



**Addis Ababa University**  
**College of Business and Economics**  
**Department of Management**

**The Effect of Leadership Styles on Employee Engagement:**

**A Case of Selected Commercial Banks in Ethiopia**

**A Research Project Submitted to the Management Department**

**By:**

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**July, 2024**

**Addis Ababa, Ethiopia**

**Addis Ababa University**  
**College of Business and Economics**  
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**The Effect of Leadership Styles on Employees Engagement: A Case of Selected  
Commercial Banks in Ethiopia**

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**By: MintesnotBeyene**

**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES  
OF ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS IN  
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IN (EMBA) EXECUTIVE BUSINESS ADMINISTRATION.**

**ADVISOR: HABTAMU ENDRIS (PHD)**

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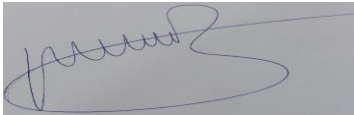
**Addis Ababa, Ethiopia**

## **Declaration**

This study, "EFFECTS OF LEADERSHIP STYLES ON EMPLOYEES ENGAGEMENT: CASE OF SELECTED COMMERCIAL BANKS IN ETHIOPIA," is my original work, which I, MintesnotBeyene, certify has not been submitted for credit toward a BA or MA degree at any other university. I have also acknowledged all of the sources of the study's materials.

by: MintesnotBeyene

Signature

A handwritten signature in blue ink, appearing to read 'MintesnotBeyene', is written over a grey rectangular background.

Date 28/08/2024

**SCHOOL OF GRADUATE STUDIES OF ADDIS ABABA UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**PROJECT PROPOSAL APPROVAL SHEET**

This is to certify that the research project entitled “EFFECTS OF LEADERSHIP STYLES ON EMPLOYEES ENGAGEMENT: CASE OF SELECTED COMMERCIAL BANKS IN ETHIOPIA” presented under my direction by Mintesnot Beyene as a partial fulfillment of the criteria for the Master of Executive Business Administration degree from the School of Post Graduate Studies. As a result, I advise the student to submit their research thesis to the department for defense, as they have satisfied all prerequisites.

Advisor: Habtamu Endris (PHD)

Signature



Date

25/5/24

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## **Abbreviations**

**ANOVA** =Analysis of Variance

**BOA**=Bank of Abyssinya

**CBE**=Commercial Bank of Ethiopia

**EE** =Employees Engagement

**NBE**=National Bank of Ethiopia

**SPSS** =Statistical Package for Social Science

**VIF** =Variance Inflation Factor

## **Abstract**

*The purpose of the study is to examine "The effects of leadership styles on employee engagement on selected commercial banks of Ethiopia". The key objectives of the study are: to examine the effect of transactional leadership style on employee engagement, to examine the effect of Laissez-faire leadership style on employee engagement and to examine the effect of transformational leadership style on employee engagement. To achieve this objective mixed research approach and linear regression were used. A total of 60 questionnaires were distributed to clerical employees out of this 58 respondents completed the questionnaires. The study employed both Descriptive and explanatory research design. Primary and secondary sources of data were used in the study. The collected data was analysed using SPSS software version 23. In addition, to analyse the collected data descriptive statistics (frequencies means & standard deviations), correlation & regression analysis were used. Findings show that there is a significant relationship between Transformational leadership and employee engagement. Transactional leadership also had a positive effect on the significant subscales of Employee Engagement and laissez-faire leadership had a positive effect as well on the significant sub-constructs of Employee Engagement. It is recommended that the application of Transformational leadership is more important to create engaged employees in Ethiopian banks rather than transactional and laissez-faire leadership styles. Using various leadership styles will bring more effectiveness and enhance employee performance.*

**Keywords:- Transformational Leadership Style, Transactional Leadership Style, Laissez Fair**

## **Leadership Style, Employees Engagement**

## **Chapter one**

### **1.Introduction**

This chapter talks about the study's background, problem statement, research questions, General and specific Objectives of the study, scope of study, limitations of the study, the operational definitions of important terminology, and organization of the paper.

#### **1.1. Background to the Study**

Leadership is a long-term, value-based process that encourages leaders and implementers to initiate actions that contribute to achieving a common purpose, and to willingly make significant contributions in meeting mutually agreed goals (Vecchiotti, 2011).

The challenges of coping with today's uncertain business environment have put many organizations on the line to struggle for survival in the warmth of competition. The drive of such a strategic move towards surviving the competition is the leadership provided by managers who are expected to influence others in achieving organizational goals and also boost employee performance. (Bizhan Shafie, 2013)

emphasized the importance of leadership in organizations, particularly in harnessing the potential of human beings, who are the most valuable asset of any firm. Employees are typically the main drivers of organizations, breathing life into them and driving toward goals. Providing workers with direction and psychological satisfaction is crucial to eliciting their best performance, and this guidance can only be provided by effective leaders.

Due to its ability to forecast productivity, job happiness, motivation, commitment, and low intention of turnover, employee engagement is a critical topic for firms. Schaufeli, Leiter, Bakker, Bakker, and Taris (2008). The level to which employees commit to something or someone in the business, the amount of effort they put in as a result of this commitment, and the length of time they plan to stay inside an organization are all considered aspects of employee engagement, (Schaufeli, 2002)) . According to Schaufeli, Salanova, González-Romá, and Bakker (2002), employee engagement can also be defined as a pleasant, fulfilling state of mind associated to work that is marked by vigor, dedication, and absorption.

Micheal.A., (2012), a leadership style is the approach used by managers to exercise their leadership function. This can be a particular behavior of a leader in an organization employee to motivate employees towards the accomplishment of a defined objective of the organization.

To adeptly construct their board and ready their workforce for the demands of modern times, leaders need to possess a fresh amalgamation of skills. Shifts in cultural norms, rapid technological advancements, and various other factors mandate the adoption of novel leadership approaches. 21st-century leaders must possess an enhanced comprehension of multiple facets and acquire new skill sets to make relevant, precise, and prompt decisions in managing both change and personnel, key attributes that contribute to job success.

It is crucial to remember that the essential component of employee engagement involves the active use of emotions, cognition, and behavior while focusing on interactions between employers and employees that are in line with the goals and strategy of the organization. This sets it apart from other constructs like job satisfaction, organizational commitment, job involvement, and organizational citizenship behavior. (Sofian, 2011)

Banks in Ethiopia often adhere to traditional methods of operation, with daily routine work being a common responsibility shared by both managers and employees. Many managers spend their time on routine tasks such as monitoring attendance and dress codes, as well as drafting rules that stipulate punishment for any deviations. This heavy focus on irregularities, mistakes, expectations, and compliance consumes a significant amount of managers' time, making them less effective in anticipating the future and aligning current work with the bank's articulated vision (Legesse, Lemi, & Alemu, 2020).

## **1.2. Statement of the problem**

The prime motive of many organizations is to achieve their stated objectives, hence the need to effectively coordinate and motivate the workers by an effective leader. Unfortunately some organizations do not take cognizance of the leadership style adopted by their managers. Robinson.(2004) argues that there is very little academic and empirical research on employee engagement, a topic that has become so popular. While engagement is still a relatively new area of research, it has been discovered that engagement considerably predicts job satisfaction and employee commitment to the organization.

Even though few types of research were done on The Effect of Leadership Styles on Employee Engagement there are still untouched areas that need further studies in this matter for example: Hemen Mekuria (2021) studied the Effect of Leadership styles on employee engagement: (The Case of Bunna International Bank S.C. Addis Ababa City Branches), and the findings show that there is a strong correlation between employee engagement and transformational leadership. Both laissez-faire and transactional leadership positively impacted the important sub-contracts of employee engagement as well as the main subscales of engagement.

The subscales of leadership style were significant to Employee Engagement. But the study tries to assess only one Bank trend from the industry and lack of representative sample from the industry.

Segenet Nigusse (2018) Studied Factors Affecting Employee Engagement In selected Commercial Banks of Addis Ababa Branches and the result of the study showed that the various rewards and recognition provided by the banks to employees could have a positive effect on employee engagement. The study focuses on the other factors of employee engagement like reward and promotion and it neglects manager leadership styles for employee engagement.

By filling those gaps this study will try to express a representative sample from different selected Ethiopian commercial Banks.

Despite a growing body of literature exploring the relationship between leadership styles and employee engagement in various organizational settings, there remains a significant research gap regarding the specific context of commercial banks in Ethiopia. Existing studies have predominantly focused on other industries or global contexts, neglecting the unique dynamics present within Ethiopian commercial banks.

Although a similar study was done on the Effect of leadership styles on employee engagement in private Commercial banks of Ethiopia, there is still a high turnover on those bank's employee. This research gap highlights the need for empirical investigations tailored to the Ethiopian banking sector to understand how different leadership styles impact employee engagement in this specific context. Additionally, there is a lack of comprehensive studies examining the mediating and moderating factors that may influence this relationship within Ethiopian commercial banks, such as organizational culture, employee demographics, and job characteristics. Bridging this research gap is essential for developing effective

leadership strategies that enhance employee engagement and contribute to the overall success of commercial banks in Ethiopia.

This study differs from other similar studies due to its focus on effects of the three major contemporary Leadership styles namely Transformational Leadership Style, Transactional Leadership style and Laissez-Faire Leadership Styles on employee engagement of Selected Private commercial banks in Ethiopia .Hence, because many businesses heavily employ certain leadership philosophies and view them as beneficial for achieving both mundane tasks and strategically important goals. Additionally, there is still a significant void in this field of study because Ethiopian banks continue to accept excessive personnel turnover. Employee exodus can be attributed to ineffective leadership or a lack of interest in one's job in one or more areas.

### **1.3. Research questions**

- How does transactional leadership style influence employee engagement?
- What is the impact of transformational leadership style on employee engagement?
- How does a laissez-faire leadership style affect employee engagement?

### **1.4. Objective of the study**

#### **1.4.1. General objective**

The General objective of the study is determining the impact of leadership styles on employee engagement is the study's main goal.

#### **1.4.2. Specific objectives**

- ❖ To investigate how employee engagement is affected by a transactional leadership style.
- ❖ To investigate how employee engagement is affected by a laissez-faire leadership style.
- ❖ To examine the effect of transformational leadership style on employee engagement.

### **1.5.Scope of the study**

This study focuses on the effect of leadership styles on employee engagement within selected commercial banks in Ethiopia, specifically in branches located in the Addis Ababa districts. This decision was made due to the extensive geographic dispersion of these branches and constraints in time and finances. The study targets both managerial and non-managerial staff members as respondents. Questionnaires were utilized as the primary method for data

collection. However, it is noted that the analysis methods used in this study may limit respondents' ability to elaborate on their responses and restrict the comprehensiveness of the questionnaire items. The questionnaires were designed based on the Likert scale to ensure the manageability of data collection.

### **1.6. Significance of the study**

This research aims to assist top management at the Bank in assessing and refining the institution's leadership approach in relation to employee engagement. It focuses on understanding the impact of Employee Manager Relations on the employees' economic, social, and personal spheres to strengthen the relationship between bank employees and managers. The investigation seeks to determine if there exists a correlation between employees' engagement levels and the leadership styles implemented by management. Ultimately, this study seeks to advance the current understanding within the field and foster stronger connections between management and employees within Ethiopian banks.

### **1.7. Operational definition of terms**

**Leadership Styles:** Northouse (2013) defines leadership styles as the task-directing or relationship-supportive behavioral patterns of a person who tries to influence others.

**Employee Engagement:** Kahn (1990), an expert on employee engagement, describes employee engagement as the harnessing of organization members' selves to their work roles; whereby they employ and express themselves physically, cognitively, and emotionally during role performances. Devi (2009) more recently describes employee engagement as the extent to which an employee puts discretionary effort into his or her work, beyond the required minimum to get the job done, in the form of extra time, brainpower and energy.

