; change involves multiple stakeholders; change is systematic and revolutionary; and change involves significant learning and new paradigm.

*Continuous change*: these are interventions that enable the organization to change themselves continually over a period of time. They are aimed at the growing number of organizations facing highly turbulent environments such as those firms in the high-technology, entertainment and fashion and biotechnology industries where timing is critical, technological change is rapid and competitive pressures are unrelenting and difficult to predict.

*Trans-organization change*: this strategic intervention move beyond the single organization to include merging, allying or networking with other organizations. It is becoming more prevalent in organization developments as companies extend their boundaries to keep pace with highly complex and rapidly changing environments.

### **2.2.3. Change Agents/ Organization Development Practitioners**

Any change activities are carried out by an individual or group of people either through an internal or external bodies that are responsible for facilitating the end to end effective implementation of the change and bring out the desired new state. These critically important people are called change agents. Without the active involvement of change agents in

facilitating the entire change process, the intended initiative to overhaul the existing organizational situation may not bear fruit.

The role of change agents can be described in relation to their position as internal to the organization, external to it or a team comprising both internal and external consultants (Cummings and Worley, 2009). They are skilled with the change theory and implementation of the planned change initiatives. They are required to be equipped with both the foundation competencies such as organization behavior, individual psychology, group dynamics, management and organization theory and research methods; and the core competences that includes organization design, organization research, system dynamics and history of organization development and change.

There are at least three set of people related to the change agents (Cummings and Worley, 2009). The most obvious ones are those people specializing in organizational development as a profession who may be internal or external consultants that offer professional services to organizations including their top managers, functional department heads and staff groups. People in the human resources development, organization design, quality control, information technology and business strategy are the other group of people specializing in fields related to the organizational development. The third set of people to whom the change agent applies is the growing number of managers and administrators who have acquired competence in organization development and who apply it to their own work areas.

Brown and Harvey (2006) identified five change agent styles by taking morale (emphasis upon relationship and participants satisfaction) and effectiveness (emphasis upon goal accomplishment) as two parameters as having high and low on the matrix. These styles are:-

**Stabilizer Style:** this kind of change agents are characterized as maintaining low profile i.e. low on both the morale and effectiveness. They tend to harmonize on the relationship and compromise on the effectiveness and try to survive by following directives.

**Cheerleader Style:** they put more emphasis on members' satisfaction and compromise on organizational effectiveness. Their focus is on winning the members attention over effectiveness.

**Analyzer Style:** these kind of change agents place more emphasis on organization effectiveness with little attention on members' satisfaction.

**Persuader Style:** these are averages on both moral and effectiveness and seek compromise between cheerleader and analyzer styles. They usually achieve average performances.

**Pathfinder Style:** these are a kind of change agent who seeks high organizational efficiency and high member satisfaction. They are the desired kind of change agents for effective actual change implementation. Pathfinder style focuses on six critical processes i.e. communication, member role in groups, group problem solving, group norms and growth, leadership and authority and finally intergroup cooperation.

#### **2.2.4. Change Management Models**

##### **A. Kurt Lewin's Change Model**

The term "change" refers to any variation in an organization's overall working environment. The nature of the change can be either intentional, arising from a purposeful decision to alter the organization (internal factors), i.e. a conscious endeavor to modify the current organization, or random, haphazard, or unplanned change forced on organizations (external factors). It is usually forced on organizations from the external environments.

Some studies revealed that internal factors are actually the management style and the leadership that influence the process of change (Chirirumbu, 2011).

The fundamental purpose of the deliberate action to improve the functioning of the organization is to bring improved effectiveness that focuses on individual effectiveness, team effectiveness and organizational effectiveness. In general, behaviors are the product of two kinds of forces: those attempting to maintain the status quo and those attempting to bring about change.

When implementing a change, Lewin (1951) identified a number of guidelines that must be followed. They are as follows:

- Change should be adopted only when absolutely necessary;
- Change should always be gradual;
- All adjustments related to change efforts should be planned rather than haphazard or unexpected; and
- Everyone who might be affected by the change should be involved in the planning process.

According to Kurt Lewin (1947), there are three stages under which change initiatives shall pass to bring the desired new state under the planned change actions. These are:-

### **1. Unfreezing**

After surveying the organization to understand the current state and determining what needs to be changed, the first stage is involving reducing the forces maintaining the current organizational behavior or status quo; or increasing the forces that direct behavior away from the present organizational state. Depending on the nature and complexity of the change, both actions may be applied together. Under this stage,

Lewin identified human behavior as a quasi-stationary equilibrium state with respect to change.

This is a stage under which readiness activities are implemented that include educating everyone for common understanding, inform what, why, when and how the change is required, seek views and ideas of others, planning, organizing and appointing the change leaders. Effective planning for change must begin well before changes are to take effect and consultation should be done (Smith, 2006). The stakeholders are required to understand why the current position is inadequate, what the end state will be, what are the drivers of change to bring the new state and should also have the proper knowledge of the consequences of not making the change.

## **2. Moving**

This stage can be considered as a stage in which the status quo is shocked towards the required state. The real implementation of the change is undertaken in this stage i.e. implementing the desired change.

According to Lewin, this is an implementation phase that consists of key activities such as coaching, training, leading, recognition and empathy, supporting, encouraging, and providing resources and regular feedbacks. It is about establishing new behaviors and attitudes needed for the new challenges.

## **3. Refreezing**

The planned change is integrated into organizational values and traditions in this third stage in order to stabilize the new quasi-equilibrium state and prevent the change from reverting to the previous issue condition, and it is necessary to ensure that the change is permanent.

Setting performance indicators, developing procedures to make it happen, developing controls to ensure it happens, monitoring and

evaluating performance, and rewarding new behavior are all critical actions in this stage. It's a period of relative calm during which attempts are made to put in place the entire infrastructure required to support the new status quo.

## **B. Action Research Model**

Kurt Lewin is credited with the concept of the Action Research Model, as well as the three-step model, as an element of planned change. This model is used as the standard process in organizational change.

Action Research, according to Lewin (1946), is a type of research that is built on a collaborative problem-solving connection between the researcher and the client and tries to solve a problem as well as provide new knowledge.

Action research is a change process that involves systematic data gathering and then the selection of a change action based on the findings of the data analysis. Its processes include diagnosis, analysis, feedback, action, and assessment, and it is problem-focused rather than solution-focused. It seeks to look at the change through the lens of the situation that prompted it. According to Lewin, the ideal way to create change is for the change agent (OD Professional) and the client (the subject organization's top management) to work together to identify requirements and implement solutions.

Traditionally, action research has tried to assist specific organizations in implementing intended change as well as to produce more general information that may be applied to other situations (McArdle and Reason, 2008). The action research model, according to Cummings and Worley (2009), features an eight-step approach: -

- *Problem identification;*
- *Consultation with a behavioral science expert;*
- *Data gathering and preliminary diagnosis;*
- *Feedback to a key client or group;*
- *Joint diagnosis of the problem;*
- *Joint action planning;*
- *Action; and*
- *Data gathering after action.*

### **C. The Appreciative Inquiry Model (The Positive Model)**

Most organizations change processes are based on problem-solving approach. The focus is on 'what is the problem or what went wrong?' In these traditional change processes, one invests energy in finding out or rectifying something which may not be very important (Knippen and Green, 1997).

The Appreciative Inquiry Model was one of the earliest methods for organizational development that did not follow the Lewinian paradigm of planned change. This model, which was first developed by Cooperrider and Srivastva (1987), takes a positive approach to change instead of Lewin's problem-centered approach to action research. It tries to focus on what the organization is doing right and on positive dynamics in the organization that give rise to extraordinary outcomes. Appreciative inquiry is about searching for solutions that already exist and strengthen what is working.

This model does not accept the problem-solving orientation like in the action research model in change processes. It tries to look at the organizations' positive force, understanding its strengths and how to refine and improve what it is doing well at the moment (Zemke, 1999).

The five phases of the Positive Model of planned change are as follows: -

**Initiate the inquiry:** this step identifies the topic of change and encourages member participation in order to find the organizational issue that they are most passionate about.

**Inquire about best practices:** this entails acquiring knowledge about the organization's "best of what is."

**Discover the themes:** members study the large and small stories in this phase to identify a collection of themes that represent the common aspects of people's experiences.

**Envision a preferred future:** members will study the highlighted themes, challenge the status quo, and describe a compelling future during this phase. Members envision the organization's future based on its successful past and construct possibility propositions-statements that connect the organization's existing best practices with ideal possibilities for future organizing.

**Design and deliver future-oriented strategies:** the Positive Model's last phase includes the design and delivery of future-oriented plans. It lays out the tasks that must be done as well as the plans that must be put into action in order to achieve the vision.

#### **D. The Kotter's Model**

According to John P. Kotter, there are eight steps to be followed in the planned change management implementation. These step by step activities will transform organization if they are effectively implemented:-

##### **Create a sense of Urgency**

Successful change efforts must begin with individuals and groups evaluating the organizations' "competitive situation, market position, technological trends and financial performance." Kotter explained that

bold or risky actions normally associated with good leadership are generally required for creating a strong sense of urgency. He further states that leaders must find ways to communicate this information “broadly and dramatically”. He claims that the first step is essential as the start of organizational changes require aggressive cooperation of many individuals. Crafting and using a significant opportunity as a means for exciting people to sign up to change their organization is the critically important first step in change efforts.

