

**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE**



**THE EFFECT OF LEADERSHIP STYLE ON EMPLOYEE WORK ENGAGEMENT:
THE CASE OF BERHAN BANK SHARE COMPANY**

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DECLARATION

I, the undersigned, declare that this thesis paper titled "The Effect of Leadership Style on Employee Work Engagement: The Case of Berhan Bank S.C." is my original work, prepared under the supervision of my advisor Dr. Zegeye Muluye. To the best of my knowledge, all sources of resources used for the thesis have been properly acknowledged. I further confirm that the thesis has not been submitted in part or in full to any other higher learning institution for the intention of receiving a degree.

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CERTIFICATION

This is to certify that the thesis prepared by Yoseph Kibret, entitled, “The Effect of Leadership style on Employee Work Engagement: The Case of Berhan Bank S.C.” is submitted in partial fulfillment of the requirement for the degree of Masters of Arts in Business Leadership complies with regulation of the University and meets the accepted standard with respect to originality and quality.

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Acronyms

ANOVA	Analysis of Variance
ATM	Automatic Teller Machine
CR	Contingent Reward
EE	Employee Engagement
HR	Human Resource
II	Idealized Influence
IC	Individual Consideration
IM	Inspirational Motivation
IS	Intellectual Stimulations
MBEA	Management by Exceptions Active
MBEP	Management by Exception Passive
MLQ	Multifactor-Leadership-Questionary
POS	Point of sale
SPSS	Statistical Package for Social Science
UWES	Utrecht-Work -Engagement-Scale

Abstract

The primary goal of this study was to investigate the impact of leadership style on employee engagement in the case of Berhan Bank S.c. in Addis Abeba. Explanatory research design and quantitative research approach was employed to assess the relationship between employee engagement, transformational-leadership-style and transactional-leadership style of the research study. Sample size of 289 employees was selected using purposive sampling from 1053 target population. Primary data was collected from the clerical employees of Berhan Bank working at the head office and branches in Addis Ababa. The raw data was analyzed with descriptive and inferential statistical tools using SPSS. The finding of the study revealed that both types of leadership-styles Transformational and Transactional considered in this study are practiced in Berhan Bank in mixed way but at different level. The descriptive analysis indicated that transformational leadership style slightly more experienced than transactional leadership style as perceived by the employees. The results of correlation and regression analysis have shown that transformational leadership style and transactional leadership style positively affect employee engagement in Berhan Bank with slightly different degree of significance. The overall engagement level of employees at Berhan Bank is a little bit more than the average. So based on the research finding Berhan Bank was recommended to promote the application of transformational leadership style for its Leaders, Managers and Supervisors to enhance the current engagement level of its employees.

KeyWords: *Leadership Style, Transformational Leadership Style, Transactional Leadership Style, Berhan Bank and Employee Engagement.*

CHAPTER ONE

1.1. Chapter Overview

This chapter deals about background of the study; statement of the problem; objectives of the study; significance of the study; scope of the study; limitations of the study; operational definition of key terms, and organization of the study.

1.2. Background of the Study

The Current organizational leaders understand the requirements of the world economic situations to be competitive and sustainable in the market by dynamically observe and act timely towards eco system need. Different study found that the major causes of the decline in service and productivity triggered by poor employee engagement in all kinds of the Organizations. This poor engagement of the employee brings the organization leaders to provide the necessary attention on the relationship of productivity with employee engagement levels. The development of organizations and favorable employee performance bases on effective leadership. Engaged employees are devoted to their work environment and emotionally attached to it. The Most Productive and functional organization include those with employees who engage Physically, cognitive and emotionally in their work. (Storm, Sears & Kelly 2014)

So, organizations should foster a working environment that is suitable for their employees where they can feel contribute to the overall success of the organization as a one big family where they can also pursue their personal development ambitions. Bakker and Demerouti (2008) report that “non-engaged workers perform less than engaged workers; because they usually familiar with positive emotions, which also include joy, happiness and enthusiasm; experience better health; create their own work and personal resources; and transfer their commitment and motivation to others" (p. 215). Whereas in an organization without work environment for employee

engagement; turnover will increase, efficiency declines which in turn results in low customer loyalty due to poor service quality and which cumulatively leads to decreased stakeholder value. Employee who is engaged not only stays in the organization, but also shows higher levels of discretionary effort, increasing both overall individual and collective performance (Harter, Schmidt & Keyes, 2003).