**Transformational Style:** Transformational leader encourages subordinates to put in extra effort and to go beyond what they (subordinates) expected before Burns.( 1978). The subordinates of transformational leaders feel trust, admiration, loyalty, and respect toward leaders and are motivated to perform extra-role behaviors Bass.( 1999)

**Transactional Style:** Transactional leaders focus mainly on the physical and the security needs of subordinates. Bass and Avolio,( 1997).

**Laissez-faire Style:** The Laissez-faire leadership style is a type of leadership that gives and allows a maximum freedom to subordinates. They are given freehand in to decide their own policies and methods and to make independent decisions. Kumar (2015).

### **1.8. Organization of the paper**

The research is structured into five main chapters. Initially, the introduction were encompass the study's background, problem statement, research objectives, questions, significance, and scope. The second chapter were delve into a comprehensive literature review, exploring the theoretical and conceptual frameworks surrounding leadership. Additionally, this chapter were incorporate relevant points related to the significance of employee engagement and its impact on organizational success. the third chapter were dedicated to detailing the research methodology employed in this study, providing insight into the procedures and techniques used to gather and analyze data. The fourth chapter presents the analysis and interpretation of the collected data. And finally the fifth chapter demonstrates conclusion and recommendations of findings.

## **Chapter two**

### **2. Review of related literature**

In Chapter Two, the literature will be reviewed with reference to the study's goal, which is to ascertain how leadership styles affect employee engagement in a subset of Ethiopia's commercial banks. Because it is linked to increased productivity, job satisfaction, and overall organizational success, employee engagement has attracted a lot of interest in organizational research. Employee engagement levels within a business are significantly influenced by the leadership styles that are employed. The purpose of this empirical literature study is to investigate how different leadership philosophies affect employee engagement within the setting of particular Ethiopian commercial banks.

Let's review The Conceptual Clarification and Theoretical Framework regarding leadership styles and their impact on Employee engagement.

#### **2.1.Theoretical literature review**

True leadership is necessary for long-lasting and effective strategic change because it gives everyone in the organization a clear sense of purpose and unleashes their creative energies. However, the definition of leadership is elusive and can vary depending on the individual or the situation. Historically, leadership has been seen as a personal trait. Gray (2004) believes that the term "leadership" is frequently used to describe managing the performance of others.

Lee and Chuang (2009) assert that when an organization strives to achieve its goals, a great leader takes care of their followers' needs in addition to inspiring them to be more productive. According to Okoh (1998), leadership is the ability to motivate or inspire all followers or subordinates to voluntarily and as fully as possible contribute to the objectives of the business. Ulrich, Zenger, and Smallwood write that leaders "develop not only individual but also organizational ability" . Additionally, the processes, approaches, and initiatives that provide value to the organization are referred to as organizational capacity. Ulrich Zenger and Smallwood.(1999).

According to Fry (2003), leadership is the employment of a leading approach to provide an energizing motive and to increase the staff's potential for development. Effective leadership is the degree to which a leader guides and leads his or her followers consistently and gradually to the predetermined destination that is determined by the entire group.

The banking industry's dynamic and ever-complex business environment demands creative leadership that is receptive to learning, trying new things, and driving organizational transformation. This definition of leadership boils down to two fundamental elements: identifying what needs to be done and motivating others to assist.

White (2004) promotes adaptable plans that can be modified to fit shifting environmental conditions. With the rate of change, youth of an industry, and level of competition, planning plays a lesser role. Strategic direction is discussed by Harrison and St. John (2004) and is characterized in terms of a company's vision for its future, the industries it operates in, and the stakeholders it caters to.

### **2.1.1.Strategic leadership**

Strategic leadership, as described by Harrison (2003), is a process that empowers management to anticipate and plan for the future proactively rather than merely reacting to changes as they occur. Instead of being solely reactive, effective organizational leaders take a proactive stance towards strategic management, even instigating change themselves. This form of leadership encompasses various practices, including shaping corporate vision, establishing fundamental principles, formulating management plans and strategies, fostering organizational learning, and serving as stewards for their companies. Harrison (2003) highlights the pivotal role of senior executive management in shaping the strategy and overall effectiveness of their firms, emphasizing that both positive and negative leadership can have profound impacts. In organizations where perspective-taking is valued, management shares a common vision and values, positively influencing their operational environment. Strategy serves as the linchpin for concentrating efforts and promoting coordination within an organization. Without a coherent strategy, an organization risks becoming a disjointed collection of individuals, making strategic alignment essential for achieving organizational objectives

### **2.1.2.Managerial skills**

Managerial skills encompass a set of personality traits and attributes essential for effectively overseeing a company's operations. The impact of proficient management on organizational productivity and performance is significant. The American Management Association identifies four crucial skills: intellectual, interpersonal, communication, and effectiveness. These competencies empower managers to fulfill their roles and responsibilities efficiently. In a competitive market, Jack Welch (2008) delineated ten competencies vital for effective

management, including versatility, proactive leadership, strategic foresight, continuous development, adept decision-making, holistic management, global perspective, adeptness in managing complexity, maintaining a balance between global and local considerations, among others (Strategic Competency Management: Indian Perspectives). In the banking sector, managerial effectiveness, coupled with factors such as capital adequacy, asset quality, earnings capacity, and liquidity, significantly influences bank performance (Adekanye, 1992). Business leadership, on the other hand, demands skills like leading by example, fostering passion, organizational prowess, delegation, assuming ownership, effective communication, courage, integrity, attentive listening, understanding followers, and being both a leader and a follower. These skills are paramount for succeeding as a leader within organizations.

### **2.1.3. Leadership approach**

Leadership is the lifeblood of any organization, and its importance cannot be emphasized enough. Despite the fact that many authors have studied this phenomenon, there is no agreement on the definition of leadership, no prevalent paradigm for studying it, and few practical approaches to developing and applying it. Hackman & Wageman, (2007).

Omolayole (2006) defines leadership as the ability to influence another person's or group's behavior by providing guidance to a subordinate group. Ngodo (2008) asserts that leadership is a reciprocal process of social influence in which subordinates and superiors motivate one another to achieve group goals. Leaders use a range of characteristics, skills, abilities, and behaviors collectively referred to as their leadership style—when communicating with their subordinates. Gosling & Marturano (2008).

According to Flippo and Musinger (1999), leadership is a style of managerial behavior intended to integrate organizational and personal interests in the pursuit of certain goals. Fiedler (1969) defined a leadership style as a connection style in which an individual employs techniques to draw a large number of collaborators to a project. According to Yukl (1994), Bass (1997), Sashkin (1996), and Sergiovanni (1987), charismatic leadership, transactional leadership, transformational leadership, visionary leadership, and culture-based leadership are the five leadership philosophies that have been presented in current leadership theories. Furthermore, four distinct leadership philosophies are listed by Tannenbaum and Schmidt (1958) and have been widely accepted and used. Four theories of leadership—democratic,

autocratic, dictatorial, and laissez-faire—are predicated on the 'X and Y' assumptions of McGregor's theory.

The common leadership style dimensions described above are briefly reviewed below, along with their relative usefulness and their effects on a group.

**1) Autocratic Style:** The leader bears primary accountability for the results in an authoritarian manner. Although subordinates are solicited for their opinions, the leader believes that their influence is the most important factor in any significant decision or work result. The Authoritative leader accomplishes ends by imparting a clear, compelling vision, sees to it that the vision is built into strategic planning, and that it guides action throughout the organization. The Authoritarian provides clear directions, monitors progress closely, and convinces subordinates of the position s/he wishes them to adopt by explaining why certain things are expected, done, or required and how individual actions fit into the larger picture. Positive or negative feedback can be given by an authoritarian, but it must be made clear, and subordinates are typically treated fairly and firmly. In Asia, this type of leadership is the most prevalent. If subordinates have very little authority over decisions or are not granted much power, it could become more directive in nature.

**2)BureaucraticStyle:** Policy is created by bureaucratic officials and is used to achieve organizational objectives. Execution, strategy, goals, and results are driven by policies. When trying to persuade subordinates to follow their lead, bureaucratic leaders feel most at ease when the policy is clearly articulated. By doing this, they convey the very clear notion that direction is determined by policy. Leaders that are bureaucratic tend to have a strong adherence to rules and regulations rather than people, which can make them seem distant and extremely resistant to change. Until the harm is done, the particular issues or issues related to adopting policies to lead are not always evident. The risk here is that bureaucratic leaders may overlook the most advantageous aspects of leadership, which are inspiring and nurturing others. Michael (2010).

**3) Charismatic Style:**Often referred to as pacesetters, these elite performers demand attention and make it their primary objective. A pacesetter is someone who prefers to complete tasks on their own and is hesitant to assign them since they are so skilled at what they do.Setting an example, as opposed to providing instruction or purposeful staff development, setting high expectations, and transferring excitement, is how leadership is accomplished. Rather than because of his or her leadership ability, people follow the

pacesetter because of who they are and/or what they can do. When a subordinate doesn't perform to expectations or when there is conflict, the pacesetter has a tendency to become coercive. A person who excels as a Pacesetter in one nation may be quite different from one who thrives as a charismatic leader in another. Culture has a big role in determining who "looks like" a leader.

**4) Democratic Style:** A Democratic leader “believes in” people and relies on the functioning of a group or team to achieve results. Subordinates take part in the decision-making process, and decisions result from a group consensus. There are frequent meetings, and subordinates are listened to by the leader. The style tends to foster responsibility, flexibility, and high morale. Because staff are engaged in decision-making and planning, there is a tendency for them to be more realistic about what is and is not possible. The Democratic leader considers close supervision unnecessary after trust has been established, and negative feedback is offered sparingly. Participative leadership is more common in Europe and is sometimes required by law (as in northern Europe, especially Germany). A variant of Participative leadership with cultural overtones is common in Japan as well as some other Asian countries.

**5) Transactional Style:** Transactional leaders primarily attend to their subordinates' physical and security needs. Bargaining exchange or reward mechanisms underpin the relationship that develops between a leader and a follower .Bass, 1985; Bass and Avolio,( 1993).

J. Antonakis et al. (2006) state that transactional leadership is typically defined as a set of goals that monitor and control the outcome. It is predicated on the exchange process to meet its contractual commitments. The following three first-order components are thought to comprise transactional leadership theory:

Contingent reward leadership (transactions constructive) refers to leader behavior focused on explaining the role and job requirements and providing followers with material or psychological rewards depends on the fulfillment of contractual obligations,

- (a) Management-by-exception active (transaction active correction) refers to the active monitoring of the goals of the leader to ensure that standards are met and,
- (b) Management-by-exception passive (passive correction transaction) only after the intervention of non-compliance has occurred or when the error occurred.

**6) Transformational Style:** A transformational leader pushes their team members to work harder and go above and beyond what they had previously expected. Burns,( 1978). Transformational leaders inspire their followers to go above and beyond the call of duty because they are viewed with trust, respect, loyalty, and adoration, Bass, (1985); Katz and Kahn, (1978). Since they can motivate their followers to increase their chances of success and foster creative problem-solving abilities in them, transformational leaders get the best output from their followers ,Bass, (1985); Yammarino and Bass, (1990). Additionally, it has been discovered that this leadership style is linked to business unit success and raises organizational commitment levels ,Barling et al., (1996). According to John Antonakis, Bruce J. Avolio, and N. Bastardo (2006), transformational leaders are proactive, raising awareness for the collective interests of their transcendent, and their assistance to achieve extraordinary goals. Transformational leadership is theorized to consist of the following five first-order factors:

(a) Idealized Influence (attributed) refers to the socialized charismatic leader, whether the leader is seen as confident and powerful, and whether the leader is seen as focused on the ideals that order and ethics;

(b) Idealized Influence (behavior) refers to charismatic leaders act based on the values, beliefs, and sense of mission. Inspirational Motivation refers to the way energy leaders see their followers with the future with confidence, stressing ambitious goals, projecting a vision of their superior and communicating that vision can be achieved; Leadership Quarterly 14 (2003).

