



**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS GRADUATE
STUDIES
DEPARTEMENT OF MANAGMENT**

**EFFECT OF LEADERSHIP STYLES ON EMPLOYEE
ENGAGEMENT: IN THE CASE OF DASHEN BANK SHARE
COMPANY, ADDIS ABABA**

BY

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ID NO GSE/2241/ 14**

ADVISOR: HAILEMARIAM GEREMICHAEL(PhD)

**JUNE 2024
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY, SCHOOL OF
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ADMINISTRATION**

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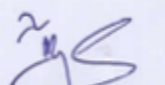
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DECLARATION

The undersigned, Lidiya Legesse, hereby certifies that the thesis she presented for Addis Abeba University's Master of Art in business administration, "Effect of Leadership Styles on Employee Engagement: in the Case of Dashen Bank Share Company, Addis Ababa," is an original work of hers. It is not being considered for any other degree by her. All of the material's sources, including fellowships at other universities or institutions with titles identical to this one, have been officially acknowledged and notified.

Lidiya Legesse

Candidate

Signature

Date

CERTIFICATION

This attests to the fact that Mrs. Lidiya Legesse completed her research study on the "Effect of Leadership Styles on Employee Engagement: in the Case of Dashen Bank Share Company, Addis Ababa" adequately under my guidance throughout. According to my thesis, she should submit her work to Addis Ababa University in Addis Ababa in order to partially meet the requirements for a Master of Science in management degree.

Research Advisor

HAILEMARIAM GEREMICHAEL(PhD)

Signature and Date

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ACRIMONY

ANOVA	Analysis of Variance
S.C	Share Company
SPSS	Statistical Package for Social Science
VIF	Variance Inflation Factor

ABSTRACT

Leadership styles such as transformative, servant, democratic, laissez-faire and transactional, are effective in promoting employee engagement and productivity. Thus, the primary objective of this study was to ascertain how various leadership philosophies affect employee engagement at Dashen Bank S.C. Given this, a person-based cross-sectional survey with an 85% response rate was conducted in Addis Ababa, Ethiopia, involving 188 employees of Dashen Bank. The research participants were selected by a combination of proportional, random, and stratified by branching sampling approaches. A semi-structured questionnaire and interview checklist were developed in addition to the use of an in-person data collection method. To enter the data for the statistical analysis, SPSS version 27 was utilized. In this study, inferential analysis (correlational and multiple regression) as well as descriptive statistics were employed. To find the independent determinants of leadership styles on employee engagement, multivariable regression was fitted. The results show that servant, democratic, transactional, transformational, and laissez-faire leadership are positively influencing employee engagement. These leadership styles are also found to have a substantial beneficial impact on employee engagement but the dominant effect was observed by transformational leadership style. This study came to the conclusion that both of these leadership philosophies are supported by the majority of employee engagement. As a result, this study advises banks to place a greater emphasis on leadership behaviours that might enhance employee engagement in banking sector.

Keywords: Addis Ababa, Banking Sector, Employee Engagement, Ethiopia, Leadership Styles

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Globally, organizations are putting a lot of effort into comprehending, investigating, and developing successful leadership. Whatever the nature of the company, building high-performing teams requires strong leadership. Because of the environment's growing complexity and companies' changing characteristics, today's leaders confront previously unheard-of difficulties (Sadia and Aman, 2018). Leadership is a sort of guidance where a person manages relationships to effect people or groups by influencing the conduct of others. It's an essential role that calls for the capacity to motivate a team of individuals toward a common objective. The development, growth, and aspirations of followers are fundamental to leadership (Akram and Chung, 2020). Over time, the notion of leadership changes, frequently due to shifts in leadership styles, behavioral patterns, or the leader's personality (Xenikou, 2017). Different leadership definitions and styles have consequently evolved, including transactional leadership, charismatic leadership, paternalistic leadership, and social leadership. These methods have been created to comprehend and elucidate leadership in the context of organizations (Sadia and Aman, 2018).

According to Lütffi and Tahir (2017), a supportive and empowering leadership style can increase employee engagement by creating a sense of accountability and belonging. All private financial institutions in Ethiopia are now unable to compete, and if international banks join the market, it is likely that they will be forced out of business. This emphasizes how crucial it is to manage staff engagement and adopt the proper leadership style. The leader guides and leads the workers in the organization, serving as the crowning glory. Every organization's human resources play a critical role in determining its performance in terms of knowledge, skills, abilities, commitment, wisdom, and attitudes. Furthermore, according to Debebe (2020), employee engagement is seen as an essential core skill for firms.

The quantifiable degree of an employee's emotional attachment—whether positive or negative—to their work, coworkers, and company is known as employee engagement. This attachment has a big impact on the worker's motivation to learn and perform. Engaged individuals drive innovation and growth in their organization. The Gallup Organization, well-known for its best-selling book "First, Break All the Rules," describes engaged employees as those who work with enthusiasm and a strong sense of connection. A concept in corporate management is employee engagement, sometimes referred to as worker engagement. An engaged worker acts in a way that advances the goals of the company, demonstrating their complete involvement and enthusiasm for their work (Ermiyas, 2017). This claim draws attention to the paradox surrounding the relationship between a leader's style and the involvement of their workforce. The lack of a plausible correlation between leadership style and employee engagement gives rise to this conflict. There are currently very few studies that explore the notions of employee engagement and leadership combined; usually, these two important aspects of organizational management are studied separately. Xenikou (2017) contends, however, that these two ideas are related to one another and ought to be examined together.

We can learn more about the formation and influences of employee engagement by looking at leadership style and employee engagement together. An organization's ability to effectively develop a culture that supports a robust learning environment is critical to its success. An organization's overall performance and success can be enhanced by achieving a certain degree of employee engagement (Akram and Chung, 2020).Ermiyas (2017) said that departmental and growth possibilities, teamwork, direct supervisors, coworker connections, reward and recognition, and other factors all have a major impact on employee engagement in rural banks. Encouraging workers to customize their work schedules and select their own workspace is a crucial tactic for increasing their engagement within the workplace.

Employers frequently hesitate to give their staff members this kind of autonomy, but banks would be pleasantly pleased by the results that may be achieved.The development of an organization's culture—a set of cohesive and productive values,

attitudes, and behaviors—has a direct impact on the competency of its leaders. This is so because an employee's commitment to the company is based on their understanding of its culture, which in turn affects how the company acts and behaves overall (Sadia and Aman, 2018). As a result, the study's main objective was to investigate how various leadership philosophies affect workers' involvement.

1.2 Statement of the Problem

Ethiopia's government wants to industrialize the country by 2030 (Ethiopia 2030): The Wealth Road Map The long-term objective of the ten-year Ten Years Perspective Development Plan (2021–2030) is to make Ethiopia a "African Beacon of Prosperity" (National Bank of Ethiopia, 2021). According to the Plan, prosperity is the total capacity—human and institutional—that is developed throughout time, with development outcomes primarily consisting of increased income levels and asset accumulation to allow every citizen to achieve their basic requirements and objectives.

Growth-oriented financial institutions have benefited from this and will eventually become financially stable enough to support the goal of industrialization. Liviu (2021) and Măbratu (2021) are two sessional papers that offer specific recommendations for assisting and enhancing financial institutions. Notwithstanding the aforementioned government initiatives, The National Bank of Ethiopia convened a meeting of bank executives in 2023 to deliberate on the looming liquidity crisis facing the sector and to provide guidance on activities that would exacerbate the already unstable liquidity position of Ethiopian banks (National Bank of Ethiopia, 2021).

The government of Ethiopia has officially acknowledged the "missing middle," or the difference in the country's financial institutions (Dashen Bank, 2022). The National Bank of Ethiopia's Annual Report for 2023 states that, for a number of reasons, private commercial banks in Ethiopia should expect fierce competition from foreign banks. Their organized and suitable leadership style is one element that might help the recently founded banks in the nation succeed (National Bank of Ethiopia, 2023). But according to Dashen Bank's 2022 Annual Report, it's getting harder to motivate and

retain employees these days, mostly because of how fiercely competitive everything is in the nation (Dashen Bank, 2022).

The paper proposes that employee engagement is one strategy to sustain employee productivity in order to overcome this issue. According to the CEOs of several branches and regional districts, engaging staff is one of the top five issues facing management, as the research highlights (Dashen Bank, 2022). Initial staff interviews indicate that the undemocratic character of Dashen Bank's leadership is a significant problem for the private financial institution. As a result, many workers feel that the bank lacks competent executives with the abilities to lead the company, interact with team members, and accomplish the goals and objectives that have been established. Any firm needs both leadership and employee engagement since they are essential components that play a critical a role in cultivating overall organizational performance, effectiveness, and productivity (Guluta and Rusu, 2016).

Prior study on this topic has primarily concentrated on different facets of employee and organizational performance, managerial behaviors, productivity, or organizational culture as independent factors. For example, Tewodros (2016) looked at how corporate performance was affected by organizational culture, and Asamani, Naab, Ofei, and Addo (2016) looked into productivity. Studies on leadership have also looked at related dependent variables. Guluta and Rusu (2016), for example, looked at management behavior and leadership styles. Furthermore, Lütfi and Tahir (2017) emphasized that leadership styles have a significant impact on employee engagement, with a favorable leadership style leaving a favorable impression on workers and encouraging strong involvement with the company and their work. On the other hand, Alem (2020) discovered that transactional leadership styles had no discernible impact on worker engagement; however, this research overlooked alternative leadership philosophies such as authoritarian and servant leadership.

This suggests that the impact of leadership style on employee engagement in the banking industry has been overlooked, leading to inconsistent results. Furthermore, it was not taken into consideration in this research that an organization's leadership style plays a critical role in producing positive results. The leadership style chosen affects the

degree of subordinate participation in decision-making as well as the administrative operations of an organization. Leaders in inefficient organizations frequently display a high level of bossiness (Asamani, et al., 2016). According to Debebe (2020), leadership is the capacity to garner the trust and support of those who bear the responsibility for accomplishing the objectives of the company. By investigating the effect of leadership style on employee engagement within Dashen bank S.C., this study seeks to close the current gap.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to examine the effect of leadership styles on employees' engagement of Dashen bank S.C. in Addis Ababa, Ethiopia.

1.3.2 Specific Objectives

The specific objectives of the study were as follows:

1. What is the effect of transactional leadership on employees' engagement in Addis Ababa, Ethiopia
2. What is the effect of transformational leaders on employees' engagement in Addis Ababa, Ethiopia
3. To what extent democratic leadership influence employees' engagement in Addis Ababa, Ethiopia
4. What is the effect of Laissez-faire leaders on employees' engagement in Addis Ababa, Ethiopia
5. What is the effect of servant leadership on employees' engagement in Addis Ababa, Ethiopia

1.4 Hypothesis

- H₁: There is a significant and positive relationship between transactional

leadership and employees' engagement in Addis Ababa, Ethiopia

- H₂: There is a significant and positive relationship between transformational leaders and employees' engagement in Addis Ababa, Ethiopia
- H₃: There is a significant and positive relationship between democratic leadership and employees' engagement in Addis Ababa, Ethiopia
- H₄: There is a significant and positive relationship between Laissez-faire leaders and employees' engagement in Addis Ababa, Ethiopia
- H₅: There is a significant and positive relationship between servant leadership and employees' engagement in Addis Ababa, Ethiopia

1.5 Significance of the Study

There are several positive effects of this study for many stakeholders. First of all, it offers insightful information to clients, Dashen Bank S.C. staff, the bank, and other businesses and people. The study will benefit the bank and support board members' and management's strategic decision-making by adding more pertinent data for decisions on service quality enhancement. The survey will also help financial organizations understand how their banking services behave and how engaged their workers are. Additionally, it will support the improvement of high performance among leaders in firms and the regulation of staff actions. Organizations may maintain efficient and productive operations by promptly implementing adjustments based on knowledge of employee engagement.

Self-actualization and staff development are critical for building a huge reservoir of organizational resources and enhancing overall organizational efficiency, and this study will support their growth. This study will also have consequences for those who formulate government policies. It will shed light on how well government and commercial organizations are able to increase morale and foster employee engagement. The capacity of leaders to lead and the engagement of their workforce both often grow

when they see that their work is about more than just making a paycheck. The government will also learn from the study which areas require improvement in order to reap the most benefits. Additionally, this study will offer helpful hints to supervisors, staff members, board members, and senior banking authorities.

The study's findings can help corporate group business managers by offering expertise and understanding on the function of leadership in employee engagement. Successful banking culture and leadership techniques will be implemented, which will help to expand the quality and operations of financial services. Lastly, academics, researchers, and students will all gain from this study. It will serve as a valuable resource for other scholars who are interested in the topic and provide pertinent insights to the body of knowledge already available on leadership styles and employee engagement.

1.6 Scope of the Study

This study's primary objective was to determine the impact of various leadership philosophies on the level of employee engagement in the banking sector. December 2023 in Addis Ababa, precisely at the four selected Dashen Bank S.C. branches, is when the study is scheduled to take place. The study especially examined the effects of transformational, transactional, democratic, servant, and laissez-faire leadership styles on employees' involvement with the firm and loyalty to the banking industry. Employee engagement is the level of intellectual and emotional commitment that staff members have to achieving the goals, mission, and vision of the organization. It might be seen as a greater sense of accountability and a desire to support the success of both internal and external clients.

This study was carried out using a mixed research technique that combined descriptive and explanatory research designs. Data were gathered from a variety of publications, books, and journal articles about the topic. The study used a systematic research methodology to gather data from a representative sample of people via in-depth interviews and a five-point Likert scale questionnaire with both closed-ended and open-ended questions. Employees of a studied firm in Ethiopia are given questionnaires as part of a study aimed at providing a thorough understanding of leadership styles and

employee engagement in Ethiopia's banking sector.

1.7 Limitation of the Study

There were a few issues with this study that could cause issues. These limitations were mentioned by the researcher as well as the organizations that were surveyed. It could be difficult to get the necessary information at the organizational level because the researcher was not employed by the companies that were the subject of the inquiry. Moreover, it is plausible that certain divisions within these organizations are overly preoccupied to engage in official discussions and interviews, which may impact the extent to which the data is collected. Furthermore, the study's breadth and depth may have been constrained by the researcher's time restrictions. Despite these challenges, the researcher hopes to speak with employees, supervisors, and other pertinent parties in order to address these problems and maintain the standard of the study.

1.8 Organization of the Study

The research thesis entails of five chapters to achieve the stated objective. The background of the study, problem statement, research questions, aims, significance, scope, and constraints of the study are all included in the first chapter, which covers the introductory section. A survey of related literature in terms of theoretical and empirical literature reviews, research gaps, and conceptual frameworks can be found in the second chapter. Chapter 3 presents the research design and methodology. Chapter Four discusses the study's findings and analysis. The summary of results, conclusions, and recommendations that are sent by the researcher and the respondents in light of the outcome are covered in the fifth and final chapter.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

This study offers a thorough review and in-depth analysis of the body of literature that has been written about the topic in this chapter. This entails investigating important theories and models that have been produced in this sector, as well as looking at different definitions of leadership styles and employee engagement concepts. In order to establish the relationship between these two variables, this study also explores empirical research that has looked at the correlation between leadership styles and

employee engagement. Finally, it offers the study conceptual framework, which acts as a roadmap for each individual research project.

2.2 Theoretical Literature Review

2.2.1 Leadership

2.2.1.1 Definition of Concepts

According to Peter (2018), leadership is a dynamic process that happens via interactions between leaders and their followers rather than just a quality or skill that a person possesses. Leaders have a significant influence in this process because they mentor and coach their followers to accomplish shared objectives. Leadership becomes an ethical component when it emphasizes the significance of shared aims because it lessens the possibility that leaders may use forceful or unethical methods when communicating with their followers. Kidist (2019) offers an alternative interpretation of leadership, characterizing it as an individual's actions that result in non-coercive influence. Moreover, leadership includes a range of procedures that are necessary for establishing and modifying organizations so that they can successfully react to substantial changes in their surroundings (Debebe, 2020).