Though there are many causes that may contribute to engagement in an organization; leader-employee relationship is the main foundation for creating engaged employees in a work environment. Employee-Engagement should be an important concern for managers & leaders in organizations across the globe as they recognize that it is a vital element affecting organizational competitiveness, innovation & effectiveness (Welch, 2011). Leaders play a significant role for creating the right working condition for employees to become more engaged (Kahn, 1990).

The Bank Organized with different hierarchy of leadership, Executive Management (Chiefs Vice Presidents, and Directors), Middle level Management (Division Manger and Branch Managers, Supervisors (Assitant Mangers and Accountant) and Staff (Officers)

In relation to the above concept, therefore, this study is carried out to investigate what leadership style is more effective to engage employees in Berhan-Bank S.C. The interactive nature of the research with links leaders to employees intends to discover and ascertain empirically leadership styles that increases or decreases commitment level of employees to firms.

1.3. Background of the Organization

The establishment of the Berhan Bank S.C dates back in 2009. It is legally established in accordance with Article 304 of the Commercial Code of Ethiopia as a private share company to provide banking service in Ethiopia and licensed by National bank on 27 June 2009 with an authorized capital of Birr 300 million and a Paid-Up Capital of Birr 95.7 million. Berhan Bank S.C started operation on October 30, 2009 by opening its first branch in Addis Ababa near Bole International Airport as ‘Berhan International Bank- Bole Branch’.

With a branch network more than 298 as of March /2022, headquartered in Bole, Addis Ababa today, the Bank operate in virtually all regional cities of Ethiopia and in their respective towns. Thanks to the dedication of the Bank esteemed customers and over 5,500 employees, the Bank serve more than half a million customers across the nation.

The Bank's capital base has also kept on showing a steady growth. At the end of June 30th 2021, its paid-up capital reached Birr 2.9 billion. Moreover, the number of shareholders has also significantly increased to over 16,000 making Berhan Bank among the leading private commercial bank with such massive public base.

The Bank with goal to make banking stress free and efficient, it kept on investing in technology and innovations that enable the Bank customers to reach their goals as in saving, investment, business or efficient transaction. In addition to serving the customers at the Bank networked branches, it offers electronic banking services such as Debit Cards allowing customers to access their accounts at any ATM machine nationwide, introduce Mobile and Internet Banking, mobile banking, school pay and Tele Birr services. In addition, the Bank also provides digital flight ticket booking and payment processing service.

The Bank is using Rubikon core banking solution and provide one window service payment card service is being given via ATMs and POS placed at some branches, different merchant sights and institutions.

Beyond local banking services, the Bank have also partnered with international money transfer companies such as Western Union, Money Gram, Ria, Dahabshiil, Trans-Fast, Xpress Money and World Remit.

1.4. Statement of the Problem

According to Arnold (2011) The major attributes of engaged employee are enthusiastic in their work, full of energy and focused in their work activities. Staff who are engaged in their duty are have no intention to detach their job and have overwhelmed with their task, perform best, has a positive emotion and high energy towards their job. However disengaged employees can be the

source of decline productivity and inversely impact the financial performance. According to the International Journal of Business and Management (2014) the result of failing to provide necessary attention to the engagement level of employees is costly to company and can be showed up in the form employee turnover, absenteeism, decline productivity, low employee morale and alarming dips in performance levels.

Former studies on this subject have been undertaken in many parts of the world. For example, Mutunga (2009) discovered in her study on the level of employee engagement that compensation and benefits are not effective drivers of employee engagement on their own. As a result, she came to the conclusion that employee engagement is dependent on corporate leadership. Mwangi (2011) found a substantial association between employee engagement and career engagement in a similar study at a public university on the use of transformational leadership style. According to (Bushra, 2011), transformational leadership has a large positive effect on overall employee engagement. By adopting a transformational leadership style, leaders can obtain more pleased employees who will perform better, leading enterprises to success.