### **Build a Guiding Coalition**

According to Kotter, no single person is capable of leading and directing an organization's change process on their own, and assembling the correct "guiding coalition" of people to manage a change program is vital to its success. It's all about putting together a group that has the strength and drive to lead and support a joint transformation effort.

### **Form a Strategic Vision and Initiatives**

The next stage after forming the group in step 2 is to create a "clear and sensible vision" for the transformation effort. Without such a vision, the change objectives can quickly devolve into a jumble of incompatible projects that lead the company in the wrong direction or nowhere at all. To guide the change endeavor, the organization should develop a vision and develop strategic initiatives to achieve that vision.

### **Communicate the Change Vision**

It is not adequate to have a vision to gain support for it; it must also be shared throughout the organization. This is a fantastic time to put the partnership to work, as they are likely to have networks in every aspect of the business between them. It is important to continuously make communication that can help spread the intended message to the right

people for use in the change management process. A study conducted by Nelissen and van Selm (2008) determined that employees who are satisfied with the management communication saw more personal opportunities and had a positive state of mind on the organizational change, lending support to Kotter's fourth step.

### **Enable Action by Removing Barriers**

The first four steps are critical in strengthening the change project, but it's also critical to consider what can jeopardize its chances of success. Whether it is personalities, customs, law, or physical hurdles, there will almost certainly be a few impediments in the way of progress. Identify these as soon as feasible and use available resources to break them down without causing any additional company disruptions. It's about reducing the barriers to change, such as change systems or structures, that are impeding the vision's realization.

### **Generate Short-Term Wins**

Observing and identifying the changes that are taking place, as well as the work that individuals are doing to achieve longer-term goals, is crucial in Kotter's opinion.

Change procedures can take a long time to bear fruit, which can lead to a loss of support if people believe their efforts were in vain. As a result, it's critical to illustrate the benefits of the new method by achieving some quick wins. Shorter-term goals can also help with motivation and direction. Using these successes to justify investment and effort might help re-motivate employees to support the change. In other words it is to mean that consistently produce, track, evaluate and celebrate volumes of small and large accomplishments and correlate them to results related to the change initiatives

### **Sustain Acceleration**

Kotter states that it may be tempting for managers to declare victory after the first signs of performance improvement are visible. However, as new processes can regress, it is essential for leaders to use the short-term gains in order to tackle other issues, such as systems and structures that are not in line with the recently implemented changes.

Many change processes fail as complacency creeps in towards the end and project are not finished properly. Kotter argues it is important to sustain and cement the change for long after it has been accomplished. Keep setting goals and analyzing what could be done better for continued improvement. It is about using increasing credibility to change systems, structures and policies that don't align with the vision; hire, promote and develop employees who can implement the vision; strengthen the process with new projects, themes and volunteers.

### **Institute Change/ Anchor the Changes in Corporate Culture**

Changing employees' routines and practices isn't necessarily enough to promote a culture shift throughout a business. To have a long-term impact, the changes should become part of the organization's fundamental functions. Keeping senior stakeholders on board, encouraging new employees to adopt the changes, and recognizing individuals who do so will all help to drive the change to be instilled the core of the organization.

This final step entails explaining the links between new behaviors and organizational performance, as well as developing strategies for leadership development and succession.

#### **2.2.5. Change Management Challenges**

Changes in any form are planned to improve the organization. However, no matter how marketable change ideas are, they can be fruitless if proper management is not employed during all the stages (Bergh, Perry, and

Hanke, 2006). Training at all stages of change implementation should be undertaken by all staff members affected by the process. Staff and other stakeholders should also be given the feeling of appreciation and recognition in the successful implementation of the process change. It is difficult for organizations to realize optimal change in instances where the people involved in the change management process are not adequately trained. In a situation where organizations that have been operating independently with distinct processes, vision and beliefs, it is likely that culture clash will be experienced. This may take time to go away. It will require that staff members are ready to change from their old ways of doing things (Burnes, 2004).

Culture differences need to be identified and streamlined. To have a disaster recovery and contingency plan at all stages is critical, especially during the implementation and post-implementation stages. The plans help ensure that the organization can continue its operations with minimal or no disruptions should the change process implementation fail. Having a change management strategy is not an easy task. It involves having an integrated planning process, which includes steps to take before, during and after the change (Boulter, 2010). Change is at times faced with a lot of resistance from the employees based on their personalities and the type of change introduced. Employees for instance have a high chance of resisting change if it is affecting them directly. There are those employees who never embrace change and hence leaders need to put mechanisms of changing their attitudes in place in order to ensure desired change is realized (Amabile and Khair, 2008).

#### **2.2.6. Leadership**

There is no single definition of leadership that is widely acknowledged. Leadership is a result of the entire circumstance; it is more of a "process"

than a "quality," and hence it is not static (Murphy 1941). Numerous scholars and writers have defined leadership in various circumstances. James MacGregor Burns (1978), one of these writers, defined leadership as "one of the most observed but least understood phenomena on the world." This implies that people know about leaders more with a little knowledge about the related leadership. According to House, Spangler & Woycke (1991), leaders are more vital than ever in an age of complexity, change, many large organizations, and nation governments, because control over bureaucratic processes may not result in effectiveness.

As per Hollander (2008), the relationship between the leader and the followers is a vital human dimension of the leadership process. The interaction between the leaders who are in charge of strategically leading the organization and the followers who are responsible for achieving the cascaded strategic objectives is what leadership is all about. Leaders set the tone of the company, motivate and empower the followers with the required resources for the effective achievement of the objectives. Locke (1978) explains that goal-setting is a good example of how management can help in motivating employees and improving their performance. Leader-follower relationship plays the critical role in achieving any organizational objective. The more strong the relationship, the better would be the final outcome.

Leadership is a persuasion or example-based process by which an individual (or leadership team) persuades a group to pursue goals that the leader has or that the leader and his or her followers share (Gardner, 1990). Leadership is a social influence technique that leverages the efforts of others in order to attain a goal (Kruse, 2015). These definitions all highlight that leadership is a system of connections and a process that involves persuasion and inspiring others, as well as maximizing others' efforts to achieve common corporate goals. Leaders of organizations are unlikely to be effective unless they can

encourage their followers (Shaffer, 2008). Unmotivated people are more likely to put in minimal effort at work, leave the company as soon as feasible, avoid the workplace as much as possible, and create low-quality work (Amabile, 1993).

#### **2.2.7. Leadership Styles**

According to Kendra Cherry (2020), leadership styles refer to a leader's characteristic behaviors when directing, motivating, guiding and managing groups of people.

Companies with strong leadership and progressive human resources function can significantly improve its competitive position through workplace change.

Similar to the definition of the leadership, the various authors that address the issue of the leadership styles cannot agree on one universal view and definition of it. Lewin, Lippitt and White (1939) identified three major leadership styles as the democratic, the autocratic and the laissez-faire styles. The democratic leadership style believes in distribution of responsibility, empowering group members to contribute and aids in group decision making process. The autocratic leadership style is characterized by its quick and final decisions with close oversight, total control with little or no input from group members and rarely trusts group members on decision making. The laissez-faire style is known for its minimum control with total input from others, empower group members to take full responsibility and decisions are made by the employee, not the leader and autonomy is encouraged. Lewin maintained the view that effective leaders tend to use all the three styles while emphasizing on one particular style. On the contrary, ineffective leaders rely on exclusively one style, ultimately denying themselves and their followers the opportunity to exploit the benefits in the other styles.

Goleman (2002) identified the second category of six modern leadership styles. They are *visionary, coaching, affiliative, democratic, pace-making* and *commanding*. Goleman also argued that leadership should be supported by emotional intelligence that has four domains i.e. self-awareness, self-management, social-awareness and relationship management.

For the purpose of convenience, this study took three leadership styles for this research and the questionnaire was prepared based on their main characteristics and interview was administered with selected officials. Leaders will evaluate their actions against these characteristics while employees evaluate their leaders. Depending on the dominant leadership style at Ethiopia Commodity Exchange, the role of the leadership was studied in the organizational change management initiatives of the company. Transformational, transactional and laissez-faire leadership styles were considered in this study as independent variables in the assumption that these leadership styles have been in practice in Ethiopia. The selected leadership styles are discussed hereunder.

**Transformational Leadership:** the link formed between a leader and followers is the focus here. Though the term transformational leadership was coined four decades ago by James V. Downton, Duque referred to Burns' book *Leadership* (1978) where the concept was first introduced. The style uses a two-step process to influence followers: (1) raises the morals, values, and ideals of the followers; and (2) promotes change in individuals, groups, and organizations, Burns as cited by (Duque, 2015). It also has an additional aspect in utilizing "management by objective", where management assesses employee performance and takes corrective measures where needed (Lynch, 2016).