The process by which a leader persuades and inspires their followers to willingly engage in accomplishing organizational objectives is known as leadership. It entails using social influence to sway group members' behavior in order to achieve objectives in a variety of contexts (Viernes, Binuya, Lanorio and Pedro, 2018). The dynamic between the influences and the leader is included in this process. In the end, leadership is the capacity to successfully coordinate and direct subordinates toward a common goal. When defining leadership, it is important to distinguish it from management. Although there may be some similarities between the ideas of management and leadership, they also have unique qualities. Influence-peddling is a component of both management and leadership, although management is more concerned with creating and upholding order, while leadership is more concerned with encouraging positive change. This difference is emphasized by a well-known proverb that says leaders put doing the right thing first

and managers are accountable for doing things correctly (Peter, 2018).

The capacity to guide people or their actions in order to coordinate efforts is the behavioral quality known as leadership. Leadership is the ability of a superior to instill confidence and zeal in their subordinates (Kidist, 2019). Leadership is the process by which a creative executive directs, guides, and influences others' labor toward the accomplishment of predefined goals. Leadership is a position of power inside a group that enables an individual to influence other members of the organization on a personal level in order to organize and direct their efforts toward particular goals. The leader of the group not only establishes the organization's power structure but also provides the group with vitality, unity, direction toward its goals, and momentum (Alem, 2020).

2.2.1.2 Dimensions of Leaderships

There is a whole industry centered around coaching leaders, and the business literature of today contains numerous instances of outstanding leadership. Leadership is unquestionably one of the most vital human undertakings, yet even with the wealth of literature on the topic, many people are still unable to enumerate the essential components of leadership (Kidist, 2019). It is known that we all know deep down those effective leaders can motivate followers to work together, have faith in one another, and unite around a common goal or set of objectives. Furthermore, real-world experience has demonstrated that the general qualities of leadership described in literature and the actions of a leader are not isolated; rather, they are a part of specific historical contexts, professional scenarios, and the systems, cultures, and organizational structures that surround leadership (Kebu & Lee, 2020).

The paradigm contained four interconnected leadership dimensions. These include the ability to solve problems, personality, fundamental principles and beliefs, experience, knowledge, and wisdom, as well as self- and other-awareness (Viernes et al., 2018). The first facet of leadership, referred to as Expertise, Experience, and Wisdom, comprises credentials, expertise, and experience in certain industries and markets, as well as a track record of effectively leading teams with varying staff numbers and levels of management. Over time, managerial knowledge emerges as understanding of how

companies and sectors operate, what motivates workers, what suppliers and consumers actually need and desire, and how to operate effectively at the top of the management hierarchy (Kidist, 2019).

The second aspect of leadership, or "intellectual horsepower," is the ability to solve problems. This is the capability to handle the amount of work and complexity of the responsibilities assigned to oneself. According to Li (2018), the following criteria are used to define work and task complexity: a) the total number of variables at play in a scenario; b) the degree of ambiguity these variables possess; c) the rate at which they change over time; d) the degree to which they are interwoven and must be untangled in order to be seen; e) the individual's capacity to recognize and manage the salient variables once they are identified; and f) the work's time horizon expressed in terms of days, months, and years.

Drawing from the timeless concepts found in Jim Collins' critically acclaimed book *Good to Great* (Ermiyas, 2017). The awareness of oneself and others is the fourth dimension of leadership. When Collins began his *Good to Great* research, he already had ideas about what makes a good leader. It was a given and boring, he told his research team, that "great companies had great leaders." But his research also showed that truly exceptional companies hired a very different kind of leader, one he called a Level-5 Leader, who was distinguished by a strong sense of professional resolve combined with humility. Level-5 Leaders put the needs of others before their own self-interest in order to build a sustainable organization (Peter, 2018).

When things go wrong, Level-5 Leaders can critically examine their own personal responsibilities and place the blame elsewhere (Alem, 2020). The key question is, "How does one become the kind of leader that Collins describes in *Good to Great*?" Collins argues that Level-5 Leaders exhibit a pattern of personal development where the ego-centered drive required to thrive in corporate America is replaced by a contradictory combination of professional will, ferocious resolution, and humility. However, as it is outside the scope of his studies, he does not offer a methodical approach to become a Level-5 leader. We believe that the fourth dimension of leadership is knowledge of

oneself and others (Viernes et al., 2018).

The four dimensions of leadership consist of interrelated qualities, abilities, and attributes that enable leaders to organize groups of people toward common goals and objectives, promote efficient teamwork, inspire cooperation and mutual trust, and unite individuals (Alem, 2020). As was previously noted, the general traits of leadership that are described in literature and the actual day-to-day work that a leader conducts are influenced by historical settings, business scenarios, organizational structures, systems, and cultures. Therefore, it is essential that the four aspects of leadership are continually comprehended and applied in light of the real-world situations and challenges that leaders face (Li, 2018).

2.2.2 Employees Engagement

2.2.2.1 Definition and Concepts

Employee engagement, according to Kebu and Lee (2020), is "a psychological state in which employees feel a personal investment in the success of the organization and strive to exceed the stated requirements of their job." An engaged worker works with coworkers to improve performance for the good of the company and comprehends the business environment. It involves staff members having a favorable attitude toward the company and its principles. A mutually advantageous relationship between the employer and the employee is necessary to develop and nurture employee engagement (Kidist, 2019). When human resource professionals and business enterprises first proposed the concept of employee engagement, it did not attract much attention from the academic community (Viernes et al., 2018). Kahn (1990) was the first academic researcher to formally describe employee engagement, according to Ermiyas (2017). It states that the degree of commitment and involvement that workers have for their company and its values is referred to as employee engagement. It is distinguished by a readiness and excitement to apply discretionary effort to their work duties. Moreover, employee engagement also includes how focused and involved people are in carrying out their jobs. It includes the passion and effort that workers put into their work as well

as the positive feelings they have about them (Alem, 2020).

Employee engagement, according to some, is about each worker's contribution in a healthy work environment, encouraging personal growth, and fostering mutual trust and understanding between employers and workers as well as between employees. The art and science of engaging people in authentic and recognized connections to strategy, roles, performance, organization, community, relationship, customers, development, and energy and transforming the work connections into end results is employee engagement, according to Li (2018). It was emphasized that employee engagement refers to their ability to perform with integrity, responsibility, and long-term aspirations within a company. It clarifies that an employee who is totally motivated and emotionally invested in the organization's success is one who is engaged. Employee engagement, then, serves as a gauge for a person's association with the institution (Ermiyas, 2017).

It is clarified that the key to engagement is having a psychological commitment to the task at hand, which is demonstrated by the person's intense work ethic (Peter, 2018). It was observed that an engaged worker is completely cognizant of the workplace culture and collaborates with coworkers to enhance job performance for the organization's gain. Employees that are engaged give their jobs their all, are passionate about what they do, and are concerned about the organization's future (Li, 2018). The HR manager will need to inspire staff members to contribute to the success of the business and productivity while also enhancing their sense of well-being by including them in the organization's operations (Kidist, 2019).

Consistent with Li (2018), it has been suggested that during engagement, individuals use their bodies, minds, and emotions to express and engage with their roles. Each employee has a unique set of ideas, and they should all be allowed the opportunity to freely share those thoughts. Employee morale is raised by this kind of activity, which makes workers more engaged and motivated at work, ultimately increasing organizational productivity. He goes on to say that workers get disengaged due to a variety of factors, including a lack of emotional support from the organization, a passive and incomplete role, and emotional absence (Alem, 2020).

Employee perception and feelings are strongly tied to employee engagement, which is primarily influenced by senior management's effective leadership, two-way communication within the workforce, thoughtfully crafted HR policies, and employee development within the organization. Because it impacts retention, productivity, profitability, and safety, employee engagement is critical to the industry (Viernes et al., 2018). Customer loyalty, profitability, and staff engagement are inextricably linked. It is emphasized that an organization's performance is directly related to its fully engaged workforce. There are numerous factors that contribute to employees' engagement in their work (Kidist, 2019). These are consistency within the company, relationships with other employees, integration, and job focus. It is acknowledged that employee engagement initiatives greatly enhance an organization's performance as a whole. It is a strategy for the effective operation of the business and raising staff performance (Peter, 2018).

2.2.2.2 Three-Dimensions of Work Engagement: Vigor, Dedication and Absorption

There is no consistent agreement in academic or practitioner literature regarding the definition of employee engagement or which sub-dimensions to include or exclude. This is acknowledged by numerous recent academic studies that focus on the lack of definitive consensus regarding the conceptualization of the work engagement construct (Peter, 2018). Notwithstanding the foregoing explanation, it is widely acknowledged by academics that job engagement—which is characterized by vigor, dedication, and absorption—is the definition of employee engagement created by the burnout family. Stated differently, the majority of current research regards work engagement, or any of its sub-dimensions, as a fundamental aspect of employee engagement (Alem, 2020). Furthermore, Ermiyas (2017) argue that, in comparison to other literature streams like work satisfaction and organizational commitment, vigor is a crucial differentiator of employee engagement.

Some employee engagement literature conceptualizes job engagement components as equivalent to other constructs. For instance, job involvement and dedication are

comparable. Job engagement is the degree to which an individual attaches psychologically to their work. Work involvement is included in state engagement by Kebu and Lee (2020). Flow and absorption are comparable. Lastly, dedication and organizational commitment have been equated. Employee involvement becomes a crucial business concern because, in an effort to increase productivity while requiring less input from workers, employers are forced to engage not just the physical bodies of their employees, but also their minds and souls (Li, 2018). Thus, companies require workers who are interested and willing to make a psychological investment in their work. Thus, companies require workers who are interested and willing to make a psychological investment in their work. "A positive, fulfilling, and work-related state of mind that is characterized by vigor, dedication, and absorption" is the definition of work engagement, an active kind of wellbeing. In summary, employees who are highly motivated to put in effort at work tend to have high levels of energy (Kebu and Lee, 2020). They demonstrate their dedication to their profession by putting their all into it and by feeling proud and passionate about it. Lastly, absorption refers to the sensation of time flying at work as well as total immersion in and concentration on one's work. While a detailed discussion of these notions is outside the purview of this study, it is evident that conceptual and practical overlap with work engagement is likely to exist (Li, 2018).

2.2.3 Related Theories

2.2.3.1 Leadership Theories

2.2.3.1.1 Basic Leadership Theories

Within the corporation, leadership is crucial. Although it varies from person to person, perception has an impact on leadership. These beliefs affect expectations and motivate followers to take action (Cherry, 2018). Many scholars have produced a variety of leadership theories. For example Fantastic Man Theories contend that extraordinary individuals with a natural aptitude for leadership are born leaders, not created ones. According to Viernes et al. (2018), leaders are portrayed as mythical, heroic, and

destined to assume leadership roles when called upon.

The concept that exceptional leaders are created, not born, is the foundation of behavioral theories of leadership. People can learn the behavioral components of leadership and develop their leadership skills through instruction and observation (Kebu and Lee, 2020). These ideas focus more on the actions of leaders than their attributes. Contingency Theory states that no leadership approach is ideal for every circumstance. A multitude of factors influence success, such as the situational elements, followers' traits, and the leadership style (Cherry, 2018).

2.2.3.1.2 The Full Range Leadership Theory

The three types of leadership styles that make up the full range leadership model are transactional, laissez-faire, and transformational (Bass, 1999). In order to assess full range leadership, Bass also developed the Multifactor Leadership Questionnaire (MLQ), which is now the most popular leadership assessment tool (Turner and Müller, 2005). Bass's approach uses the MLQ to explain each of the nine leadership characteristics or components that are developed from research investigations. It was composed of one nontransactional laissez-faire leadership component, three transactional leadership elements, and five transformational leadership factors.

Transformational leaders, according to Bass et al. (2003), concentrate on helping their followers grow by encouraging cooperation, inspiring them, motivating them, and rewarding good behavior. Such a leader frequently inspires a great deal of trust and confidence in the staff. Workers create a deep sense of loyalty to their boss and are proud to identify with them. It happens when a leader establishes goals, standards, or expectations for the purpose of rewarding or disciplining a follower based on how well the follower performs, according to Bass et al. (2003). In order for subordinates to understand what is expected of them, a leader must create goals for them, clarify expectations for their work, and define roles, degrees of authority and responsibility, as well as relevant processes.

Control by Exception Active leadership occurs when a leader keeps an eye on followers to make sure mistakes aren't made, but otherwise lets the status quo continue unchecked (Bass & Avolio, 2004). Active management by exception is a more corrective style of leadership where the leader sets expectations for followers to follow, defines what constitutes poor performance, and has the authority to punish subordinates who don't meet the standards. This leadership approach entails keeping a close eye out for deviations, blunders, and faults and acting promptly to address them when they arise (Viernes et al, 2018). In today's leadership landscape, laissez-faire leadership is appropriate. They contend that, with the exception of extreme situations, teams can function most effectively with little or no leadership involvement. In contrast to the active leadership styles of transactional and transformational leadership, which are focused on preventing problems, laissez-faire leadership, as defined by Bass & Avolio (2004), is the absence of leadership or non-leadership style.

2.2.3.1.3 Trait Theory

This theory suggests that effective leaders possess certain inherent traits or characteristics that distinguish them from non-leaders. Traits often associated with effective leadership include intelligence, decisiveness, integrity, and sociability. Early proponents of trait theory believed that these traits were innate and stable across different situations (Northouse, 2021). Trait Theory of leadership focuses on identifying and analyzing specific qualities or traits that distinguish effective leaders from non-leaders. This theory posits that certain inherent characteristics predispose individuals to leadership roles, regardless of the situation or context. Early proponents of Trait Theory believed that leadership traits were innate and stable, suggesting that leaders are born rather than made through learning or experience. Traits commonly associated with effective leadership include intelligence, decisiveness, integrity, sociability, and self-confidence (Viernes et al, 2018).

Trait Theory gained prominence in the early 20th century through research efforts aimed at identifying the essential qualities of leaders. However, criticisms of Trait Theory emerged as researchers struggled to consistently identify a definitive set of

traits universally associated with effective leadership. Additionally, Trait Theory faced challenges in explaining why individuals with similar traits may not always emerge as leaders in different situations. Despite its limitations, Trait Theory laid the foundation for subsequent leadership theories by highlighting the importance of individual characteristics in leadership effectiveness. Modern interpretations of Trait Theory emphasize the interaction between innate traits and situational factors, acknowledging that effective leadership may require a combination of inherited traits and learned behaviors (Northouse, 2021).

2.2.3.1.4 Behavioral Theory

According to this theory, effective leadership can be learned through the observation and imitation of specific behaviors exhibited by leaders. It focuses on the actions and behaviors that leaders demonstrate in various situations (Northouse, 2021). Behavioral Theory of leadership posits that effective leadership can indeed be learned through the observation and imitation of specific behaviors exhibited by successful leaders. This theory diverges from Trait Theory, which emphasizes innate qualities, by asserting that leadership behaviors can be acquired and developed over time through deliberate practice and learning. Leadership behaviors studied under Behavioral Theory include task-oriented behaviors, such as planning, organizing, and monitoring performance, as well as relationship-oriented behaviors, such as providing support, motivation, and developing interpersonal relationships within a team (Turner and Müller, 2005). These behaviors are considered crucial for effective leadership across different organizational contexts and situations. According to Northouse (2021), Behavioral Theory underscores the importance of leaders' actions and behaviors in influencing their effectiveness and the performance outcomes of their teams or organizations. By observing and replicating these behaviors, individuals aspiring to become effective leaders can enhance their leadership skills and capabilities.

2.2.3.1.5 Contingency Theory

This theory proposes that the effectiveness of a leader is contingent upon situational factors, such as the characteristics of followers and the nature of tasks. Leaders must

adapt their style to fit the circumstances to achieve optimal performance (Fiedler, 1967). Contingency Theory of leadership posits that the effectiveness of a leader is contingent upon various situational factors rather than a universal set of traits or behaviors. Developed by Fred Fiedler in 1967, this theory suggests that different leadership styles may be more effective depending on the specific circumstances faced by leaders.