As indicated above, effective leadership leads to determining the relevance of their respective relationship with employee engagement of employees working in various industries and companies, but the outcomes of those studies were conflicting. Ayree and Walumbwa (2012) explored leadership as a critical component in improving employee engagement, however there is still a vacuum in understanding which leadership styles influence employee engagement. According to Alem Teshome (2019), transformational leadership has a significant beneficial effect on employee engagement subscales. On the other way, transactional leadership had an adverse effect on the employment engagement subscales. In contrast, Sofiya Abubeker (2021) discovered in her study on Sheger Mass Transportation that both Transformational and Transactional Leadership are favorable predictors and the best style of boosting involvement.

In this regard, as far as the Berhan Bank SC. is concerned, the general decline of the gross profit in the year 2020/21, the decline in customer service quality, increasing the employee turnover and gradual decline in shareholder value of the bank under study which was observed from the bank's subsequent management annual reports, In the year 2022, Berhan Bank Crafted a five-year strategic plan, It has been made a change on the existing organizational change and key

leadership team. In addition, the Bank has been also introduced a new performance management system. As result each work units are expected to report quarterly using the score card. Also, as part of the strategic implementation different leadership practice executed to improve the employee engagement, even if the financial performance of the Bank for the year 2022 is improved, no research has been conducted concerning the effects of leadership styles on employee engagement in the Bank. Due to this research gap and insufficient information, this study tried to determine the significance of relationship transformational and transactional leadership styles with employee engagement in Berhan Bank and shows the leadership styles which frequently being exercised as perceived by the employee Thus, need for this research study to be carried out.

This study aims to bring the attention of leaders and researchers to the significance of the relationship between leadership styles and employee engagement inside the Bank by highlighting the effects of leadership styles on employee engagement. As a result, it contributes significantly to the growing body of research and knowledge in this field of study in the Banking business.

1.5. Basic Research Questions

The research questions of this study are: -

- 1.5.1 What is the current practice of Leadership Style in the Case of Berhan Bank Share Company?
- 1.5.2 What is the level of Employee Work Engagement in the Case of Berhan Bank Share Company?
- 1.5.3 What is the relationship between Leadership Style on Employee Work Engagement in the Case of Berhan Bank Share Company?
- 1.5.4 What is the Effect of Leadership Style on Employee Work Engagement in the Case of Berhan Bank Share Company?

1.6. Research Objectives

1.6.1 General Objective of the Study

The primary goal of this research is to investigate the impact of leadership style on employee engagement in the context of Berhan Bank Sc in Addis Ababa.

1.6.2 Specific Objectives of the Study

The Specific Objective of the Study were

- 1.6.2.1 To identify the current practice of Leadership Style in the Case of Berhan Bank Share Company?
- 1.6.2.2 To identify the level of Employee Work Engagement in the Case of Berhan Bank Share Company?
- 1.6.2.3 To identify the relationship between Leadership Style on Employee Work Engagement in the Case of Berhan Bank Share Company?
- 1.6.2.4 To investigate the impact of two leadership styles (Transformational vs Transactional) on employee work engagement at Berhan Bank Sc in Addis Ababa.

1.7. Significance of the Study

The purpose of this study is to evaluate the impact of leadership styles on employee work engagement among Berhan Bank Sc. workers in Addis Ababa. The result of this research is to provide more insight for Berhan Bank leaders in order for them to practice the best leadership style; to strengthen their relationship with their followers; and to rise employees' work engagement and overall organizational service quality..

It can also be used as reference for managers and leaders within the banking industry to recognize and acknowledge that the leadership style demonstrated towards employees can positively and negatively affect the levels of employee engagement and how their employees approach their work. Furthermore, it can also serve as reference for future research studies in the field of leadership and employee engagement.

1.8. Scope of the Study

The focus of this study is to evaluate the impact of leadership styles on employee work engagement at Berhan Bank S.C. without taking into account any potential aspects or variables that may influence employee engagement in the study organization. The study focused on leadership style, especially transformational and transactional leadership styles, as the elements that might affect employee work engagement.

The study's methodological scope is exclusively quantitative, with a questionnaire containing closed-ended questions serving as the major source of primary data collection. The study focuses mostly on professional bank personnel in Addis Ababa.

Geographically the scope of the study is surrounded to on the group of respondents from Branch and Head office level employees in Addis Ababa.

The timeline scope the study was

1.9. Limitation of the Study

The First limitation of the research study is that the researcher has assessed only the effect of two kinds of leadership-styles on employee-engagement at Berhan Bank Sc. which are transformational and transactional Leadership style. The Second limitation of the research study is geographical limitation existed within this study, as the sample selected for this single case study was restricted to Addis Ababa.

