



ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

THE ROLE OF LEADERSHIP ON EMPLOYEE PERFORMANCE

IN THE CASE OF WEGAGEN BANK

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**A project work submitted to Addis Ababa University School of Commerce in
Partial fulfillment of the requirements for award of Master of Business
leadership**

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DECLARATION

I hereby that this project works for the Degree of Master of Business Leadership entitled” THE ROLE OF LEADESHIP ON EMPLOYEE PERFORMANCE IN THE CASE OF WEGAGEN BANK “The research is the original work and has not submitted any previous research on this title. The researcher then declared that the project work is his own authentic work and confirmed by his signature singed below.

Declared by: YARED ARGAW

Signature:_____

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This is to certify that the project work prepared by Yared Argaw, entitled” THE ROLE OF LEADESHIP ON EMPLOYEE PERFORMANCE IN THE CASE OF WEGAGEN BANK” submitted in partial fulfillment of the requirements for Degree of Master of Business Leadership complies with the regulation of the University and meets the accepted standards with respect to originality and quality.

APPROVED BY BOARD OF EXAMINERS

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List of Tables

| | |
|--|----|
| Table: 3.1 Target population and sample size | 18 |
| Table: 3.5.1 Reliability Statistics | 20 |
| Table.4.1.1: Biographical profile of Respondents | 21 |
| Table 4.1.2 Leadership Approach: Laissez Fair styles | 23 |
| Table: 4.1.3 Transformational leadership style..... | 25 |
| Table: 4.1.4 Transactional Leadership style | 27 |
| Table: 4.1.5 Employees job performance | 28 |
| Table: 4.1.6 Issues on Motivation..... | 29 |
| Table:4.1.7 Summary Aggregate Mean | 30 |
| Table 4.2.1 correlation Matrix among Leadership styles and Job Performance | 31 |
| Table 4.3.2 Analysis of Variance (ANOVAa | 32 |
| Table 4.3.1.1 Regression coefficient analysis of the model | 32 |

Table of Contents

| | |
|--|-----|
| DECLARATION | i |
| ACKNOWLEDGEMENTS | iii |
| List of Tables | iv |
| CHAPTER ONE | 1 |
| INTRODUCTION | 1 |
| 1.1 Background of the Study..... | 1 |
| 1.2 Statement of the problem | 1 |
| 1.3 Research Question..... | 3 |
| 1.4 Research Objective..... | 3 |
| 4.1.1 General Objective | 3 |
| 4.1.2 Specific Objective: | 3 |
| 1.5 Significance of the study | 3 |
| 1.6 Scope of the study | 3 |
| Chapter Two..... | 5 |
| Review of related Literature | 5 |
| 2.1 Definition of Leadership and Leadership style | 5 |
| 2.2 Employee Performance | 7 |
| 2.3 Influencing Factors on Leadership Practices | 7 |
| 2.4 Review of the Theoretical Literature | 8 |
| 2.4.1 Traits and Behavioral Theory | 8 |
| 2.4.2 Situational and Contingency Theory | 9 |
| 2.4.3 Transformational and Transactional Theory | 9 |
| 2.4.4 Transactional Leadership and Employee Performance | 10 |
| 2.4.5 Transformational Leadership and Employee Performance | 10 |
| 2.4.6 Laissez Faire Leadership and Employee Performance..... | 11 |
| 2.5 Leadership and Motivation..... | 11 |
| 2.5.1 Inspirational Motivation (IM)..... | 12 |
| 2.6 Empirical Literature Reviews..... | 12 |
| 2.7 Research Gaps | 14 |
| 2.8 Conceptual Framework | 16 |

| | |
|---|----|
| Chapter Three..... | 17 |
| Research Methodologies | 17 |
| 3.1 Research Design and approach | 17 |
| 3.2 Data types, source and methods of data collection | 17 |
| 3.3 Target population and sample design..... | 17 |
| 3.3.1 Sample Size | 18 |
| 3.4 Data analysis and presentation | 19 |
| 3.5 Reliability and Validity Test | 19 |
| 3.5.1 Reliability Test | 19 |
| 3.5.2 Validity | 20 |
| CHAPTER four..... | 21 |
| DATA PRESENTATION, ANALYSIS AND INTERPRETATION..... | 21 |
| 4.1 General background characteristics of respondents | 21 |
| 4.2 Correlation Analysis..... | 30 |
| 4.3 Regression Analysis | 31 |
| 4. 3.1 Results of Regression Analysis | 33 |
| CHAPTER FIVE | 35 |
| SUMMARY, CONCLUSIONS AND RECOMMENDATION | 35 |
| 5.1 Summary of Major Findings..... | 35 |
| 5.2 Conclusions..... | 36 |
| 5.3Recommendation | 37 |
| REFERENCES | 38 |

Abstract

Leadership is one of the key elements associated with the success and failure of any organization. Leadership style is the manner in which people are directed, motivated by a leader to achieve organizational goals. This study examines the impact of leadership styles on the job performance. The focus was on three major leadership styles -transformational, transactional, and Laissez Fair. This study has provided insights about the leadership styles; transformational, transactional, and Laissez Fair have a positive impact on the job performance, however, the Laissez Fair leaderships have negative impact on the organizational performance, as it does not provide opportunities and freedom to employees. In this study, both primary and secondary research has been conducted. The primary research has been done using the quantitative approach with the help of survey instrument, based on a survey questionnaire. The secondary research has been done through the review of previously established literature for achieving the research objectives. The findings suggested that Laissez Fair leadership style have negative relationship with organizational performance. On the other hand, transformational, transactional leadership styles had a positive relationship with the organizational performance. It has been recommended that organizations use the leadership style that enhances the capabilities and abilities of the people.

Key Words: Job performance, ; transformational, transactional, Laissez Fair

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Nowadays, modern organizational leadership practices play a critical role in the growth of a country, a nation, and companies in today's world. It is important in establishing a clear vision and mission, determining and establishing objectives, defining strategies, policies, and procedures to achieve organizational objectives effectively and efficiently, along with directing and coordinating the efforts and organizational activities. As a result, firms must employ positive and effective leadership methods in order to succeed. Today's global managers realize that increased competition requires them to be open to change and to rethink their old, culturally conditioned modes of leadership (Helen Deresky, 2006).

Effective leadership has a significant impact on influencing others, taking intentions and convincing followers, sharing purpose, motivating employees toward the organizational mission, vision, and performing essential tasks on a continuous basis (Stoner, James A, 2004). Organizational leadership practice emphasizes developing leadership skills and abilities that are relevant across organizations. An organization with excellent leadership will have employees who feel that their opinions are valued and that their work is highly important to the shared success of the whole organization (Robert J. Allio, 2003). Organizational leadership is a process where leaders use their skills and knowledge to lead and bring a group of employees in the desired direction that is relevant to their organization's goals and objectives (Jackson. And Parry, 2008).

Stack (2010) concludes that leadership does not mean being the best; rather, it refers to the ability to bring out the best in others. Recently, many companies are facing different challenges like organizational misconduct, high rate of employee turnover and poor financial performance.

1.2 Statement of the problem

Much of the literature emphasizes that leadership behaviors can simplify the improvement of both leadership capability and the performance of employees. It includes executing defined duties, meeting deadlines, employee competency, and effectiveness and efficiency in doing work. This eventually contributes to enhancing organizational performance.

Leadership behaviour in an organization is one of the factors that play a significant role in enhancing the interest and commitment of the individuals in the organization (Obiruwu et al., 2011). Leadership style is especially important to motivate employees' commitment to fulfilling organizational objectives and increasing job performance (Riaz, Akram, & Ijaz, 2011; Chi, Lan, & Dorjgotov, 2012). Furthermore, according to a research study conducted by Hueryren Yeh (2012), leadership style is positively related to organizational commitment and job performance.

Effective leadership practice has a significant impact on influencing others, taking intention and convincing followers, motivating employees towards the organizational mission, vision, and performing essential tasks on a continuous basis (Stoner. James A, 2004).

All branches of Wegagen Bank operate in a similar manner with respect to policies and practices. However, the company's previous year's reports show poor financial performance and human resource management practices due to a lack of effective leadership, which contributed to other problems such as poor customer service, high employee turnover, low productivity, and poor company performance. This indicates workers under poor leadership practices will have less confidence, no creativity, low motivation and low initiation, which will lead to low performance (Ramasamy T, 1999). This finding clearly demonstrates that there is a great gap in performance.