(c) The term "intellectual stimulation" describes the behaviors of leaders who piqued his interest in "logic and analysis" by pressuring followers to use creativity to solve complex challenges and Individual concern describes a leader's actions that help him feel satisfied when he counsels, encourages, and attends to each follower's unique needs, allowing them to grow and become their best selves.

## **7) Laissez-faire Style**

The situational aspects that affect a leader's capacity to lead include their preferred style. A lot of empirical freedom in leadership is supported by contingency theories of leadership (laissez-faire style) North House (2001). Extensive research has verified its validity and

reliability in elucidating the attainment of effective leadership. It emphasizes how crucial it is to pay attention to the interpersonal dynamics between a leader's approach and the needs of different teams and circumstances. Kumar (2015) claims that under this style of leadership, subordinates are given the greatest amount of independence. They are allowed complete autonomy to choose their own policies, procedures, and means of decision-making.

#### **2.1.4. Leadership skills**

##### **2.1.4.1. Leadership Outcomes**

The outcomes from leadership quality consist of three measurable factors:

- (1) **Effectiveness** (reflects the leader's efficacy in achieving organizational outcomes, objectives, goals and subordinates' needs in their job);
- (2) **Satisfaction** (reflects the degrees to which subordinates are satisfied with their leader's behavior and the leader satisfactorily works with others);
- (3) **Extra Effort** (reflects the degrees to which the leader can increase subordinates' desire to succeed and subordinates exert effort higher than their normal rate).

#### **2.1.5 Organizational commitment**

Porter, Lawler, and Hackman (1974) define "commitment" as the degree to which an individual identifies with and engages in a particular organization. They elaborate on three essential components of commitment: a strong desire to remain a member of the organization, a willingness to dedicate considerable effort on behalf of the organization, and a deep belief in and acceptance of the organization's goals and principles.

#### **2.2. Definition of employee engagement**

Different works define employee engagement differently. Wereiam (1990) done some of the earliest work on engagement and defined engagement as, "the attaching of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally throughout role performances."

According to Macey and Schneider (2008), Employee engagement is aanticipated condition. It has an organizational purpose, and connotes involvement, commitment, passion, enthusiasm, focused effort, and energy, so it has both attitudinal and behavioral components. Employee Engagement was demarcated by Kahn (1990) as "the harnessing of organization members" selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances".

Employee engagement is a intensified emotional and intellectual connection that an employee has for his/her job, organization, manager, or co-workers that, in turn, stimuli him/her to apply additional discretionary effort to his/her work, Gibbons, (2006).

Employee engagement is defined as the employee's emotional commitment to the organization and its goal (Jeve, Oppenheimer, & Konje, 2015). Vazirani (2007) described it as the extent of association and obligation of a subordinate towards the organization and its values. Jeve, Oppenheimer and Konje (2015) clarified the difference between work engagement and employee engagement, which are not identical. Work engagement is the employee's commitment to work at an individual level, while employee engagement is commitment at the organizational level, Jeve, Oppenheimer, & Konje, (2015).

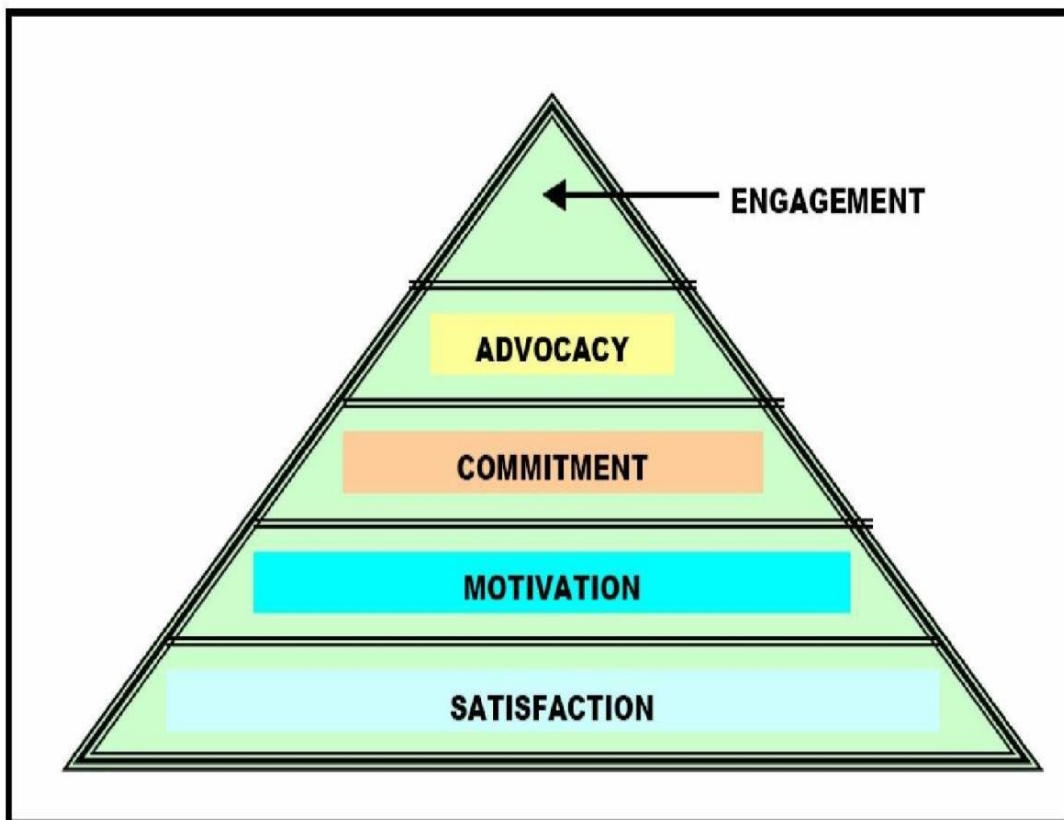
### **2.2.1. Levels of employee engagement**

An energetic, committed, and absorbed state of mind at work is known as employee engagement. High levels of energy and mental strength at work, persistence in the face of adversity, and a willingness to put effort into one's work are all indicators of vigor. A feeling of motivation, pride, importance, pleasure, and challenge at work is referred to as dedication. Being completely focused, content, and absorbed in one's job to the point where time flies swiftly and it becomes difficult to step away from it is known as absorption. The Corporate Leadership Council (2004). A few tiers influence worker engagement and are indicative of elements that encourage energy, commitment, and focus. Organizational traits including a reputation for integrity, effective internal communication, and an innovative culture all have a big impact on employee engagement. Council for Corporate Leadership. (2004)

Administrative justice is significant since employees who have a perception of organizational fairness are stated to have a higher level of work performance, trust in their supervisor, psychological ownership and organizational commitment, Cheung,( 2013). Colquitt, Greenberg and Zapata-Phelan (2005) specified that there are two distinctive dimensions of organizational justice, that is, interpersonal justice, treating employees with respect and dignity, and informational justice, providing candid explanations. Since leaders are often the ones who closely interact with their subordinates, by showing respect and concern the subordinates may reciprocate this goodwill to the leader providing interpersonal fairness, which is closely associated with the norms of a leader for setting acceptable social behaviors (Cheung, 2013). Scott, Colquitt, and Zapata-Phelan (2007) also reported that the relationship between 14 subordinates’ charisma and interpersonal justice was mediated by leaders’ emotional feelings towards their subordinates A review carried out by Palaiol (Chung – Hsiung Fang, 2009)(Wilderom C.P.M., 2004) suggest that there are three additional kinds of organizational justice, namely distributive, procedural and interactional justice. Distributive justice deals with the perceived fairness of the outcomes or allocations that individuals in organizations receive, procedural justice refers to the fairness of the procedures used to decide outcomes and addresses fairness issues regarding the methods, mechanisms, and processes used to determine those outcomes, and interactional justice establishes that people care about the fairness of the interpersonal treatment and communication that they receive.

Cheung (2013) states that researchers provide reasons to suggest that the effects of interpersonal and informational justice are far more important than those of distributive justice and procedural justice. She adds that reasoned that distributive and procedural justice involve daily encounters between leaders and subordinates and these occur regardless of any resource-allocation decisions being made, whereas interpersonal and informational justice are closely bounded in the context of resource exchanges that occur infrequently. Scott, Colquitt, and their collaborators (2007) highlighted the ongoing importance of interpersonal justice and informational justice, contrasting with the lesser daily significance of distributive and procedural justice. In essence, distributive justice, procedural justice, and interactional justice are recognized as organizational justice facets addressing individuals' fairness perceptions within organizations (Colquitt, Scott, Greenberg, & Zapata-Phelan, 2005). When employees perceive fairness in leaders' actions and attribute them to benevolent motives, they are more likely to believe in leaders' commitment, leading to enhanced leader-member exchanges (Erkutlu, 2011).

Figure 1:-Employee engagement pyramid



Source:-Brown, 1996

### **2.3. Empirical literature review**

This section summarizes the research findings of several scholars about the relationship between employee engagement and various leadership styles, including transformational, transactional, laissez-faire, democratic, and autocratic leadership styles.

#### **A) Transformational Leadership and Employee Engagement**

Hemen Mekuria (2021) looked into the effect of transformational leadership on employee engagement, specifically in the setting of Ethiopian commercial banks. According to their research, executives who inspire and motivate their team members develop a sense of commitment and passion among bank employees, which in turn raises employee engagement levels.

#### **B) Transactional Leadership and Employee Engagement:**

Zelalem. B., and Mathios.M (2023) investigated how transactional leadership might improve worker engagement in Ethiopian commercial banks. According to their research, there is a favorable correlation between employee engagement levels and transactional leadership, which is defined by corrective measures and dependent rewards. Higher employee engagement at banks can be attributed to transactional leadership, which sets clear goals and rewards performance.

#### **C)laissez-faire leadership and Employee Engagement:**

Tsigu and Rao,( 2015) the evidence on the relationship between laissez-faire and engagement is not that straightforward. For example while, some are reporting negative relationship, e.g. Aboushaqah et al (2015),and others like Gimuguni, et al (2014) have reported positive relationships. This suggests that the evidence of this leadership style is inconsistent in the Banking Sector.

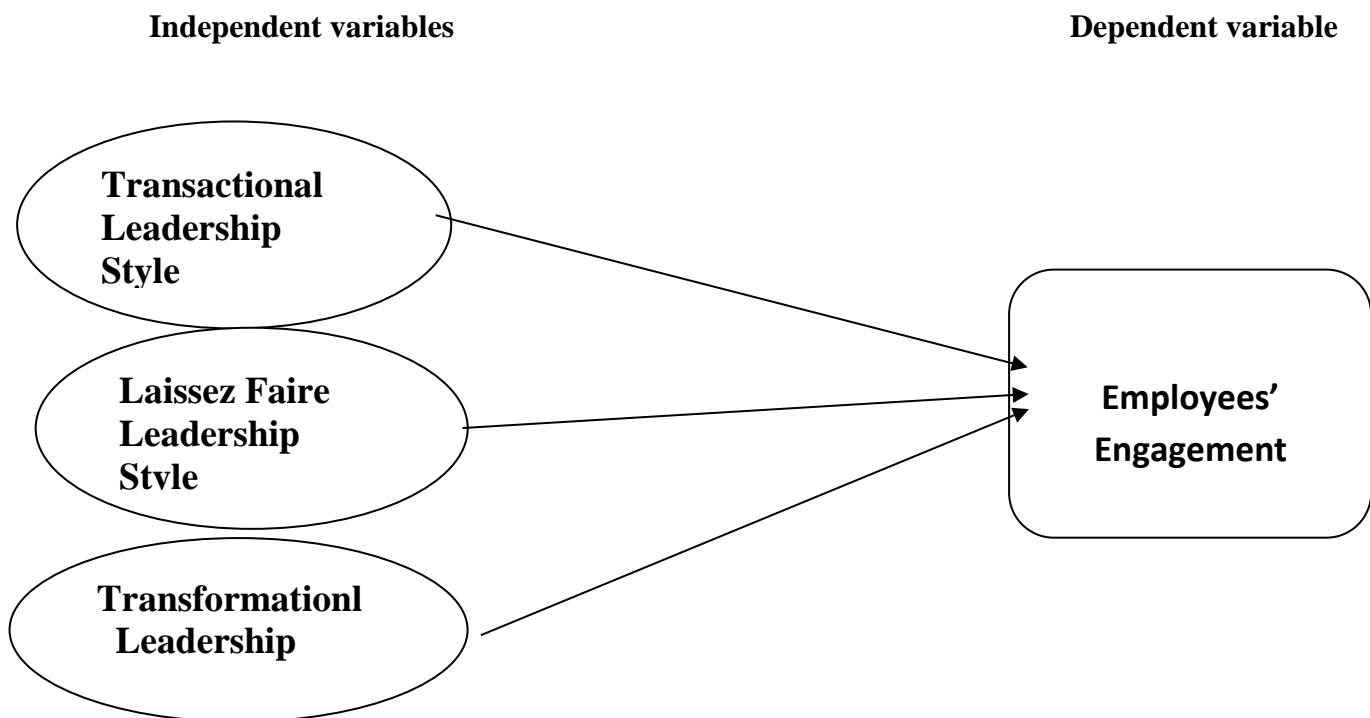
Recent empirical studies conducted within the Ethiopian banking sector provide valuable insights into the relationship between leadership styles and employee engagement. Transformational, transactional, and democratic leadership styles each contribute to enhancing employee engagement levels within commercial banks in Ethiopia, albeit through different mechanisms. Understanding the nuanced effects of various leadership styles is crucial for bank managers and policymakers to optimize employee engagement strategies,

thereby improving organizational performance and competitiveness in the Ethiopian banking industry.