**Transactional or Exchange Theories:** here transaction is defined where a leader and a subordinate agree on a specific performance target and action is required when that performance is above or below the agreed level. Lynch claims that this style shares some aspects of the transformational leader. Traditionally, leaders and followers often believed in “quid pro quo” (“something for something”) to be the ultimate goal of negotiation. If such negotiations succeed, everyone is satisfied and no harm is done.

Theories or models present alternative approaches to use a specific style based on job content, follower maturity, the use of the source of power, etc. The models are often prescriptive by nature and they are developed and used to solve actual problems. In conclusion, it is important for leaders to match different situations with the right leadership approach. A particular style may be found to be the most convenient but it is appropriate to switch styles as required. The level of trust between employees and the leader, stress levels and levels of employee training and mutual trust and respect between the leader and employees often dictate which style to follow.

**Laissez-faire Leadership Style:** Laissez-faire Leadership means "let it be," and it refers to a leadership style in which the leader allows followers to get on with their task. If the leader routinely analyzes achievement and provides feedback to the team, this method may prove to be effective. Autocratic leadership is the polar opposite of laissez-faire leadership. Instead of a single leader making all of the decisions for an organization, company, or team, laissez-faire leaders make a limited number of decisions and let their employees to choose the best workplace solutions. These attributes are shared by laissez-faire leaders. They:

- Delegate authority to capable specialists
- Enhance staff leadership skills
- Praise accomplishments and reward victories
- Provide constructive criticism when needed

- Allow employees to solve problems and manage issues
- Recognize when to step in and lead during a crisis

### 2.3. Empirical Review

Numerous studies have looked into the leadership style and role of leadership in effective organizational change. As firms face problems in the globalization period, changes in management must be undertaken to ensure that they can position themselves in a competitive and ever-changing environment. It's critical to have a well-thought-out change management strategy in place to ensure that changes can be made across the board and implemented successfully. Although change management is well-known in the private sector, it is gaining popularity in the public sector. Organizational change must be driven by strong leadership in order to be implemented effectively and efficiently.

The goal of this research is to evaluate how prior studies have handled the importance of organizational change effectiveness in recent years while considering the leadership styles of the leaders. Using the current literature, the importance of having a good leadership style for organizational change effectiveness will be examined. The overall review from the past studies indicates that a good leader has the capacity to motivate the employees to accept change initiatives in the organization.

#### i. *Transformational Leadership and Organizational Change Effectiveness*

Transformational leaders are frequently viewed as ideal agents of change in today's complex organizations and dynamic corporate environment, as they can lead followers through times of uncertainty and increased risk-taking. Leadership, according to James

MacGregor Burns (1978), can be transactional or transformational. Much of the literature describes transformational leaders as charismatic leaders who inspire, pride, and acquire respect and trust by providing a vision and a sense of mission (Bass, 1990). According to Stone et al. (2003), transformational leadership has become increasingly popular in recent years. Transformational leaders strive to align the goals and aspirations of their followers.

When it comes to coping with organizational change, transformational leadership is the way to go (Bass and Riggio, 2006; Eisenbach et al., 1999). Callan (1993) found that transformational leadership helps followers cope with change and Bommer (2005) claimed that transformational leadership increases their commitment, self-efficacy, and empowerment. According to Bass (1985), transformational and transactional leadership styles are separate yet complementary. Per the augmentation effect theory, transformational leadership is at the base of and complements to the effect of transactional leadership (Bass, 1999; Avolio, 1999). Transformational leadership backs successful change through the development of trust and credibility, created by behavioral integrity (Simons, 1999; 2002).

According to Burns (1978), transformational leadership happens when leaders and followers raise one another to higher levels of values and motivations that results in a transforming effect on the leaders and followers. Transformational leaders change the organizational culture while transactional leaders operate within the organizational culture as it exists. Only transformational leadership is believed to be capable of inspiring followers to perform more than they originally expected to do. According to Bass (1998), a better

performance outcome above the normal expectations is probable only by transforming followers' values, attitudes and motives from a lower to a higher plane of arousal and maturity. This implies that for effective change management implementation, transformational leadership provides more results towards realizing the new desired state.

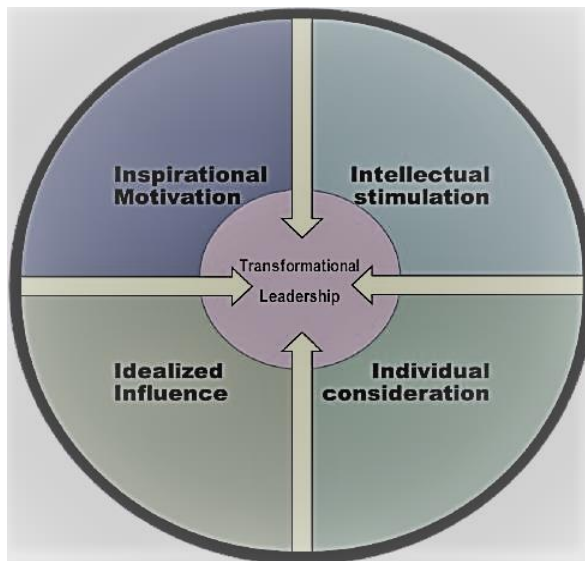
Watson & Pillai (1999) claim that in order to manage organizational change, transformational leadership is the most suitable style among others. This leadership style is at the best position to face the trials and difficulties of the emerging administrative practices, because transformational leader has the capability to drive the group in delivering and providing more than what the organization expected. According to Bass (1998), there is significant and positive relationships between transformational leadership and the amount of effort followers are willing to exert, satisfaction with the leader, ratings of job performance, and perceived effectiveness.

Transformational leader's traits originate in the personal values and beliefs of the leader and motivate subordinates to do more than expected (Obiwuru, Okwu, Akpa & Nwankwere, 2011). Transformational leadership style focuses on developing the followers and considering their needs. Managers that concentrate on transformational leadership focus mainly on developing the general value system of the employees – development of skills, motivation level and moralities. (Ebrahim, 2018).

Bass (1990) proposed four components of transformational leadership that can explain the behavior of transformational leader. The components can be used in identifying the leader's particular leadership style. They include idealized influence, inspirational

motivation, intellectual stimulation and individual consideration, as indicated on Figure 1 below:

Figure 2.1: Transformational leadership model (adapted from Renjith, Renu & George 2015).



**Idealized influence (II):** interchangeably used as charisma is characterized by vision and a sense of mission, instilling pride in and among the group, and gaining respect and trust (Humphreys & Einstein, 2003). It is described more in the situation when a leader acts as a role model for the followers and cheering them to share common vision through providing clear vision and strong sense of purpose. It motivates employees to put the team's needs ahead of their own, reassuring them that obstacles will be overcome and instilling confidence and certainty in the achievement and execution of goals (Conger & Kanungo, 1987; Howell & Frost, 1989), and

followers place an excessive amount of faith and trust in charismatic leaders (Howell & Avolio, 1993).

***Inspirational Motivation (IM)***: The second element of the transformational leadership is inspirational motivation, which, according to Obiwuru (2011) is usually a companion of charisma and is concerned with a leader setting higher standards, thus becoming a sign of reference. Bass (1985) explained that followers look up to their inspirational leader as someone providing emotional appeal to increase awareness and understanding of mutually required objectives. This is evident by the communication of high expectations and expressing relevant objectives in simple terms. In other words inspirational motivation represents behaviors when a leader tries to express the importance of desired goals in simple ways, communicates high level expectations and provides followers with assignments that are meaningful and challenging by their nature.

***Intellectual Stimulation (IS)***: A transformational leader, according to Bass (1985), gives followers with challenging new ideas and helps them to break away from old patterns of thinking (Obiwuru, 2011). The ideal leader is one who promotes intelligence, logical thinking, meticulous problem solving, and methodical abilities.

Bass & Avolio (1994) stressed that the attributes include seeking different perspectives when solving problems, suggesting new ways of examining how to complete tasks and encouraging rethinking of ideas that have not been questioned in the past (Obiwuru, 2011). It is the behavior of leaders who challenge their supporters' standards and qualities for taking care of issues and they further stimulate their followers' efforts to be more imaginative and innovative by

addressing presumptions, reframing issues and toward old circumstances in new ways of carrying out their responsibilities.