According to Contingency Theory, situational factors such as the characteristics of followers (e.g., their experience, motivation, and skills) and the nature of tasks (e.g., complexity, structure, and time constraints) play a crucial role in determining which leadership style will be most effective. Leaders must therefore assess and adapt their leadership approach to align with the demands of each unique situation to achieve optimal performance and outcomes. Fiedler's Contingency Theory introduced the concept of "least preferred co-worker" (LPC) scale to measure leadership style. Leaders are classified as either task-oriented or relationship-oriented based on their LPC scores, with task-oriented leaders being more effective in situations where relationships are good and tasks are either highly structured or unstructured, while relationship-oriented leaders are more effective in moderate favorability situations. This approach contrasts with earlier theories that proposed universal traits or behaviors of effective leaders. Instead, Contingency Theory emphasizes the importance of flexibility and situational awareness in leadership, highlighting that successful leadership requires adapting to the specific needs and challenges present in each unique situation (Viernes et al, 2018).

2.2.3.1.6 Others Leadership Theories

Transformational leaders inspire and motivate followers by creating a compelling vision and fostering a sense of commitment and purpose. They often bring about significant change and innovation within organizations (Bass, 1985). This theory emphasizes the exchange relationship between leaders and followers, where leaders motivate and guide followers through contingent rewards and corrective actions to achieve organizational goals (Burns, 1978). Servant leaders prioritize the needs of their followers and focus on their personal development. They exhibit humility, empathy, and a commitment to serving others, which contributes to organizational success (Greenleaf,

1970).

Transformational leadership, as conceptualized by Bass in 1985, focuses on how leaders inspire and motivate their followers to achieve extraordinary outcomes. Transformational leaders are characterized by their ability to articulate a compelling vision for the future, empower and engage their followers, and foster a sense of commitment and purpose among them. They often lead through example, promoting innovation and change within organizations to achieve long-term goals and sustainability (Bass, 1985).

Transactional leadership, as proposed by Burns in 1978, emphasizes the exchange relationship between leaders and followers. Transactional leaders motivate their followers by offering contingent rewards for achieving goals and by implementing corrective actions when necessary. This approach relies on clear structures and processes where followers are incentivized to meet performance expectations set by the leader (Burns, 1978). Servant leadership, a concept introduced by Greenleaf in 1970, contrasts with both transformational and transactional leadership styles. Servant leaders prioritize the needs of their followers above their own interests and focus on promoting the personal growth and development of their team members. They exhibit qualities such as humility, empathy, and a strong commitment to serving others, which in turn fosters a positive organizational climate and enhances overall organizational success (Greenleaf, 1970).

These three leadership theories offer distinct perspectives on how leaders influence and guide their followers towards achieving organizational goals. Transformational leadership emphasizes inspiration and vision, transactional leadership focuses on structure and rewards, while servant leadership centers on empathy and service, each contributing uniquely to effective leadership practice in different organizational contexts.

2.2.3.2 Employees' Engagement Theories

There isn't a distinct theoretical framework for work involvement, according to Schaufeli (2013). Rather, several theoretical stances have been put out, each of which

focuses on a distinct facet and is unable to be combined into a single conceptual paradigm. Two models and four methods are covered below.

2.1.1.1 Kahn's need satisfying approach

An article titled "Psychological Conditions of Personal Engagement and Disengagement at Work" in the Academy of Management Journal made reference to employee engagement for the first time (Kahn, 1990). Personal engagement, according to Kahn's definition in his paper, is "the simultaneous employment and expression of a person's "preferred self" in task behaviors that promote personal presence, active full role performance, and connection to work and others." Kahn (1990) posits that employee engagement can occur on three distinct levels: cognitive, emotional, and physical. These levels are influenced by three psychological dimensions, namely meaningfulness, safety, and availability. These domains therefore have an impact on how workers view and carry out their job duties (Li, 2018). Positive "sense of return on investment of self in role of performance" is how Kahn (1990) defines meaningfulness. According to him, psychological meaningfulness is a sensation one gets in exchange for expending mental, emotional, and cognitive energy on completing a task. When workers believe their labor is significant, wanted, and valued in addition to being useful, valuable, and not taken for granted, they are experiencing meaningfulness. When work is important, employees are more inclined to put their all into it rather than putting it off; this is a sign of engagement (Akram and Chung, 2020).

2.1.1.2 The Multidimensional Approach

According to this viewpoint, employee engagement is a special construct made up of behavioral, emotional, and cognitive elements that are connected to each person's performance in their specific function. This viewpoint is novel in that it makes a distinction between "job engagement," or carrying out one's work role, and "organizational engagement," or carrying out one's position as an organization member. When combined, these four methods highlight different facets of employee

engagement: (1) its relationship to role performance; (2) its positive nature regarding employee wellbeing rather than burnout; (3) its relationship to jobs requiring creativity; and (4) its relationship to the job and the organization (Sadia & Aman, 2018).

"Where to draw the line" is maybe the most significant consideration when defining engagement. Stated differently, what components of the concept of involvement should be included and which should be excluded (Xenikou, 2017). Therefore, in contrast to the definitions provided above, which attempt to encompass a variety of concepts that have been connected to engagement in one way or another, the researcher concurs with this model, which views work engagement as an experienced psychological state that mediates the influence of personal and job resources on organizational outcomes (see the model under conceptual frame work) (Lütfi and Tahir, 2017). Such an account of job engagement stems from the idea that engagement, when combined with its behavioral manifestation, is a psychological state that may assist us avoid defining work engagement narrowly as an experience (i.e., purely psychological state) in which case its practical relevance is reduced, or not to define it in broader terms including its behavioral expression, in which case the concept gets fuzzy. That way the uniqueness of the concept is preserved and its practicability is guaranteed.

2.1.1.3 Others

Employees' engagement theories focus on understanding and enhancing the commitment, motivation, and involvement of employees within organizations. These theories are crucial for fostering a positive work environment and improving organizational performance through the active participation and dedication of employees. Here are some key theories in this area:

1. **Job Demands-Resources (JD-R) Model:** This model posits that job demands (such as workload and stress) and job resources (such as autonomy and social support) impact employee engagement. High job demands coupled with adequate job resources can lead to increased engagement, while imbalance can result in burnout and disengagement (Bakker & Demerouti, 2007).
2. **Self-Determination Theory (SDT):** SDT emphasizes the role of intrinsic

motivation in engagement. It suggests that employees are more engaged when they have autonomy, competence, and relatedness in their work environment. Leaders and organizations that support these psychological needs can foster higher levels of engagement (Deci & Ryan, 1985).

3. **Social Exchange Theory:** This theory views engagement as a reciprocal relationship between employees and the organization. Employees engage more when they perceive that their contributions are valued and rewarded by the organization. Positive exchanges, such as recognition and developmental opportunities, strengthen engagement (Blau, 1964).
4. **Psychological Contract Theory:** The psychological contract refers to the unwritten expectations and obligations between employees and employers. Engagement is enhanced when organizations fulfill their promises and commitments to employees, leading to a sense of trust, loyalty, and motivation (Rousseau, 1989).
5. **Job Characteristics Model:** This model identifies five core job characteristics—skill variety, task identity, task significance, autonomy, and feedback—that contribute to engagement. Jobs that are high in these characteristics are more likely to lead to meaningful work experiences and higher levels of engagement (Hackman & Oldham, 1976).

These theories provide frameworks for understanding the factors that influence employee engagement and guide organizations in designing strategies to enhance engagement levels, thereby promoting employee well-being and organizational effectiveness.

2.2.4 Relationship between Leadership and Employees' Engagement

Mebratu (2021) underlined that job resources are thought to have an extrinsic motivational role because they help employees achieve work goals or an intrinsic motivational role because they support employees' learning, development, and growth. In the first scenario, job resources satisfy fundamental human needs like competence, relatedness, and autonomy. For example, appropriate feedback promotes learning and

increases job competence, while social support and decision latitude fulfill the needs of autonomy and belonging, respectively (Kebu & Lee, 2020). Employee engagement pertains to their voluntary actions, whereas organizational commitment is more attitude-based and encompasses emotional, normative, and continuity domains. Additionally, they assert that organizational commitment solely relates to the allegiance, disposition, and attachment of employees to the company, which in turn yields employment benefits (Xenikou, 2017). However, engagement is a measure of how focused and involved workers are in their jobs, not an attitude. Moreover, engagement is task-focused, whereas commitment is organization-focused (Li, 2018).

Disagreements on the nature of engagement have overtaken its emergence. Demonstrating its conceptual uniqueness with respect to specific job-related attitudes, actions, and behavioral intentions, as well as certain facets of employee health and well-being and personality, is vital (Kebu & Lee, 2020). It was demonstrated that affective organizational commitment, job involvement, and job satisfaction are all directly related to engagement. Although organizational citizenship behaviour (OCB) and commitment are heavily included into engagement, none of these aspects capture the two-way nature of engagement, wherein the business strives to engage the employee and they, in turn, decide how much engagement to return (Guluta & Rusu, 2016). Liviu (2019) notes that there are distinct patterns of relationships between work engagement and other factors in contrast to satisfaction, involvement, commitment, and work as a whole.

2.2.4.1 Transactional Leadership and Employees' Engagement

In roles where duties and regulations are well-defined, like banking or accounting, transactional leadership might be given priority. However, it might not work well in lean organizational structures, like those found at Google or Microsoft. This serves as an illustration of how to choose a leadership style based on the company culture that is currently in place (Kebu & Lee, 2020). According to Debebe (2020), a leader's actions, motivation, and behavior are influenced by the organization in the same way as the organization influences its culture, values, policies, and philosophy. As a result, the organization's philosophy, strategy, and policies affect the leadership style (Li, 2018). The organization and the leader are in communication with one another. Setting goals

and keeping an eye on them are common representations of transactional leadership, which is an exchange process centered on the performance of prearranged commitments (Cherry, 2018). The conventional approach to leading followers to complete predetermined activities and concentrate on predetermined goals is known as transactional leadership (Guluta & Rusu, 2016). It is a system of treating workers with incentives and sanctions: those who fulfill targets receive incentives such as promotions, salary raises, and recognition, while those who don't are subject to sanctions (Xenikou, 2017). This approach emphasizes the value of the relationship between a leader and their followers by concentrating on the advantages that both parties receive from a type of "contract" (Cherry, 2018). This directs to

H₁: There is a significant and positive relationship between transactional leadership and employees' engagement in Addis Ababa, Ethiopia

2.1.1.1 Transformational Leadership and Employees' Engagement

According to Bass (1999), transformational leadership is when a leader uses idealized influence, inspiring motivation, intellectual stimulation, and customized consideration to move a follower beyond their immediate self-interests through intrinsic motivation (Akram and Chung, 2020). Transformational leaders inspire followers to put the needs of the organization ahead of their own interests by raising their level of awareness of the significance and worth of the task (Kebu & Lee, 2020). Its main principles are taking initiative, not asking for anything in return, and inspiring and motivating followers to work for objectives that are higher than their own interests. There are possibilities for learning, and followers are encouraged to find solutions. In addition to having deep emotional connections with their followers, leaders are also skilled at managing and creating vision (Cherry, 2018). Employee engagement is increased by transformational leadership behaviors, which also offer a clear vision that can assist staff in internalizing the organization's objectives and seeing the value of their efforts to realizing this vision (Xenikou, 2017). In the cutthroat business environment of today, employee engagement has emerged as a critical element for corporate success and excellence (Guluta & Rusu, 2016). As a result of their subordinates' increased participation in the job,

transformational leaders promote better efficiency and an improvement in overall employee satisfaction (Debebe, 2020). Thus, this study tried to formulate as

H₂: There is a significant and positive relationship between transformational leadership and employees' engagement in Addis Ababa, Ethiopia

2.1.1.2 Democratic Leadership

Democratic leadership, sometimes referred to as participatory leadership, is a type of leadership in which group members actively participate in decision-making. This leadership style focuses on people and success (LiviūWarter, 2019). Democratic leadership promotes employees to participate in business decision-making (Cherry, 2018). The democratic leader facilitates decision-sharing between the team and the leader. Critical discourse and compliments are exchanged, and a sense of community responsibility is fostered. The leader interacts with subordinates until they give broad or precise directives that allow them to behave freely (Sadia and Aman, 2018). The superior exhorts the subordinates to keep contributing and make use of their initiative. Leaders that practice democratic leadership actively involve their staff in decision-making (Guluta & Rusu, 2016). Team members collaborate to generate concepts and ideas for resolving problems at work. Every employee works together to reach the final decision, which is made by the manager (Kebu & Lee, 2020). Team members experience increased significance when they are encouraged to feel included and included. Having their worries acknowledged makes them feel more appreciated and included in a company (Xenikou, 2017). Good leaders understand that some of their most important responsibilities are to assist, give feedback, and acknowledge the hard work of their team members (Akram and Chung, 2020). However, exceptional leaders are self-aware and capable of evaluating whether or not they are leading by example for the other members of the team (Debebe, 2020).

H₃: There is a significant and positive relationship between democratic leadership and employees' engagement in Addis Ababa, Ethiopia

2.1.1.3 Laissez-faire Leadership

Leaders that practice laissez-faire avoid making judgments, give up on duties, abstain from using authority, decline to take sides in conflicts, and exhibit a lack of interest in what is happening. When a leader "chooses" to refrain from acting, that leadership is regarded as active. According to Viernes et al. (2018), this element is typically seen as the least active and productive type of leadership. It has been suggested that laissez faire executives should not make investments in their employees' progress since they believe that employees should look out for themselves (Liviu, 2019). This type of leadership is characterized by leaders who abstain from making decisions, show up when required, but refuse to accept accountability for their lack of leadership ability (Guluta & Rusu, 2016). Laissez-faire leaders don't take the initiative or exploit their influence. It is thought to be an ineffective, passive style of leadership (Cherry, 2018). Laissez-faire leaders understand the value of recruiting qualified candidates since they will strive for decision-making and self-determination (Kebu & Lee, 2020). Leaders bring people together to encourage employee engagement and team-building activities. Workers work together to make decisions rather than acting alone (Xenikou, 2017).

H₄: There is a significant and positive relationship between Laissez-faire leadership and employees' engagement in Addis Ababa, Ethiopia

2.1.1.4 Servant Leadership

Servant leadership goes beyond the confines of the company and involves things like helping the local community or society at large (Xenikou, 2017). The seven elements of servant leadership—emotional healing, contributing to the community, conceptual skill, empowerment, assisting subordinates in their personal and professional development, prioritizing subordinates, and acting morally—were established as an empirical construct. When it comes to stakeholder involvement, there is a definite overlap between responsible and servant leadership (Viernes et al, 2018). An alternative perspective on leadership is that of servant leadership. Understanding that a leader has a moral obligation to serve not only the organization's needs but also those of their customers, followers, and society at large is the fundamental component of leadership (Akram and Chung, 2020). Employees are empowered, protected, and cared for by

servant leaders (Guluta & Rusu, 2016). They exhort others who follow them to own up to their mistakes. Being truthful and transparent with their followers, acting in a way that aligns with their principles, and exhibiting faith in their followers are all ways that servant leaders build trust (Omama et al., 2022).

H₅: There is a significant and positive relationship between servant leadership and employees' engagement in Addis Ababa, Ethiopia

2.2 Empirical Literature Review

2.2.1 Empirical Studies on the Effect of Leadership on Employee Engagement

Alem (2020) investigated how employee engagement at Dashen Bank S.C. Addis Ababa was impacted by different leadership styles. The study used a quantitative research approach and a correlational research design. Using a proportionate stratified sampling technique, samples from the entire population were chosen. The study was conducted using standardized questionnaires measuring leadership behavior (Multi Factor Leadership Questionnaire) and the Utrecht Work Employees Engagement Rating Scale. Two methods were employed to investigate the impact of the two leadership styles—transformational and transactional—on employee engagement: correlation and linear multiple regression. Regression analysis results indicate that whereas transactional leadership styles have no discernible impact on employee engagement, transformational leadership styles have a positive and substantial influence.

Aslam et al., (2018) examined the influence of various leadership styles—transformational, transactional, servant, democratic, and laissez-faire—on employee engagement within the banking sector in Pakistan. Using a quantitative approach, data were collected through surveys from employees across different banks. The study employed regression analysis to assess the relationship between leadership styles and employee engagement, controlling for demographic variables. Findings indicate that transformational leadership significantly enhances employee engagement, followed by servant and democratic leadership styles. In contrast, laissez-faire

leadership shows a negative impact on engagement levels. Transactional leadership exhibits a mixed impact, depending on the specific behaviors associated with contingent rewards and corrective actions. The study concludes with implications for leadership practices in banking institutions to foster higher employee engagement and organizational performance.