In Alem's (2020) study, the objective was to evaluate the influence of Leadership Styles on Employee Engagement within Ethiopia's private banking sector. The research employed a Correlation research design along with a qualitative research approach. Proportional stratified sampling was utilized, involving the distribution of 343 questionnaires, out of which 318 were collected and analyzed. The sample size determination was conducted using SPSS version 25 analysis. The assessment of leadership behavior was facilitated through the Multifactor Leadership Questionnaire (MLQ), while the Utrecht Work Engagement Rating Scale was employed to gauge employee engagement. Through correlation and linear multiple regression analyses, the study investigated the impact of transformational and transactional leadership styles on employee engagement. The findings from the regression analysis revealed that transformational leadership styles significantly positively influence employee engagement. Conversely, transactional leadership styles showed no discernible impact on employee engagement.

#### 2.4. Conceptual framework

Figure 2:- Conceptual framework



Source: Adopted from Wendy Oliver's, 2012

## **Chapter three**

### **3. Research methodology and data**

This chapter outlines the approach that was applied to the investigation. The techniques utilized to gather the primary or secondary data needed for the study are covered in detail in this chapter. The researcher goes over the population size and research design that were employed in this chapter. The researcher also goes over how to gather data and analyze it, including specifics about any models that were applied along with justifications for their use.

#### **3.1. Research design**

A research design refers to the overall strategy outlining how a researcher intends to address the research questions they have formulated (Saunders, Lewis & Thornhill, 2011). In order to fulfill the study's intended objective(s), various analytical techniques such as simple frequencies, cross-tabulation, content analysis, and graph analysis were employed.

For this study the researcher used both Descriptive and explanatory research design. Because of the results gave definite conclusions and it described the characteristics of the respondents in relation to a particular research objective.

The findings were analyzed in accordance with the conceptual framework, which examines the impact of leadership styles (Transactional, Transformational, and Laissez-faire Leadership) on employee engagement.

#### **3.2. Research approach**

Qualitative and quantitative research approaches can be used independently or in combination, depending on how a researcher wishes to conduct the study when one of them is not better than the others. (Ghauri & Kjell, 2005.). Mixed methods studies can provide a more holistic understanding by combining detailed qualitative insights with quantitative validation.

#### **3.3. Selection criteria of targeted banks**

In Ethiopia, there are currently over thirty private commercial banks and two government-owned ones. The National Bank of Ethiopia categorized all commercial banks, both public and private, into three peer groups based on asset quality: big (CBE), medium (AIB, DB, NIB, UB, BOA, WB, and CBB), and small (OIB, CBO, LIB, BRIB, BIB, ZB, Abay bank, Addis International bank, Enat bank, DGB, and other recently established fourteen banks).

This study selects sample banks among the 16 private commercial banks in Ethiopia because the remaining fourteen Banks have coming recently i.e. almost two years of banking

experience and this were not be a good representative of employee engagement in the banking industry.

Bank of Abyssinia is among the leading big-sized private sector commercial banks in terms of the total number of employees and asset quality. the total number of employees of the Bank is 11,508 as of June 30, 2023.

Hibret Bank is one of the middle-sized banks among Ethiopian private commercial banks. The Bank concluded the financial year with a total of 8,839 employees. Out of these, 5,385 are permanent, 3,436 are outsourced and 18 are working for the bank on a contractual basis.

The other target bank shall be Addis International Bank it is one of the small-sized private commercial banks based on the total number of employees and asset quality.

Therefore, based on the above facts the researcher selects the Bank of Abyssinia (BOA), Hibret Bank (HB) and Addis International Bank (AIB) as a targeted bank.

### **3.4.Sampling techniques and sample size determination**

The researcher were used private sector commercial banks and select BOA (big-sized), HB(middle-sized) and Addis International Bank (small-sized) employees, based on asset quality and total number of employees as of June 30, 2023.

The managerial and professional staff of the targeted banks, HB, Addis International Bank, and BOA, constitutes the relevant population for this study. The researchers employed mixed methods sampling strategies of stratified purposive sampling (quota sampling) because the population is heterogeneous and only a small number of cases are chosen within each stratum to be studied in-depth based on purposive sampling techniques.

The researchers separated the entire group of the targeted employees of commercial banks in the private sector into four non-overlapping strata (i.e. E. The researcher only chose the first two strata (managerial, professional, outsourced, non-clerical/manual, and custodial). Professionals who exclusively work in Addis Abeba's vast districts make up the second stratum, while managerial staff makes up the first.

**Table 1:- Stratification**

| <b>Bank</b>              | <b>District</b>           | <b>Work Categories</b> |                     | <b>Total</b> |
|--------------------------|---------------------------|------------------------|---------------------|--------------|
|                          |                           | <b>Managerial</b>      | <b>Professional</b> |              |
| Bank of Abyssinia        | West Addis Ababa District | 360                    | 1,550               | 1,910        |
| Hibret Bank              | North Addis Ababa         | 160                    | 624                 | 784          |
| Addis International Bank | Addis Ababa Region        | 102                    | 604                 | 706          |
|                          | Total                     | 622                    | 2778                | 3,400        |

**Source : BOA,HB and AIB June 30, 2023 human resources management process record.**

**Table 2:-Sample size**

| Population Size | Sample Size |        |       |
|-----------------|-------------|--------|-------|
|                 | Small       | Medium | Large |
| 51-90           | 5           | 13     | 20    |
| 91-150          | 8           | 20     | 32    |
| 151-280         | 13          | 32     | 50    |
| 281-500         | 20          | 50     | 80    |
| 501-1,200       | 22          | 80     | 125   |
| 1,201-3,200     | 50          | 125    | 200   |
| 3,201-10,000    | 80          | 200    | 315   |
| 10,001-35,000   | 125         | 315    | 500   |
| 35,001-150,00   | 200         | 500    | 800   |

**Source: J.Carvalho, 1984**

Therefore, based on the above stratification table 3,400 falls small sample size is 80

### **Sample Size determination**

According to the Yamane (1967) sample size determination formula with 95% confidence level the sample size of the study population calculated as follows:

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

Where : n= sample size required

N = number of people in the population

e = acceptable level of error (0.05%)

Accordingly, the sample size of the study area population calculated as follows:

$$N=80$$

$$n = \frac{80}{1+80(0.05)^2}$$

$$n = 66.6 \sim 67$$

### 3.5. Source of data

Both primary and secondary sources form the basis of the data source. questionnaires serve as the main sources. Annual reports, online resources, and The Bank research center were the sources of secondary sources that were gathered.

### 3.6. Data collection method

Due to the nature of the study, the researchers selected to use quantitative methods for collecting data. This decision was based on the need to gather numerical data that could be analyzed statistically, providing clear and measurable insights into the variables under investigation. By employing quantitative data collection techniques, the researchers aimed to ensure the study's findings were objective, replicable, and suitable for rigorous analysis, thus enhancing the credibility and reliability of their research outcomes. Creswell, J. W., & Poth, C. N. (2018).

Furthermore In their discussion on research methods ,emphasize the use of various tools to collect quantitative data. They note that surveys, interviews, and observations can be utilized to gather quantitative data for statistical analysis and generalization. Concurrently, qualitative data can be acquired through methods such as in-depth interviews, focus groups, and observations, enabling researchers to delve into meanings, perceptions, and social contexts.

In this research, a questionnaire was employed as the method for collecting data. A questionnaire consists of a set of written questions, and respondents provide their answers, which are then documented. This data collection method was utilized because it was accurate, convenient to use, inexpensive and provided anonymity for the respondents especially in the banking sector where information was highly sensitive and confidential. Research information is usually sought about people's beliefs, attitudes, behaviour and characteristics therefore; a questionnaire suitable because it is structured to suit specific types of information sought by a researcher (Gatara, 2010).

Based on the aforementioned segmentation, the researcher distributed sixty seven questionnaires to clerical staffs.

### **3.7.Method of data analysis**

To determine the relative significance of each Leadership variable with employee engagement, basic statistical tools like percentages, means, standard deviation, tables and graph were employed in the data analysis process. The SPSS version 23 application was utilized for this purpose.

### **3.8. Reliability and Validity**

#### **3.8.1.Reliability**

The stability of the measure used to examine the relationships between variables is referred to as reliability (Ghauri & Grønhaug 2005, 81). It is the extent to which the items on the test are consistently measured. Testing the factors' reliabilities was the next step in the evaluation process once the variables of the study had been formed and given proper names. Cronbach's alpha was computed for both the whole scale and each individual variable to make sure the components were dependable and consistent.

Cronbach's alpha is generally recognized to be 0.7 and above. The following variables are acceptable because their respective Cronbach's alphas range from 0.815 to 0.93. Table 3: shows that employee engagement's Cronbach Alpha value is 0.93. 0.84 for transformational leadership Leadership in transactions.81 and Laissez faire 0.88.

**Table 3:-Cronbach's alpha reliability of the items**

| <b>Variables</b>                         | <b>No items</b> | <b>Cronbach'sAlpha Value</b> |
|------------------------------------------|-----------------|------------------------------|
| <b>Transformational leadership style</b> | <b>8</b>        | <b>0.84</b>                  |
| <b>Transactional leadership styles</b>   | <b>7</b>        | <b>0.815</b>                 |
| <b>Laissez Fair</b>                      | <b>6</b>        | <b>0.887</b>                 |
| <b>Employee Engagement</b>               | <b>15</b>       | <b>0.93</b>                  |

**Source: own computation, 2024**

### **3.8.2.Validity**

A pilot study was carried out in this research involving all employees to improve the questionnaire's validity in terms of the respondents' grasp and understanding. Expert and respondent feedback is requested to guarantee the validity of the responses, especially the content validity.

### **3.9.Research ethics**

Throughout the research process, the researcher ensured ethical standards regarding confidentiality and privacy were upheld. Respondents were provided with a written assurance that their identities would remain undisclosed both in the questionnaire and in the final research report. The research was carried out with a strong sense of ethical duty. This entailed employing correct citation practices, clearly communicating the study's purpose and the intended use of information to participants, and reporting the findings impartially. The researcher ensured strict confidentiality of the obtained information.

## Chapter four

### 4.Data presentation and discussions

The analysis and discussion of the study's findings are presented in this chapter. Tables are used to display the data. The manner in which the results have been presented aligns with the goals of the study. Three distinct parts of analysis were conducted on the data: multiple regression analysis, correlation analysis, and descriptive analysis.