1.10. Operational Definition of Basic Terms

1.10.1 Employee engagement: Employee engagement occurs when an employee emotionally commits to the success of an organization (Nasomboon, 2014).

1.10.2 Leadership: Leadership refers to the ability of an individual to affect the motivation or competence of other individuals in a group to achieve common goals (Carasco-Saul, Kim, & Kim, 2015).

1.10.3 Transactional leadership: Transactional leadership involves influencing followers to achieve organization goals by reward or punishment depending on employees' behavior (Sajjadi, 2014).

1.10.4 Transformational leader: A transformational leader refers to an individual who (a) inspires creativity, (b) through the leader's influence raises the level of consciousness about the value of achievement and the methods needed to meet those achievements, (c) encourages support, (d) articulates a vision, (e) sets clear goals, (f) has high expectations, (g) encourages followers to look past their self-interests, and (h) encourages role model behavior (Bass, 1985; McCleskey, 2014). Leaders and their followers raise each other to higher levels of morality and motivation (Burns, 1978).

1.11. Organization of the Thesis

This study is organized in five chapters. Chapter one will try to introduce background of the study, problem statement, research questions, research objectives, significance of the study, scope and limitation of the study, and also definitions of basic terms. The second chapter presents the theoretical review of related topics, empirical review of literatures related to the topic and the conceptual framework which shows how the particular variables in the study connect with each other. Chapter three consists of research methodology and design that describes the type and design of the research; the target population and sampling techniques of the study; data collection instruments and procedures used to collect data and the methods of data analysis. The fourth chapter will contain data analysis, presentation and interpretation. Finally, the fifth chapter will discuss about summary of the findings, conclusion and recommendation.

CHAPTER TWO

LITERATURE REVIEW

2.1. Chapter Overview

This chapter of the study attempts to analyze the research topic's theoretical notions in terms of employee engagement, leadership styles, and the relationship between the two concepts. Furthermore, important linked literatures authored by various academics were read in order to expand the essential concepts of the research problem, and it also attempted to develop a conceptual framework that demonstrates the relationships between the variables of the study.

2.2. Theoretical Concepts

The literature on leadership indicates that ideas have been developed and updated over time, and that none of them are totally irrelevant (Gregory D., 2000). In roles requiring a high degree of accuracy, confidence, sensitivity, care, and technical competence, the style of leadership used may differ from that used in basic management-oriented portfolios, since one size does not fit all (Amabile, 2004).

2.2.1. Concepts of Leadership Style

According to Yuki (2010), leadership is assumed to be a process in which deliberate influence is applied over other individuals in order to guide, shape, and facilitate activities and relationships in a group or organization.

Leadership is the ability to persuade a group to work toward a common goal or vision. The source of this influence may be formal, comparable to that conferred by an association's directorial rank. But not all leaders are directors, nor for that matter, are all directors are leaders. Just because an association grants its directors certain formal privileges does not mean they are successfully leading (Robbins, 2013).

Organizational leaders are assigned to manage several obstacles arising from globalization, lucrative fermentation, unpredictable company demands, never-ending customer shifting requirements, and sophisticated technology influencing marketable assiduity (Masood, Dani, Burns, & Backhouse, 2006).

Organizations, according to (Robbins, 2015), bear excellent leadership and operation for maximum effectiveness. Leaders are demanded moment to challenge the current situations, induce unborn pretensions, and encourage organizational members to want to negotiate those fancies. We also bear directors to develop thorough strategies, make effective organizational structures, and oversee day- to- day operations.

2.2.2. Leadership Style

The relatively consistent pattern of behavior that identifies a leader' is defined as leadership style. (DuBrin, 2001). Organizations now require competent leaders who comprehend the complexity of a quickly changing global environment. Different leadership styles can have an impact on organizational effectiveness and performance. (Nahavandi, S. 2002).

According to Goh Yuan (2005), the leader's immediate and extended family, clan, and tribe all have a substantial influence on his or her leadership style. This study investigates the connections between organizational leadership and corporate ethics, thereby contributing to the improvement of organizational life, which may benefit both individuals of the organization and the larger community.