Despite the company's great development plans, a preliminary interview with random employees of Wegagen Bank shows that they are dissatisfied with the company's leadership style, team spirit, way of communication and decision-making process (non-participatory), employee motivation, and delegating authority to others. In addition, there are no democratic ties between leaders and their subordinates. Identifying these gaps will allow the researcher to examine employee performance and leadership practices, as well as provide management with information regarding these.

Therefore, the purpose of this study is to investigate which leadership practice really influences Wegagen bank employees' performance and attempts to fill the contentious gaps left by different research studies that have been conducted on leadership behaviors with regard to employee performance.

1.3 Research Question

The study attempts to answer the following basic research questions:

- What is the dominant leadership style used by the bank?
- What are the effects of leadership styles on employee performance?
- Do Leaders Motivate employees'?

1.4 Research Objective

4.1.1 General Objective

The main purpose of the research is to assess Wegagen Bank's organizational leadership practices.

4.1.2 Specific Objective: Specifically, the aim of this study will be to:

- To determine the current leadership style at Wegagen Bank of Ethiopia.
- To examine the impact of leadership style on employee performance.
- To assess leaders' ability to motivate employees.

1.5 Significance of the study

The study primarily focuses on organizational leadership practices, which are essential issues that may assist firms in identifying major ineffective practices related to organizational leadership styles.

The study will give data-driven information about the existing leadership practices on Wegagen Bank and provides leaders with the understanding of leadership competency necessary to deal with poor leadership practices in the workplace. It also helps other banks to develop their own strategy based on the findings besides the student researcher will be able to acquire essential knowledge about organizational leadership and research skills.

1.6 Scope of the study

The research delimited the role of leadership practice in employee performance at Wegagen Bank. The study focuses on the internal organizational function of leadership and its impact on employee performance. It will use a regression model to quantify the effect of leadership style, such as transformational, transactional, and laissez- faire Leadership

Correlation will be used to establish the association utilizing primary data. Because of time and budget constraints, the study will be done at the headquarters and selected branches that are found only in Addis Ababa although as certain data and human resource management manuals are confidential, the student researcher may have difficulties obtaining adequate data from the bank.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter aims to examine at the theoretical aspects of the issue, summarizes previous related research, evaluate empirical studies, and finally build the study's conceptual framework.

2.1 Definition of Leadership and Leadership style

Leadership is a dynamic relationship based on mutual influence and common purpose between leaders and collaborations in which both are moved to higher level of motivation and moral development as they affect real intended change (Stogdill R.M, 1974). Leadership is an influence relationship among leaders and followers who intend real changes that reflect their mutual purposes (Joseph Rost, 1993). Leadership is a complex process that results from the interaction among a leader, followers, and the situation.

Leadership has as many definitions as there are persons who attempted to define the concept (Stogdill R.M, 1974). Leadership is a development of a clear and complete system of expectations in order to identify evoke and use the strengths of all resources in the organization the most important of which is people (J.D. Batten, 1989). The concept of leadership was defined, “as the process of influencing the activities of an individual or a group in efforts toward goal accomplishment” (Hersey and Blanchard, 1969).

Critical organizational outcomes, such as satisfaction, organizational performance, group performance, and commitment, have been associated with these leadership styles (Kirkpatrick & Locke, 1996). Leadership is the process of influencing a group of followers, adding value, and helping the community adapt to change.

Leadership as the ability of an individual to motivate others to forego self interest in the interest of a collective vision, and to contribute to the attainment of that vision and to the collective by making significant personal self-sacrifices over and above the call of duty, willingly (House R. J. & Shamir B., 1993). Leadership is about articulating visions, embodying values, and creating the environment within which things can be accomplished (Richards D & Engle S., 1986).

Leadership involves Vision, motivation, setting a direction, inspiring people, and driving change within the organization. Companies have high rate of success when leadership skills complement

each other (Bennis W. & Nanus B, 1985). Leadership revolves around vision, ideas, direction, and has more to do with inspiring people as to direction and goals than with day-to-day implementation. A leader must be able to leverage more than his own capabilities and must be capable of inspiring other people to do things without actually sitting on top of them with a checklist.

Leadership and its role are the most concerning issue for the business and organizations now days. The “Leaders are individuals who establish direction for a working group of individuals and who gain commitment from this group of members to established direction and who then motivate members to achieve the direction’s outcomes” (Conger J.A, 1992). Leader - are those who consistently make effective contributions to social order, and who are expected and perceived to do so. (Hosking 1988).

This workers lack belongingness and try to secure themselves regardless of the organizational goals. This indicates workers under poor leaders practice will have less confidence, no creativity, low motivation & initiation and leads low performance. Leadership defined as “the ability to influence through communication the activities of others, individually or as a group, toward the accomplishment of worthwhile, meaningful, and challenging goals (Ramasamy T, 1999).

Leadership competencies have a great relation with successful organizational change and a competent leader may prove more effective in managing the change process successfully (Gruban.B, 2003). Knowing the importance and implication of organizational practice and admitting the fact that organizational leadership practice is the demand of a time, for sustainable success and leader/leadership can play a key role in bringing and implementing these changes, by deciding the desired form of an organization and taking the practical steps, which were needed for the process.

Leadership as a forceful and dynamic personality who really leads from the front; an architect and implementer of strategy; a mediator in conflict situations; an integrator who assures the climate of the organization; a person able to motivate subordinates and who, by persuasion, compulsion or example to others; succeeds in getting others to follow the leader’s wishes (Sorensen A. and Epps R, 1996). Leadership not only influences the employees in the organization, but also provides a clear direction to the employees according to the organization’s

vision and mission. Effective leaders set strategies to help the employees to achieve the company's target and objectives. Leader also play a role in monitoring the direction of the employees to make sure the employees are on the right path to achieve the goals according to the strategies.

2.2 Employee Performance

The main goal of any organization is to reinforce the work performance of its employees in order to survive in this highly competitive environment. Performance may be a multidimensional construct and a particularly vital criterion that determines organizational successes or failures. Prasetya and Kato (2011) define performance as the attained outcomes of actions taken with the skills of employees who perform in some situations. According to Pattanayak (2005), the performance of an employee is his/her resultant behavior on a task that may be observed and evaluated. To Pattanayak, employee performance is the contribution made by an individual to the accomplishment of organizational goals. Here, employee performance is just the result of patterns of action administered to satisfy an objective according to some standards. This means employee performance is a behavior that consists of directly observable actions of an employee and also mental actions or products like answers or decisions, which end in organizational outcomes in the form of attainment of goals. El-Saghier (2002) considered it an attempt by an employee to realize some specific goal; the researcher will adopt this definition.

2.3 Influencing Factors on Leadership Practices

Studies have revealed several negative personal traits that lead to ineffective leadership. According to McCall and Lombardo (1983), some personal behaviors of leaders that lead to ineffectiveness and "derailment" in general include both anti-subordinate behaviors such as intimidating and bullying subordinates and anti-organizational behaviors such as laziness, lack of appropriate management skills, failing to build teams, being unable to think strategically and spending more time occupied with matters other than their work assignments.

In a later study, (Lombardo M.M., Ruderman M.N., and McCauley C.D., 1988), they noted the following characteristics as contributing to the incompetence of managers:

- inability to build a cohesive team (team spirit);
- Over-and under-managing

- Ineffective communication and decision-making processes
- not encouraging and demanding of subordinates
- Lack of effective training and development;
- Being insensitive, cold, and arrogant
- maintaining poor working relationships with employees; and
- overriding personality defects and poor mentoring relationships

Therefore, leaders should be proactive in taking time to plan, improving how their team works, and putting measures in place to prevent problems before they happen. Also proactively identifying areas of risk for their team, and working on measures that will reduce their impact, or stop the problems happening altogether.

2.4 Review of the Theoretical Literature

Leadership has become the most widely studied aspect of organizational behavior and a variety of theories have emerged that specialize in the strategies, traits, styles, and the situational approach to leadership. Because of ever-growing interest in the field of leadership, behavioral scientists and sociologists began to analyze the possible consequences of leadership behaviors and, therefore, the variables that are likely to predict the leader's behaviors.

2.4.1 Traits and Behavioral Theory

The trait perspective was one of the earliest theories of leadership within the 1940's, which assumed that great leaders are born with distinguished personality traits that make them better fitted to leadership and make them different from people or their followers. Stogdill (1974) investigated leadership styles and came up with the most all-inclusive list of traits. Stogdill's observation that leadership situations differ extensively and place various hassles on leaders damaged trait theory, leading to the emergence of situational and behavioral approaches.