Li (2018) carried out research to investigate how leadership styles affect knowledge workers' work engagement. Employee information from three IT companies in Henan, China, was gathered. We used a two-wave cross-lagged design with a four-month interval between waves. Bootstrap analysis, structural equation modeling (SEM), and descriptive statistics were among the statistical techniques used. The findings demonstrated that: (1) knowledge workers' psychological capital and work engagement were positively predicted by both transformational and transactional leadership; (2) knowledge workers' psychological capital and work engagement were positively predicted by knowledge workers' psychological capital; and (3) knowledge workers' psychological capital partially mediated the effects of leadership styles on their work engagement. Transformational leadership had stronger effects on knowledge workers' psychological capital and work engagement than did transactional leadership.

Kebu and Lee (2020) investigated the connections between innovative work behavior, work engagement, leadership styles, and work outcomes measured by task performance among information and communication technology professionals in South Korea and Ethiopia. A total of 291 participants from South Korea and 147 individuals from Ethiopia were required to complete the self-reporting questionnaire designed to evaluate innovative work behavior, task performance, work engagement, and leadership styles. Multiple linear regression analysis was used to examine the proposed hypotheses. The findings demonstrated that while transactional leadership style had a substantial positive link with employees' task performance, transformational leadership style had a large positive association with employees' job engagement and innovative work behavior.

Ermiyas (2017) conducted research with a sample of 370 workers. The Utrecht Work Engagement Scale and the Multi Factor Leadership Questionnaire were used by

Ethiopian Airlines to gather data. The results of the regression analysis demonstrated a positive association between employee engagement and transactional and transformational leadership styles. The findings demonstrated a negative correlation between employee engagement and the direct supervisor's leadership style perception—classical or transactional leadership styles are viewed poorly, but visionary or organic leadership styles are viewed positively.

Kidist (2018) Utilizing a sample of 199 workers from commercial banks, the multifactor leadership questionnaire and the Gallup engagement survey were used to gather data on employee engagement levels. Regression and correlation research revealed a strong relationship between leadership methods. The correlation & regression analysis showed that there is significant association exist between leadership styles and employee engagement.

2.2.2 Empirical Studies on the Effect of Transactional Leadership on Employee Engagement

While transactional leaders have no appreciable effect on long-term success, they do enhance staff performance in the near term. This result aligns with the short-term focus of the transactional leadership style (LiviuWarter, 2019). Bass (2004) identifies three elements that define and assess transactional leadership: (1) management by exception active; (2) management by exception passive; and (3) contingent rewards for high performance. The degree to which a leader uses rewards to encourage good performance is known as the contingent rewards dimension. It describes the actions of a leader who focuses on outlining the responsibilities and roles of their followers and offering them money or psychological benefits in exchange for fulfilling their contractual duties (Viernes et al., 2018).

2.2.3 Empirical Studies on the Effect of Transformational Leadership on Employee Engagement

One way to characterize transformational leadership is as a process where leaders and followers assist one another in reaching new heights of motivation. By winning the

hearts and minds of their followers with spiritual values (equality, fairness, and freedom), these leaders selflessly work to elevate the awareness of their followers (Sadia and Aman, 2018). In order to fulfill the demands and convictions of followers, a leader must have a clear vision for the organization's future (Liviuwarter, 2019). Those who are transformational leaders establish strong bonds with their staff members through effective communication, strong targets, and management abilities. With the support of these abilities, the leader can become more confident in the company, which encourages subordinates to work for the good of everyone (Cherry, 2018).

2.2.4 Empirical Studies on the Effect of Democratic Leadership on Employee Engagement

Democratic leadership is one of the many different leadership philosophies that managers may apply in the workplace. Democratic leaders frequently involve their employees in the decision-making process (Sadia and Aman, 2018). Team members work together to come up with ideas and find solutions for issues at work. Each worker collaborates with the manager to arrive at the ultimate conclusion. According to Viernes et al. (2018), this style of management is known to produce happy employees and a more positive work atmosphere. Democratic leadership encourages staff involvement in corporate decision-making (Cherry, 2018). The democratic leader makes it easier for the team and the leader to share decisions. There is flattery and critical conversation, and a sense of civic duty is promoted. The boss engages with followers until they provide comprehensive directives that allow them to behave freely (Sadia and Aman, 2018).

2.2.5 Empirical Studies on the Effect of *Laissez-faire* Leadership on Employee Engagement

By using this kind of leadership, team members are intended to shoulder more of the decision-making responsibilities. Because the team's leader does not value its leadership abilities, the team is disorganized. Laissez faire is linked to inefficiency, unhappiness, and low productivity (Omama, Iddris, Dwomoh, and Kofi, 2022). Laissez-faire managers provide their employees more autonomy, competence, and self-

determination while also empowering them. Employees feel compelled to return when they show signs of wanting to stay longer, urging others to stay or choose the business, displaying a better level of professional engagement, and being dedicated to their own personal growth (Alem, 2020). Workers under laissez-faire management styles feel empowered to address problems independently, make independent judgments, and work in the most efficient way conceivable. It is put in more effort, be happier at work, and have the freedom to act promptly on decisions (Kebu & Lee, 2020).

2.2.6 Empirical Studies on the Effect of Servant Leadership on Employee Engagement

Employee engagement and productivity can be effectively increased by using leadership philosophies as transformational, servant, democratic, coaching, laissez-faire, authentic, transactional, and charismatic (Alem, 2020). Providing the means for employees to perform their jobs is one of the culture topics that encourages engagement. When leaders convey important decisions, goals, and strategies, employees view them as knowledgeable (Kidist, 2019). This transparency can help teams better prioritize activities and understand how individual employees fit into the wider business plan. (Omama and others, 2022). In addition to meeting their followers' needs, servant leaders assist in enhancing their abilities. Employees should respond to these activities by exhibiting contextual performance characteristics. Remarkably, it was observed that those who follow servant leaders find inspiration in the example (Liviuwarter, 2019).

2.3 Research Gap

In the manufacturing and microfinance sectors, for instance, Debebe (2020) examined the performance of Small and Medium Enterprises in Jig-Jiga city. Other studies, like Xenikou (2017), were more interested in particular leadership styles with mediating effects of perceived innovation and goal culture orientations, such as transformational leadership, transactional contingent reward, and organizational identification. Previous studies, however, were more focused on organizational performance (Sadia and Aman, 2018; Akram and Chung, 2020). The degree to which leadership styles affect employees' involvement was disregarded in these studies. Instead of concentrating on the financial

sector, particularly private commercial banks, these studies examined the manufacturing sector. Additionally, Alem (2020) only looked at two leadership philosophies in his investigation of the impact of leadership styles on employee engagement at Dashen Bank S.C.; servant and other leadership philosophies were disregarded.

Furthermore, the results of this study were in conflict with those of Ermiyas (2017), who discovered a favorable correlation between employees' engagement and transactional and transformational leadership styles. The study used a correlational research design, but according to correlational matrix analysis, the results were not correctly interpreted (correlation coefficients with magnitudes between 0.3 and 0.5 indicate variables with low correlation, and coefficients with magnitudes less than 0.3 indicate little to no (linear) correlation). In light of the foregoing explanation, the primary research gap challenge in this study is figuring out whether leadership style influences employee engagement in order to understand how leadership style influences employee engagement. Thus, the goal of this research is to examine how leadership styles affect workers' involvement.

2.4 Conceptual Framework

A conceptual framework is a graphic that illustrates how the variables of the study should relate to the characteristics or qualities the researcher wants to look into. Conceptual frameworks can be written or graphical, and the process of creating one usually involves going over the corpus of research that has been done on the topic you are investigating (Kothari, 2019).

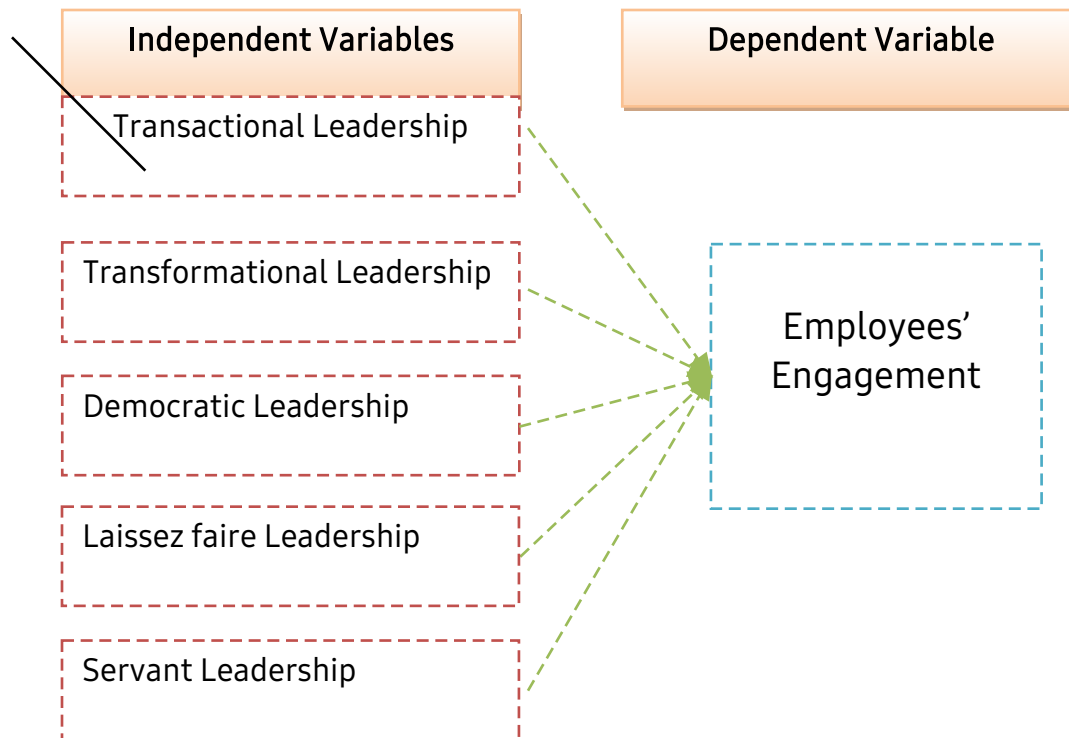


Figure 1 Conceptual Framework

Adapted from Aslam et al., (2018)

Aslam et al., (2018) examined the influence of various leadership styles—transformational, transactional, servant, democratic, and laissez-faire—on employee engagement within the banking sector in Pakistan. This study aligns closely with your interest in exploring how different leadership styles impact employee engagement in the banking sector, providing a framework and empirical evidence to guide further research or comparative analysis. As the reviews have covered, a large body of empirical evidence backs up the claim that leadership has a significant impact on workers' involvement. The goal of the study was to investigate how the five leadership philosophies that was once popular affected worker engagement. Below is a presentation of the study's conceptual framework: The study's conceptual framework displayed the independent and dependent variables. The employees' engagement is the dependent variable, sometimes referred to as the outcome variable. Alternatively, the study's independent variables were categorized into five leadership styles: transformational, transactional, servant, democratic, and laissez-faire.

Independent Variables: Leadership Styles:

- Transformational Leadership: Inspires and motivates followers through a compelling vision and commitment (Bass, 1985).
- Transactional Leadership: Emphasizes contingent rewards and corrective actions to achieve goals (Burns, 1978).
- Servant Leadership: Focuses on followers' well-being and personal development (Greenleaf, 1970).
- Democratic Leadership: Involves participative decision-making and empowerment of followers (Lewin, Lippitt, & White, 1939).
- Laissez-Faire Leadership: Hands-off approach with minimal guidance or direction (Bass, 1990).

Dependent Variable: Employee Engagement: The emotional commitment and involvement of employees. Components: Job satisfaction, organizational commitment, motivation.

Theoretical Foundations:

- Transformational Leadership Theory: Focuses on how leaders inspire and motivate followers to achieve exceptional results (Bass, 1985).
- Transactional Leadership Theory: Explains the role of contingent rewards and corrective actions in influencing follower behavior (Burns, 1978).
- Servant Leadership Theory: Highlights the importance of leaders serving followers' needs to enhance engagement (Greenleaf, 1970).
- Democratic Leadership Theory: Emphasizes participative decision-making and its impact on employee motivation and commitment (Lewin et al., 1939).
- Laissez-Faire Leadership Theory: Examines the consequences of minimal leadership involvement on employee engagement and performance (Bass, 1990).

This conceptual framework integrates various leadership styles and their impacts on employee engagement, providing a structured approach to understanding how different leadership behaviors influence organizational outcomes.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This section looks at the methods to be used in order to achieve the objectives of the study. It highlights research design, data source and the methods uses in data collection for the research. It also identifies the target population for the study, the sample size and frame, sampling technique and other method of study.

3.2 Description of the Study Area

3.2.1 Research Study Site Selection

The purpose of this study is to investigate how leadership styles affect employee engagement in the context of Dashen Bank S.C., which is based in Addis Ababa, Ethiopia. This research was carried out in Addis Ababa. It lies in the geographic heart of the nation on a plateau that receives plenty of water and is encircled by hills and mountains. Ethiopia's administrative, financial, and educational hub is Addis Ababa. It is one of East Africa's special cities. Situated approximately 2,500 meters (8,200 feet) above sea level on the slopes of Mount Entoto, the city is situated nearly in the middle of the country. In addition, Addis Ababa is the hub of Ethiopia's economy, housing the majority of the country's public sector headquarters (Addis Ababa City Administration, 2023).

3.2.2 Background of the Organization

Founded in 1995, Dashen Bank S.C. is one of the few original private financial institutions in Ethiopia. Its mission is to apply cutting-edge technology to provide its esteemed clients with a wide range of general and long-term banking services with great excellence, profitably, and ethically.

With an initial capital of Birr 14.9 million, eleven experienced bankers and visionaries launched Dashen Bank in September 1995. Dashen has eleven fully operational branches when it first opened for business on January 1, 1996, after its license from the National Bank of Ethiopia. Dashen Bank takes its name from Mount Dashen, Ethiopia's highest peak, and strives to be the "Best in class Bank in Africa." The Bank wanted to be in the top tier of banks.

Included in the Simien Mountains National Park, RasDashen offers visitors an uncommon environment, rare species, and breathtaking vistas of a landscape sculpted by nature and customary agriculture. A variety of rare wildlife can be found in the Simien Mountains, such as the Gelada Baboon, Simien Fox, or Ethiopian Wolf, and Walia Ibex. Dashen wants to lead the banking services industry by providing unparalleled, one-of-a-kind value propositions. The organization functions via an extensive nationwide network comprising over 442 branches, nine specialized forex bureaus, 389 automated teller machines, and over 1,283 point-of-sale (POS) terminals. Dashen Bank is present wherever business takes its clients throughout the globe (Dashen Bank, 2022).

3.3 Research Approach

When the approach to research is taken into consideration as the criterion of classification, research can be approached as mixed, qualitative, and quantitative. The main focus of quantitative research is on gathering and evaluating numerical data; it measures many aspects of phenomena, such as their magnitude, range, and frequency. Comparatively speaking, qualitative research is more subjective than quantitative research since it looks at and considers the less obvious facets of a research topic, such as values, attitudes, and perceptions. Moreover, mixed methods incorporate the gathering and analysis of both quantitative and qualitative data into a single study or research project (Creswell, 2014).

This study focused on quantifying the scope, range, frequency, and other aspects of phenomena by gathering and analyzing numerical data. The study is quite organized and precise, and it is simple to gather data and present it statistically. However, the success of this study hinges on a precise description of what leadership styles, employee engagement, and related variables signify. The ideas and variables of leadership styles, employee engagement, and the mapping of their interrelationships were adequately established. It clarified the current practices regarding employee engagement and leadership styles, examined the relationship between the two, and looked at how leadership styles affected Dashen Bank S.C. SC's workers' involvement in Addis Ababa, Ethiopia. The study examined the relative effects of four distinct leadership styles at Dashen Bank S.C. in Addis Ababa, Ethiopia: transactional, transformational, democratic, and laissez-faire. Since both methodologies were used throughout, the study can be classified as having a mixed research methodology.