The new leadership model, according to Bass (1985), incorporates both transactional and transformational leadership theories. Yuki (2010) defines transformational and transactional leadership behaviors as two broad kinds of conduct, each with distinct subcategories. The taxonomy was discovered primarily through factor analysis of the Multifactor Leadership Questionnaire (MLQ), a behavior description questionnaire. According to Day (2012), the MLQ now measures nine leadership variables. The first five factors (Idealized influence attribute, idealized influence behaviors, inspirational motivation, intellectual stimulation, and individualized consideration) assess transformational leadership; the next three (Contingent

rewards, Management by exception (active), and Management by exception (passive) assess transactional leadership; and the final factor (Laissez-faire Leadership) addresses non-leadership.

However, in current versions of the theory, laissez-faire leadership is included as a third Meta category; it is best understood as the absence of effective leadership rather than as an example of transactional leadership (Yuki, 2010). According to the revised version of the theory (Avolio, 1999), this term is unsuitable because some crucial leadership behaviors are not included in the model, as mentioned in (Yuk 2010). As a result of these findings, this study is heavily reliant on the two specific Meta leadership traits. Furthermore, the majority of these research found support for the distinction between transformational and transactional leadership as broad Meta categories, but only after removing numerous weak items in several situations.

2.2.2.1 Transformational Leadership

Individual influence, spiritual encouragement, and intellectual stimulation are qualities of transformational leadership. They frequently consider individuals, create an open culture, trust their employees to develop internal vision, to achieve their goals, and maximize their employees' potential. Bass (1998)

According to Bass and Avolio, transformational leaders encourage followers to view problems from new perspectives, provided support and encouragement communicates a vision, stimulates emotion and identification. Transformational leaders are able to define and articulate a vision for their organizations and their leadership style can influence or transform individual level variables such as increasing motivation and organization level variables, such as mediating conflict among groups or teams. Transformational leadership behaviors are said to be influential in motivating employee change and transforming them to be more aware of task outcomes, activating their highest order needs and stretching them beyond their own self- interest for the benefit of the organization (Bass & Avolio, 1990; Bass & McMurrer 2007).

According to Jong and Hartog (2007); transformational leaders are able to stimulate followers to see problems in new ways and help them to develop their full potential and resulted in enhanced creativity of their followers. There are four characteristics under this leadership which are:

1. Idealized Influence (Attributed)

As noted by Bass (1998), transformational leaders shift goals (of followers) away from personal safety and security toward achievement, self-actualization, and the greater good. Followers idealize these leaders, who are role models and who provide them with a vision and purpose, seem powerful and confident, and consider the moral and ethical implications of their decisions. Theoretically, these leaders focus followers on the mission of the group by arousing their need for achievement, affiliation, or power motives. Attribution idealized influence refers to attributions of the leader made by followers as a result of how they perceive the leader.

2. Idealized Influence (Behavior)

It refers to certain behaviors of the leader that followers can immediately notice. Among the things the leader does to gain followers' respect is to prioritize their needs over his or her own. The leader shares risks with followers and acts in accordance with underlying ethics, principles, and values. Provides a vision and feeling of goal, instills pride, and earns respect and trust (Bass & Avolio, 1990).

3. Inspirational Motivation

According to (Bass & Avolio, 1990), inspirational motivation is leadership that inspires and motivates followers to achieve lofty pretensions that may have sounded impossible to reach. This element contributes emotional aspects to the impacting process, as opposed to the idealized chiasmatic effect. Inspirational motivation, as defined by (Yuki, 2010), entails expressing an encouraging vision and using symbols to concentrate subordinate effort. Individual and group spirit grows stronger as a result of this. There's a sense of anticipation and optimism. The leader inspires followers to imagine a charming unborn state that they can ultimately visualize for themselves. High prospects are communicated, symbols are used to concentrate on efforts, and essential pretensions are expressed in simple ways.

4. Intellectual Stimulation

According to Yuki(2010), is the gesture that raises followers' awareness of difficulties and leads them to perceive situations negatively. This is a cognitive and non-emotional component of transformational leadership that is distinct from the other transformative aspects. Leaders pray to the brains of their followers by instilling problem consciousness and problem solving, study and imagination, and beliefs and ideals. According to (Bass & Avolio, 1990), intellectual stimulation alters "followers' conceptualization, appreciation, and perceptiveness of the nature of the problems they face, and their at law results." Because individuals are involved in the problem-solving process, they are motivated and committed to attaining the goals at hand.