It focuses on the actions of leaders rather than on mental qualities or internal states, with the assumption that great leaders are made, not born. As per this theory's justification, people can be leaders through education and observation. Behavior theories examine whether the leader is task-oriented, people-oriented, or both. Studies conducted at the University of Michigan and Ohio State University in 1945 established two major sorts of leader behavior, namely: employee-centered and production-centered (Hersey and Blanchard, 1988).

2.4.2 Situational and Contingency Theory

Contingency theory is an approach to leadership during which leadership effectiveness is determined by the interaction between the leader's personal characteristics and aspects of the situation. The contingency theory places its assumption basing on the relationship between leadership style and organizational outputs can be temperate by situational issues connected with the environment, and thus the outputs cannot be forecasted by leadership style, unless the situational variables are known (Cheng and Chan, 2002).

Three models exist during this leadership approach: Fiedler's (1967) co-worker theory, such as House's (1971) path-goal theory (House, 1971), and (Hersey and Blanchard, 1969), situational leadership theory. From this approach and therefore the three models, no leadership style is best in all situations. Success depends upon variety of variables, including the leader's preferred style, the capabilities and behaviors of the followers, and aspects of the situation. Effective leadership requires adapting one's sort of leadership to situational factors, and control is contingent three factors namely the connection between the leader and followers, the degree of the task structure and therefore the leaders' authority, position or power.

2.4.3 Transformational and Transactional Theory

Over the last twenty-five years, a large body of research has emerged centered on transformational and transactional leadership theory. Transactional theories focus on the role of supervision, organization, and group performance and that they benchmark leadership on a method of appreciating rewards and penalties for achieving particular goals. The type of transaction, whether a gift or discipline, depends on employee performance. Bass (1985) study, which hypothesized the transactional leader appealing to the self-interests of the followers. Transactional leaders attempt to meet the current needs of their subordinates through bargaining and exchange. Leaders and followers both specialize in achieving the agreed-upon performance level.

The transformational theory emphasizes the bondage created among leaders and subordinates. The capability to motivate subordinates to go beyond their own personal objectives for the good of the organization is called transformational leadership (Bass, B. M., Avolio, B. J, Jung, D, & Berson, Y. (2003). Bass (1985) theorized that the transformational style of leadership comes from deeply held personal values that cannot be negotiated and appeal to the subordinates' sense

of moral obligation and values. Bass declared there have been four sorts of transformational leadership behavior, namely idealized influence (charisma), inspirational motivation, individualized consideration, and intellectual stimulation.

2.4.4 Transactional Leadership and Employee Performance

Transactional leadership may be a leadership style that emphasizes transactions between leaders and subordinates. Bass and Avolio (2003) suggest that transactional leadership has two aspects: contingent reward and exception management. The agreement between subordinates' responsibilities and the rewards gained when the planned goals are achieved is a leadership practice called "Contingent reward." A leader monitors deviations from established standards and takes corrective action to achieve organizational goals through exception management. Transactional leadership stimulates and pressurizes followers by bartering appreciation for an exacting achievement. In a transaction, the subordinate promised to tend rewards if they completed their duties in accordance with the agreements. In other words, he encourages subordinates to think. Like other leadership styles, transactional leadership styles can also affect job performance either positively or negatively. It depends on employee assessment. A positive impact can happen when employees review transactional leadership positively; a negative impact will occur if employees take into account that transactional leadership styles cannot be trusted because leaders will not keep their promises, be honest or be transparent.

2.4.5 Transformational Leadership and Employee Performance

This appears to be a visionary renovation. It becomes a combined vision where followers work to achieve the vision into actuality. In other words, the transformational process can be seen through different transformational leadership modes as described charisma, idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Bass, Avolio, Jung and Bearson (2003) states that the application of a transformational leadership style can get better productivity due to the leadership style's desires to extend comprehension and human resources budding. A transformational leader gives his subordinates the opportunity and confidence to carry out duties in accordance with his mindset in order to achieve organizational goals. Butler (1999) states that a transformational leader encourages subordinates to possess vision, mission, and organizational goals; encourages and motivates to point out maximum performance; stimulates subordinates to act critically and to unravel problems in new ways; and

treats employees individually. Suharto and Cahyono (2005) suggests that more frequent transformational leadership behaviors implemented will have a significant positive effect on enhancing the psychological empowerment quality of subordinates. A transformational leader that gives attention to individuals is going to be capable of directing the vision and mission of the organization, providing motivational support, and creating new ways to figure effectively.

2.4.6 Laissez Faire Leadership and Employee Performance

The leader's ability to steer is contingent upon various situational factors, including the leader's preferred style. Northouse, 2001. Different scholars have examined it and have found it to be applicable and dependable in explaining how effective leadership can be accomplished. It hassles the significance of focusing on inter-personal relationships between the leader's style and the demands of varied situations and employees. Under this sort of leadership consistent with Kumar (2014), maximum freedom is allowed to subordinates. They are given complete autonomy in determining their own policies and methods, as well as making independent decisions. It carries the assumption that the most effective leadership style depends on the power to allow a point of freedom to employees in administering any leadership style. On the other hand, much has been written in reference to the relationship between positive self and effective management. Kerns (2004) argued the connection of standards to organizational leadership and his study heavily assisted that laissez-faire style in bridging the space among the organization and its staff. Where his worry was exclusively on the very fact that laissez-faire would generate a positive atmosphere through which employees and organizations felt sort of a family in spite of their stances.

2.5 Leadership and Motivation

Leadership features a heavy impact on motivating employees and maximizing the success of the system. Employee motivation is the most significant part of management. The type of leadership style adopted by the establishment has an effect on the motivation level of the workers. Leadership and their teams should give themselves to the function and purpose of the organization by clearly explaining the organization's ends and objectives constantly to achieve success. Several reasons why people dislike their work are restrictive policies, poor supervision, poor working conditions, low earnings, or a lack of security at work (Walumbwa & Hartnell, 2011).

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2.5.1 Inspirational Motivation (IM)

Inspiring motivation was the lure of inspiring followers with symbols and metaphors. In other words, inspirational motivational leaders expressed the importance and value of desired goals in simple ways and discovered high levels of expectations. These leaders often talked about a vision of the future and expressed confidence and loyalty that their goals and visions could be accomplished.

They also attempted to move the disciples to extraordinary levels of achievement by demonstrating high expectations and confidence in them. In this way, the disciples responded by willingly increasing their efforts to attain the vision. While charisma and inspirational motivation have frequently been, highly correlated, inspirational leadership may or may not overlap with charismatic leadership. Inspiring leaders can occur without the need to associate disciples with the leader (charismatic leaders).

Transformational leaders who use inspiring motivation draw people toward the vision of the organization with their effective communicative personalities. Inspiring leadership consists of communicating a vision with ease and confidence, increasing optimism and enthusiasm, and giving interesting talks that energize others (Avolio, 2005).

2.6 Empirical Literature Reviews

Empirical reviews give strong evidence as to how leadership practices affect organizational performance and employee satisfaction. The ability of management to execute a collaborative effort depends on leadership capability. Different studies have been conducted in the field of leadership that address the effectiveness of leadership and assert the influence of individual

behaviors on their leadership styles. Some studies focus on the perception of leadership styles practiced with respect to leaders' own behavior, while others give attention to the perceptions of followers towards leadership styles practiced. Still, other studies focus on both the perception of leaders and followers towards leadership styles practiced. These are ways to check the effectiveness of leadership in organizations.

A relationship between leadership style and performance has been reported in both leadership and management literature. Several studies found a positive relationship between the two variables. Fiedler (1996), one of the most valued researchers on leadership, has provided a recent treatise on the importance of leadership by arguing that the effectiveness of a leader is a major determinant of the success or failure of a group, organization, or even an entire country. Bangkitgiat Usaha Mandiri (2018), a company engaged in the cultivation and processing of palm crude palm oil (CPO), located in the city of East Waringin, Central Kalimantan, conducted the research. The company's performance is inseparable from how the business operates and what employees have done. Therefore, the researcher concluded that a company must seek a way in order to satisfy employees. Meanwhile, to satisfy the employees, the role of transformational leadership and organizational culture play an important role. It also showed a significant correlation between the two parameters, performance and employee satisfaction.

Hildana Tadesse (2020) while conducting her study on the effect of leadership styles on employee satisfaction at Medtech Ethiopia. She identified the transformation leadership style as the most appropriate for modern-day organizations, in contrast to the autocratic behavior of the leadership style, which conditioned a negative input on employee performance. From this empirical review, the researcher found that employee performance and satisfaction are heavily dependent on leadership style, and it can play a vital role in determining the performance of employees. Leaders may use different leadership styles according to the situation and particular approach. So leaders must carefully analyze what kind of leadership they should adopt and adjust their leadership style if they want to increase employee performance and satisfaction. In general, in this global competitive environment, an effective leadership style is necessary to reduce the attrition rate of employee performance and satisfaction. The results of the study also indicated that a democratic leadership style has a positive and significant relationship with employees' performance.