#### 4.1.Response Rate

According to Table 4, the research aimed to survey 67 participants to gather data. Of the 67 individuals sampled, 58 completed and returned the questionnaire, resulting in a response rate of 87%. This high response rate was achieved through the researcher's diligent efforts of making multiple personal visits to remind participants to fill out and return the questionnaires.

**Table 4:-number of respondent**

|                    |         |            |
|--------------------|---------|------------|
| N                  | Valid   | 58         |
|                    | Missing | 9          |
| <b>Percentages</b> |         | <b>87%</b> |

**Source: own computation, 2024**

#### 4.3.Demographic characteristics of respondents

Table 5 shows that the majority of respondents are male (55.2%), while females make up the remaining 44.8%. This suggests a slight gender imbalance in the banking sector. The largest age group is 26-35 years (67.2%), followed by 18-25 years (19%) and 36-45 years (13.8%). The age distribution skews towards younger individuals, which may indicate that the workforce in the Ethiopian banking industry is relatively young.

**Table 5:- Demographic characteristics of the respondents**

| Respondents Characteristics | Categories       | Frequency | Percent |
|-----------------------------|------------------|-----------|---------|
| Gender                      | Male             | 32        | 55.2    |
|                             | Female           | 26        | 44.8    |
| Age                         | 18- 25 years     | 11        | 19      |
|                             | 26-35 years      | 39        | 67.2    |
|                             | 36-45 years      | 8         | 13.8    |
| Position                    | Entry level      | 24        | 41.4    |
|                             | Senior level     | 19        | 32.8    |
|                             | Manager level    | 15        | 25.9    |
| Years of experience         | 1to5years        | 28        | 48.3    |
|                             | 6to10years       | 26        | 44.8    |
|                             | 10 andaboveyears | 4         | 6.9     |

**Source: own computation, 2024**

Subsequently, entry-level positions have the highest representation which is (41.4%), followed by senior-level (32.8%) and manager-level positions (25.9%). This distribution suggests a pyramid-shaped organizational structure, which is common in many workplaces. The majority of respondents have 1 to 5 years of experience (48.3%), followed by 6 to 10 years (44.8%) and 10 years and above (6.9%). This indicates that a significant portion of the workforce is relatively inexperienced, which might affect their level of engagement.

All in all the demographic table implies that It's important to consider potential gender differences in engagement levels and address any disparities through targeted interventions or policies.

Table 5 also exhibits the highest engagement might be among the 26-35 age group, possibly due to factors such as career ambition or alignment with organizational culture. Younger age groups might require more support or development opportunities to enhance their engagement. Entry-level employees show a slightly higher representation, which could imply that engagement might be higher at lower hierarchical levels. Senior-level employees, despite

their lower representation, might have a significant impact on organizational culture and engagement initiatives. Engagement might vary across different experience levels, with less experienced employees possibly requiring more support or guidance to enhance their engagement levels. However, those with more experience might also require attention to prevent disengagement due to factors like burnout or stagnation.

Overall, understanding these demographic characteristics can inform targeted strategies to improve employee engagement, tailored to the specific needs and preferences of different groups within the workforce.

#### 4.3.1.A basic guideline for interpreting means

**Table 6:- A basic guideline for interpreting mean**

| Point | Mean Score | Interpretation        |
|-------|------------|-----------------------|
| 5     | 4.5-5      | Strongly Agree/High   |
| 4     | 3.5-4.49   | Agree                 |
| 3     | 2.5-3.49   | Neutral               |
| 2     | 1.50-2.49  | Disagree              |
| 1     | 1-1.49     | Strongly disagree/low |

Score fall between 4.5 and 5 indicates “strongly agree” or a high level of agreement. It represent a very positive response. score range from 3.5 to 4.49 indicate “Agree”. Range from 2.5- 3.49 indicate “Neutral” implies neither agree nor dis agree. Range from 1.50 – 2.49 indicates “Disagree” implies negative response . Range from 1 to 1.49 implies “Strongly disagree” suggest a very negative response or low level of agreement.

#### 4.3.2.Rule of thumb for mean analysis

1. **Interpreting Mean Scores:** The mean score represents the average response for each item in the table. It provides insight into the typical perception or experience of respondents regarding each aspect of transformational leadership style.
2. **Comparison Across Items:** Compare the mean scores of different items to identify areas where transformational leadership is perceived more positively or negatively by employees.
3. **Identifying Strengths and Weaknesses:** Higher mean scores indicate areas where the leadership style is perceived more positively by employees, suggesting strengths. Lower mean scores may highlight areas for improvement or weaknesses in leadership practices.

4. **Consideration of Standard Deviation:** While the mean provides an average, the standard deviation indicates the variability or spread of responses around the mean. A smaller standard deviation suggests that responses are more consistent, while a larger standard deviation indicates greater variability among respondents' perceptions.
5. **Importance of Context:** Interpret the mean scores in the context of the organization and its specific goals, culture, and challenges. A mean score that is considered high or low may vary depending on the organizational context (Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E., 2019).

#### 4.4.Descriptive Statistics of transformational leadership style

**Table 7:- Transformational leadership**

| Items                                                                                                                         | Mean | Std.Deviaton |
|-------------------------------------------------------------------------------------------------------------------------------|------|--------------|
| My leader is approachable and frendily.                                                                                       | 3.81 | 0.661        |
| My manager maintains a friendly working relationship with subordinate working relationship with subordinates                  | 3.64 | 1.055        |
| My manager does little things that make it pleaseant to be a member if the group                                              | 3.78 | 0.839        |
| All team members are given opportunities to attend relevant training and conference attend relevant trainings and conferences | 3.67 | 0.906        |
| My leader spend time by teaching and coaching                                                                                 | 3.36 | 1.038        |
| Our leader puts suggestions made by us in to action                                                                           | 3.36 | 1.021        |
| My leader assigns me to particular tasks                                                                                      | 3.41 | 1.044        |
| My manager listens receptively to subordinates idea and suggestion                                                            | 3.43 | 1.078        |

**Source: own computation, 2024**

Table 7 reveals the mean score for the statement my leader is approachable and friendly is 3.81 with a standard deviation of 0.661. This indicates that, on average, respondents agree that their manager approaches friendly. The low standard deviation suggests a relatively high level of agreement among respondents.

The mean score is 3.64 with a standard deviation of 1.055. This suggests that, on average, respondents agree that their manager maintains a friendly working relationship with subordinates. However, the higher standard deviation indicates a wider range of responses compared to the previous item. The mean score is 3.78 with a standard deviation of 0.839. This implies that, on average, respondents agree that their manager does little things that make it pleasant to be a member of the group. The standard deviation indicates a moderate level of agreement among respondents.

The mean score is 3.67 with a standard deviation of 0.906. This indicates that, on average, respondents agree that all team members are given opportunities to attend relevant training and conferences. The standard deviation suggests some variability in responses.

The mean score is 3.41 with a standard deviation of 1.044. This suggests that, on average, respondents somewhat agree that their leader assigns them to particular tasks. The standard deviation indicates variability in responses.

The mean score is 3.43 with a standard deviation of 1.078. This suggests that, on average, respondents somewhat agree that their manager listens receptively to subordinates' ideas and suggestions. The standard deviation indicates variability in perceptions of this behavior.

Based on the provided table, it's clear that employees perceive their leaders to exhibit transformational leadership behaviors to varying degrees. The mean scores suggest a generally positive perception of leadership style among respondents. Specifically, items such as "My leader is approachable and friendly," "My manager maintains a friendly working relationship with subordinates," and "My manager does little things that make it pleasant to be a member of the group" received high mean scores (3.81, 3.64, and 3.78 respectively), indicating that employees feel their leaders foster a supportive and pleasant work environment.

Moreover, the items related to providing opportunities for growth and development, such as "All team members are given opportunities to attend relevant trainings and conferences," also received relatively high mean scores (3.67). This suggests that employees perceive their leaders as supportive of their professional development, which is a key aspect of transformational leadership. However, it's worth noting that some aspects of transformational leadership, such as "My leader spends time teaching and coaching" and "Our leader puts

suggestions made by us into action," received slightly lower mean scores (3.36 for both). This may indicate some room for improvement in terms of leaders actively engaging in mentoring and implementing suggestions from their team members.

The standard deviations across all items are relatively moderate (ranging from 0.661 to 1.078), indicating that there is some variability in responses among employees. This variability suggests that while there is a general trend towards positive perceptions of transformational leadership behaviors, there are also some differences in how individual employees perceive these behaviors.

Overall, the findings suggest that there is a positive relationship between transformational leadership style and employee engagement, as evidenced by the generally positive perceptions of leadership behaviors among respondents. However, there are also areas where leaders can further enhance their transformational leadership practices to potentially improve employee engagement even more. The explanation of the data aligns with the hypothesis that transformational leadership style has an impact on employee engagement. The hypothesis posits that leaders who exhibit transformational behaviors, such as being approachable, maintaining friendly relationships, providing opportunities for growth, and actively engaging with their team members, will contribute to higher levels of employee engagement.

To understand the underlying patterns and what they mean within the context of the research question. Firstly, the high mean scores on items such as leader approachability, maintaining friendly relationships, and providing opportunities for growth indicate a positive perception of transformational leadership behaviors among employees. This aligns with existing literature on transformational leadership, which emphasizes the importance of leaders inspiring and motivating their followers, fostering a supportive work environment, and promoting individual development.

Secondly, the slightly lower mean scores on items related to teaching, coaching, and implementing suggestions may suggest areas where leaders can further enhance their transformational leadership practices. This highlights the dynamic nature of leadership and the need for continual improvement and adaptation to meet the evolving needs of employees.

Drawing on theoretical frameworks such as Bass's Transformational Leadership Theory or the Full Range Leadership Model can provide deeper insights into the mechanisms through

which transformational leadership influences employee engagement. These frameworks emphasize the role of leaders in articulating a compelling vision, providing intellectual stimulation, and offering individualized support to their followers, all of which contribute to higher levels of engagement and performance.

Furthermore, the moderate standard deviations across all items indicate some variability in responses among employees. This underscores the importance of considering individual differences and contextual factors when interpreting the data and designing interventions to enhance leadership effectiveness and employee engagement. In terms of broader implications, the interpretation of the findings suggests that organizations can benefit from fostering a culture of transformational leadership, where leaders prioritize building positive relationships, providing developmental opportunities, and actively engaging with their teams. By doing so, organizations can create environments that promote employee engagement, satisfaction, and ultimately, performance and success.

#### 4.5 .Descriptive statistics of transactional leadership style

**Table 8: Transactional leadership**

| <b>Item</b>                                                                              | <b>Mean</b> | <b>Std.Deviaton</b> |
|------------------------------------------------------------------------------------------|-------------|---------------------|
| My leader maintains definite standards of performance.                                   | <b>3.29</b> | <b>1.202</b>        |
| My leader makes clear what one can expect to receive when performance goals are achieved | <b>3.57</b> | <b>1.059</b>        |
| My leader is effective in meeting organizational requirements                            | <b>3.96</b> | <b>0.894</b>        |
| Provides me with assistance in exchange for my efforts                                   | <b>3.34</b> | <b>0.859</b>        |
| Concentrate his/her full attention on dealing with mistake,complaints,and failures.      | <b>3.52</b> | <b>1.044</b>        |
| Makes clear what one can expect to receive when performance goals are achieved           | <b>3.68</b> | <b>0.834</b>        |
| Expresses satisfaction when I meet expectations                                          | <b>4.04</b> | <b>0.894</b>        |

**Source: own computation, 2024**

Table 8 shows that mean: 3.81, Std. Deviation: 0.661 This item suggests that employees generally perceive their leader as approachable and friendly, with a relatively high mean score and low standard deviation, indicating a relatively high level of agreement among respondents.