3.4 Research Design

The techniques of data collecting, the temporal dimension, the involvement of researchers, and the study's objectives are just a few ways to classify the research design. Depending on the goal of the study, there are three sorts of research designs: exploratory, descriptive, and causal. The exploratory study offers more information and suggestions for figuring out the true nature of the problem being studied. Descriptive research is based on past knowledge and aims to describe certain phenomena; it is more

of a means than a goal because it promotes further understanding. Explanatory or causal research elucidates the causal links among variables (Creswell, 2014).

This study looked at how leadership styles and organizational employees' engagement related to each other (explore factors that determine suitable cause-and-effect relationships). Because the purpose of the study was to investigate the impact of leadership styles on employee engagement at Dashen Bank S.C. in Addis Ababa, Ethiopia, as well as the relationship between employee engagement and leadership styles. It discussed the relative effects of Dashen Bank S.C.'s four different leadership philosophies in Addis Ababa, Ethiopia. It meant that it used mathematical models and theories related to leadership styles and employee engagement, and it clarified the causal linkages between them. The report also offered a comprehensive picture of the state of employee engagement and leadership practices today. Consequently, this study used descriptive research methodology and explanatory research.

3.5 Unit of Analysis

The employees or persons employed in specific branches and the headquarters of Dashen Bank S.C. in Addis Ababa served as the study unit for the analysis.

3.6 Data Type and Sources

Primary data were mostly used by the researcher. In order to gather primary data, a questionnaire was used. These information were gathered via questionnaires and interview checklists. The researcher creates primary data with the express intent of solving the current issue. As a result, the researcher created the primary data with the express intent of solving the issue raised in the first chapter. The primary benefit of using this kind of data was that it was meant to be gathered with the goal of the study in mind. It suggests that the data that came from it was better in line with the goals and study questions.

3.7 Population and Sampling

3.7.1 Target Population

The population in this study consisted of all employees of Dashen Bank S.C Share Company, including those working in the company's Addis Ababa headquarters and a few chosen branches. The population is the larger group of people to whom we hope to generalize the findings of our study. There are 35 branches of Dashen Bank S.C. in Addis Abeba; 4 of those branches, employing 245 people, were included in this study. As of May 31, 2022, according to the company's records, Dashen Bank S.C. Company S.C. employed 496 people overall, including 251 workers in its head quarter.

3.7.2 Sample Frame

The salary information for the present employees (as of April 2023) provided the sample framework, and certain factors were employed as controls to determine disparities within groups. These included employees who were not clerks as well as clerks, categorized by age, gender, employment level, and vocation. The head office and branches in Addis Ababa provided the sample.

3.7.3 Sample Size

Using the sampling strategy based on Yamane's (1973) formula, 221 sample sizes were chosen for the survey out of the 496 total population:

$$n = \frac{N}{1 + N(e)^2}$$
$$n = \frac{496}{1 + 496(0.05)^2}$$
$$= 221$$

Where n = the sample size

N = size of population

e = the level of accuracy (e = 0.05)

Table 1 Sample Size Determination

No	Branches	Population	Proportion	Sample Size
1	Head Office	251	0.44556452	112
2	Branches	245	0.44556452	109
	High Rated Branches like Merkato,Lidetaetc (3 Branches)	158		70
	Lower rated Branches like Jemoetc2 branches	87		39
	Total	496		221

Survey Result, 2023

3.7.4 Sampling Procedure

Employees of Dashen Bank S.C. were surveyed using a stratified percentage sample technique based on their location in order to obtain data from the target demographic. Because it helps to reduce bias while working with the population, this strategy is recommended. Before choosing the elements for the sample, this technique allows the sampling frame to be arranged into generally homogeneous groupings, or strata. A total of 221 formally permanent Dashen Bank S.C. workers from those two offices—the head and five branches—were included in the study. Purposive sampling was employed in this investigation to determine the five branches that were required. These branches were chosen on the basis of their service facility, financial performance, and highest customer base in the year of 2022/23.

3.8 Data Collection Procedures and Instruments

3.8.1 Data Collection Instruments

Primary data was collected using a semi- structured questionnaire which had both open and close-ended questions; assuming that the open-ended questions provided additional information that was not captured in the close- ended questions. The

rationale behind selecting questionnaire as a data collection instrument was to get information from large audiences in a short period of time. There were two types of data collection instrument that was used in this study. A survey was created with two sections: the primary research questions and the profile of the respondents. The transformative leadership section was taken from Sadia and Aman (2018), the other leadership styles from Akram and Chung (2020), and the employees' engagement section from Alem (2020), based on the Utrecht work Employees engagement rating scale that was used to conduct the study. It had one dependent variable, a series of statements with a five-point Likert scale from 1 (strongly disagree) to 5 (strongly agree), and five independent dimensions. Because of the nature of their jobs, all of the polled employees were able to read and write in English fluently, therefore there was no need to translate the questionnaire into Amharic. Additionally, it could be very helpful if participants want to stay unnamed, as it provides a more comfortable way for them disclose information that would make them uncomfortable in a face-to-face setting.

Furthermore, interview sessions were prepared to gather pertinent information about employees' performance and employees' engagement of the surveyed organization. The study mostly applied face to face and phone interview due to employees' busy schedules. It attempted to cover up to fifteen employees and managers who was working in various positions or departments' human resource, operational, sales and others.

3.8.2 Data Collection Procedures

The researcher used self-administered questionnaire to collect information on the study area and issues. To collect the information, a set of procedures were established to ensure that this information is collected in a consistent and systematic manner. First, the researcher decided the timeframe to collect information before data collection taken place. The timeframe during which the data is to be collected was obviously specified. Subsequent, this scheduled has made based on the availability of the study population from which the information was collected. This was made due to the fact that the information has to be collected before the class starts or at the end of the program. Then again, as the researcher determined Dashen Bank S.C as sources of information. Fourth, there were four assistant moderators helping the researcher. Their

activities were clearly specified before the survey being administered. Before going to distributing the questionnaire the researcher informed the participants about the objective of the study. During the time of data administration assistant data collectors played a role to distribute and getting back the questionnaire filled by the participants.

3.9 The Credibility of the Research

In this study to reducing the possibility of getting the wrong answer means that attention has to be paid to two particular emphases on research design: reliability and validity.

3.9.1 Validity

Validity refers to the extent to which a test measures what we actually wish to measure. Content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study (Kothari, 2014). The validity of the study therefore, was appropriately checked through content validity method by taking an advice from the advisor and an experienced person on the topic under study and adopting questionnaires from previous researchers would increase its validity.

3.9.2 Pre-testing Study

A pre-testing was conducted to see whether the questionnaires can obtain the results which the study required for meeting objectives and hypotheses of the research. Accordingly, ten questionnaires were prepared initially and dispatched to different human recourse experts and specialists in Addis Ababa.

3.9.3 Reliability

Reliability check for questionnaires were used by using Cronbach Alpha statistic method to ensure internal consistency by using pre-testing method. The overall Cronbach alpha of the scales used in this study was rated as excellent. As a result, it indicates the reliability of the scales were very high depicting a very strong internal consistency among the measurement items and the selected instrument accurately measures the variables selected. By the way, values of 0.75 or greater was considered the data collection instrument is reliable.

Table 2 Reliability Test Results

Variables	Reliability Statistics	
	Cronbach's Alpha	N of Items
Transformational Leadership	.848	6
Laissez-fair Leadership	.904	6
Transactional leadership	.911	6
Democratic leadership	.788	5
Servant Leadership	.769	5
Employee Engagement	.799	7

Survey result, 2022/2024

The overall Cronbach alpha of the scales used in this study was rated as excellent as per the values of 0.70 or greater were considered; so this study concluded that the data collection instrument was reliable. As a result, it indicates the reliability of the scales was very high depicting a very strong internal consistency among the measurement items and the selected instrument accurately measures the variables selected.

3.10 Data Analysis

The data analysis was also supported with software called Statistical Package for Social Science (SPSS), version 20. Mean scores, standard deviations, percentages and frequency distribution was used to summarize the responses. In addition, tables and figures were employed to present facts as required in order to give more clarifications to readers. Furthermore, correlation and regression analysis were made to show the relationship between eldership styles and engagement, as it is suitable to analyze the relationship between dependent and independent variables. Multiple regression is an extension of simple linear regression. It is used when we want to predict the value of a variable based on the value of two or more other variables. The variable we want to predict is called the dependent variable (or sometimes, the outcome, target or criterion variable). The variables we are using to predict the value of the dependent variable are called the independent variables (or sometimes, the predictor, explanatory or regressor variables). Multiple regression also allows to determine the overall fit (variance

explained) of the model and the relative contribution of each of the predictors to the total variance explained. Finally reasonable explanation of data and interpretation was accomplished. The model of the study is:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e$$

In the above equation,

- Y = employees' engagement
- X₁ = Transaction
- X₂ = Transformation
- X₃ = Democratic
- X₄ = Laissez Faire
- X₅ = Servant
- e = Error terms

3.11 Ethical Considerations

The MBA Post Graduate Studies Program at Addis Ababa University granted ethical approval. Additionally, an ethical letter from Dashen Bank S.C. SC. was obtained. Following that, a thorough discussion of the goals and advantages of the study was held with representatives from the chosen branches and the headquarters. Then, supervisors and staff members participated in a similar conversation. As a result, professional staff members were granted permission or consent, and suitable staff discussions regarding the goals, nature, and advantages of the study were held in the local Amharic language. The study is optional, and information confidentiality was guaranteed both before and after data collection. The study's participants were told of their right to refuse participation, privacy, danger, and the fact that there would be no immediate benefits. They were also given the option to choose not to answer any or all of the questions. Employee verbal agreement was collected by data collectors after they were informed about the purpose of the study and that participation was voluntary. Instead of requesting identities during data collection, security protections employing codes were established to maintain staff confidentiality. The original data will only be accessible to the researcher and supervisor for the purposes of data input, cleaning, and verification.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

The survey results that were gathered during the data collection process are presented in this chapter. It also includes an analysis and interpretation of the data that was obtained. It starts with providing a description of the participants and goes on from there by using some degree of statistical analysis to examine the information gathered. The chapter concludes with interpretation, which is a further development of the data analysis.

4.2 Response Rate

According to this study, 188 employees were chosen at random from the entire employee population to make up the sample population. As a result, the data summary shown below:

Table 3 Response Rate

Table 4 Sample Size Determination

No	Branches	Distributed	Returned	Response Rate %
1	Head Office	112	0.44556452	112
2	Branches	109	0.44556452	109
	High Rated Branches	70		70
	Lower rated Branches	39		39
	Total	496	221	221

Survey Result, 2023/24

A total of 221 questionnaires were given out to sample employees in chosen branches and the head office for this study; of those, approximately 85% (n=188) were neatly and completely returned. 33 sampled respondents did not return their surveys for a variety

of reasons. Cooper Schindler (2014), cited by Mebratu (2021), claimed that a 50% response rate is sufficient for analysis. As a result, the study's response rate is more than sufficient for the analysis. As a result, SPSS was used to enter, code, clean, present, and analyze the provided data using statistical analysis software.

4.3 Description of the Research Participants

Table 5 Respondents Demographic Characteristics

Variables		N	%
Gender	Male	97	51.6
	Female	91	48.4
Age (in year)	Less than 35	35	18.6%
	36 up to 45	61	32.4%
	46 up to 55	84	44.7%
	More than 56	8	4.3%
Educational Status	Diploma	40	21.3%
	First Degree	97	51.6%
	Master Degree and above	51	27.1%
Marital Status	Never married	59	31.4
	Married	76	40.4
	Divorced	26	13.8
	Widowed	20	10.6
	Refused	7	3.7
Income	Below 5000	37	19.7
	5001 up to 10000	80	42.6
	10001 up to 15000	50	26.6
	Above 15001	21	11.2
Job Position	non-managerial workers	50	26.6
	working in the bank operations	63	33.5
	working in support staff	55	29.3
	Others	20	10.6
Service Year	Less than 5 years	22	11.7
	6 up to 10 years	64	34.0
	11 up to 15 years	63	33.5
	More than 16 years	39	20.7

Survey Result, 2023/24

The demographic features of the field survey respondents, including gender, age, educational background, occupation, and income, were found in this study. The table below provides background information on consumers at various levels prior to data analysis.

The study discovered that 91 (48.4%) of the 188 sampled employee respondents in the study were female workers of the surveyed bank, and 97 (51.6%) were male employees. This indicates that the study's gender participation rates were nearly equal, which enhances the quality of the data the research gathered from all gender groups. However, as this table shows, of the 188 respondents that were sampled, 18.6% of the total employee respondents were under 35 years old, 32.4% were between the ages of 36 and 45, 44.7% were between the ages of 46 and 55, and 4.3% were the exceptional group of respondents who were beyond 56. This indicates that all age groups were included in the study to account for different age group perspectives (See Table 5).

The aforementioned table shows that among the respondents, none had completed high school or less, while the remainder had attended undergraduate and graduate programs at universities (21.3 % held diplomas, 51.6 % first degree grads, and 27.1% held master's degrees and above). Additionally, the data indicates that 31.4% of sample respondents were single or had never married, and 40.4% of respondents were married. This indicates that all marital status groups and well-educated participants provided relevant data for the study (See Table 5).

According to the above table, 19.7% of the selected respondents earned less than 5,000 Birr per month, 42.6% earned between 5,001 and 10,000 Birr per month, 26.6% earned between 10,001 and 15, 000 Birr, and 11.2% earned more than 15,0001 Birr per month. This demonstrates that relevant data from a range of respondents with varying monthly incomes was gathered for the study (See Table 5).

The length of service in the organization is shown in the above table. Of the respondents, 22 (11.7%) worked for 1–5 years, 64 (34.0%) for 6–10 years, 63 (33.5%) for 11–15 years,

and 39 (20.7%) for 16–20 years, respectively. The aggregate outcome suggests that the majority of participants have worked at the university for an extended duration. This indicates that most of the respondents possessed thorough knowledge of the research area's employee engagement and leadership philosophies. This facilitates the acquisition of pertinent data regarding the traits of effective leadership in the banking industry. In general, this section included the respondents' demographic information. The respondents' personal profiles were examined based on their gender, age, levels of educational achievements, and years of service in the organization and service year in the working environment of the surveyed company.

4.4 Existing Leadership Style

This section presents, analyzes, discusses, and interprets the leadership styles of the Dashen Bank Branch in Addis Ababa, Ethiopia, while also making use of the qualitative information that was gathered from interview subjects.

4.4.1 Transformational Leadership

A management concept known as "transformational leadership" pushes staff members to think creatively and come up with fresh ideas on how a business might advance and improve its future prospects. By using this technique, CEOs empower dependable staff members to take initiative and encourage novel methods to problem-solving (Alem, 2020).

Table 6 Responses Transformational Leadership Style

Items	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	SD
	N	%	N	%	N	%	N	%	N	%		
My leader Spends time teaching and coaching	9	4.8%	10	5.3%	9	4.8%	80	42.6%	80	42.6%	4.13	1.052
Opportunities to attend relevant trainings and conferences	14	7.4%	6	3.2%	18	9.6%	95	50.5%	55	29.3%	3.91	1.088
My manager does little things that make it pleasant to	21	11.2%	16	8.5%	14	7.4%	55	29.3%	82	43.6%	3.86	1.159

be a member of the group.												
My manager maintains a friendly working relationship with subordinates	11	5.9%	16	8.5%	10	5.3%	99	52.7%	52	27.7%	3.88	1.090
Our leader puts suggestions made by us into actions.	19	10.1%	15	8.0%	22	11.7%	89	47.3%	43	22.9%	3.65	1.108
My leader is approachable and friendly.	23	12.2%	10	5.3%	19	10.1%	94	50.0%	42	22.3%	3.65	1.034
Grand mean											3.84	

Survey Result, 2023/24

Based on the views and opinions of 188 reliable observations, the variables included in the transformational leadership style as shown in the above table were evaluated. With the majority of the six item standard deviations being less than 2, the overall grand mean value of the transformational leadership style variables was calculated to be 3.84. This suggests that the majority of respondents were satisfied with the items raised when referring to the predefined strongly agreed and strongly disagreed intervals. Furthermore, the standard deviation shows the degree of variability in the respondents' answers to the supplied items relative to the mean value. It means their mentor devotes time to mentoring and instructing and possibilities to attend pertinent conferences and trainings. In addition, little gestures like this one from their manager make it enjoyable to be a part of the group. Moreover their manager and subordinates have a cordial working relationship and their leader implements the recommendations they make. Finally, it shows their leader is amiable and personable.