A research conducted by Mohamed et al (2018) on "EFFECT OF LEADERSHIP STYLES ON EMPLOYEE PERFORMANCE IN THE SOMALI NATIONAL CIVIL SERVICE COMMISSION" assessed the effects of transformational leadership, transactional leadership, laissez-faire leadership, and servant leadership on employee performance in the Somali National Civil Service Commission. From the study, the following conclusions and recommendations were drawn: transformational leadership, transactional leadership, laissez-faire leadership, and servant leadership. Leadership was found to play a big role in the effect of leadership styles on employees. Thus, the Service Commission should encourage the use of transformational leadership.

Hayward et al. (2003) found transformational leadership to be more effective than transactional leadership in increasing employee performance. The research (Hayward et al., 2003) found a significant positive linear relationship between transformational leadership and employee performance but no significant linear relationship between transactional leadership and employee performance in a South African pharmaceutical organization. Elsewhere in Africa, empirical evidence by Nuhu (2010), who sought to study the effect of leadership styles on employee performance in Kampala City Council, reveals that laissez-faire leadership was practiced, especially in higher offices, and also that laissez-faire leadership was existent, especially in lower offices.

According to Nuhu (2010), the laissez-faire leadership style has a positive relationship with employee performance. Since most employees believed that they would rather be made comfortable at work rather than bossed around like kids, this was so eminent in some departments that supervisors or managers were naturally approachable, friendly, and not arrogant towards employees. Since the correlation in his study showed that laissez-faire leadership leads to performance, this implied that in these departments, employee performance actually existed, however at a slow pace, rather than in authoritative leadership, which was filled with tension (Celestine, 2015).

2.7 Research Gaps

Previous studies by Mohamed on the practices and challenges of organizational leadership The study could not demonstrate employee attitudes toward which leadership development styles to be practiced by their leaders have never been attempted to know in a way that reflects employees'

interest in the organizational goals and objectives. By Hildana Tadesse (2020) on the effect of leadership styles on employee satisfaction at Medtech Ethiopia. The findings of the study do not try to assess those factors that lead to ineffective leadership practices in organizations. In this regard, the researcher tries to assess those factors that lead to effective leadership practices. Because assessing those factors was very important for the leaders to proactively think ahead toward overcoming those challenging opportunities and turning them into remarkable success.

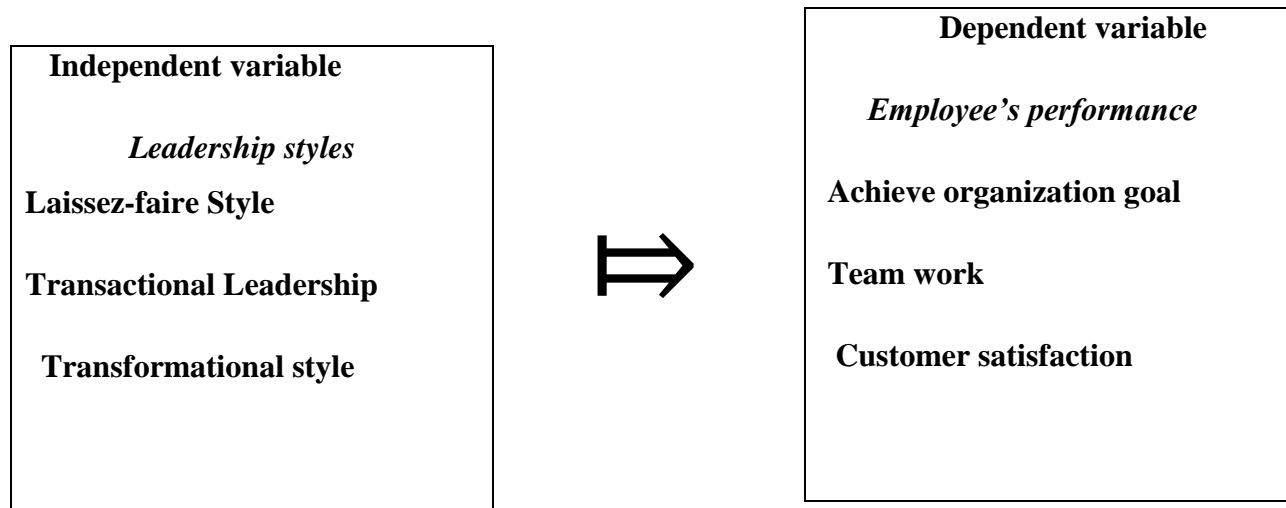
Therefore, this study tried to find out employee attitudes toward which leadership development their leaders in a way that reflected their interests and organizational goals should practice styles.

On the other hand, Nuhu (2010) found that the laissez-faire leadership style has a positive relationship with employee performance. However, the researcher did not assess the necessity of those important leadership development strategies like training and development, succession planning, decision making and manner of communication, mentoring relationships, and delegating powers to employees. Hence, it is quite evident that leadership practice insurance has an undeniable benefit in identifying workers' strengths and weaknesses.

At Wegagen Bank, though, leadership practice is one of the key instruments that banks use as a management tool to change the company and its employees for the best. Hence, this study is specifically focused on filling the above knowledge gap and focusing on the practices of organizational leadership at Wegagen Bank.

2.8 Conceptual Framework

In this study, three types of leadership styles are considered independent variables: transformational, transactional, and laissez faire. On the other hand, employee performance is considered a dependent variable. A conceptual model is developed based on their relationship with a view to analyzing which leadership style is most appropriate to improve the performance of employees in an organization. Which leadership style is most appropriate to improve the performance of employees in an organization?



CHAPTER THREE

RESEARCH METHODOLOGIES

3.1 Research Design and approach

This study will employ a descriptive research design. It can be explained as describing something, some phenomenon or any specific situation. Descriptive surveys are surveys that describe the current situation, rather than interpretation and decision-making (Creswell, 1994). This approach aims to collect data after an incident has occurred. The research design will look into why the scenario operates the way it does, as well as try to identify its strengths and weaknesses furthermore the study will also apply mixed approaches because interviews will be used in qualitative techniques and descriptive statistics in quantitative ways.

3.2 Data types, source and methods of data collection

Data for the study will be gathered from both primary and secondary sources so the primary data is gathered through questionnaires from the employees of Wegagen Bank and Secondary sources of the study are from different published books, internet websites, journals, previous research papers, published books and official reports of the Wegagen Bank was reviewed.

The study will use questionnaire adopted from (Avolio and Bass 2004). It is less expensive and the researcher can save time and financial resources. Therefore, the study will use the survey research method, which collects data by administering a questionnaire. Questionnaire will offers greater anonymity as there is no face-to-face interaction between participants and researchers.

Most of the questions will be closed-ended, and respondents were asked to mark the appropriate box matching their best answer. The remaining questions will allow respondents to give their opinions, and interview guides were used to conduct the interview.

3.3 Target population and sample design

Wegagen Bank is one of the biggest employers in the banking industry. The total number of employees working in the Wegagen bank reached 4957 as of December 2021, composed of people from diverse demographic groups. The research population will comprise responders from human resources, finance, and management staff.

A stratified sampling technique was used to select samples from the existing employees of the organization. This is because the study will focus on different branches. There are currently branches of Wegagen found in Addis Ababa city that are classified into four districts: the North, East, and South and West districts. The study primarily focuses on ten East District branches, which was selected because of factors such as time available, budget, and proportionality to the total population.

3.3.1 Sample Size

The branches are classified into four Grades: I, II, III, and IV. From these, the researchers selected ten branches in the East districts, which hold 160 employees. To determine the sample size and representative of the target population, the study uses statistical instrument formula. As of (Taro Yemane (1967), a research with high population size needs to use the formula

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

Where: **n**= Sample size
N= Population size
e = the level of precision or sampling error = (0.05)

$$\frac{160}{1 + 160(0.05)^2}$$

n = 115

Then, 167 sample populations will be taken from 285 of the total population with 95% confidence level. The samples taken from each branch are illustrated in table below.