**Individualized Considerations (IC):** This is the final component of transformational leadership, and it entails coaching and mentoring to grow followers (Obiwuru, 2011; Bass, 1985). The leader pays close attention to the followers' inter-individual distinctions and acts as a mentor to them. The leader mentors and assists others in identifying and developing their abilities, as well as listening intently to others' concerns (Bass & Avolio, 1994). Bass (1985) emphasized the importance of treating followers as individuals in order to boost their maturity levels and improve effective ways of addressing their goals and obstacles (Obiwuru, 2011). Such leaders are known for devoting more time to teaching and coaching their followers on a one-on-one basis.

ii. *Transactional or Exchange and Organizational Change Effectiveness*

As per Nadler and Tushman (1989), transactional and transformational leadership styles are complementary during successful organizational change. According to Bass (1985), transactional leaders are involved in rewards and punishments with workers to encourage the performance of the organization. Transactional leadership style primarily bases on contingent reinforcement. It occurs when the leader rewards followers based on the adequacy of follower's performance. The two components of transactional leadership are:

**Contingent Reward (CR):** this relates to trade of remunerations among pioneers and supporters in which efforts are compensated by giving prizes to great execution or dangers and orders for poor results. Contingent reward involves the leader obtaining followers

agreement on what needs to be done with promised or actual **rewards offered in exchange for satisfactory performance.**

**MBE (Management by Exception)** can be active (MBE-A) or passive (MBE-P) (MBE-P). In active MBE, the leader actively monitors deviations from norms, mistakes, and errors in the assignments of the followers and corrects them as needed. **Management by-Exception (Active)** leaders are characterized as monitors who detect mistakes. In the active form, the leader continuously monitors performance and attempts to intervene proactively (Avolio and Bass, 1997). In contrast, the leader who depends vigorously on **Management-by-Exception (Passive)** mediates with their gathering just when strategies and guidelines for achieving targets are not met.

According to Uchenwamgbe (2013), leaders are known as transactional leaders if they are always willing to give something in return such as pay raise, promotion, new responsibilities, performance re-views and welfare schemes. The principal problem with this style of leadership is the expectation. Ojokuku, Odetayo & Sajuyigbe (2012) defined transactional leadership as the exchange of targets and rewards between management and employees.

### iii. *Laissez-faire Leadership Style and Organizational Change Effectiveness*

Laissez-faire Leadership: meaning "leave it be", the leader leaves followers to get on with their work. This style may prove to be effective if the leader regularly monitors achievement and provides feedback to the team. Laissez-faire leadership entails giving managers and staff wide latitude in carrying out their responsibilities.

Employees have more power under laissez-faire leadership. Departments or subordinates are free to work as they see fit with little or no supervision (Igbaekemen and Odivwri, 2015). Laissez-faire leaders are known for being unconcerned about their followers and members; in reality, laissez-faire leadership is the absence of a leadership style. This type of leader makes no policies or decisions that affect the group. Instead, all goals, choices, and problem-solving are the responsibility of the group members. Within their group organization, laissez-faire leaders have little to no authority.

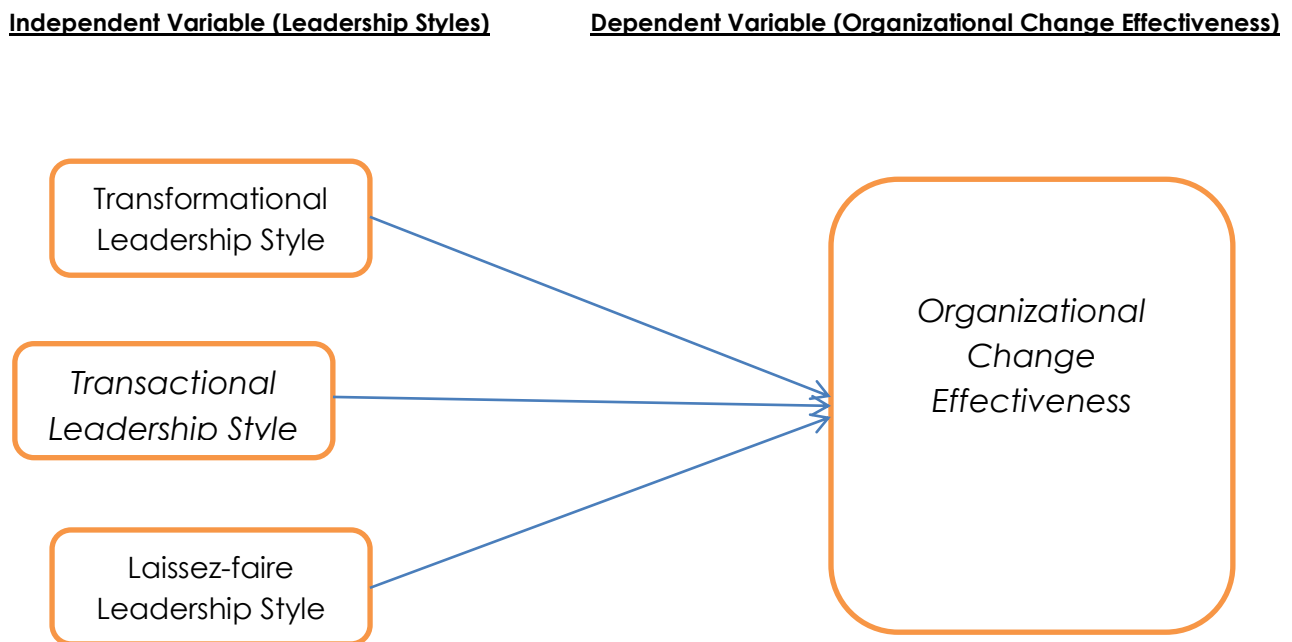
In certain situations, such as science laboratories or established businesses with long-term personnel, laissez-faire leadership is appropriate. In environments where members require input, direction, oversight, flexibility, or praise, laissez-faire leadership is not appropriate ( Gastil, 1994). Laissez-Faire leadership is a type of passive leadership. It denotes a non-transactional leadership style in which critical decisions are delayed, actions are postponed, leadership obligations are neglected, and authority is not exerted. A leader who exhibits this type of non-leadership is viewed as unconcerned about the problems of others. Leadership that is uninhibited is known as laissez-faire. Laissez-faire leadership is a leadership style in which the leader never intervenes in the administrative processes and gives limitless freedom to the followers (Bass & Steidlmeier, 1999). Further studies on the style pointed out that style is the most effective in cases where followers are mature and highly motivated (Zervas & Lassiter, 2007).

## 2.4. Conceptual Framework

The conceptual framework identifies the study's important factors and shows how they could interact. It is the theoretical elaboration of what the research study intends to investigate, allowing readers to grasp the research's goal in a specific format (Leshem and Trafford, 2007).

In this framework, the organizational change effectiveness, measured by achieving the objectives of the changes (customer satisfaction, reduced cost of transaction, service efficiency and volume of transacted commodities) is considered as dependent variable and the leadership styles are considered as the independent variables.

Figure 2.2: Conceptual Framework



(Source: Researcher's Own Concept)

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1. Introduction

The research project aimed to explain the role of leadership style on the organizational change effectiveness at Ethiopia Commodity Exchange. It also tried to identify the possible link of the leadership style with the organizational change effectiveness at the Exchange. Where there is no any specific dominant leadership style is certainly known, the research tried to identify which leadership style is predominantly practiced at ECX.

#### 3.2. Research Approach

As the objective of the study is to examine the role of leadership styles in organizational change effectiveness at Ethiopia Commodity Exchange, the research basically followed a mixed research approach (sequential explanatory design) in which the both quantitative and qualitative approaches were implemented sequentially, which is a systematic empirical investigation of observable factors with descriptive data analysis using statistical measures such as correlation and regression analysis; and the finding of the qualitative data is expected to enhance the findings of the quantitative one and vice versa.

#### 3.3. Research Design

The function of the research design is to provide for the collection of relevant evidence with minimal expenditure of effort, time and money (Kothari, 1990). The outlines of decisions constitutes the research design which describes the methods by which it answers to questions as to “what”, “when”, “where”, “how much” and “by what means” the intended research is to be conducted (Kothari, 1990). The research hopes to answer the research question posed using the quantitative questions.

Questionnaire was prepared using the five-point Likert Scale. Since the study tried to investigate the possible relationships between the leadership styles (the independent variable) adopted at Ethiopia Commodity Exchange and the organizational change effectiveness (the dependent variable) that is measured as achieving the intended objectives of the changes (customer satisfaction, reduced cost, service efficiency and volume of transacted commodities) an explanatory research design was implemented.

### 3.4. Sample Size and Sampling Techniques

For an accurate finding it would have been better to study the entire population. However, since this will be impractical given the size of the population, a sample was drawn from the population using Yamane's (1967) formula i.e.  $n = N / (1 + (N * e^2))$  where n represents the sample size, N=total number of population and e= the level of precision.

The target population for this study is senior management, middle level management, supervisors and non-management staff of Ethiopia Commodity Exchange at the Head Office at Addis Ababa. The entire target population is considered as the one which has usually been impacted by the outcome of the organizational change over the past several years at Ethiopia Commodity Exchange. All the permanent target staff of organization was included in the sampling process.

There are 13 senior management, 31 middle level management and 15 supervisory level staff and 183 non-managerial staff at the Head Office, the total of which is 242 as of April 2021. Accordingly the sample size was calculated using 95% confidence level and 5% confidence interval to be as:-

$$n = N / \{1 + (N * e^2)\} = 242 / [1 + (242 * 0.05^2)] = 147$$

After deciding the sample size, a simple random sampling technique was implemented to include sample from each category. Accordingly, the sample from each category became 8 from the senior management, 19 from the middle level management, 9 from the supervisors and 111 from non-managerial staff that will comprise the total sample to be 147.