The vast majority of those who participated in the interview strongly agreed that their manager makes small efforts to make it enjoyable to be a part of the group. Furthermore, their answers suggested that they were more inclined to fall into the category of strongly agreeing that their leader spends time coaching and educating. According to Ermiyas (2017), transformational leaders are individuals who establish strong bonds with their staff members by utilizing their communication, management, and potent target talents. With the organization's confidence bolstered by these

abilities, the leader can instruct subordinates to work toward the common good.

However, the vast majority of interview replies also concurred that everything is changing and that we are working as a team and a single conduct to accomplish our goals in the future. Employees are also well-motivated to follow the company's vision. The degree to which leaders attend to the needs and actions of each individual follower demonstrates the importance of the supervisor and subordinates' leadership qualities as well as the individual consideration of the transformational leadership style in an organization regarding both the company and oneself. A leadership style that affects both social institutions and individuals is known as transformational leadership. In its perfect state, it transforms followers into leaders by bringing about significant and constructive change in the followers (Li, 2018).

4.4.2 Laissez-Faire Leadership Style

Laissez-faire leadership allows individuals to make decisions on their own initiative and adopts a hands-off style. Although leaders continue to give their staff the means and instruments necessary for success, they mainly stay out of the day-to-day operations of the business (Kidist, 2019)..

Table 7 Responses on Laissez-Fair Leadership Style

Items	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	SD
	N	%	N	%	N	%	N	%	N	%		
My leader refuses to explain his/her actions.	24	12.8%	13	6.9%	15	8.0%	87	46.3%	49	26.1%	3.66	1.088
My leader is lacking of control directing, which he/she not explains the actions to us.	25	13.3%	29	15.4%	16	8.5%	76	40.4%	42	22.3%	3.43	1.045
My leader avoids him/her from goal setting and decision making.	17	9.0%	33	17.6%	17	9.0%	62	33.0%	59	31.4%	3.60	1.031
My leader delay responding to urgent questions.	10	5.3%	35	18.6%	15	8.0%	78	41.5%	50	26.6%	3.65	1.207
My leader avoids him/her from getting involved when important issues arise.	15	8.0%	33	17.6%	15	8.0%	74	39.4%	51	27.1%	3.60	1.173

My leader waits for things to go wrong before taking action.	16	8.5%	32	17.0%	17	9.0%	70	37.2%	53	28.2%	3.60	1.190
Grand mean											3.59	

Survey Result, 2023/24

The Laissez-Fair Leadership Style evaluation was calculated using observations from the same sample of respondents, divided into two components with a total of five items. With a standard deviation value of the six items smaller than two (i.e., reduced data variability), the overall grand mean value of the laissez-fair leadership style in the examined organization was determined to be 3.59. At this point, the standard deviation shows that respondents' replies are dispersed less than the mean value, accurately reflecting the observed data as represented by the means of both individual and total items. Additionally, the mean value of the laissez-fair leadership style total items scored lower, and the outcome appears to be a disagreement response using the pre-set scale as strongly agree category. It also means their leader won't give an explanation for what they did and their leader lacks control over his or her direction and fails to explain the actions to them. IN addition, their leader keeps him/her out of the decision-making and goal-setting process and their leader takes too long to answer pressing queries. Finally, it shows their leader stays out of the way when significant matters come up and their commander waits for something to go wrong before acting.

According to the findings, the vast majority of respondents said that their leader keeps them out of the way when significant issues come up. Furthermore, as this table demonstrates, the majority of respondents chose the "agree" option, indicating that their leader lacks control over their activities and does not provide them with explanations. Regarding this, the vast majority of interviewees said that their leaders failed to remedy errors once they were committed. This demonstrates that they were given instructions and procedures clarification by their supervisor. Based on the aforementioned reasoning, it is clear that the company's executives lack certain management attributes by being exception-passive and failing to provide orders and clarifying procedures and not correcting mistakes after they made.

Additionally, the vast majority of interviewees stated in their comments that they were not permitted to figure out solutions on their own. Overall, this company's supervisors and subordinates exhibit a laissez-faire or passive avoidance style of leadership that leaves room for improvement when it comes to granting employees and subordinates the opportunity to work independently and find solutions to their problems. Laissez-faire leadership allows individuals to make decisions on their own initiative and adopts a hands-off style. Although leaders continue to give their teams the means and instruments necessary for success, they mainly stay out of the day-to-day operations (Kebu & Lee, 2020).

4.4.3 Transactional Leadership Style

Transactional leadership is a kind of leadership where followers are directed and motivated by rewards and penalties. This leadership style, which is also known as management leadership on occasion, places a strong emphasis on structure, organization, supervision, performance, and results (Lütfi and Tahir, 2017). Transactional leadership, sometimes referred to as managerial leadership, is a type of leadership in which managers' use rewards and penalties to get the best work out of their staff members.

Table 8 Responses Transactional Leadership Style

Items	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	SD
	N	%	N	%	N	%	N	%	N	%		
My leader maintains definite standards of performance.	18	9.6%	32	17.0%	17	9.0%	82	43.6%	39	20.7%	3.49	1.160
My leader makes clear what one can expect to receive when performance goals are achieved	20	10.6%	30	16.0%	11	5.9%	66	35.1%	61	32.4%	3.63	1.160

My leader is effective in meeting organizational requirements	9	4.8%	18	9.6%	6	3.2%	86	45.7%	69	36.7%	4.00	1.104
Directs my attention toward failures to meet standards.	8	4.3%	18	9.6%	4	2.1%	113	60.1%	45	23.9%	3.90	1.011
Expresses satisfaction when I meet expectations.	9	4.8%	16	8.5%	7	3.7%	67	35.6%	89	47.3%	4.12	1.129
Demonstrates that problems must become chronic before taking action.	11	5.9%	26	13.8%	6	3.2%	103	54.8%	42	22.3%	3.74	1.129
Grand mean										3.81		

Survey Result, 2023/24

Based on 188 genuine cases, the descriptive statistics of the Transactional Leadership Style in the above table were evaluated. The items' combined grand mean value was determined to be 3.81, indicating lower data variability because the items' standard deviation was less than two. It indicates that the majority of respondents preferred the elements on the measurement scale that were related to transactional leadership style. The current overall average standard deviation result is lower than the rated grand mean value, indicating that the mean values for each item and the grand mean as a whole provide a reliable representation of the observed data. It also means their boss has clear expectations for performance and their leader is quite explicit about what results one can anticipate when performance objectives are met. In addition, their boss does a good job of fulfilling organizational standards and it draws their attention to standards-breaking behavior. Finally, it shows happiness when they live up to expectations and issues must become chronic before being addressed.

When they meet expectations, the majority of the interview respondents expressed satisfaction and chose the strongly agree group. Furthermore, the majority of the respondents indicated that they strongly agreed with the statement that their leader is

successful in fulfilling organizational requirements. Additionally, the data reveals that 31% of them highly agreed that their boss communicates expectations for what happens when performance targets are met. In summary, Kebu & Lee (2020) found a strong correlation between contingent incentive components and transactional leadership style. Workers looked up to their leaders because they gave them instructions and gave them rewards when they completed their responsibilities. Because their leader offered proper attention to subordinates, employees, or operators who could execute their responsibilities successfully, the supervisor called attention to what they could get for what they accomplished. Furthermore, the department heads who took part in the interviews attested to the fact that the majority of the organization's leaders demonstrated or used contingent reward quality, which is specifically understood to be a transactional leadership style. Based on the aforementioned analysis and discussion, the researcher can draw the observable conclusion that the supervisors and subordinates working for this organization have the capacity to motivate the employees by giving them praise and incentives, which will increase their dedication to completing tasks and improving their performance (Akram and Chung, 2020).

4.4.4 Democratic Leadership Style

Giving followers the chance to participate in decision-making is a key component of the democratic leadership style. Democratic leaders often seek input from others on how to develop and advance, which can encourage a feeling of dedication and ownership.

Table 9 Responses on Democratic Leadership Style

Items	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	SD
	N	%	N	%	N	%	N	%	N	%		
I am always involved in Decision making	7	3.7%	14	7.4%	2	1.1%	73	38.8%	92	48.9%	4.22	1.045
Involvement of subordinates is high in this organization.	8	4.3%	20	10.6%	3	1.6%	94	50.0%	63	33.5%	3.98	1.080

Work with employees	11	5.9%	20	10.6%	5	2.7%	64	34.0%	88	46.8%	4.05	1.105
There is high employees' participation in this organization.	19	10.1%	36	19.1%	11	5.9%	65	34.6%	57	30.3%	3.56	1.161
Participation and skill sharing are high in this organization.	13	6.9%	26	13.8%	10	5.3%	97	51.6%	42	22.3%	3.69	1.167
Grand mean										3.90		

Survey Result, 2023/24

The same sampled respondents' observations were used to calculate the assessment of the democratic leadership style using two components, each with five elements. The laissez-fair leadership style in the examined organization had an overall grand mean value of = 3.90, and the standard deviation of its values was less than two. At this point, the standard deviation shows that respondents' replies are dispersed less than the mean value, accurately reflecting the observed data as represented by the means of both individual and total items. It shows that they always participate in making decisions and there is a high level of subordinate involvement in this organization. It also shows that the leaders collaborate with workers and employee participation is very high in this organization. This organization has a high level of participation and skill exchange. Additionally, the research indicates that the majority of the interview respondents wanted to fall into the agree category, indicating that they are consistently participating in decision-making.

4.4.5 Servant Leadership Style

The foundation of the servant leadership ideology is the idea that the most successful leaders work to serve others rather than gaining authority or seizing control. Customers, partners, coworkers, and the community at large are examples of the aforementioned others (Kebu & Lee, 2020).

Table 10 Responses on Servant Leadership Style

Items	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	SD	
	N	%	N	%	N	%	N	%	N	%			
I am always involved in Decision making	11	5.9%	11	5.9%	6	3.2%	92	48.9%	68	36.2%	4.04	1.077	
Involvement of subordinates is high in this organization.	4	2.1%	10	5.3%	6	3.2%	91	48.4%	77	41.0%	4.21	0.898	
Work with employees	1	.5%	16	8.5%	10	5.3%	91	48.4%	70	37.2%	4.13	0.895	
There is high employees' participation in this organization.	8	4.3%	7	3.7%	5	2.7%	90	47.9%	78	41.5%	4.19	0.971	
Participation and skill sharing are high in this organization.	5	2.7%	18	9.6%	10	5.3%	84	44.7%	71	37.8%	4.05	1.028	
Grand mean										4.12			

Survey Result, 2023/24

The same sample of respondents' observations were considered using two components, each containing five items, to calculate the servant leadership style assessment. With a lower standard deviation (less data variability), the total grand mean value of the servant leadership style in the investigated organization was determined to be = 4.12. At this point, the standard deviation shows that respondents' replies are dispersed less than the mean value, accurately reflecting the observed data as represented by the means of both individual and total items. Additionally, the data indicates that the majority of respondents chose the "agree" category, indicating that leaders are constantly involved in making decisions and that they prioritize daily coaching, performance planning and helping people achieve. Their team is aware of their expectations and intended results because they set the vision.

4.5 Employee Engagement

The concept of employee engagement in human resources (HR) refers to how enthusiastic and committed an employee is about their work. Employees that are

engaged feel that their efforts matter and are concerned about both the company's performance and their own work (Alem, 2020). Their responses were compiled below.

Table 11 Responses on Employee Engagement

Items	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	SD
	N	%	N	%	N	%	N	%	N	%		
I feel fulfilled by my work.	22	12%	32	17%	15	8%	59	31%	60	32%	3.55	1.392
I feel that my role is meaningful within the organization.	13	7%	39	21%	10	5%	71	38%	55	29%	3.62	1.288
I understand how my role contributes to the organizations overall vision and mission.	7	4%	25	13%	9	5%	90	48%	57	30%	3.88	1.100
I inspire by my organization's vision and values.	5	3%	21	11%	11	6%	109	58%	42	22%	3.86	.977
I recognize my peers for their accomplishments.	9	5%	27	14%	7	4%	86	46%	59	31%	3.85	1.157
I receive recognition for my work.	11	6%	26	14%	9	5%	93	49%	49	26%	3.76	1.157
I feel valued and appreciated at work.	13	7%	26	14%	9	5%	80	43%	60	32%	3.79	1.227
Grand Mean											3.76	

Survey Result, 2023/24

The majority of respondents indicated in the above table that employees are engaged with their organization, at the very least. The study indicated that the grand mean (3.76) for employee engagement, which was scored highly, was supported by the studied employees. It demonstrates that the majority of the standard deviation is below two, with the least items scoring 3.55 and the maximum 3.88. Thus, it may be said that there is a significant difference in the mean scores of all the hidden variables. It demonstrates that there was no reduction in the mean gap between the lowest and highest values.

Concerning the findings, the data shows that the majority of the respondents preferred to the category of agree representing their job fulfils them in a way and they think their position in the company has significance. In addition, the employees are aware of how their work fits into the organization's larger goals and objectives. Moreover, the goals and principles of their company motivate them and they congratulate their peers on their achievements. Finally, this study found that they (leaders) are rewarded for their efforts and employees feel respected and valued at work.

On other hand, the majority of the interview respondents indicated that engaged workers are more likely to remain with their present employer. They become evangelists for the bank's services and dedicate themselves to the growth and prosperity of the business's bottom line. They are more likely to be self-motivated and perform well. Banks can more easily and economically provide new products and services to their existing consumers through engagement. By using advanced analytics to personalize offerings and produce an outstanding customer experience, it also helps attract new customers. Consider utilizing employee engagement metrics, such as employee surveys, net promoter scores (eNPS), attrition rates, and key performance indicators (KPIs) connected to customer satisfaction and sales performance, to determine the degree of staff involvement in the banking industry (Peter, 2018). In today's competitive labor market, banks can recruit more talent by using engaged employees as productive brand ambassadors (Alem, 2020).

4.6 Inferential Analysis

This research employed descriptive analysis, which was previously provided by the mean and standard deviation in previous section, whereas inferential analysis began here and used Pearson correlation and multiple regression modelling in the next section.

4.6.1 Correlation Analysis

The correlation coefficient between the independent and dependent variables was determined via Pearson analysis.

Table 12 Pearson Correlation Test Result (N =188)

		Correlations					
		Transformational Leadership	Laissez-fair Leadership	Transactional leadership	Democratic leadership	Servant Leadership	Employee Engagement
Transformational Leadership	Pearson Correlation	1	.597**	.391**	.283**	.438**	.645**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
Laissez-fair Leadership	Pearson Correlation	.597**	1	.375**	.148*	.225**	.537**
	Sig. (2-tailed)	.000		.000	.043	.002	.000
Transactional leadership	Pearson Correlation	.391**	.375**	1	.425**	.509**	.587**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
Democratic leadership	Pearson Correlation	.283**	.148*	.425**	1	.475**	.548**
	Sig. (2-tailed)	.000	.043	.000		.000	.000
Servant Leadership	Pearson Correlation	.438**	.225**	.509**	.475**	1	.586**
	Sig. (2-tailed)	.000	.002	.000	.000		.000
Employee Engagement	Pearson Correlation	.645**	.537**	.587**	.548**	.586**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
** . Correlation is significant at the 0.01 level (2-tailed).							
* . Correlation is significant at the 0.05 level (2-tailed).							