Table: 3.1 Target population and sample size

| No | Branches | Grade | population | Proportional sample |
|--------------|-----------------------|-------|------------|---------------------|
| 1 | Head office/ Stadium | IV | 30 | 30/160*115= 21 |
| 2 | Atlas | II | 15 | 15/160*115= 11 |
| 3 | Bambis | II | 15 | 15/160*115= 11 |
| 4 | Shala | I | 10 | 10/160*115= 7 |
| 5 | Haya Hulet | II | 15 | 15/160*115=11 |
| 6 | Shola | I | 10 | 10/160*115= 7 |
| 7 | Megnagna/zefmesh mall | III | 20 | 20/160*115= 14 |
| 8 | Radison/kazanches | II | 15 | 15/160*115= 11 |
| 9 | Adey Abeba stadium | II | 15 | 15/160*115= 11 |
| 10 | 24 kokeb building | II | 15 | 15/160*115= 11 |
| Total | | | 160 | 115 |

3.4 Data analysis and presentation

The researcher will use deductive-based analytical procedures to analyze the data where the researcher uses the causal mode of leadership as the framework for analyzing data. Saunders et al (2009) articulates that deductive requires a greater structure and set of procedures to follow where data categories and codes to analyze data are derived from theory and an analytical framework. Descriptive statistics describe data through tables, diagrams, and graphs hence the study descriptive analysis will use tables to analyze respondent's demographic information.

3.5 Reliability and Validity Test

3.5.1 Reliability Test

Reliability refers to the degree to which measures are free from random error, and therefore, yield consistent results (Zikmund, Barbin, and Carr & Griffin 2009). The scales of the variables was checked for internal consistency or reliability by applying reverse coding as appropriate and using Cronbach's Alpha in SPSS.

According to Marczynh et al (2005). If the measurement is reliable, then there is less probability that the obtained mark is due to random factors and measurement error Cronbach's alpha is a coefficient of reliability. It is usually employed as a criterion of the internal consistency or reliability of psychometric test scores for a sample of examinees. Cronbach's alpha reliability coefficient normally ranges between 0 and 1.

Validity, on the other hand, refers to the ability of an instrument to measure what it is intended to measure. It is the degree to which the researcher will measure what he/she is set out to measure (Zikmund, Barbin, Carr & Griffin 2009). Content validity was measured first by having experts read through the questionnaire so that they can evaluate whether the questions effectively capture the topic under research. Second, pilot testing on a subset of the population was carried out.

Table: 3.5.1 Reliability Statistics

Reliability Statistics

| Cronbach's Alpha | N of Items |
|------------------|------------|
| .777 | 34 |

3.5.2 Validity

According to Kothari (2004), validity aims at examining the relationship, which is linked with the position. Validity refers to the ability of an instrument to measure what it is intended to measure. It is the degree to which the researcher will measure what he/she is set out to measure (Zikmund 1997). Content validity will be measured first by having experts read through the questionnaire so that they could evaluate whether the questions effectively capture the topic under research. Second, pilot testing on a subset of the population will be carried out.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

In this chapter, the study attempted to examine the Relationship between leadership behaviour and employees' performance: mediating organizational commitment. Therefore, the findings of the study were presented and analyzed in this chapter. The questionnaire were developed in five scales ranging from five to one; where 5 represents Strongly agree, 4 agree, 3 Neutral, 2 disagree, and 1 strongly disagree. . The study used Regression Analysis was also used to test the effect of independent variable on dependent variable. For the study, 115 questionnaires were distributed to employees and 104 (90%) questionnaire were obtained valid and used for analysis. The collected data were presented and analysed using SPSS 23.

4.1 General background characteristics of respondents

The following table shows analysis of the general background of the respondents that were included in the study.

Table.4.1.1: Biographical profile of Respondents

| | Item | Frequency | Percentage |
|----------|--------------------------------|-----------|------------|
| 1 | Gender | | |
| | Female | 42 | 40.3 |
| | Male | 62 | 59.6 |
| 2 | Age | | |
| | Under 25 | 6 | 3.75 |
| | 25-35 | 92 | 92.5 |
| | 36-45 | 4 | 2.5 |
| | Above 45 | 2 | 1.25 |
| 3 | Marital Status | | |
| | Single | 69 | 66.3 |
| | Married | 35 | 33.3 |
| 4 | Education qualification | | |
| | Diploma | 10 | 6.25 |
| | BA degree | 79 | 75.96 |
| | MA | 15 | 9.375 |
| 5 | Work experience | | |
| | 1-5 | 27 | 25.96 |
| | 6-10 years | 42 | 40.75 |
| | 11-15years | 20 | 19.23 |
| | 15 years and above | 15 | 14.42 |
| | <i>Total</i> | 104 | 100 |

As can be observed From the above information about 59.6% employees are male the least amount 40.3% are females, this shows that there are comparable number of male and female staff in the organization. Age wise of respondent's majority of the employees are 25 to 35years old, this is an important potential that majority of which are young and it leads to more productivity. Employees that is greater than 40 years old account for 10%.

From the above table given the student researcher noticed that 75% of employees are with BA degree holders . This gives the organizations a competitive advantage having qualified and skilled employee. Diploma holders are 6.25% and the rest 9.375% are graduate of master's Degree . This may indicate that organization is equipped with qualified work forces. Martial status of respondents is also taken in to account in this study and 39.375% of them is married the rest 60.625% are single.

As we can observe from the above table, the largest groups of respondents 40% have a working experience of 6 to 10 years of on the current job whereas 34.375% are in the range of 1 to 5 on the other hand from the rest 12.5 and 9.375% of respondents have an experience of 11-15years and 15 years above respectively, its satisfactory figure for the company that employee turnover is relatively low this benefits the organization, by keeping employees loyal to the company and reduces cost of hiring new employees also it shows that large number of respondents are senior.

Table 4.1.2 Leadership Approach: Laissez Fair styles

| Statement | SD | % | A | A% | N | % | Dis | % | SA | % | Mean | Str Dive |
|--|----|------|----|------|---|-----|-----|------|----|------|--------|----------|
| When performance requirements are designed, the supervisor relies only on his/her own decision | 6 | 5.3 | 54 | 47.4 | 2 | 1.8 | 14 | 12.3 | 28 | 24.6 | 3.0385 | 1.40680 |
| The manager fails to interfere until problems become serious. | 17 | 14.9 | 45 | 39.5 | 4 | 3.5 | 15 | 13.2 | 15 | 13.2 | 2.8269 | 1.45109 |
| The manager Shows that he/she is a firm believer in “If it isn’t broke, don’t fix it” | 9 | 7.9 | 48 | 42.1 | 4 | 3.5 | 20 | 17.5 | 23 | 20.2 | 3.0000 | 1.37946 |
| The manager was absent when needed. | 9 | 7.9 | 65 | 57.0 | 2 | 1.8 | 14 | 12.3 | 14 | 12.3 | 2.6058 | 1.22605 |
| The manager avoids getting involved when important issues arise | 10 | 8.8 | 54 | 47.4 | 3 | 2.6 | 13 | 11.4 | 24 | 21.1 | 2.8750 | 1.39825 |
| The manager provided a solution to my problems | 8 | 7.0 | 58 | 50.9 | 1 | .9 | 8 | 7.0 | 29 | 25.4 | 2.9231 | 1.43934 |
| The manager delays responding to urgent inquiries. | 9 | 7.9 | 54 | 47.4 | 1 | .9 | 12 | 10.5 | 28 | 24.6 | 2.9615 | 1.44089 |
| The manager avoids making decisions. | 7 | 6.1 | 48 | 42.1 | 2 | 1.8 | 11 | 9.6 | 36 | 31.6 | 3.2019 | 1.48376 |
| Grand Mean | | | | | | | | | | | 2.925 | |

From analysis in table 4.1.1 specifies that the participants were asked if their supervisor relies only on his/her own decision. Thus, 54(47.4) of participants were agreed, 28(24.6%) tend to strongly agree where as 14 (12.3%) of employees were Disagreed, six (5.3%) were strongly

disagreed and finally only two (1.8%) answered neutral. This can show that the supervisor does not participate his employees when making decisions, rather he only relies on his own. Regarding the second statement, employees were provided response whether the manager fails to solve problems before it become serious. Based on this 45(39.5%) agreed and 15(13.2%) strongly agreed that the manger tend to wait until a problem become serious while the remaining respondents 15(13.2%) disagreed and 17(14.9%) strongly disagree, the rest 4(3.5%) choose to relay on neutral.

Employees also replied to the statement if the manager use the practice “If it isn't broke, don't fix it” accordingly it has been found that 48 42.1% agreed and 23(20.2%) strongly agreed while the remaining 20(17.5%) disagreed, nine (7.9%) strongly disagreed and four (3.5% neutral. The highest number shows *the manger should not try to change something unless it broke*. Through the fourth question, the result prove that manager was not around in need because 65 (57%) which id more than half of the respondents agreed and 9 (7.9%) strongly agreed thus 14(12.3%) disagreed and strongly disagreed to the issue the remaining 2 (1.8%) were neutral.