### **3.5. Data Type and Sources**

Both primary and secondary data (various literatures on the change initiatives such as the concept paper on the need of model change at ECX) sources were used in the study. Questionnaire and interviews were administered to gather data from a primary data sources. The primary data sources are the senior management, middle level management, supervisors and non-management staff of Ethiopia Commodity Exchange. Various literatures such as text books, articles and other written materials on the topic were consulted to get secondary data.

### **3.6. Data Analysis Techniques**

In this research project, data was gathered using questionnaire from primary sources which composed of closed ended questions. For the data analysis purpose, the recent IBM Statistical Package for the Social Sciences (SPSS) Version 22 was used to encode and analyze data. Furthermore, an interview was administered with the members of the senior management team and analyzed through content analysis in order to support the quantitative data with its qualitative counterpart. Descriptive statistics, correlation and regression analysis were used to analyze the quantitative data whereas content analysis was used to analyze the qualitative data collected during the interview.

## 3.7. Validity and Reliability

### 3.7.1. Validity

In this research project, as criterion and content validity are not assessed numerically, but can only be subjectively judged by the researcher (Wong and Aspinwall, 2005), the following activities were performed to ensure the validity:

- The questionnaire was subjected to peer review from colleagues and the supervisor. This was aimed to red flag any potential errors in the research instruments thus ensuring the result's validity.
- Data was collected from the reliable sources and
- Survey questions were prepared based on previous empirical review and literature review to ensure result validity.

#### *a. Data Screening and Validation*

One of the important elements before analyzing the collected data is the data screening since it ensures the validity of research findings. It is also important to check for any errors that could occur during data collection and data entry before making any further analysis. In this research project, IBM SPSS Statistics Version 22 was used to process data and frequency distributions were used to check the accuracy of data entry, examine missing data and to check outliers. Normality test was carried out; and construct validity and reliability were also tested.

#### *b. Data Accuracy*

This first step in the data screen was conducted by comparing each response in the questionnaire with what were entered in the SPSS. This process of proof-reading enabled the researcher to identify some errors and immediately correct them. Also, the descriptive statistics was

conducted to enable further data accuracy assessment and no problem was found. The proof-reading helped in screening some of the errors as it indicates that all measures were in a possible range of 1 to 5 and there were data entry errors found like 44 to mean 4 and 55 to mean 5 which could significantly affect the outcome should it not be corrected before processing further.

### **3.7.2. Reliability**

Test of reliability refers to the degree to which a test is consistent and stable in measuring what it is intended to measure. In other words it measures the internal consistency of the items in a scale to check the measuring tool employed on the study was free from error so that the measurement instrument yields a reliable outcome. It also indicates that the extent to which the items in a questionnaire are related to each other. Cronbach's alpha is one of the most often utilized. Its coefficient values typically range from 0 to 1, with higher values indicating a better degree of internal consistency. Different authors accept different values for this test in order to attain internal dependability, although the most widely accepted value is equal to or greater than 0.70 (Hair et al., 2003). Hinton (2014) has also suggested four different points of reliability that are : excellent reliability ranges from 0.90 and above, high reliability between 0.70 and 0.90, high moderate reliability between 0.50-0.70 and low reliability 0.50 and below.

The reliability tests for the Transformational Leadership Style, Transactional Leadership Style and Laissez-fair Leadership Style were found to be 0.831, 0.841 and 0.834 respectively while it was 0.835 for the Leadership Styles (the independent variables) in total. The reliability test for the Organizational Change Effectiveness (the dependent variable) was also showed 0.837. The overall Cronbach Alpha for this study is 0.841. The reliability tests for each independent variable, whole independent variables, the dependent

variable and the entire model showed that all were between 0.70 and 0.90 that indicated high reliability. These would mean that there is high internal consistency in the model. Hence it can be concluded that the measurement is very good. A high Alpha coefficient of 0.841 would simply indicate that the factor is likely to present itself if the study is to be repeated when subjected in a different application setting.

### **3.8. Ethical Consideration**

Proper measures have been taken to ensure the maximum care with regard to the respect, dignity and freedom of each participant in this study. The participants were made aware about the requirement of the study, its purpose and were requested for their willingness to participate in the study. Their privacy was respected and the confidentiality of the information they provided was well protected. Furthermore, the works of other scholars whose works were used in this research have been properly acknowledged.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

#### 4.1. Introduction

The purpose of this chapter is to present the results of the data gathered, analyzed through IBM SPSS Version 22 and finally explains the interpretations of the findings. Based on the sample size determined, a total of 147 questionnaires were distributed for the respondents. Excluding three (3) questionnaires that were not completely filled out by the respondents, 111 questionnaires were fully answered and returned that accounts about 76.00% of the total distributed questionnaires. The study aimed at identifying the role of leadership styles in managing organizational change effectiveness at Ethiopia Commodity Exchange. The findings have been summarized in the following sections.

In this chapter, the results of the data collected have been presented through nine sections.

#### 4.2. Demographic Background of Respondents

Before making further analysis in to the study, it is vital to analyze the background information of the respondents. Accordingly, the following demographic background information has been presented.

**Table 4.1**

**Gender of the Respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	75	67.60	67.60	67.60
	Female	36	32.40	32.40	100.00
	Total	111	100.00	100.00	

Source: Own Survey 2021

As can be understood from Table 4.1, out of the 111 valid respondents, 75 are male while 36 are female that accounts to be 67.60% and 32.40 respectively. This would mean that out of the respondents the proportion of male to female ratio is 2:1 i.e. male dominates.

**Table 4.2**

**Age of the Respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-30	33	29.70	29.70	29.70
	31-40	62	55.90	55.90	85.60
	41-50	13	11.70	11.70	97.30
	Above 50	3	2.70	2.70	100.00
	Total	111	100.00	100.00	

Source: Own Survey 2021

From Table 4.2 above, the age group between 31 and 40 dominates the respondents with a percentage of 55.90% followed by the age group between 18 and 30 with a proportion of 29.70%. The age group between 41 to 50 and those above 50 takes the proportion of 11.70% and 2.70% respectively. Consequently, it can be concluded that the younger age group dominates the staff at Ethiopia Commodity Exchange at the present.

**Table 4.3**

**Marital Status of the Respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	51	45.90	45.90	45.90
	Married	59	53.20	53.20	99.10
	Divorced	1	0.90	0.90	100.00
	Total	111	100.00	100.00	

Source: Own Survey 2021

Regarding the marital status, married, single and divorced respondents account 53.20%, 45.90% and 0.90% respectively (Table 4.3). A little more

than half of the target sample, who responded the questionnaire, were married individuals. There is no any widowed staff in the sample.

**Table 4.4**

**Level of Education**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	1	0.90	0.90	0.90
	Degree	70	63.10	63.10	64.00
	Masters	40	36.00	36.00	100.00
	Total	111	100.00	100.00	

Source: Own Survey 2021

In the response to their educational level, First Degree holders accounts 63.10% followed by Master's Degree with 36.00% and Diploma 0.90% as indicated on Table 4.4 above. There is no one holding educational level above Master's Degree at the moment at Ethiopia Commodity Exchange. When inferred in conjunction with the age group information on Table 4.2 (majority younger age), it is expected that the level of education may change in the times to come.

**Table 4.5**

**Job Level of the Respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Senior Management	8	7.20	7.20	7.20
	Middle Level Management	11	9.90	9.90	17.10
	Supervisors	9	8.10	8.10	25.20
	Non-Supervisory	83	74.80	74.80	100.00
	Total	111	100.00	100.00	

Source: Own Survey 2021

Regarding their current job level, non-supervisory staff, middle level management, supervisors and senior management members account 74.80%, 9.90%, 8.20% and 7.20% respectively. This is in line with the sample

size determined per the job level and it can be concluded that the study incorporates staff of ECX from all the different levels as per the existing organizational structure in use. The job title of each staff has been indicated as deputy chief executive officers, chief officers of the respective departments, managers of the respective divisions, supervisors, senior specialists, specialists, associates, assistants and juniors in different divisions.

**Table 4.6**

**Work Experience**

	Years	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 to 3	33	29.70	29.70	29.70
	3+ to 5	41	36.90	36.95	66.70
	5+ to 8	26	23.40	23.45	90.10
	Above 8	11	9.90	9.90	100.00
	Total	111	100.00	100.00	

*Source: Own Survey 2021*

When their work experience at their current employer is considered, those employees having an experience between 3 to 5 takes 36.90% followed by 1 to 3 years, 5 to 8 years and above 8 years with the proportion of 29.70%, 23.40% and 9.90% respectively as indicated on the above Table 4.6. As a result majority of the respondents having the ratio of 70.30% have more than 3 years' experience. This meant that majority of the samples are the proper respondents of the study as this research project studies the role of leadership styles on the organizational change effectiveness at ECX over the past five years.

**4.3. Descriptive Statistics for Leadership Styles**

Descriptive statistics was employed to examine the percentage, mean & standard deviation of the responses of respondents with regards to the roles of leadership styles on the organizational change effectiveness at ECX.