Survey Result, 2023/24

The relationship analysis between the independent and dependent variables is straightforward and bi-variant. There is a strong degree of association between the two variables—leadership styles and employee engagement commitment—when the correlation coefficient (r) value approaches +1 or –1. According to Ermiyas (2017), a zero correlation means that the variables have no link at all. Based on the calculated average grand mean value of the two variables related to employee engagement and leadership styles, as shown in Table 10, Pearson correlation was used to examine whether there is a

relationship between them.

The result of the correlation shows that there is a positive and moderate correlation between transactional leadership style and employee engagement (.587) where the significance level is at 0.01 ($p < 0.01$). The findings of Alem (2020) stated that transactional leadership has a good predictor of employee engagement.

On other hand, a positive and significantly relationship is also displayed between transformational leadership style and Employee engagement (.645) where the significance level is at 0.01 ($p < 0.01$). In line with this study, Ermiyas (2017) found that a moderate and significantly positive relationship is also showed between transformational leadership style and employee engagement where the significance level is at 0.01 ($p < 0.01$).

Besides, a positive and significantly relationship is also revealed between laissez-fair leadership style and employee engagement (.537) where the significance level is at 0.01 ($p < 0.01$). Similarly, Kebu & Lee (2020) found that found that laissez-fair leadership style and employee engagement were found to be no significantly correlated at a significance level of $p < 0.01$, or 0.05.

In addition, a positive and significantly relationship is also revealed between democratic leadership style and employee engagement (.548) where the significance level is at 0.01 ($p < 0.01$). In line with this study, Ermiyas (2017) found that a moderate and significantly positive relationship is also showed between it and employee engagement.

Lastly, a substantial and positive connection (.548) is shown between employee engagement and servant leadership style, with a significance level of 0.01 ($p < 0.01$). According to Li (2018), this study's findings support the moderately and significantly favorable association between employee engagement and servant leadership style, with a significance level of 0.01 ($p < 0.01$).

4.6.2 Results of Multiple Linear Regression Analysis

Multiple linear regression analysis was involved in this study to study the effect of leadership styles (transformational, servant, democratic, transactional and lassie faire)

on the dimensions of employee's commitment. It supports to determine the strength of the relationship between variables and the predictive power of the independent variables on the dependent variable (Alem, 2020).

4.6.2.1 Diagnostics Basic Assumptions

4.6.2.1.1 Normality Test

Multiple regressions require the independent variables to be normally distributed. This displays that errors are normally distributed, and that a plot of the values of the residuals will approximate a normal curve.

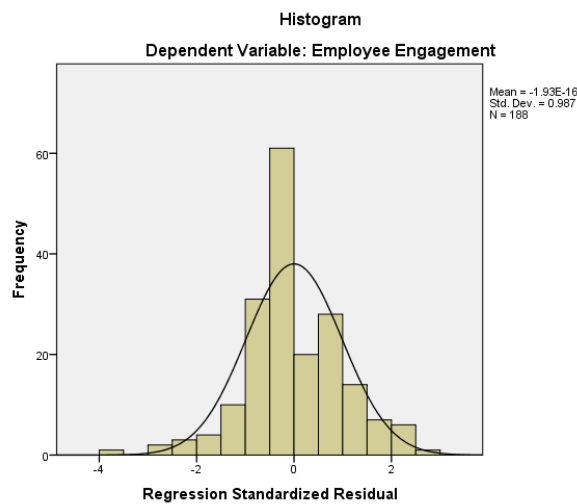


Figure 2 Normality Test

Source: Survey result, 2022/24

There are numerous forms and dimensions associated with frequency distribution. As a result, it is crucial to establish a general description for typical distribution types. This distribution is referred to be normal and has a bell-shaped curve. In essence, this shape suggests that most scores fall somewhere in the middle of the distribution. As can be seen from Fig. 2 above, the normal distribution graph, the assumption of normality has been satisfied.

4.6.2.1.2 Linearity Test

Examining the P-P plot for the model allows one to determine whether or not the relationships between the independent and dependent variables are linear. The residuals are distributed closer to normality the closer the dots are to the diagonal line. The p-p plot's visual examination demonstrated a linear relationship between the independent and dependent variables, as seen in the graph below.

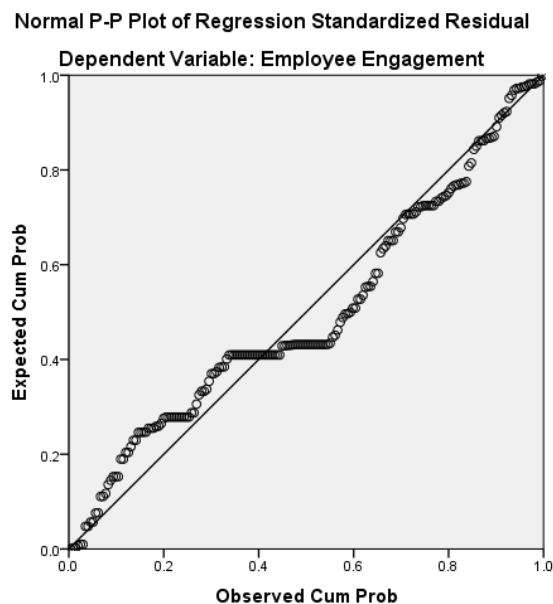


Figure 3 P-P Plot of Regression Standardized Residual

Source: Survey result, 2023/24

4.6.2.1.3 Homoscedasticity Test

The same variance of errors across all levels of the independent variables is referred to as the homoscedasticity assumption. This suggests that homogeneity of error terms across the data or an even distribution of residual terms are necessary. By visually

examining a plot of the standardized residuals by the regression standardized predicted value, homoscedasticity can be verified. If there is no discernible pattern in the random distribution of error words, the issue does not hinder analysis. The scatterplot in the next picture demonstrates that there is no homoscedasticity violation because the standardized residuals in this study are distributed uniformly.

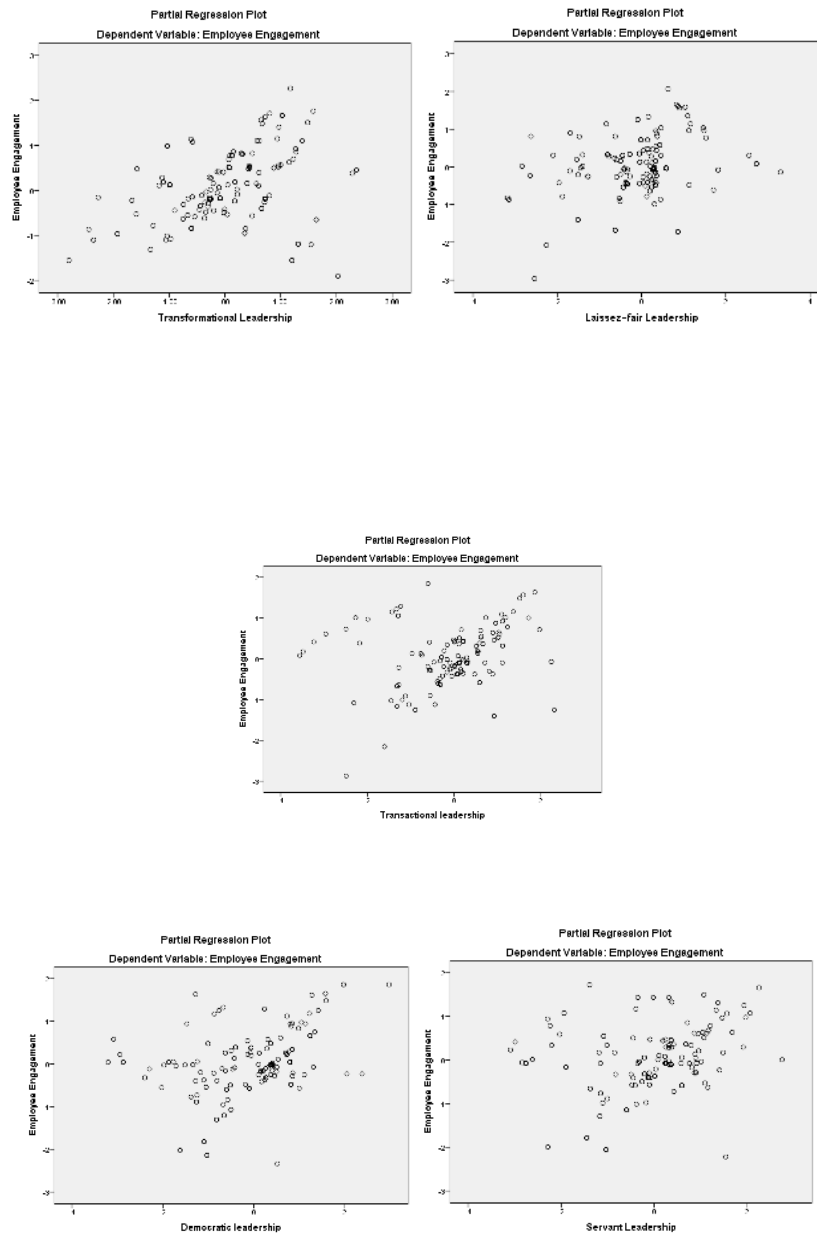


Figure 4 Scatterplot of standardized residuals

Source: Survey result, 2023/24

4.6.2.1.4 Multicollinearly Test Result

When an independent variable in a multiple regression equation has a strong correlation with one or more other independent variables, it is said to exhibit multicollinearity. It is problematic because it undervalues an independent variable's statistical significance. The following table shows the multi-collinearity test results for the dependent variables in this study.

Table 13 Multicollinearly Test of the Independent Variable

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Transformational Leadership	.542	1.846
	Laissez-fair Leadership	.605	1.654
	Transactional leadership	.630	1.586
	Democratic leadership	.725	1.380
	Servant Leadership	.601	1.663

Source: Survey result, 2023/24

A measurement of the reciprocal of the complement of the inter-correlation between the independent variables is called the variation inflation factor (VIF). The decision rule is a variable that, when its VIF value exceeds 10, suggests that there may be a multicollinearity issue. A statistic called tolerance (TOL) is used to illustrate the variability of an independent variable that isn't accounted for by another independent variable in the model. Many scholars also use it to measure the degree of collinearity. A variable with a TOL value of less than 0.1 indicates the potential presence of a multicollinearity issue, according to the tolerance decision rule. Based on the data in the

following table, all tolerance (T) is larger than 0.1 and all VIF variables are fewer than 5. As a result, this study has no multicollinearity problem.

4.6.2.2 Multiple Regression Model Results

Table 14 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.816 ^a	.666	.657	.663

a. Predictors: (Constant), Servant Leadership, Laissez-fair Leadership, Democratic leadership, Transactional leadership, Transformational Leadership

b. Dependent Variable: Employee Engagement

Source: Survey result, 2023/24

The correlation coefficient between the predictor variables—laissez faire, transformational, servant, democratic, and transactional leadership styles—and the dependent variable—employee engagement—is 0.816, indicating a strong positive correlation between the two sets of variables. This is based on the model summary of the predictor variables that was previously presented.

The independent variables (namely; Laissez Faire leadership style, Servant Leadership Style, Transformational leadership style, Democratic Leadership and Transactional leadership style) explain 66.6 % variability on the dependent variable (employee engagement) since R square value is .666. This suggests that 66.6 % of commitment clearly depends on the independent variables while the remaining (100 – 66.6 %) 34 % is determined by other unaccounted factors in this study. Adjusted Rsquared (adj. R2) is 0.657. It means that 34.3 percent of the total variability of the dependent variable (employee engagement) is explained by the stated three independent variables and 34.3 percent of it is explained by other variables.

Table 15 ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	159.644	5	31.929	72.670	.000 ^b
	Residual	79.965	182	.439		
	Total	239.609	187			

a. Dependent Variable: Employee Engagement

b. Predictors: (Constant), Servant Leadership, Laissez-fair Leadership, Democratic leadership, Transactional leadership, Transformational Leadership

Source: Survey result, 2022/24

The ANOVA table above designates the presence of a significant regression model which predict the dependent variable based on the models independent variable (F statistics = 72.670, P value <0.01).

Table 16 Coefficients Test Result in the Study

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.037	.204		-.179	.858
	Transformational Leadership	.275	.056	.285	4.893	.000
	Laissez-fair Leadership	.197	.050	.216	3.920	.000
	Transactional leadership	.165	.049	.183	3.384	.001
	Democratic leadership	.242	.046	.266	5.297	.000
	Servant Leadership	.158	.045	.193	3.503	.001

a. Dependent Variable: Employee Engagement

Source: Survey result, 2023/24

The above table's result, which is based on the coefficient table, shows that the transformational leadership style [B=.275, P<.05,.0001] contributes positively and statistically significantly to employee engagement, which is in line with the prediction. Kebu & Lee (2020) also found that this style has a significant positive impact on an employee engagement.

In addition, utilizing the widely accepted alpha 0.0001 criterion, it was discovered that the independent variable Laissez Faire leadership style positively and significantly affects employee engagement [B=.197, P<.05,.001]. According to Kidist's (2019) research, a Laissez Faire leadership style significantly and favorably affects employee engagement.

Additionally, utilizing the widely accepted alpha 0.0001 criterion, it was discovered that the independent variable transactional leadership style positively and significantly affects employee engagement [B=.165, P<.05,.001]. According to Li's (2018) research, a transactional leadership style significantly and favorably affects employee engagement.

Furthermore, the independent variables democratic leadership style was found positively and significantly affect employee engagement using a commonly used threshold of alpha 0.0001 [B=.242, P< .05, .001]. Xenikou (2017) found that a this style has a positive and significant on employee engagement.

Finally, this study shows that the servant leadership style [B=.158, P<.05,.001] contributes positively and statistically significantly to employee engagement, which is in line with the prediction. Kebu & Lee (2020) also found that this style has a significant positive impact on an employee engagement.

Dominate Effect

Standardized coefficients, which are obtained by correcting the standard deviations of all the variables to have identical standard deviations despite differing units of measurement, enable researchers to assess the relative magnitude of the impacts of various explanatory factors in the route model.

Table 17 Greater Effect of the Coefficients in the Study

	Standardized Coefficients	Highest Effect
	Beta	
Transformational Leadership	.285	1
Laissez-fair Leadership	.216	3
Transactional leadership	.183	5
Democratic leadership	.266	2

Servant Leadership	.193	4
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Source: Survey result, 2023/24

The above table (Table 17) shows that the transformational leadership style [B=.285] contributes highest significant to effect employee engagement, which is in line with the prediction. Employee engagement is increased by transformational leadership behaviors, which also offer a clear vision that can assist staff in internalizing the organization's objectives and seeing the value of their efforts to realizing this vision (Kebu & Lee, 2020). A transformational leader sets a clear direction, stimulates and encourages others, presents intellectual challenges, and genuinely cares about the needs of their team members (Kidist, 2019).

4.7 Discussion of results

The Effect of Transformational Leadership Styles on Employee Engagement

The multiple regression table presented above showed that transformational leadership is moving employee engagement of employees in a positive way. The standardized coefficients show that change in transformational leadership by one unit can affect employee engagement 0.275 and sig. .0001, which is significant at $p < 0.05$. This is in agreement with Alem (2020) who found that transformational leadership has a positive effect on employee engagement. Additionally, Cherry (2018) noted that charismatic, authentic, transactional, coaching, servant, democratic, transformational, and laissez-faire leadership are effective leadership philosophies that boost worker engagement and productivity. Every style has advantages of its own for fostering a supportive workplace where staff members feel appreciated and inspired (Li, 2018). A leader that practices transformational leadership encourages and inspires their team members to

bring about constructive changes inside the company. According to Ermiyas (2017), this leadership approach can boost team morale, promote quick invention, enhance dispute resolution, lower turnover, and provide members of the team a sense of ownership.