Furthermore the fifth question was attempted to check if the supervisor avoids involvement when critical issues arises besides the result shows that 54 (47.4%) respondents agreed and 24 21.1(%) strongly agreed so it prove that the manger was not able to take risks even in important issues besides 13 (11.4%) participants disagreed and 10(8.8%) strongly disagreed the other 3 (2.6%) tend to be neutral in the same way the sixth question was targeted to assess the manager ability to solve problem. Hence 58 (50.9%), 29(25.4%) which is more than half of the respondents agreed and strongly agreed that the manager has inability to overcome problems the other 8 (7%) disagreed. on the other hand respondents were asked to rate if the manager delays responding to urgent inquiries, the result was as follows 54 (47.4%) agree 28(24.6%) strongly agree, 12(10.5%) disagree and strongly disagree 9(7.9%) again here *it has been shown that the supervisor delay on making decision for critical issues*.

The last question on laissez fair style was to examine if manager avoids decision making then 48(42.1%) agreed, 36(31.6%) strongly agreed, 11(9.6%) disagreed, 7(6.1%) strongly disagreed ant 2(1.8%) select neutral so this scores shows that the manages *has poor* decision making style. However, a good decision can enable the organization to thrive and survive long term, while poor decision can lead a business into bankruptcy. Managers at lower level generally have a

smaller impact on organization's survival but can still affect their department and its workers. The overall results gives as a sight that the current leadership style of the Bank tend to Laissez fair.

Table: 4.1.3 Transformational leadership style

| Statement | SD | % | A | A% | N | % | Dis | % | SA | % | Mean | Str Dive |
|---|----|------|----|------|---|-----|-----|------|----|------|--------|----------|
| The manager seeks option when solving problem | 36 | 31.6 | 12 | 10.5 | 2 | 1.8 | 54 | 47.4 | 36 | 31.6 | 2.7115 | 1.39815 |
| The manager discuss /raise positive issues about future plan | 31 | 27.2 | 26 | 23 | 1 | .9 | 37 | 32.6 | 10 | 8.8 | 2.8462 | 1.47319 |
| The manager instills pride in me for being associated with him/her. | 39 | 34.2 | 15 | 13.2 | 3 | 2.6 | 42 | 37.6 | 8 | 7.0 | 2.7308 | 1.50875 |
| My supervisor is friendly and interested to new ideas | 24 | 21.1 | 13 | 11.4 | 1 | .9 | 57 | 50.0 | 9 | 7.9 | 3.1346 | 1.39387 |
| My supervisor treats all subordinate employees like his brothers | 28 | 24.6 | 19 | 16.7 | 1 | .9 | 44 | 38.6 | 12 | 10.5 | 2.9327 | 1.46986 |
| My supervisor used the word WE instead of I | 29 | 25.4 | 25 | 21.9 | 2 | 1.8 | 31 | 27.2 | 17 | 14.9 | 2.8269 | 1.51653 |
| My supervisor gets people's involvement in decisions making | 23 | 20.2 | 4 | 3.5 | 2 | 1.8 | 68 | 59.6 | 7 | 6.1 | 3.3077 | 1.32984 |
| Grand Mean | | | | | | | | | | | 2.933 | |

The above table explored survey results regarding transformational leadership the first statement was if the manager seeks option in solving problem the scores were 54(47.4%) disagreed, 12 (10.5%) ,2 (1.8%) neutral and both strongly agree/dis agree counts 36(31.6%) it therefore this tells that the supervisor will not try to check option in solving problems the other question was to see if the managers discuss/raise positive issues for future though the results are as follows 37(32.6%) disagree,31(27.2%)strongly disagree, 26(23%) agree and10(8.8%)strongly agree majority of respondents selected on disagree.

Accordingly the third question was tried to assess if the supervisor creates an environment which makes employees feel good, when he is around the responses are 42(37.6%) disagree,39(34.2%)strongly disagree, 15 (13.2%) agree and 8(7%) responded strongly agree. Then again when come to the other statement which was attempted to check the supervisor is interested in accepting new ideas while the scores were 24(21.1%)strongly disagree, 57(50%) disagree 13(11.4%) agree and 9(7.9%)strongly agree here also majority of respondents selected on disagree.

Employees also responded to the question that if their managers has a good relationship with them but most of them replied with disagree which is 44(38.6%) and the other were 19(16.7%) agree, 12(10.5%) strongly agree, 28(24.6%) strongly disagree. In same way the sixth statement was tried to examine if the supervisor promotes a sense of responsibility and team mindedness moreover the results were negative which disagree counts 31(27.2%), strongly disagree 29(25.4%), 25(21.9%) agree and 9(7.9%)strongly agree 17(14.9%). At last the final statement inquired if the supervisor involve employees indecision making though 68(59.6%) answered disagree, 23(20%) strongly disagree, four (3.5%) agree and 7(6.1%) strongly agree.

Table: 4.1.4 Transactional Leadership style

| Statement | SD | % | A | A% | N | % | Dis | % | SA | % | Mean | Str Dive |
|--|----|------|----|------|---|-----|-----|------|----|------|--------|----------|
| My supervisor clearly clarifies the responsibility for achieving targets | 30 | 26.3 | 18 | 15.8 | 4 | 3.5 | 47 | 41.2 | 5 | 4.4 | 2.7981 | 1.39611 |
| I don't attempt to modify anything as long as it's working. | 28 | 24.6 | 14 | 12.3 | 2 | 1.8 | 60 | 52.6 | 28 | 24.6 | 2.9038 | 1.34033 |
| When people achieve their objectives, I give positive remarks. | 30 | 26.3 | 17 | 14.9 | 5 | 4.4 | 42 | 36.8 | 10 | 8.8 | 2.8558 | 1.45093 |
| I punish or demotions employees when they are wrong | 29 | 25.4 | 12 | 10.5 | 4 | 3.5 | 45 | 39.5 | 14 | 12.3 | 3.0288 | 1.49079 |
| The manager Waits for things to go wrong before taking action. | 33 | 29.2 | 17 | 14.9 | 2 | 1.8 | 44 | 38.9 | 8 | 7.0 | 3.1538 | 1.51862 |
| Grand Mean | | | | | | | | | | | 2.928 | |

Here we gone interpret the data is from table 4.1.5 weather the bank practice transactional leadership or not. The first question were about clarifying responsibilities then 30(26.3%) responded strongly disagreed, 18(15.8%) agreed, 47(41.2%) disagreed while the remaining four (3.5%), five (4.4) were neutral and strongly disagreed. In other hand the second one tried to check if the supervisor is good in modifying things before they broke the scores are as follows responded 60(52.6%) disagreed, 14(12.3%) agreed, 28(24.6%) strongly agree and disagree.

Although the other statement asked if the manger gives an appreciation the results were 30 (26.3%) strongly disagreed, 17(14.9%) agreed, 42(36.8%) disagreed , five (4.4%) neutral 10(8.8%) strongly agreed.

The fourth question tried to examine if leader tends to punish employees when things go wrong but here we have got a positive response that 45(39.5%) were disagreed , 29(25.4%) strongly disagreed, 12(10.5%) agreed, 14(12.3%) strongly agreed and the remaining four stays in neutral. We can say the leader has patience and not eager to demotion employees. In the same way the final question was if the supervisor is proactive in taking action the results were 44(38.9%)were disagreed , 33(29.2%)strongly disagreed, 17(14.9%)agreed, 8(7%)strongly agreed

Table: 4.1.5 Employees job performance

| Statement | SD | % | A | A% | N | % | Dis | % | SA | % | Mean | Str Dive |
|---|----|------|----|------|---|-----|-----|------|----|------|--------|----------|
| Customer satisfaction | | | | | | | | | | | | |
| Customers have positive feedback after they receive the service | 30 | 26.3 | 18 | 15.8 | 4 | 3.5 | 47 | 41.2 | 5 | 4.4 | 3.1827 | 1.48628 |
| The service delivery process takes only a few minutes. | 29 | 25.4 | 8 | 7.0 | 2 | 1.8 | 48 | 42.1 | 17 | 14.9 | 3.0962 | 1.52976 |
| Achieve organization goal | | | | | | | | | | | | |
| I worked hard to maintain my abilities updated. | 25 | 21.9 | 14 | 12.3 | 3 | 2.6 | 58 | 50.9 | 4 | 3.5 | 2.8558 | 1.35088 |
| I actively participated in work meetings and training. | 29 | 25.4 | 24 | 21.1 | 4 | 3.5 | 38 | 33.3 | 29 | 25.4 | 3.0288 | 2.20555 |
| I am able to perform my work well with short amount of time and effort. | 26 | 22.8 | 23 | 20.2 | 1 | .9 | 40 | 35.1 | 14 | 12.3 | 3.1538 | 1.46986 |
| Team work | | | | | | | | | | | | |
| we operate as a team in my department | 28 | 24.6 | 4 | 3.5 | 3 | 2.6 | 67 | 58.8 | 2 | 1.8 | 3.1058 | 1.35760 |
| My boss works well with others | 29 | 25.4 | 2 | 1.8 | 3 | 2.6 | 66 | 57.9 | 4 | 3.5 | 3.1346 | 1.38689 |
| My supervisor provides me with the necessary assistance | 29 | 25.4 | 7 | 6.1 | 3 | 2.6 | 60 | 52.6 | 5 | 4.4 | 3.0481 | 1.40305 |