Descriptive Statistics was used to present quantitative descriptions in a manageable form; each descriptive statistic reduces lots of data into a simpler summary (Gelman, 2006). The respondents were asked to rate their perception on a five-point Likert type scale ranging from 1 being strongly disagree to 5 strongly agree. For simplicity of analysis, rates of “Strongly Disagree (1)” and “Disagree (2)” were categorized as “Disagree” and ratings of “Strongly Agree(5)” and “Agree (4)” were categorized as “Agree”. The mean scores have been computed for all the variables by equally weighting the mean scores of all the items under each dimension. The mean value provides the idea about the central tendency of the values of a variable. Standard deviation is to give the idea about the dispersion of the values of a variable from its mean value. The results of the descriptive analysis are shown in the table below.

**Table 4.7**  
**Descriptive Statistics of the Leadership Styles**

Descriptive Statistics											
		TFL	II	IM	IS	IC	TSL	CR	MBO	LSFL	OCE
N	Valid	111	111	111	111	111	111	111	111	111	111
	Missing	0	0	0	0	0	0	0	0	0	0
Mean		4.10	4.29	4.02	3.97	3.83	3.57	4.17	3.44	3.52	3.75
Standard Deviation		0.32	0.40	0.62	0.56	0.48	0.39	0.55	0.49	0.68	0.51

*Source: Own Survey 2021*

From Table 4.7, it can be understood that the dominant leadership style at ECX at the present is Transformational Leadership Style (TFL) with the highest mean value of 4.10 and standard deviation of 0.32, particularly Idealized Influence (II) is practiced. Transactional Leadership Style (TSL) with a mean value 3.57 and standard deviation of 0.39 is believed to be the second dominant leadership at ECX. Laissez-fair Leadership Style (LSFL) with a mean

value of 3.52 and standard deviation of 0.68 has been found to be the third rated leadership style.

Overall, as indicated on the table, Idealized Influence (II), Contingent Reward (CR), Inspirational Motivation (IM), Intellectual Stimulation (IS), Individual Consideration (IC), Laissez-faire (LSF) and Management-by Exception (MBO) have a mean value of 4.29, 4.05, 4.02, 3.97, 3.83, 3.52 and 3.44 in a descending order respectively.

Accordingly, leadership at Ethiopia Commodity Exchange is believed to exhibit the Transformational Leadership as a dominant leadership style. However, the Transactional Leadership and the Laissez-fair Leadership Styles are also believed to be exhibited at ECX with mean values of 3.57 and 3.52 as indicated on the above Table 4.7. In other words, the target sample responded to the questions related to the leadership styles as “Agreed” since the mean value of all the three styles above 3 (4.10, 3.57 and 3.42).

#### 4.4. Descriptive Statistics for Organizational Change Effectiveness

**Table 4.8**

**Descriptive Statistics for Organizational Change Effectiveness**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Transformational leadership style has positively contributed to the organizational changes made.	111	1.00	5.00	3.5405	0.71075
Because of the transactional leadership style of ECX, the organizational change was effective.	111	1.00	5.00	3.3784	0.76341
Laissez-faire leadership style has positively contributed to the effectiveness of the change.	111	1.00	5.00	3.3333	0.8669
Aggregate Mean				3.4174	

Source: Own Survey 2021

As can be understood from the previous Table 4.7, employees believe that the Organizational Change Effectiveness at ECX is as a result of the current dominant leadership style with a mean value of 3.75 and a standard deviation of 0.51 as stated on Table 4.7 above. When this is seen in connection with the above finding on Table 4.7, the Organizational Change Effectiveness at Ethiopia Commodity Exchange over the past years is the result of the dominant leadership style that is the Transformational Leadership i.e. Transformational Leadership Style plays the leading role in the overall change management practices of the company over the past years. When the constructs to assess the relationship between the variables are considered (Table 4.8), the first construct "Transformational leadership style has positively contributed to the organizational changes made" has a mean value of 3.540 and standard deviation of 0.710 followed by "Because of the transactional leadership style of ECX, the organizational change was effective" and "Laissez-faire leadership style has positively contributed to the effectiveness of the change" with mean values of 3.378 and 3.333 and standard deviation of 0.763 and 0.866 respectively. When the aggregate mean of each item investigating the dependent variable is considered, it stood at a mean value of 3.417. In general, this implies that the significant variability in Organizational Change Effectiveness is mainly due to the Transformational Leadership Style at ECX.

#### 4.5. Correlation Analysis

**Bivariate Correlation:** the bivariate correlation test determines if two variables have a linear relationship (as one variable increases, the other also increases or as one variable increases, the other variable decreases). Furthermore, the Pearson product moment correlation coefficient is a measure of the linear correlation between two variables X and Y, with a value ranging from +1 to -1, inclusive, where 1 is the total positive

correlation, 0 is no correlation, and -1 is total negative correlation (Pedhazur, 1982).

**Sig (2-Tailed) value:** According to Pedhazur (1982), this value tells that whether there is a statistically significant correlation between two variables or not. If the Sig (2-Tailed) value is greater than 0.05, the researcher can conclude that there is no statistically significant correlation between two variables. That means, increases or decreases in one variable do not significantly relate to increases or decreases in the second variable. If the Sig (2-Tailed) value is less than or equal to 0.05, the researcher can conclude that there is a statistically significant correlation between two variables. That means, increases or decreases in one variable do significantly relate to increases or decreases in the second variable.

**Table 4.9**

**Correlation Analysis**

Correlations				
	Transformational Leadership	Transactional Leadership	Laissez-Fair Leadership	Organization al Change Effectiveness
Transformational Leadership				
Transactional Leadership	-0.105			
Laissez-Fair Leadership	.189*	.288**		
Organizational Change Effectiveness	.545**	.317*	.279**	

\*. Correlation is significant at the 0.05 level (2-tailed).

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

Source: Own Survey 2021

As stated above, the degree of association is measured by correlation coefficient "r", sometimes it is called Pearson's correlation coefficient and it is a measure of linear association.

The above table illustrates the correlation between the dependent variable (organizational change effectiveness) and the independent variables (the leadership styles). As it was tested in a two-tailed Pearson's correlation analysis, the association of dependent and each independent variable is described below.

According to Field (2009), the classification of the correlation coefficient ( $r$ ) is as follows: 0.10 – 0.29 is weak; 0.30 – 0.49 is moderate; and  $> 0.5$  is regarded as a strong. On the other hand, when Pearson's  $r$  is positive (+), this means that as one variable increases in value, the second variable also increases in value. Similarly, as one variable decreases in value, the second variable also decreases in value. This is called a positive correlation. When Pearson's  $r$  is negative (-), this means that as one variable increases in value, the second variable decreases in value. This is called a negative correlation.

Pearson correlation coefficient for the Transformational Leadership was found to be 0.545 and it is at the 0.01 confidence interval level. Thus, as the coefficient is in the range of  $r > 0.50$ , there is a high degree of correlation between Transformational Leadership and Organizational Change Effectiveness.

With Transactional Leadership Style, the  $r$  was found to be 0.317 with 0.05 level of significant. Since the result is between 0.30 – 0.49 inclusive, there is a moderate correlation between Transactional Leadership and Organizational Change Effectiveness.

Laissez-faire Leadership Style and Organizational Change Effectiveness slightly positively correlated with a result of 0.279 of Pearson correlation coefficient ( $r$ )

and insignificant correlation with Organizational Change Effectiveness as the correlation is weak. The result shows a low degree of correlation between Laissez-fair Leadership style and Organizational Change Effectiveness.

In general, from the above table Organizational Change Effectiveness and all the three leadership styles are positively correlated. But the correlation between Organizational Change Effectiveness and Laissez-fair Leadership Style is weak and insignificant at both the 0.01 and 0.05 levels.

#### **4.6. Regression Analysis**

Regression is a technique that employs one or more independent variables to predict the value of a dependent variable (Albaum, 1997). To explain it another way, it is a statistical technique for investigating the relationships between variables. The coefficients of a linear equation are estimated using linear regression, which involves one or more independent variables that best forecasts the value of the dependent variable (Field, 2009). It is usually conducted to understand by how much the specific leadership style (Transformational Leadership, Transactional Leadership, or Laissez-fair Leadership) explains the dependent variable (Organizational Change Effectiveness).

#### **Multi Regression Analysis**

Multiple linear regressions was conducted in order to determine the explanatory power of the independent variables (Transformational Leadership, Transactional Leadership and Laissez-fair Leadership) to identify the relationship and to determine the most dominant variables that influenced dependent variable (Organizational Change Effectiveness). The significance level of 0.05 with 95% confidence interval was used. The reason for using multiple regression analysis was to assess the role/impact of the

role the leadership styles on the organizational change effectiveness. The model summary of the regression analysis is presented in Table 4.12 below.

**Table 4.10**

**Regression Analysis**

<b>Model Summary<sup>b</sup></b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.739 <sup>a</sup>	0.546	0.525	0.5041

a. Predictors: (Constant), Laissez-Fair Leadership, Transformational Leadership, Transactional Leadership

b. Dependent Variable: Organizational Change Effectiveness

Source: Own Survey 2021

**R Square (R<sup>2</sup>)** – indicates the proportion of variance that can be explained in the dependent variable by the linear combination of the independent variables. In another word R<sup>2</sup> is a measure of how much of the variability in the outcome is accounted for by the predictors. The values of R<sup>2</sup> also range from 0 to 1 (Pedhazur, 1982).