The Effect of Laissez-fair Leadership Styles on Employee Engagement

Lassie-faire leadership is found to have significant ($B = .197$ and $\text{Sig.} = .001$; $p < 0.01$) positive effect on the employee engagement of employees at Dashen Bank or banking sector. As the standardized coefficient of lassie-faire leadership change by one unit employee engagement of employees improve by 0.197. This is because this style of leadership gives the organisation maximum freedom to make decisions. The findings demonstrated a favorable correlation between employees' bad megaphoning behavior and laissez-faire leadership. Additionally, there was a large and favorable correlation between employee-organization interactions and perceived organizational fairness (Viernes et al, 2018). The benefits of laissez-faire leadership might include increased productivity and job retention as well as high work satisfaction and staff wellbeing. Therefore, the organization as a whole benefits from laissez-faire leaders who manage effectively (Liviu Warter, 2019). Employees are allowed to select how to approach their work as long as they meet their objectives. Workers who prefer this work style appreciate the autonomy it provides, since it can increase their sense of purpose and commitment to their work (Omama et al.,2022).

The Effect of Transactional Leadership Styles on Employee Engagement

Employee engagement in the banking industry is found to be positively and significantly impacted by transactional leadership style, in line with the previous two findings. In a similar vein, staff involvement increases by 0.165 for every unit change in the standardized coefficient of laissez-faire leadership. According to this study, positions in banking or accounting, where the duties and regulations are well-defined, may require this kind of leadership (Cherry, 2018). Certain employees may find motivation from transactional leaders since they offer structure and a clear grasp of expectations. People that get their energy from outside sources might do well here. A successful transformational leader will make an effort to identify and address staff needs (Li, 2018).

Employees will be more motivated to work better as a result, which will satisfy them. Organizational commitment and work satisfaction are significantly impacted by transformational leaders (Viernes et al, 2018). When exercising this kind of leadership, team members are frequently motivated by an awards system. By appealing to each team member's self-interest, transactional leadership motivates them to perform well in order to gain benefits or incentives (Liviū Warter, 2019).

The Effect of Democratic Leadership Styles on Employee Engagement

The aforementioned multiple regression table demonstrated how democratic leadership is positively influencing employee engagement. The standardized coefficients demonstrate that employee engagement can be affected by a one-unit shift in leadership (0.242 and sig. =.0001, significant at $p < 0.01$). This is consistent with the findings of Liviū (2019), who discovered that transformational leadership raises employee engagement. It encourages employees to participate in business decision-making (Cherry, 2018). Democratic leadership encourages group members to participate in decision-making through an open approach (Omama et al., 2022). Employee engagement and motivation to deliver their best work are more likely in such an environment. Democratic leaders include staff members in the process of making decisions. They encourage their teams' opinions and suggestions, which instills in their workers a sense of accountability and ownership (Li, 2018).

The Effect of Servant Leadership Styles on Employee engagement

The multiple regression table cited earlier illustrated the favorable impact of servant leadership on employee engagement. A one-unit change in leadership can have an impact on employee engagement, as shown by the standardized coefficients (0.158 and sig. =.001, significant at $p < 0.01$). This is in line with the findings of (Debebe, 2020), which showed that servant leadership raises employee engagement at work. The social exchange hypothesis serves as the foundation for the connection between work engagement and servant leadership. It suggests that reciprocity fosters a productive workplace (Alem, 2020). An organization's effectiveness, dedication to work, and degree of trust in the leadership can all be indicators of the effects of servant leadership. These

beneficial effects come from servant leaders that show concern for their staff members, maintain their motivation, and provide a psychologically secure environment. The foundation of the servant leadership approach is the notion that leaders should put the greater good first (Omama et al., 2022). This type of leader puts the needs of their group and company first. They don't put their own goals first. Workers are more likely to feel heard when they work in a setting that practices servant leadership (Cherry, 2018).

Table 18 Summary of Hypothesis testing in the Study

Hypothesis	r	β	Sig	Decision
Transformational Leadership has a positive and Significant effect on engagement.	.645**	.275	.000	Supported.
Laissez-fair Leadership has a positive and Significant effect on engagement.	.537**	.197	.000	Supported.
Transactional leadership has a positive and Significant effect on engagement.	.587**	.165	.001	Supported.
Democratic leadership has a positive and Significant effect on engagement.	.548**	.242	.000	Supported.
Servant Leadership has a positive and Significant effect on engagement.	.586**	.158	.001	Supported.

Source: Survey Result 2023/24

As per the above table this study showed that transformational leadership (B= 0.275 and sig. .0001), lassie-faire leadership (B= .197 and Sig.= .001; $p < 0.001$), transactional leadership style (B= 0.165 and Sig.= .001; $p < 0.01$), democratic (B= 0.242 and sig. =.0001, significant at $p < 0.01$). and servant leadership (0.158 and sig. =.001, significant at $p < 0.01$) have a positive and significant effect on employee engagement. This shows that the hypothesis was fully accepted as per the study.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study's findings are summarized in this chapter. It has created the presentation in detail and expanded upon the key conclusions and synopsis from the analysis. The researcher offers potential recommendations and conclusions that serve to summarize and wrap up the investigation.

5.2 Summary of Key Findings

According to this study, Dashen Bank has a dominant leadership style or a leading servant leadership type (Mean 4.12). Employee engagement is found to be positively

and significantly impacted by the findings of the effects of leadership styles, including transformational leadership, laissez-faire leadership, transactional leadership, servant leadership, and democratic leadership. The study's conclusion demonstrates that

- Regression analysis results show that transformational leadership style [B=.275, P<.05,.0001] has a positive statistically significant effect on employee engagement. Additionally, correlation analysis demonstrates a positive and significant relationship (.645) between transformational leadership style and employee engagement.
- Using correlation analysis, it was discovered that there is a positive and substantial relationship (.587) between transactional leadership style and employee engagement [B=.165, P<.05,.001].
- A positive and significantly relationship is also revealed between laissez-fair leadership style and employee engagement (.537) using correlation analysis. In addition, the independent variables Laissez Faire leadership style was found positively and significantly affect employee engagement [B=.197, P< .05, .0001].
- In addition, a positive and significantly relationship is also revealed between democratic leadership style and employee engagement (.548) where the significance level is at 0.01 (p<0.01). Finally, democratic leadership style was found positively and significantly affect employee engagement [B=.242, P< .05, .0001].
- There is a positive correlation between servant leadership style and employee engagement (.586) using correlation analysis and it was found positively and significantly affect employee engagement [B=.158, P< .05, .001].

5.3 Conclusions

In addition to encouraging followers to have faith in their own abilities, transformational leadership also helps followers see that they have the capacity to envisage and build a better future for the company. Both inside their own enterprises and within themselves, transformational leaders bring about significant change. Thus, the study's findings

suggest that a transformational leadership approach significantly and favourably affects worker engagement.

Transactional leaders always make clear the duties and responsibilities of their followers, which also results in increased productivity. They also have an impact on the degree of commitment for employee engagements based on the dependent compensation that is expected by followers. The study's findings so suggest that a transactional leadership style significantly and favorably affects employee engagement.

In addition, this study found that employees' greatest level of commitment to transformational leadership is related to change and the role of leadership in conceiving and carrying out the transformation of organizational performance. Laissez-faire leadership has proven to have a major beneficial impact on staff engagement since it has the trait of a leader only being engaged when there is an issue.

Servant leaders focus on daily mentoring, performance planning, and assisting others in reaching their goals. They set the direction, and their group is aware of their goals and expectations. Thus, this study concluded that servant leadership style will increase employee engagement.

Lastly, a democratic leader promotes candid communication, assists staff in setting objectives, assesses their own work, and inspires them to advance. The study's findings so suggest that a democratic leadership style significantly and favorably affects employee engagement.

5.4 Recommendations

The banking industry offers a number of promising opportunities, but it also has a number of shortcomings that may be addressed. Here are some suggestions for managers looking to boost staff commitment:.

- According to this study, This study suggests that Dash Bank should budget for and allocate resources for the leadership development of all managers and

members of the leadership team inside the company, especially in the service industry.

- The organization has the potential to cultivate or apply transformational leadership techniques in order to impact its workforce. This could involve devising realistic objectives, creating tangible strategies, and establishing quantifiable benchmarks for small and micro enterprises, associated projects, and initiatives. It is important to apply transformational leadership techniques with effectiveness and to concentrate on using these best practices as they have a direct impact on organizational commitment.
- According to this study, financial organizations, including banks, should cultivate employee engagement via sharing their ideas and opinions, and be part of decision-making processes that prioritize the interests of both its staff and clients in order to improve performance. This study also suggest that Dash Bank should develop a culture of feedback and dialogue can help to ensure that employees feel they are all valued and heard.
- In order to boost employee engagement and productivity, this study suggest that the management of Dashen Bank should guarantee that employees are fully involved in choices that affect their well-being. This study suggests that service organizations should have clear-cut objectives that should be known to all managers and employees, meaningful supervision by the subordinates' superiors, participatory managerial style, unity of direction, and purposeful and effective follow-up in order to have successful leadership in this and other technology-based organizations.
- The study also suggests that Dashen Bank support the company's objective by fostering trustworthy connections with staff members and allowing them to participate in decision-making. Everyone understands the rationale behind the group's decision and participates in it. They know they are working toward the same goal. It promotes enhanced unity within the group.
- This study also suggests that employees should improve their relationship with

the organization in terms of value and goal congruency since they have a strong desire to stay with it because they like it and are interested in it. • Workers ought to be morally or loyal to their employers.

- The foundation of the servant leadership approach is the notion that leaders should put the greater good first. This type of leader puts the needs of their group and company first. They don't put their own goals first. Workers are more likely to feel heard when they work in a setting that practices servant leadership. This study recommends this firm should have a good communication strategy for effective listening, empathy, self-awareness, and persuasion.

5.5 Implications for Stakeholders

The engagement and productivity of a team can be significantly impacted by a leader's ability to inspire and empower their workforce. A leader who is well-liked and dependable by their group will foster a sense of camaraderie and devotion. They will clearly define objectives and offer staff members encouragement and feedback as they strive to meet them. Stronger, more involved leaders provide their team members performance reviews; more inspired leaders allow their team members to take part in decision-making; and more connected leaders encourage communication and build trust.

There is more trust between management and staff when they have equal access to information and decision-making authority. Every group member is aware of the reasoning behind their leader's choice, thus they don't need to inquire about the Technology leaders must be knowledgeable and adapt to the changing needs of the corporate environment in order to respond to inquiries from their staff and raise the degree of affective commitment. The easiest method to accomplish this is to use effective leadership philosophies, such as democratic leadership.

5.6 Future Studies

This research didn't evaluate and give answer for all problems in the study area. It has much delimitation. Consequently, future researches are required to assess the problems

in a comprehensive way and even to study leadership styles and organizational culture, organizational engagement, organizational citizenship, total quality management, employees' commitment using more of quantitative ways than this research does. Generally further researches are required to study other factors that can influence employees' engagement, commitment, review leadership styles and employees' commitment using more quantitative ways and determine whether leadership styles' effect or other factors' effect is prevailing in banking sector.

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Annex

Appendix I - Questionnaire in English

(To be filled by Employees)



ADDIS

**ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS GRADUATE STUDIES
DEPARTEMENT OF MANAGMENT**

Dear Respondents,

I am Lidiya Legesse; I am enrolled in Addis Abeba University's postgraduate Master of Business Administration degree. Helping the researcher partially complete the requirements for a Master of Arts degree in "Effect of Leadership Styles on Employee Engagement: in the case of Dashen Bank Share Company, Addis Ababa" is the aim of this assignment. The information requested on this questionnaire is intended only for academic use. The information you submit will remain completely secret because the data collection is solely for academic reasons. Because of this, I would value your sincere answer to the inquiries. All provided information will be kept completely private.

Thank you very much in advance for your cooperation and timely completion of the questionnaire.

Direction:

- Do not write your name.
- Put a tick mark “√” in the space provided in front of each item.
- The questionnaire has three that includes respondents profile and study related questions.

Best Regards,

Lidiya Legesse

Part I - Personal Information

Direction: Please select an appropriate response category by putting a thick mark (✓) an appropriate option.

	Male	Female		
Gender	<input type="radio"/>	<input type="radio"/>		
	Below 35	36 - 45	46 -55	Above 56
Age	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	High School and below	Diploma	First Degree	Master's Degree & above
Education Level	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Never married	Married	Divorced	Widow(er)
Marital Status	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Separated	Refused		
	<input type="radio"/>	<input type="radio"/>		
	Below 5000	5001 – 10000	10001 – 15000	Above 15001
Monthly Income	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	non-managerial workers	working in the banking operations	working in support staffs	
Please indicate your job position?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Others -----			
	Less than 5 year	6-10 years	11 - 15years	More than 16 years
How long have you				

been an employee 0 0 0 0
of this bank?

Part 1 Leadership Styles Assessment Questionnaire

Dear respondents, the following questionnaire is prepared to assess the leadership styles in Dashen Bank S.C.. Please describe to what extent you implement the listed activities by circling numbers grades Note : - 5= Strongly Agree, 4= Agree, 3= Disagree, 2= Strongly Disagree, 1= Neutral

Code	Measurement Items	Measurement Scale				
		<i>SD</i>	<i>D</i>	<i>N</i>	<i>A</i>	<i>SA</i>
		1	2	3	4	5
Transformational Leadership						
<i>TRA1</i>	My leader Spends time teaching and coaching					
<i>TRA2</i>	All team members are given opportunities to attend relevant trainings and conferences					
<i>TRA3</i>	My manager does little things that make it pleasant to be a member of the group.					
<i>TRA4</i>	My manager maintains a friendly working relationship with subordinates					
<i>TRA5</i>	Our leader puts suggestions made by us into actions.					
<i>TRA6</i>	My leader is approachable and friendly.					
Laissez-fair Leadership						
<i>LF1</i>	My leader refuses to explain his/her actions.					
<i>LF2</i>	My leader is lacking of control directing, which he/she not explains the actions to us.					
<i>LF3</i>	My leader avoids him/herself from goal setting and decision making.					

<i>LF4</i>	My leader delay responding to urgent questions.					
<i>LF5</i>	My leader avoids him/her from getting involved when important issues arise.					
<i>LF6</i>	My leader waits for things to go wrong before taking action.					
Transactional leadership						
<i>TL1</i>	My leader maintains definite standards of performance.					
<i>TL2</i>	My leader makes clear what one can expect to receive when performance goals are achieved					
<i>TL3</i>	My leader is effective in meeting organizational requirements					
<i>TL4</i>	Directs my attention toward failures to meet standards.					
<i>TL5</i>	Expresses satisfaction when I meet expectations.					
<i>TL6</i>	Demonstrates that problems must become chronic before taking action.					
Democratic leadership						
<i>DL1</i>	I am always involved in Decision making Almost Always					
<i>DL2</i>	Involvement of subordinates is high in this organization.					
<i>DL3</i>	Work with employees					
<i>DL4</i>	There is high employees' participation in this organization.					
<i>DL5</i>	Participation and skill sharing are high in this organization.					
<i>Servant Leadership</i>						
<i>SL1</i>	My Leader can tell if something work related is going wrong.					
<i>SL2</i>	My leader cares about others' personal well-being.					

SL3	My leader is able to think thro.					
SL4	My leader is always interested in helping people in the community					
SL5	My leader holds high ethical standards.					

Part 2 Employee Engagement

Dear respondent, the following questionnaire is designed to get your reflection about your feeling towards your organization. Please indicate your level of agreement/disagreement with the statements presented below by choosing one of the five measurement scales. Please don't write your name. Scales: 1=I strongly disagree 2= I disagree 3= neither agree nor disagree 4= I agree 5=strongly agree

Code	Dimensions	1	2	3	4	5
EE1	I feel fulfilled by my work.					
EE2	I feel that my role is meaningful within the organization.					
EE3	I understand how my role contributes to the organizations overall vision and mission.					
EE4	I inspire by my organization's vision and values.					
EE5	I recognize my peers for their accomplishments.					
EE6	I receive recognition for my work.					
EE7	I feel valued and appreciated at work.					

1. Do you think the relation between leadership style and employees' engagement?

Thank You!

Appendix II- Interview Checklist

Dear Sir/Madam,

I really appreciate for your valuable responses to the following checklists. It will not take much of your time.

Shall I proceed with my questions?

Thank you!

1. Do you think the relation between leadership style and employees' engagement?

2. Please inform us leadership role in attracting employees.

3. Please indicate the current level of employees' engagement in this bank.

4. Do you explain the leadership styles that affect employees' engagement in banking industry?

Thank you again!