The above table illustrate whether the leadership style has impact on employee performance and customer satisfaction. The survey question start with if the customer has positive feedback on the bank service though it has been shown that 47 (41.2%) disagreed, and the other question were about if the service delivery process took more time thus 48(42.1%) disagreed which counts highest from the others which leads to customer dissatisfaction. The Other three questions were intended to assess the achievement of organization goal as a result most of respondents answered that they are disagreed which counts 58(50.9%), 38(33.3%) and 40(35.1%) respectively.

Table: 4.1.6 Issues on Motivation

| Statement | SD | % | A | % | N | % | Dis | % | SA | % | Mean | Str Dive |
|---|----|------|----|------|---|-----|-----|------|----|------|--------|----------|
| The types of work I perform provide me with opportunity for personal growth and development. | 8 | 7.7 | 48 | 46.2 | 9 | 8.7 | 39 | 37.5 | -- | -- | 2.7596 | 1.04737 |
| I am satisfied with promotion and the salary in the institution | 12 | 11.5 | 32 | 30.8 | - | 2.9 | 60 | 57.7 | -- | -- | 3.0962 | 1.11058 |
| I am satisfied with the fringe, benefits like medical expense, like education fee coverage, outside training.....etc. | 2 | 1.9 | 15 | 14.4 | 3 | 2.7 | 68 | 65.4 | 16 | 15.4 | 3.7788 | .94465 |
| The management of the institution cares for employee's wale fare. | 9 | 8.7 | 24 | 23.1 | 3 | 2.9 | 62 | 59.6 | 6 | 5.8 | 3.3077 | 1.14973 |
| I am satisfied by the relationship with coworkers | 6 | 5.8 | 46 | 44.2 | 8 | 7.7 | 4 | 3.8 | 2 | 1.9 | 3.2692 | 4.17164 |
| I am given a written appreciation letter for my good work. | -- | -- | 39 | 48.2 | 3 | 2.6 | 62 | 59.6 | -- | -- | 3.2212 | .96499 |

The findings on the above table are interpreted as follows. The first question raised if the employees current position provide them with growth and development thus majority of respondents agreed on it which sums 48(46.2%) though the others two statement was intended to check if the employees are happy with the salary and promotion and allowance of the bank but 60(57.7%), 68(65.4%) respondents respectively disagreed on it whereas even they were asked if the leader cares about employees welfare hence the results showed 62(59.6%) respondents disagreed. Moreover 46(44.2%) agree it can be seen that employees were satisfied by relationship with colleagues. Thus 62(59.6%) disagreed on the leader persistent to give appreciation for good work. It indicates that employees are not motivated well in the Bank.

Table:4.1.7 Summary Aggregate Mean

| | Laissez Fair | Transformational | Transactional | Motivation | Job performance |
|---------------|-----------------|------------------|---------------|------------|--------------------|
| Grand mean | 2.925 | 2.933 | 2.928 | 3.07 | 3.23 |

As shown in the table 4.1.8 the highest grand mean from dependent variables were transformational leadership style then transactional and laissez fair this implies that dominant leadership style in this case is Transformational leadership style.

4.2 Correlation Analysis

Correlation analysis was used to examine the relationship between dependent and independent variable. Field (2005) stated correlation is a quantifiable relationship between two variables and the statistic that provide an index of that relationship is called a correlation coefficient r, which is a measure of the relationship between two interval variables. Values where considered (>0.9) Strong, (0.75-0.9) good, (0.5-0.75) moderate and (<0.5) weak.

Table 4.2.1 correlation Matrix among Leadership styles and Job Performance

| | | Correlations | | | |
|------------------------|---------------------|--------------------|------------------------|---------------------|-----------------------|
| | | Laissez Fair total | Transformational total | Transactional total | Job Performance total |
| Laissez Fair total | Pearson Correlation | 1 | -.795** | -.101 | -.394** |
| | Sig. (2-tailed) | | .000 | .307 | .000 |
| | N | 104 | 104 | 104 | 104 |
| Transformational total | Pearson Correlation | -.101 | 1 | .575** | .874** |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 |
| | N | 104 | 104 | 104 | 104 |
| Transactional total | Pearson Correlation | -.795** | .575** | 1 | .797** |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 |
| | N | 104 | 104 | 104 | 104 |
| Job performance total | Pearson Correlation | -.394** | .874** | .797** | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 |
| | N | 104 | 104 | 104 | 104 |

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

As indicated in the above table The highest strong coefficient of correlation were in both transformational and transactional leadership style which is (r=.874, .797). It implies that there is a strong, positive and significant relationship between transformational and transactional leadership style with the employees job performance in contrast Laissez fair has a negative correlation coefficient (-.394) which means when the bank practice Laissez fair employees job performance will decline.

As showed in the above correlation matrix, the numbers besides Sig. (2-tailed) are 0.00, which infers that, the correlation is considered as significant i.e. the researcher can be 95% confident that the relationship between variables is not due to chance. Hence, there is a significant correlation between the predictor and dependent variables.

4.3 Regression Analysis

Regression is a technique used to predict the value of a dependent variable using one or more independent variables (Albaum, 1997). Malhotra (2007) also stressed regression as a statistical tool for the investigating relationship between variables. To explore such issues regressions were

conducted in order to examine the relationship between leadership styles and employee performance.

Table 4.3.1 Model summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .947 ^a | .896 | .893 | 2.83989 |

a. Predictors: (Constant), Transformational total, Laissez fair total, Transactional total

R Represents the relationship between dependent and the independent variables from the model (R=.947) indicated that the linear combination of the four independent variables strongly predicted the job performance whereas **R²** represent how much of the dependent variable can be explained by the independent variable in this case leadership style predictors explain (89.6%) of the variance in job performance.

Table 4.3.2 Analysis of Variance(ANOVA^a)

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|--------|-------------------|
| 1 | Regression | 69.453 | 3 | 23.151 | 87.057 | .000 ^b |
| | Residual | 80.650 | 100 | .865 | | |
| | Total | 150.103 | 103 | | | |

a. Dependent Variable: Job performance

b. Predictors: (Constant), Leadership style

An independent variable is called a significant predictor of the dependent variable if the absolute t-value of the regression coefficient associated with that independent variable is greater than the absolute critical t-value. In this study, the significance value is .000 that is less than 0.05 thus the model is statistically significant both on the employees job performance and leadership styles. The F-ratio in the ANOVA table tests whether the overall regression model is a good fit for the data, In the above table the results for ANOVA reveals that F is (87.057).

The ANOVA table shows the overall significance/acceptability of the model from a statistical perspective. As the significance value of F statistics shows a value (.000), which is less than $p < 0.05$ the model is significant. This indicates that the variation explained by the model is not due to chance

4. 3.1 Results of Regression Analysis

Table 4.3.1.1 Regression coefficient analysis of the model

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|------------------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | -4.900 | 3.196 | | -1.534 | .128 |
| Laissez Fair total | .122 | .091 | .103 | 1.349 | .180 |
| Transactional total | .577 | .097 | .554 | 5.951 | .000 |
| Transformational total | .785 | .079 | .566 | 9.989 | .000 |

a. Dependent Variable: Job Performance total

The table shows the impact of the independent variables leadership styles on the dependent variable i.e., Employee job performance. The result of regression analysis indicate(.577), (.785) and (.122), implies the direct relationship between transactional leadership style, transformational leadership style, Laissez faire leadership style positively affected employees job performance with regression coefficient of B=0.097, 0.079, and 0.091 respectively.

In regression output, the unstandardized coefficient of determination was used to replace the unknown beta value of the regression model. Beta indicates that the level of influence of each predicts or variable on dependent variable as well it indicates the direction of relationship.