As presented on the Table 4.10 above, the R<sup>2</sup> value is 0.546. This can be interpreted as 54.60% of the total variability in Organizational Change Effectiveness is explained by the model or by the three independent variables (leadership styles). In complementary, the remaining 45.40% is explained by extraneous variables, which have not been included in this regression model.

#### 4.7. ANOVA Analysis

The other important factor is the Analysis of Variance (ANOVA) which has been presented below:

**Table 4.11**

##### **ANOVA Analyss**

<b>ANOVA<sup>a</sup></b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.568	3	1.902	5.73	.001 <sup>b</sup>
	Residual	28.058	107	0.332		
	Total	62.625	110			

a. Dependent Variable: Organizational Change Effectiveness

b. Predictors: (Constant), Laissez-Fair Leadership, Transformational Leadership, Transactional Leadership

Source: Own Survey 2021

The ANOVA, as presented on Table 4.11 above, shows the overall significance/ acceptability of the model from a statistical perspective (Pedhazur, 1982). The summary shows the various sum of squares described in the table above and the degrees of freedom associated with each other. The ANOVA Analysis of the study showed that the various sum of squares described and the degrees of freedom associated with each other indicates that the overall variation explained by the model is good and significant as p-value is 0.001 i.e. it is less than 0.05.

#### 4.8. The Regression Coefficient

This research project study intended to identify the most contributing independent variable in the prediction of the dependent variable. Thus, the strength of each predictor (independent variable) influencing the criterion (dependent variable) was investigated through standardized Beta coefficient.

The regression coefficient explains the average amount of change in the dependent variable that is caused by a unit change in the independent

variable. The larger value of Beta coefficient an independent variable has, brings the more support to the independent variable as the more important determinant in predicting the dependent variable.

**Table 4.12**

**Regression Coefficients**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.434	0.553		2.592	0.011
	Transformational Leadership	0.614	0.101	0.547	6.1	0.000
	Transactional Leadership	0.261	0.118	0.196	2.213	0.029
	Laissez-Fair Leadership	0.179	0.097	0.145	1.84	0.068

a. Dependent Variable: Organizational Change Effectiveness

Source: Own Survey 2021

The researcher has tried to measure which leadership style has the highest impact on organizational change. The relative importance of leadership styles (independent variables) in contributing to the variance of the organizational change effectiveness (dependent variable) was explained by a standardized Beta coefficient. As it can be seen on the above Table 4.12, Transformational Leadership is a significant predictor of Organizational Change Effectiveness. Transactional Leadership is also a significant predictor of Organizational Change Effectiveness since the p-value is less than 0.05. But Laissez-fair Leadership with p-value 0.068 is not a significant predictor of Organizational Change Effectiveness. In other words, the independent variable (Laissez-fair Leadership Style) doesn't help to predict the dependent variable (Organizational Change Effectiveness).

In general, the factor which had the greatest impact on the overall Organizational Change Effectiveness at Ethiopia Commodity Exchange is the Transformational Leadership Style with a standard beta of 0.547 which

makes it the dominant leadership style. In other words, 54.7 % of change in the organizational change at ECX is explained by the variation in the Transformational Leadership Styles. Transactional Leadership Style is also the second dominant leadership style with a standard beta of 0.196 with a p-value of 0.029 which is less than 0.050. Finally, the role of the Laissez-Fair Leadership Style on the dependent variable is insignificant as the p-value is 0.068 which larger than 0.050.

Based on these results, the regression equation that predicts the role of leadership styles on organizational change effectiveness is as follows:

$$\text{OCE} = 1.434 + 0.547\text{TFL} + 0.196\text{TSL} + 0.145\text{LSF} + e$$

Where:

OC= *Organizational Change Effectiveness*                      LFL= *Laissez-fair Leadership*

TFL= *Transformational leadership*                                      e= *Sampling error*

TSL= *Transactional Leadership*

#### 4.9. Interview Analysis

In order to support the quantitative study result with the qualitative data, interviews were made with the senior management members of ECX that includes the two Deputy Chief Executive Officers, the Chief Officers of the relevant departments and the Manager of the Transformation and Change Management Division. The result of the interview analyzed through the content analysis has been summarized below:

The interviewees were asked about what major changes have been introduced to Ethiopia Commodity Exchange over the past five years?. In their response, they have indicated that the organization has undertaken the following changes over the indicated period:

- Reform over the coffee value chain that includes identity preserved trading model, on-truck sale, introduction of electronic auction (e-auction) and others
- Pulses and Oilseeds reform;

- Introduction of new membership type,
- Establishment of new regional trading centers out of Addis Ababa.

The second question they were asked were about the sources of these changes in order to identify whether the changes are planned ones or haphazard one. Their response can be summarized as the sources are both the internal ECX strategic plans and from the major external stakeholders such as the Government of Ethiopia and trade actors. For the efficient and sustainable management of these changes, the top management of the organization has established a “*Transformation and Change Management Division*” that is headed by a manager directly reporting to the Chief Executive Officer. From this interview, it was understood that most of the changes are planned ones that pass through the required steps from the inception through its implementation. However, some interviewees noted that there are unplanned changes requiring immediate implementation especially from the Government of Ethiopia through Ministry of Trade which is the supervising body for ECX. As the purpose of this study is entirely about the systematic planned change, it did not include issues from the unplanned change practices.

They were also asked what objectives did those changes have and whether those objectives were evaluated after the changes were implemented. The objectives were:

- Improve efficiency;
- Reduce cost of transaction;
- Shorten the value chain;
- Improve transparency;
- Increase customer satisfaction; and

They claimed that after those changes had been implemented, the organization could achieve a better customer satisfaction though still extra

efforts are underway to make it still further better; transparency has increased that can be justified by such actions as introduction of sample display before trade and provision of pre-trade information for the traders; and service delivery rate has increased. The mentioned objectives are used as dimensions of the dependent variables (Organizational Change Effectiveness) during the study.

The other interview question requires them to explain their motivational strategies for the entire staff in the change management process. They have responded that before implementing any change, they identify the relevant parts that are affected significantly by the change. Then they engage most of the relevant staff in the change process starting from the design stage so that they would provide their parts and actively involved in the process in the sense of ownership which is critical for the successful change implementation. They have further explained that they would encourage staff to help to understand the change from its grand benefit for the company. This is in line with the finding of the quantitative data that show the dominant leadership style at the present was the transformational leadership style.

The next question was how the Ethiopia Commodity Exchange measures how effective the change implemented. They have responded that the organization regularly collects the feedback form the members (trade actors), makes its own assessment and employ external consultant who can make independent review of the outcome of the change. A good example for this was the customer satisfaction survey made a year ago by an external consultant.

At last, they were asked whether they believe that the success of the organizational changes is as a result of the current dominant leadership style mainly. Though not all, majority of them believe that the dominant

leadership style plays the significant role in the effectiveness of the organizational change management. This is in line with the final output of the quantitative analysis that uncovered that transformational leadership style as the current dominant leadership style at Ethiopia Commodity Exchange.

## CHAPTER FIVE

### SUMMARY, CONCLUSION, AND RECOMMENDATION

#### 5.1. Summary of Findings

The result of descriptive statistics analysis reveals that from the three types of leadership styles studied, the dominant type of leadership style currently in practice at Ethiopia Commodity Exchange is the Transformational Leadership Style.

The relationship between variables which is their correlation was conducted and the result shows that except the Laissez-fair Leadership Style which has insignificant relation with Organizational Change Effectiveness, Transformational Leadership and Transactional Leadership Styles have a significant positive relation with the Organizational Change Effectiveness.

Multiple linear regression analysis was also conducted to check if the three leadership styles affect the organizational change effectiveness. The result obtained reveals that the adjusted R square is 0.525 which indicates that 52.50 % of the variation in organizational change effectiveness is explained by the three types of leadership styles (Transformational, Transactional, and Laissez-fair Leadership Styles) with  $p= 0.000$  which indicates a high significant regression model. Since the difference between the  $R^2$  and the adjusted  $R^2$  is very small (0.021 or just 2.10%), it means that if the model were derived from the population rather than a sample it would account for approximately 2.1% less variance in the outcome.

The multiple linear regression analysis result reveals that Organizational Change Effectiveness is positively influenced by the Transformational Leadership Style. Employees of Ethiopia Commodity Exchange highly engaged in the organizational change effectiveness if the respective

leaders practice Transformational Leadership Style. Moreover, Transformational Leadership Style is the dominant type of leadership style exhibited in ECX. Transactional Leadership Style also affects Organizational Change positively but not as strong as that of the Transformational Leadership. However, the role of Laissez-fair Leadership Style on the dependent variable i.e. Organizational Change Effectiveness is insignificant.

## **5.2. Conclusion**

As indicated on the objective of this research, the primary aim of this research project is to identify the role of the leadership styles on organizational change effectiveness at Ethiopia Commodity Exchange. It further aimed at identifying the dominant leadership style exhibited at ECX and further to understand the relationship between the dominant leadership style and the organizational change effectiveness. This objective has been attained.