Mean: 3.64, Std. Deviation: 1.055 Similar to the first item, this suggests that there is a perception of a friendly working relationship between managers and subordinates, although the standard deviation is higher, indicating a greater degree of variability in responses Mean: 3.78, Std. Deviation: 0.839 this indicates that managers are perceived as contributing to a positive group atmosphere by engaging in small, pleasant gestures. The mean score is high, with a relatively low standard deviation. Mean: 3.36, Std. Deviation: 1.038: While the mean score is still relatively high, the standard deviation indicates more variability in responses compared to previous items. This suggests that there may be differing perceptions regarding the extent to which leaders invest time in teaching and coaching.

Mean: 3.36, Std. Deviation: 1.021 This item indicates a moderate level of agreement among respondents regarding whether their suggestions are acted upon by leaders. The standard deviation suggests some variability in perceptions. Mean: 3.41, Std. Deviation: 1.044: This item suggests that there is a perception of clarity in task assignments by leaders, with a moderate mean score and somewhat higher standard deviation indicating some variability in responses.

Mean: 3.43, Std. Deviation: 1.078 This item suggests that there is a perception of managers being receptive to ideas and suggestions from subordinates. However, the standard deviation is relatively high, indicating more variability in responses.

The moderate mean scores for items such as "My leader maintains definite standards of performance" and "Provides me with assistance in exchange for my efforts" suggest that employees perceive their leaders as moderately effective in certain aspects of transactional leadership. This indicates that while leaders may set performance standards and provide some level of assistance, there may be room for improvement in clearly communicating expectations and providing support in exchange for effort. On the other hand, items like "My leader is effective in meeting organizational requirements" and "Expresses satisfaction when I meet expectations" received higher mean scores, indicating that employees perceive their leaders more positively in terms of meeting organizational demands and expressing

satisfaction when expectations are met. This suggests that certain aspects of transactional leadership, such as providing contingent rewards and ensuring task completion, may be more strongly associated with employee engagement.

The analysis within Oliver's framework highlights the importance of contingent rewards and clear communication of expectations in promoting employee engagement within a transactional leadership context. These findings align with existing literature on transactional leadership, which emphasizes the role of rewards and recognition in motivating employees to achieve organizational goals.

However, it's also important to note areas where leaders may need to focus on improvement, such as providing more comprehensive assistance and attention to addressing mistakes and failures. By addressing these areas, leaders can further enhance their transactional leadership practices and potentially increase employee engagement levels.

In broader terms, the interpretation of the findings underscores the significance of transactional leadership behaviors in shaping employee perceptions of engagement. It suggests that leaders who effectively communicate expectations, provide contingent rewards, and demonstrate satisfaction with performance are more likely to foster a positive work environment conducive to engagement and productivity. Moreover, it emphasizes the need for ongoing leadership development efforts aimed at strengthening transactional leadership skills to support organizational effectiveness and employee well-being.

Overall, the table indicates that transactional leadership practices are generally perceived positively by employees in terms of leader approachability, maintaining friendly relationships, providing pleasant group experiences, and task assignments. However, there are variations in perceptions regarding aspects such as training opportunities, time spent on teaching/coaching, and receptiveness to suggestions, which could potentially be areas for improvement in leadership practices to enhance employee engagement.

#### 4.6.Descriptive statistics of laissez-faire leadership style

**Table 9:- Laissez-faire leadership style**

| Item                                                                                  | Mean | Std.Deviation |
|---------------------------------------------------------------------------------------|------|---------------|
| My leader is lacking of control directing, which he/she not explains the action to us | 2.98 | 0.827         |
| My leader refuses to explain his/her actions.                                         | 3.66 | 0.947         |
| My leader avoids him/her from goal Setting and decision making                        | 3.67 | 0.473         |
| My leader delay responding to urgent questions.                                       | 3.33 | 1.248         |
| My leader avoids him/her self from getting involved when important issues arise       | 3.66 | 0.479         |
| My leader waits for things to go wrong before taking action                           | 3.98 | 0.827         |

**Source: own computation, 2024**

Mean: 2.98, Std. Deviation: 0.827 This item suggests that employees perceive their leader as lacking control or direction and failing to provide explanations for their actions. The mean score is below the midpoint, indicating a tendency towards disagreement among respondents, with a moderate standard deviation suggesting some variability in responses.

Mean: 3.66, Std. Deviation: 0.947 This item indicates a perception among employees that their leader refuses to provide explanations for their actions. The mean score is above the midpoint, indicating a tendency towards agreement, with a moderate standard deviation suggesting some variability in responses.

Mean: 3.67, Std. Deviation: 0.473 Employees perceive their leader as avoiding involvement in goal setting and decision-making processes. The mean score is above the midpoint, indicating agreement among respondents, with a low standard deviation suggesting a high level of agreement.

Mean: 3.33, Std. Deviation: 1.248 This item suggests that employees perceive their leader as being slow to respond to urgent questions. The mean score is above the midpoint, indicating a tendency towards agreement, with a relatively high standard deviation suggesting variability in responses.

Mean: 3.66, Std. Deviation: 0.479 Employees perceive their leader as avoiding involvement when important issues arise. The mean score is above the midpoint, indicating agreement among respondents, with a low standard deviation suggesting a high level of agreement.

Mean: 3.98, Std. Deviation: 0.827 This item suggests that employees perceive their leader as adopting a reactive approach, waiting for problems to occur before taking action. The mean score is above the midpoint, indicating agreement among respondents, with a moderate standard deviation suggesting some variability in responses.

Overall, the data indicates that employees perceive laissez-faire leadership negatively in terms of lack of control, failure to provide explanations, avoidance of involvement in decision-making, delayed responses to urgent questions, and reactive behavior. These perceptions could potentially lead to decreased employee engagement, as employees may feel unsupported and lacking direction. Laissez-faire leadership may not foster a sense of accountability or empowerment among employees, potentially impacting morale and productivity.

Employees perceive various characteristics of laissez-faire leadership within their workplace environment. Specifically, employees express sentiments suggesting a lack of control and direction from their leaders, as well as a tendency for leaders to avoid involvement in critical decision-making processes and important issues. Additionally, there is a perception among employees that leaders exhibit a reactive rather than proactive approach to addressing problems, waiting for issues to escalate before taking action. These findings imply that laissez-faire leadership may contribute to feelings of uncertainty, disengagement, and frustration among employees.

#### **4.7. Correlation analysis**

The Statistical Package for Social Science (SPSS) was used to examine the causal effect and the correlation between the dependent and independent variables. The correlation matrix below illustrates the strength of the relationship between the variables taken into consideration in the questionnaire by using a Pearson Correlation coefficient to show the correlation between the variables.

According to the table below, the coefficients demonstrate a positive relationship between all independent variables and the dependent variable (employee engagement) across the range of 0.546-0.747. All of the coefficients are significant at p 0.5, which is regarded as large.

Table 10 displays the correlations between the variables; each of the 37 variables exhibits perfect correlation with itself, as indicated by the coefficients of +1.00 at the intersection of its row and column.

**Table 10:- Correlation matrix**

|                                          | Transformational leadership | Transactional Leadership style | Laissez Faire Leadership Style | EmployeeEng. |
|------------------------------------------|-----------------------------|--------------------------------|--------------------------------|--------------|
| <b>Transformational Leadership style</b> | 1                           |                                |                                |              |
| <b>Transactional Leadership style</b>    | .149                        | 1                              |                                |              |
| <b>Laissez Faire Leadership style</b>    | .079                        | -.061                          | 1                              |              |
| <b>Employee Engagement</b>               | .457**                      | .232                           | .042                           | 1            |

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

Source: own computation, 2024

The correlation table (Table 10) provides valuable insights into the relationship between leadership styles and employee engagement within three selected commercial banks in Ethiopia: HibretBank, Bank of Abyssinia, and Addis International Bank. The selected leadership styles examined in this study are Transformational, Transactional, and Laissez-faire.

The correlation coefficients reveal interesting patterns. First, the correlation between Transformational Leadership style and Employee Engagement is notably strong ( $r = 0.457^{**}$ ). This suggests a positive relationship between Transformational leadership practices, characterized by inspiration, motivation, and empowerment, and employee engagement levels within the banks. Employees may feel more connected to their work and motivated to contribute to organizational goals under transformational leadership.

Conversely, the correlation coefficients for Transactional Leadership style and Laissez-faire Leadership style with Employee Engagement are comparatively weaker. Transactional

Leadership style shows a moderate positive correlation ( $r = 0.232$ ), indicating that some aspects of transactional leadership, such as reward and punishment systems, may contribute to employee engagement, albeit to a lesser extent than Transformational leadership.

Interestingly, Laissez-faire Leadership style exhibits a very weak correlation ( $r = 0.042$ ) with Employee Engagement, and it is not statistically significant. This suggests that the hands-off approach of Laissez-faire leadership, characterized by minimal guidance and involvement, may have little impact on employee engagement levels within the selected banks.

Overall, these findings imply that among the three leadership styles studied, Transformational leadership demonstrates the strongest positive association with employee engagement. This highlights the importance of fostering a transformational leadership culture within commercial banks to enhance employee engagement and ultimately improve organizational performance. However, it's essential to recognize that these correlations represent associations and not causation. Further research and analysis are needed to explore the underlying mechanisms and causal relationships between leadership styles and employee engagement in the context of Ethiopian commercial banks.

#### 4.8. Regression analysis

Preliminary investigations were performed to see if the multicollinearity, normality, and reliability assumptions had been violated before employing linear multiple regression. To evaluate whether multicollinearity was violated, the tolerance, VIF, and condition indicators were evaluated using data from an SPSS Collinearity Diagnostics table.

**Table 11:- Collinearity statistics**

| Model                             | Collinearity Statistics |       |
|-----------------------------------|-------------------------|-------|
|                                   | Tolerance               | VIF   |
| (Constant)                        |                         |       |
| Transformational Leadership style | .970                    | 1.031 |
| Transactional Leadership style    | .973                    | 1.028 |
| Laissez Faire Leadership style    | .988                    | 1.012 |

Source: own computation, 2024

## **Dependent Variable: Employee Engagment**

Table 11 shows that the presence and impact of multicollinearity within a regression model's predictors. Multicollinearity arises when independent variables within the model exhibit high levels of correlation, potentially resulting in unstable coefficient estimates and complicating result interpretation. Two key metrics within this table aid in assessing multicollinearity: Tolerance and Variance Inflation Factor (VIF).

Tolerance quantifies the portion of variance in a predictor variable that remains unexplained by other predictors in the model. With values ranging from 0 to 1, higher tolerance values indicate lower levels of multicollinearity. When tolerance nears 1, it suggests minimal redundancy among predictors, indicative of low multicollinearity. In the provided table, all tolerance values approach 1, affirming that each predictor (Transformational Leadership style, Transactional Leadership style, and Laissez Faire Leadership style) exhibits minimal multicollinearity with others.

Variance Inflation Factor (VIF), conversely, is the reciprocal of tolerance and gauges how much the variance of a regression coefficient inflates due to multicollinearity. A VIF exceeding 10 typically signals problematic multicollinearity. However, in the present analysis, all VIF values approximate 1, well below the critical threshold. This suggests an absence of concerning multicollinearity among the predictors, bolstering the reliability of the regression model's outcomes.

The collinearity statistics table indicates that there is no significant multicollinearity among the predictors (Transformational Leadership style, Transactional Leadership style, and Laissez Faire Leadership style) in the regression model predicting Employee Engagement. The tolerance values are close to 1, and the VIF values are close to 1 as well, suggesting that each predictor variable is providing unique information to the model without being redundant or highly correlated with the others. Therefore, the regression coefficients estimated for each

predictor are likely to be stable and reliable, and the results of the regression analysis can be interpreted with confidence.