Positive beta coefficient indicates the variable has positive effect on dependent variable. The significance value (p-value) implies the statistical significance of the relationship. The constant term of the model indicates the value of job performance if all explanatory variables held constant.

As indicated on the above table either transformational or transactional leadership style has positive and statistically significant effect job performance with a beta value of (.566), (.554) with p-value of .000 which is less than (0.05).This implies that explanatory variable remain constant, if the means core value of transformational and transactional leadership increase by 1unit, on average the mean score value of employee job performance increase by (0.566) and (.554) unit and statistically significant at 5% significance level. Thus, the two-leadership style will lead to a correspondent increase on employee’s job performance. In the same way, “Laissez

Fair leadership style has the positive significant effect but leads to weak job performance; because it has weak and insignificant effect on the organizational performance ($\beta=.103$; $P>0.05$ the P-value is (0.180) which is greater than 0.05.

Therefore, the finding indicated that when *laissez fair leadership styles practiced* the result is not gone be encouraging rather lead to declining of employee performance, team cohesion even the organization performance will decrease.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Summary of Major Findings

- The study has shown that most of the study participants are young and first-degree graduates.
- The composition of marital status between married and single ones in the study revealed that there is somehow balanced , yet most of the study participants are singles, not married
- Most of the respondents of the study experience of more than a six years and it is clear or not being difficult to describe the current leadership style.
- As can be observed currently laissez faire leadership style is practicing in the bank.
- The study indicates majority of the employees in the organization have poor relationship with their supervisors.
- Most of the respondents feel that they are dissatisfied with the existing leadership practice of the organization
- Lack of sound team spirit /team cohesion in the bank.
- As revealed by majority of the respondents, employee's participation in planning and decision making process is low.
- The regression and correlation results have shown that each of the leadership styles is at different level significantly correlated with job performance.
- Practice of laissez faire leadership styles in which only leaders and managers decides over policies and processes without or no input from the employees.
- The transformational and transactional leadership have been evaluated and has a positive relationship on employee job performance whereas Laissez Fair presented negative relation
- Lack of proper motivation plan was practiced.

5.2 Conclusions

The main objective of this study was to examine the role of leadership on employee performance in the case of Wegagen Bank of Ethiopia East Addis Ababa District. Data was collected from employees currently working in Wegagen Bank selected ten branch on east district by using structured questionnaire with Likert scale. Statistical Package for Social Sciences software (SPSS) version 23 was employed to analyze the demographic characteristics of the respondents, correlation and regressions.

The need for effective leadership and organizational performance has become more critical. Although many factors may influence the performance of an organization, but leadership style plays a very important role in enhancing employee job performance, organizational achievement and suitable work environment. The present finding confirm that the management team is practicing Laissez faire leadership styles in the Bank this leads to weakening of employee performance , team cohesion even the organization performance will decrease.

The transformational and transactional leadership have been evaluated and has a positive relationship on employee job performance whereas Laissez Fair presented negative relation in the same way indicated the response of employees have proved that the employees lacked motivation beside the employees believe that the current leadership style didn't help them to run in the required level of performance. Future studies could fruit fully explore this issue further by investigating Leadership style with the organization performance and employees motivation.

5.3 Recommendation

Based on the study findings, the researcher suggests the subsequent recommendation: The East district of Wegagen Bank branch leaders has got to determine the favorable leadership Style to encourage employees performance and to make sure the Bank will improve and be innovative. Since the employees prefer transformational and transactional style, the branch managers should work on modifying the current leadership style also in motivating work forces and lead as a coach.

The Bank branch leaders should also build a strong relationship with subordinate and promote a broad, inclusive vision, show strong commitment to goals, and create trust and confidence in employees in order to sustain increased job performance. The Bank would benefit if the leaders continue to promote transformative leadership to sustain the exemplary performance in the same way will have a positive impact on employee job performance.

Furthermore, it would be better to trainee leaders about the need employees in duty for the mutual benefit of parties plus a well-organized communication process and individual performance measurement tool should be established to help employees get immediate feedback from their actual work accomplishments in line with organizational goals and objectives.

This research examined the impact of leadership styles on job performance delimited to East region of Addis Ababa specifically on Wegagen Bank also this will be an issue for future studies to explore other studies on different private or government banks by creating comparison scheme between them. The finding of the study might not be generalized to the entire industry or other branches with in the country.

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APPENDICES

ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

QUESTIONNAIRE TO BE FILLED BY THE RESPONDENTS

Dear Respondents, First, I would like to express my sincere appreciation for your precious time, and genuine and quick responses in advance.

This questionnaire is designed to gather data on "The Role of Leadership on Employee Performance" at Wegagen Bank for partial fulfillment of the Masters of Business Leadership (MBL) degree at Addis Ababa University School of Commerce. The data will be used only for academic purposes. Therefore, your frank and sincere response will be highly appreciated. I assure you that your identity and answers will be kept confidential.

Section I: General Information

1. **Gender** Male Female
2. **Age:** under 25 25-35 36-45 Above 45 Years
3. **Education level:** Diploma Degree MA PHD
4. **Experience:** 1-5 6-10 11-15 Above 15Years
5. **Current position (Job Title)** _____

SECTION II: LEADERSHIP STYLES.

Given the key alternatives, tick or select the right alternative that corresponds with your opinion in return of leadership practice of Wegagen bank.

The response scale for the question gives as follows:-

1= Strong Disagree 2= Disagree 3=Neutral 4= Agree 5=Strong agree

| No | Statement | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|----------------------------|--|----------------|-------|---------|----------|-------------------|
| Laissez faire style | | | | | | |
| 1 | When performance requirements are designed, the supervisor relies only on his/her own judgment | | | | | |
| 2 | The manager fails to interfere until problems become serious. | | | | | |
| 3 | The manager Shows that he/she is a firm believer in “If it isn't broke, don't fix it” | | | | | |
| 4 | The manager was absent when needed. | | | | | |
| 5 | The manager avoids getting involved when important issues arise | | | | | |
| 6 | The manager provided a solution to my problems | | | | | |
| 7 | The manager delays responding to urgent questions. | | | | | |

| | | | | | | |
|---------------------------------|--|--|--|--|--|--|
| | | | | | | |
| 8 | The manager avoids making decisions. | | | | | |
| Transformational style | | | | | | |
| 1 | The manager seeks differing perspectives when solving problem | | | | | |
| 2 | The manager talks optimistically about the future. | | | | | |
| 3 | The manager instills pride in me for being associated with him/her. | | | | | |
| 4 | My supervisor is quite open and receptive to new ideas | | | | | |
| 5 | My supervisor treats all subordinate employees like his brothers | | | | | |
| 6 | My supervisor used the word WE instead of I | | | | | |
| 7 | My supervisor gets people's involvement in decisions making | | | | | |
| Transactional leadership | | | | | | |
| 1 | My supervisor clearly clarifies the responsibility for achieving targets | | | | | |
| 2 | I do not attempt to modify anything as long as it is | | | | | |

| | | | | | | |
|---|--|--|--|--|--|--|
| | working. | | | | | |
| 3 | When people achieve their objectives, I give positive remarks. | | | | | |
| 4 | I punish or demotions employees when they are wrong | | | | | |
| 5 | The manager Waits for things to go wrong before taking action. | | | | | |

SECTION 2: Employees job performance

| Customer satisfaction | | | | | | |
|----------------------------------|--|--|--|--|--|--|
| 1 | Customers have positive feedback after they receive the service | | | | | |
| 2 | The service delivery procedure takes only a few minutes. | | | | | |
| Achieve organization goal | | | | | | |
| 1 | I worked hard to maintain my abilities updated. | | | | | |
| 2 | I actively participated in work meetings and training. | | | | | |
| 3 | I am able to perform my work well with short amount of time and effort. | | | | | |
| Team work | | | | | | |
| 1 | we operate as a team in my department | | | | | |
| 2 | My boss works well with others | | | | | |
| 3 | My supervisor provides me with the necessary assistance | | | | | |
| Items on Motivation | | | | | | |
| 1 | The types of work I perform provide me with opportunity for personal growth and development. | | | | | |
| 2 | I am satisfied with promotion and the salary in the | | | | | |

| | | | | | | |
|---|---|--|--|--|--|--|
| | institution | | | | | |
| 3 | I am satisfied with the fringe, benefits like medical expense, like education fee coverage, outside training.....etc. | | | | | |
| 4 | The management of the institution cares for employee's wale fare. | | | | | |
| 5 | I am satisfied with the relationship with coworkers in the workplace. | | | | | |
| 6 | I am given a written appreciation letter for my good work. | | | | | |