Regression analysis was conducted to verify if the independent variables have influence on Organizational Change Effectiveness. According to the findings, Transformational and Transactional Leadership Styles were found to have significant impact on the dependent variable i.e. change effectiveness.

As stated under the statement of the problem for this study, the major concern was to determine the dominant leadership styles demonstrated at ECX and how their impact on Organizational Change Effectiveness. According to the outcomes of this study as presented in the preceding chapter, leaders and supervisors should pay more attention to transformational leadership practices as long as it has a positive impact on organizational change effectiveness more than the others.

Overall, when the outcomes of both the qualitative and quantitative studies are considered, it can be concluded that the Transformational Leadership Style (with a high Pearson correlation of 0.545) plays the significant role in achieving the Organizational Change Effectiveness at ECX. Transactional Leadership Style is the next dominant leadership style (with a moderate Pearson correlation of 0.317). However, though there is a positive correlation between the Laissez-faire Leadership Style and the Organizational Change Effectiveness, the correlation is weak (with a weak Pearson correlation of 0.279).

### **5.3. Recommendation**

Organizations need to have capable leaders to lead and motivate their employees in their daily operation and achieve the organizational goals because employees are the most important assets in any organization. The leadership style adopted would have impact on the overall effectiveness of the individual staff in particular and the organization in general. Based on the summary and conclusions made above, the researcher has forwarded the following recommendations:

1. Since the Transformational Leadership Style has a strong positive correlation with the change effectiveness, the top management should give more attention to it in the assumption of enhancing the organizational change effectiveness much better;
2. The top management should consider enhancing the leadership practice among leaders at ECX as an important strategy for any future change process;
3. One of the reasons for failure of change initiatives is the solid resistance from employees as a result of not believing in the leaders. To overcome such issues, leaders should pay attention to each

individual follower's concerns by implementing different strategies as coaching and even mentorship. They should treat them based on an individual basis, show support, coach and provide supportive guidance. This will result in employees feel important and become actively involved in any change initiatives in the sense of ownership.

4. The leaders should pay attention to the relationship with their subordinate as Transformational Leadership is also about building trust that can help in developing sense of common objectives and shared vision;
5. The top management should also ensure that the change initiatives are properly communicated to all staff on organization wide changes. The end-to-end change process should be clear to all employees.
6. As the immediate implementation of the external change initiatives (unplanned changes) would result in poor change implementation or even total failure of the changes, the top management of Ethiopia Commodity Exchange should make intact communications with its supervisory organ so as to reduce such change requests as unplanned change initiatives significantly affect the organization should it fail.

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## Appendices

### Appendix A: Questionnaire

Addis Ababa University School of Commerce

Department of Graduate Studies

Masters of Arts in Business Leadership

Dear respondent,

My name is **Muluken Belhu Tadesse** currently working on a research project entitled “**The Role of Leadership Style on Organizational Change Effectiveness**” at Ethiopia Commodity Exchange. This questionnaire is prepared as part of the researcher’s effort to partially fulfill the requirements for Master of Arts Degree in Business Leadership from Addis Ababa University, School of Commerce. The objective of the research is to explore “The Role of Leadership Styles on the Organizational Change Effectiveness at Ethiopia Commodity Exchange. Your active participation in the research and your honest feedback to the questionnaires will help achieve the objective. The data shall be kept confidential and used for academic purposes only. You are not required to indicate your name. Should you require further clarification, please contact me via 0911-154738.

Thank you in advance for your cooperation!

### QUESTIONNAIRE

The statement below aims at capturing your perception of leadership styles and tries to identify the role of leadership styles on the organizational change effectiveness at Ethiopia Commodity Exchange.

#### PART I: DEMOGRAPHIC QUESTIONS

This part of the questionnaire covers the demographic back ground including the job related information. Kindly respond to each question by putting a tick (√) or a mark (x) sign on the choice that represents your personal profile:

I. Gender

A. Male:

B. Female:

II. Age

A. 18-30:

B. 31-40:

C. 41-50:

D. Above 50:

III. Marital Status

A. Single

B. Married

C. Divorced

D. Widowed

IV. Level of Education

A. Diploma

B. Degree

C. Masters

D. PhD

V. Current Job Level at ECX in years

A. Senior Management

B. Middle Level Management

C. Supervisor

D. Non-managerial

VI. Job title \_\_\_\_\_

VII. How long have you worked in your current title? (in years)

VIII. 1 to 3

B. 3+ to 5

C. 5+ to 8

D. Above 8

IX. How long have you been working under your current supervisor/manager?  
(in years) \_\_\_\_\_

## PART II: LEADERSHIP QUESTIONS

The following statements are aimed at helping you assess your feelings or perceptions of your immediate supervisors' leadership style. Please rate as: 1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree. Please place a tick (✓) or a mark (x) in the box (cell) that represents your appropriate level of agreement.

S.No.	Transformational leadership	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Idealized Influence (II)					
1	My supervisor makes others feel good to be around him					
2	I have complete faith in my supervisor					
3	I am proud to be associated with my supervisor					
<b>Inspirational Motivation (IM)</b>						
4	My supervisor expresses in simple words what we could and should do					
5	My supervisor provides appealing images about what we can do					
6	My supervisor helps in finding meaning to my work					
<b>Intellectual Stimulation (IS)</b>						
7	My supervisor enables others to think about old problems in new ways					
8	My supervisor provides others new ways of looking at puzzling things					
9	My supervisor gets others to rethink ideas that they have never questioned before					
<b>Individual Consideration (IC)</b>						
10	My supervisor helps others to develop themselves					
11	My supervisor lets others know how he/she thinks we are doing					
12	My supervisor gives personal attention to others who seem rejected					
<b>Transactional leadership</b>						
<b>Contingent Reward (CR)</b>						
13	My supervisor tells others what to do if they want to be rewarded for their work					
14	My supervisor gives rewards/recognitions to others when they reach their goals					
15	My supervisor calls attention to others what they can get for what they accomplish					

	<b>Management-by Exception (MBE)</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
<b>16</b>	My supervisor is always satisfied when others meet agreed upon standards					
<b>17</b>	As long as things are working, my supervisor doesn't try to change anything					
<b>18</b>	My supervisor tells us the standards we have to know to carry out our work					
<b>19</b>	My supervisor believes employees need to be supervised closely. they are not likely to do their work					
<b>20</b>	As a rule, my supervisor believes that employees must be given rewards or punishments in order to motivate them to achieve organizational objectives					
<b>21</b>	I feel insecure about my work and need direction					
<b>22</b>	my supervisor is the chief judge of the achievements of employees					
<b>23</b>	My supervisor gives orders and clarifies procedures					
<b>24</b>	My supervisor believes that most employees in the general population are lazy					
	<b>Laissez-faire Leadership</b>					
<b>25</b>	In my complex situations my superior allows me to work my problems out on my own way					
<b>26</b>	My supervisor stays out of the way as I do my work					
<b>27</b>	As a rule, my supervisor allows me to appraise my own work					
<b>28</b>	My supervisor gives me complete freedom to solve problems in my own					
<b>29</b>	In most situations I prefer little input from my supervisor					
<b>30</b>	In general, my supervisor feels it is best to leave subordinates alone					

	<b>Organizational Change Effectiveness</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
<b>31</b>	Transformational leadership style has positively contributed to the organizational changes made.					
<b>32</b>	Because of the transactional leadership style of ECX, the organizational change was effective.					
<b>33</b>	Laissez-faire leadership style has positively contributed to the effectiveness of the change.					

**Appendix B: Interview**  
**Addis Ababa University School of Commerce**  
**Department of Graduate Studies**  
**Masters of Arts in Business Leadership**

Dear respondent,

My name is **Muluken Belhu Tadesse** currently working on a research project entitled “**The Role of Leadership Style on Organizational Change Effectiveness**” at **Ethiopia Commodity Exchange**. This interview is prepared as part of the researcher’s effort to partially fulfill the requirements for Master of Arts Degree in Business Leadership from Addis Ababa University, School of Commerce. The objective of the research is to explore “The Role of Leadership Styles on the Organizational Change Effectiveness at Ethiopia Commodity Exchange. Your active participation in the research and your honest feedback to the interview questions will help achieve the objective. The data shall be kept confidential and used for academic purposes only.

Thank you in advance for your cooperation!

**Interview (Senior Management)**

The various questions stated below aim at capturing your responses on the organizational change effectiveness at Ethiopia Commodity Exchange over the past five years. Please feel free to frankly respond to the questions as the honest responses will be critically important on the final outcome of the research.

**INTWEVIEW QUESTIONS**

1. What major changes have been introduced to Ethiopia Commodity Exchange over the past five years?
2. What causes those changes?
3. What were the major objectives of those changes?
4. What measurements were set for the changes?
5. What were the outcomes of the changes after the implementation?
6. Have you made any evaluations of the changes after implemented? What were the outcomes of the evaluations?

7. What are your motivational strategies for your employees?
  8. How do you measure the effectiveness of your organization?
  9. Do you think that the changes at ECX are as a result of the current dominant leadership style?
  10. Anything you want to add\_\_\_\_\_
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