**Table 12:- Model summary**

| <b>Model</b> | <b>R</b>                | <b>R Square</b> | <b>Adjusted R Square</b> | <b>Std. Error of the Estimate</b> |
|--------------|-------------------------|-----------------|--------------------------|-----------------------------------|
| <b>1</b>     | <b>.486<sup>a</sup></b> | <b>.236</b>     | <b>.192</b>              | <b>9.027</b>                      |

**Source: own computation, 2024**

Table 12 indicates that the model's coefficient of determination (R Square) is 0.236, indicating that approximately 23.6% of the variance in employee engagement can be explained by the selected leadership styles. The adjusted R Square, which accounts for the number of predictors in the model, is 0.192, suggesting that the model's explanatory power is slightly reduced after adjusting for the number of independent variables.

A smaller R-squared value implies that a smaller proportion of the total variation in the dependent variable is explained by the independent variables in the model. In this case, 19.2% means that about 19.2% of the variation in employee engagement (the dependent variable) can be accounted for by transformational leadership style and any other variables included in the model.

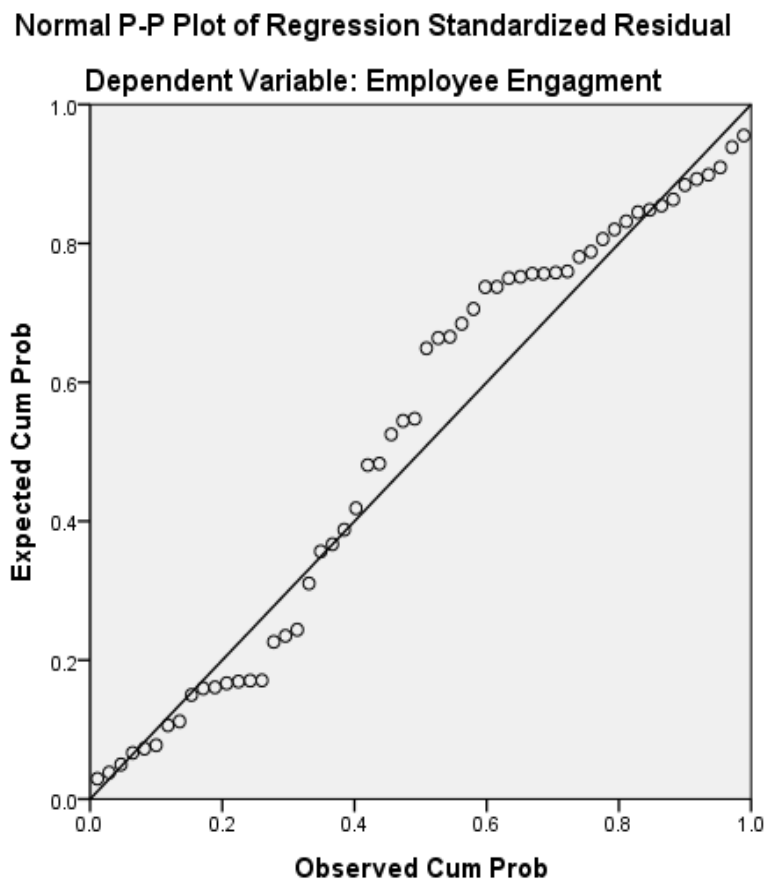
The model's coefficient of correlation (R) is 0.486, indicating a moderate positive relationship between the independent and dependent variables. This suggests that there is a meaningful association between leadership style and employee engagement within the context of the selected commercial banks.

The standard error of the estimate (Std. Error of the Estimate) is 9.027, which represents the average difference between the observed values of employee engagement and the values predicted by the regression model. A lower standard error indicates a better fit of the model to the data.

These findings shows that, it is important to consider the implications for organizational practice and theory. The moderate positive relationship between leadership style and

employee engagement suggests that leadership practices play a significant role in shaping employees' level of engagement within commercial banks. Specifically, the results imply that effective leadership, characterized by transformational qualities such as inspiration, motivation, and empowerment, may contribute to higher levels of employee engagement.

Future research could explore additional factors that may influence employee engagement, such as organizational culture, job satisfaction, and individual differences among employees. Overall, these findings highlight the importance of effective leadership in promoting employee engagement and organizational success within the banking sector in Ethiopia.



**Source:-own plot, 2024**

- The normal P-P plot assesses whether the residuals from the regression model are normally distributed.

- A normal distribution of residuals is an important assumption of linear regression, as it ensures that the estimates of the coefficients are unbiased and efficient.
- Since the dots in the normal P-P plot are almost linear to the line, it suggests that the residuals from the regression analysis with Employee Engagement as the dependent variable are approximately normally distributed.
- This indicates that the assumptions of linear regression regarding the normality of residuals are likely met, which enhances the validity of the regression analysis results.

When the dots in the normal P-P plot of the regression line are almost linear to the line, it indicates that the residuals from the regression model with Employee Engagement as the dependent variable are approximately normally distributed. This strengthens the validity of the regression analysis results and the interpretations drawn from them.

**Table 13:- ANOVA table**

| Model |            | Sum of Squares | Df | Mean Square | F     | Sig.              |
|-------|------------|----------------|----|-------------|-------|-------------------|
| 1     | Regression | 1311.737       | 3  | 437.246     | 5.366 | .003 <sup>b</sup> |
|       | Residual   | 4237.058       | 52 | 81.482      |       |                   |
|       | Total      | 5548.795       | 55 |             |       |                   |

a. Dependent Variable: Employee Engagement

b. Predictors: (Constant), Laissez Faire Leadership style, Transactional Leadership style, Transformational Leadership style

Table 13 provides information about the overall fit of the regression model and whether the predictors (Laissez Faire Leadership style, Transactional Leadership style, Transformational Leadership style) significantly contribute to explaining the variance in the dependent variable (Employee Engagement). Here's how to interpret the results:

(Laissez Faire Leadership style, Transactional Leadership style, Transformational Leadership style), significantly explains the variance in employee engagement, as evidenced by the statistically significant F-statistic.

The significant F-statistic (5.366) suggests that there is a meaningful relationship between the leadership styles and Employee Engagement. This finding aligns with theoretical frameworks and existing literature on leadership, which often emphasize the impact of leadership behaviors on employee attitudes and performance.

The positive relationship between the predictors (leadership styles) and the dependent variable (Employee Engagement) indicates that as these leadership styles are exhibited within an organization, there tends to be higher levels of engagement among employees. This interpretation is supported by the literature on leadership effectiveness, which suggests that transformational and transactional leadership styles, characterized by inspiration, motivation, and clear goal-setting, can positively influence employee attitudes and behaviors.

Furthermore, the absence of problematic multicollinearity among the predictors strengthens the validity of the findings. It implies that each leadership style contributes uniquely to explaining variance in Employee Engagement, rather than redundantly overlapping with others.

From a broader perspective, these findings underscore the importance of leadership in shaping organizational outcomes, such as employee engagement. Organizations may benefit from fostering leadership styles that promote engagement, as it is often associated with higher productivity, lower turnover rates, and greater organizational success.

However, it's essential to acknowledge the limitations of the study and consider potential alternative explanations for the observed relationships. Future research could explore additional factors that may influence Employee Engagement and further investigate the mechanisms through which different leadership styles impact employee attitudes and behavior.

**Table 14:- Coefficients**

| Model                             | 95.0% Confidence Interval for Beta |             | Zero-order R | Correlations |      | ‘t’ value | ‘Sig’. (P) |
|-----------------------------------|------------------------------------|-------------|--------------|--------------|------|-----------|------------|
|                                   | Lower Bound                        | Upper Bound |              | partial      | part |           |            |
| 1 (Constant)                      | .960                               | 44.212      |              |              |      | 2.096     | .041       |
| Transformational Leadership style | .347                               | 1.283       | .457         | .436         | .424 | 3.496     | .001       |
| Transactional Leadership style    | -.165                              | .886        | .232         | .188         | .167 | 1.377     | .174       |
| Laissez Faire Leadership style    | -.561                              | .652        | .042         | .021         | .018 | .150      | .881       |

**Source: own computation, 2024**

Table 14 depicts the effect of leadership styles on employee engagement within selected commercial banks in Ethiopia: Hibret Bank, Bank of Abyssinia, and Addis International Bank. The selected leadership styles, or independent variables, are Transformational, Transactional, and Laissez-faire. The 95.0% confidence intervals for the regression coefficients (B) provide insights into the strength and direction of the relationships between each leadership style and employee engagement.

The analysis reveals that the coefficient for Transformational Leadership style (B = 0.347 to 1.283) is statistically significant at the 95.0% confidence level, indicating a positive relationship with employee engagement. This finding suggests that higher levels of Transformational leadership practices, characterized by inspiration, motivation, and empowerment, are associated with increased levels of employee engagement within the selected banks. Furthermore, the partial correlation coefficient (Part) for Transformational leadership (0.424 to 0.457) remains significant even after controlling for the other leadership styles, highlighting its unique contribution to employee engagement.

Conversely, the coefficients for Transactional Leadership style (-0.165 to 0.886) and Laissez Faire Leadership style (-0.561 to 0.652) include zero within their confidence intervals,

indicating that these relationships are not statistically significant at the 95.0% confidence level. This suggests that Transactional and Laissez-faire leadership styles may not have a significant impact on employee engagement within the selected banks, or their effects may be influenced by other factors not accounted for in the analysis.

In interpreting these findings, it is important to consider the theoretical underpinnings of each leadership style and their alignment with organizational goals and culture. Transformational leadership, with its emphasis on vision, inspiration, and individualized consideration, may foster a positive work environment conducive to employee engagement. Transactional leadership, focused on reward and punishment systems, may have a more limited impact on employee engagement, while Laissez Faire leadership, characterized by minimal guidance and involvement, may not effectively address employees' needs for direction and support.

These results underscore the importance of fostering transformational leadership practices within commercial banks in Ethiopia to enhance employee engagement and ultimately improve organizational performance. However, further research is needed to explore the specific mechanisms through which different leadership styles influence employee engagement in this context and to identify strategies for implementing effective leadership practices.

In the regression table, the t-value for Transformational Leadership style is 3.496. This indicates that the relationship between Transformational Leadership style and Employee engagement is statistically significant because 3.496 is greater than the critical t-value for a significance level of 0.05 (or even 0.01).

Based on the analysis of t-values and significance levels, the study reveals a robust positive relationship between the independent variable, transformational leadership style, and the dependent variable, employee engagement. The t-value of 3.496 and a significance level ( $p < 0.001$ ) indicate strong statistical evidence supporting this relationship. This suggests that higher levels of transformational leadership within an organization are associated with increased levels of employee engagement.

Transactional Leadership style does not have a statistically significant impact on Employee engagement in this model. This suggests that rewards and punishments based on performance may not strongly influence employee engagement compared to other leadership styles.

The findings show a negative impact of Laissez Faire Leadership style on Employee engagement, although this effect is not statistically significant at conventional levels. This indicates that a hands-off approach to leadership may not necessarily promote higher levels of engagement among employees.

## Chapter five

### 5. Summary, conclusions, and recommendations

This chapter's primary goals were to provide an overview of the study, its conclusions, suggestions for further research, and fundamental research questions based on the study's goal.

#### 5.1. Summary of findings

- Transformational Leadership style exhibited a notably strong positive correlation with Employee Engagement. This suggests that leadership practices emphasizing inspiration, motivation, and empowerment contribute significantly to higher levels of engagement among employees.
- Transactional Leadership style showed a moderate positive correlation with Employee Engagement, indicating that aspects such as reward systems may contribute to engagement to a lesser extent.
- Laissez-faire Leadership style demonstrated a very weak correlation with Employee Engagement, suggesting minimal impact on engagement levels.
- The regression model explained approximately 23.6% of the variance in Employee Engagement, with Transformational Leadership style showing a statistically significant positive relationship.
- Transactional and Laissez-faire Leadership styles did not exhibit significant relationships with Employee Engagement.
- The overall regression model significantly explained the variance in Employee Engagement, indicating a meaningful relationship between leadership styles and engagement levels.
- Transformational Leadership style had a significant positive effect on Employee Engagement, suggesting that higher levels of transformational leadership practices are associated with increased engagement levels.
- Transactional and Laissez-faire Leadership styles did not show significant effects on Employee Engagement.
- The findings underscore the importance of fostering a transformational leadership culture within commercial banks to enhance employee engagement and organizational performance.

- Effective leadership, characterized by inspiration, motivation, and empowerment, plays a significant role in shaping employee engagement levels.
- Further research could explore additional factors influencing engagement and delve deeper into the mechanisms through which different leadership styles impact engagement in the banking sector of Ethiopia.

## **5.2. Conclusions**

Findings using tables and three parts of analysis: multiple regression analysis, correlation analysis, and descriptive analysis. The response rate was 96.6%, with 58 out of 60 respondents filling in and returning questionnaires. Demographic characteristics were analyzed, showing a slight majority of male respondents (55.2%) compared to female respondents (44.8%). The position of respondents was also examined, with 41.4% at the entry level, 32.8% at the senior level, and 25.9% at the manager level. Entry-level positions had the highest representation, followed by senior-level positions (32.8%) and manager-level positions (25.9%). This suggests that the survey may have been targeted more towards entry and senior-level employees or reflect the organizational structure with fewer individuals at the manager level. The experience of respondents was also analyzed, with a frequency of 1-5 years and 6-10 years. Overall, the study provides a clear overview of the demographic characteristics and positions of respondents.

The study analyzed the correlation between dependent and independent variables using SPSS. The results showed that all independent variables were positively related to the dependent variable (employee engagement) within the range of 0.546-0.747. The correlation coefficients for transformational leadership and transactional leadership style were 0.457 and 0.232 respectively. These correlations suggest a moderate positive correlation between these two variables, suggesting that as transformational leadership style increases, employee engagement tends to increase as well. The observed relationships are unlikely to have occurred by chance alone.

On the other hand, the correlation coefficients for transactional leadership style and employee engagement were 0.232 and 0.232 respectively. These correlations suggest a weak positive correlation between these two variables, suggesting that there may be a slight tendency for higher levels of transactional leadership style to be associated with higher levels of employee

engagement, but the relationship is not strong. The observed relationships between transactional leadership style and employee engagement could reasonably occur by chance.

The study aimed to analyze the relationship between various leadership styles and employee engagement using linear multiple regression. Preliminary analyses were conducted to ensure the assumption of multi-collinearity, normality, and reliability were met. The results showed that the mean scores for employee engagement were 55.91, with a standard deviation of 10.044, suggesting moderate to high engagement levels. Transformational leadership style was found to be associated with inspiration, motivation, and intellectual stimulation. Transactional leadership style was found to involve setting clear goals, providing feedback, and rewarding or punishing based on performance. Laissez-faire leadership style was found to be characterized by a hands-off approach from leaders and minimal guidance or direction.

The regression analysis focused on testing the association between different leadership philosophies and employee engagement, accounting for other relevant variables. The coefficients would show the direction and degree of the association between each leadership style and worker engagement. If the coefficient for transformational leadership was positive and statistically significant, it could indicate better levels of employee engagement. Conversely, if the coefficient for laissez-faire leadership was negative, it could suggest higher levels of laissez-faire leadership were associated with lower levels of employee engagement.

The model summary provided key statistics to assess the overall effectiveness of the regression model in explaining the variance in employee engagement based on the predictors. The adjusted R-squared was slightly lower than the R-squared value, suggesting potential redundancy or over fitting.

The ANOVA table provides information about the overall fit of the regression model and whether the predictors (Laissez Faire Leadership style, Transactional Leadership style, and Transformational Leadership style) significantly contribute to explaining the variance in the dependent variable (Employee Engagement). The regression sum of squares (SSR) is 1311.737, the residual sum of squares (SSE) is 4237.058, and the total sum of squares (SST) is 5548.795.

The degrees of freedom (df) represent the number of independent pieces of information used to estimate a parameter in the model. In this model, the p-value (Sig.) associated with the F-

statistic is .003, which is less than the conventional alpha level of 0.05, thus rejecting the null hypothesis that all regression coefficients are zero, suggesting that at least one predictor significantly contributes to explaining the variance in employee engagement.

The coefficients in the regression model represent the estimated effect of each predictor on the dependent variable (Employee Engagement) while holding other predictors constant. For example, the coefficient for Transformational Leadership style is 0.347, suggesting that for every one-unit increase in Transformational Leadership style, we expect an increase of 0.347 units in Employee Engagement, holding other predictors constant. Conversely, the coefficient for Transactional Leadership style is negative (-0.165), indicating that for every one-unit increase in Transactional Leadership style, we expect a decrease of 0.165 units in Employee Engagement, holding other predictors constant.

### 5.3.Recommendations

Based on the above findings the researcher will suggest the following recommendations for the Ethiopian banking industry.

- ❖ Promote Transformational Leadership:

Ethiopian banks should encourage the adoption of transformational leadership practices among their managers and leaders. This leadership style has shown a significant positive impact on employee engagement, which can lead to improved organizational performance and employee satisfaction.

- ❖ Further Research on Transactional and Laissez-faire Leadership:

While transactional and laissez-faire leadership styles did not show significant effects on employee engagement in this study, further research could explore their potential impact in different organizational contexts or industries within Ethiopia.

- ❖ Training and Development Programs:

Organizations should invest in leadership training and development programs aimed at enhancing managers' skills in transformational leadership behaviors. This can include coaching, mentoring, and workshops focused on communication, empowerment, and vision setting.

- ❖ Employee Engagement Initiatives:

Implementing initiatives to improve employee engagement, such as regular feedback mechanisms, recognition programs, and opportunities for skill development and career advancement, can complement leadership efforts and create a more conducive work environment.

- ❖ Monitoring and Evaluation:

Regular monitoring and evaluation of leadership practices and their impact on employee engagement should be conducted to assess the effectiveness of implemented strategies. This will allow for adjustments and improvements over time to ensure sustained employee satisfaction and organizational success.

In conclusion, fostering a culture of effective leadership, particularly transformational leadership, can contribute significantly to enhancing employee engagement and overall organizational performance in Ethiopian banks. Continuous efforts to understand and address the dynamics between leadership styles and employee engagement are essential for long-term success and sustainability.

#### **5.4.Limitation and future research direction**

The results of this study as a whole can provide guidance and recommendations for further investigation and scholarly endeavors aimed at providing answers for the community. As a result, scholars should consider the following recommendations. First off, the study only identified three types of leadership: transformational, transactional, and laissez-faire. Autocratic, authoritative, and delegative leadership styles are not acknowledged or included in the analysis. Therefore, it would be advantageous for studies in the future to take these factors into account more in order to understand how employees perceive their level of engagement.

Second, the study employed a time-bounded approach (cross-sectional research design) to examine employee behavior at a specific moment in time. As a result, it is insufficient to draw conclusions about the overall conduct of employees. Therefore, it would be preferable for future research to use a longitudinal research design, which is crucial for understanding employee perception by obtaining data at various points in time and drawing insightful conclusions. Finally, due to financial and geographical constraints, this study only evaluates private commercial banks; as a result, I recommended that other researchers evaluate government-owned banks.

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## Appendix

### Appendix 1:- Questionnaire

The purpose of this questionnaire is to collect data for my EMBA Project proposal entitled “The Effects of Leadership styles on Employees’ Engagement: A Case of Selected Private Banks”

Dear respondents,

My name is MintesnotBeyene I am a graduate student at Addis Ababa University, colleague of Business and Economics. This questionnaire is prepared to assess The **Effects of Leadership styles on Employees’ Engagement: A Case of Selected Private Banks** (Abyssinia, Hibret and Addis international bank) in their day-to-day activities to bring about better change in the future. Thus, you are kindly asked to give me your indisputable response to the following questions. The information you provide will be confidential and will be used for the study purpose only.

Thank you for your collaboration!

#### *Section I Demographic Information*

Please kindly answer by putting a tick mark “√” to the following questions of your response in the box provided for each item.

1. Age:

- |                                       |                                |
|---------------------------------------|--------------------------------|
| <input type="checkbox"/> 18-25        | <input type="checkbox"/> 26-35 |
| <input type="checkbox"/> 46-55        | <input type="checkbox"/> 36-45 |
| <input type="checkbox"/> 56 and above |                                |

2. Gender:

- |                               |                                 |
|-------------------------------|---------------------------------|
| <input type="checkbox"/> Male | <input type="checkbox"/> Female |
|-------------------------------|---------------------------------|

3. Years of experience in the banking sector:

Less than 1 year

1-5 years

6-10 years

More than 10 years

4. Position/Job Title:

Entry-level staff

Mid-level manager

Senior manager

Executive

### **Section Two: Questions Leadership styles**

This questionnaire provides a description of your manager's/supervisors' leadership style. To judge how frequently each statement fits with him/her.

Put tick (✓) mark by each statement that best represents the extent to which you demonstrate the given behaviors using the scale given below. Read through the entire list to get a feel for how to rate each statement before you start. Note: no right or wrong answers, and your honest opinion is every valuable to the success of this study. All your responses will be kept confidential.

If an item is unfamiliar or if you are unsure or do not know the answer, leave the answer blank.

Please rate your responses as follows:

**1=strongly disagree 2=Disagree 3=Neutral 4=Agree 5=strongly agree**

| No. | Transformational Leadership                                                           | Scales |   |   |   |   |
|-----|---------------------------------------------------------------------------------------|--------|---|---|---|---|
|     |                                                                                       | 1      | 2 | 3 | 4 | 5 |
| 1   | My leader is approachable and friendly.                                               |        |   |   |   |   |
| 2   | My manager maintains a friendly working relationship with subordinates                |        |   |   |   |   |
| 3   | My manager does little things that make it pleasant to be a member of the group.      |        |   |   |   |   |
| 4   | All team members are given opportunities to attend relevant trainings and conferences |        |   |   |   |   |
| 5   | My leader spends time teaching and coaching.                                          |        |   |   |   |   |
| 6   | Our leader puts suggestions made by us into actions.                                  |        |   |   |   |   |
| 7   | My leader assigns me to particular tasks.                                             |        |   |   |   |   |
| 8   | My manager listens receptively to subordinates' ideas and suggestions.                |        |   |   |   |   |

| No. | Transactional Leadership                                                                 | Scales |   |   |   |   |
|-----|------------------------------------------------------------------------------------------|--------|---|---|---|---|
|     |                                                                                          | 1      | 2 | 3 | 4 | 5 |
| 1   | My leader maintains definite standards of performance.                                   |        |   |   |   |   |
| 2   | My leader makes clear what one can expect to receive when performance goals are achieved |        |   |   |   |   |
| 3   | My leader is effective in meeting organizational requirements                            |        |   |   |   |   |
| 4   | Provides me with assistance in exchange for my efforts                                   |        |   |   |   |   |
| 5   | Concentrates his/her full attention on dealing with mistakes, complaints, and failures.  |        |   |   |   |   |
| 6   | Makes clear what one can expect to receive when performance goals are achieved           |        |   |   |   |   |
| 7   | Expresses satisfaction when I meet expectations                                          |        |   |   |   |   |

| No. | Laissez-fair Leadership                                                                 | Scales |   |   |   |   |
|-----|-----------------------------------------------------------------------------------------|--------|---|---|---|---|
|     |                                                                                         | 1      | 2 | 3 | 4 | 5 |
| 1   | My leader is lacking of control directing, which he/she not explains the actions to us. |        |   |   |   |   |
| 2   | My leader refuses to explain his/her actions.                                           |        |   |   |   |   |
| 3   | My leader avoid him/her from goal setting and decision making.                          |        |   |   |   |   |
| 4   | My leader delay responding to urgent questions.                                         |        |   |   |   |   |
| 5   | My leader avoid him/herself from getting involved when important issues arise.          |        |   |   |   |   |
| 6   | My leader waits for things to go wrong before taking action.                            |        |   |   |   |   |
| 7   | My leader waits for things to go wrong before taking action                             |        |   |   |   |   |