5. Individualized Consideration

According to Bass and Avolio (1990), a leader who uses individualized consideration gives socio-emotional support to followers and is concerned with growing and empowering followers to their highest level of implicit authority. In this situation, the leader provides followers with customized attention as well as experimental or mentorship exposure. This growth is achieved through guiding and counseling followers, keeping in touch with them on a regular basis, and assisting them in tone-appearance. Personalized consideration includes providing encouragement and guiding followers (Yuki, 2010).

2.2.2.2 Transactional Leadership

Bass claims that Transactional leadership focuses on the staff's initial and external demand, and the relationship between leaders and subordinates is based on the contract. They tend to achieve organizational objectives through peaceful job environment and task design; their primary goal is to preserve a stable firm.

In its purest form, transactional leadership is an exchange of valued effects between the leader and the follower in order to achieve an objective. It has always been considered as a mechanism of forcing workers to satisfy work requirements through price increases or corrections (Avery, 2004; Bass, 1985). In other words, if followers do commodity good, they are rewarded, and if they do commodity bad, they are penalized.

As a result, transactional leaders were linked, defined, and communicated what demanded to be done, as well as how the orders were to be carried out (Piccolo & Calquitt, 2006).

Transactional leadership, according to Bass (1990), is dependent on contingent reinforcement, either positive contingent reward or the more negative active or passive types of management by exception. Transactional leaders inspire followers through trading, such as doing tasks in exchange for prizes or preferences. Kahl et al discovered that transactional leadership increased group efficacy. According to Burns, transactional leaders are concerned with job completion and employee compliance, and they rely extensively on corporate rewards and penalties to influence employee performance.

Transactional leadership, also known as management leadership, focuses on the role of supervision, organization, and group performance; transactional leadership is a leadership style in which the leader encourages his followers' compliance through both rewards and penalties. (Bass 1990) defines Transactional Leadership as:

- A. **Contingent Reward:** Contracts for the exchange of incentives for effort, guarantees rewards for good performance, recognizes accomplishments, and these benefits are linked to the employee's performance. Employees' efforts are recognized by their wards.

- B. **Management-by-Exception (Active):** Monitors and looks for departures from norms and standards, and then takes corrective action. It takes note of any deviations from the norms and regulations, and if there are any, it takes corrective action. When there is a deviation from the rules and regulations, management but expectation occurs, and corrective actions are also implemented. The leader allows followers to work on the mission and does not intervene unless goals are not met on time and at a reasonable cost. Transactional leadership refers to leaders or bosses who lead largely through social behavior exchanges for maximum benefit at the lowest possible expense.

C. Management-By-Exception (Passive): Intervenes only if standards are not met; this implies that the relationship under this leadership style is based on transaction between the leaders and followers are reward punishments, reciprocity, exchanges (economic, emotional, and physical) and also following the rule and regulation that were imply that the leaders are inflexible. That means focuses on the accomplishment of tasks & good worker relationships in exchange for desirable rewards.

2.2.3 Employee Engagement

Scholars defined the term engagement in many ways (Harrell-Cook, Levitt, & Grimm, 2017). Kahn (1990) considered personal engagement to exist when individuals employ and express themselves emotionally, cognitively, and physically when doing a task, and that personal engagement was the harnessing of organization members' selves to their assigned tasks. Kahn therefore viewed engagement (or disengagement) as a response to work environments (Huertas-Valdivia et al., 2018). Cheema, Akram, and Javed (2015) considered employee engagement as harnessing employees in their work roles while allowing them to express themselves cognitively, emotionally, and physically.

Anitha(2014) described employee engagement as the level of involvement and commitment an employee displays toward an organization. Karumuri (2016) contended that the emotional and intellectual commitment an employee has toward the business, as well as the employee's willingness to do whatever is necessary to enhance organizational goals, drives employee engagement. Karumuri came to these conclusions based on a study conducted within the hotel sector in India.

Jha and Kumar (2016) noted many researchers agree that engagement can affect both nonfinancial performance and the financial performance of an organization. Each employee must contribute to the organization by (a) seeking to improve employee team building, (b) encouraging communication, and (c) assisting in creating an environment of cultural diversity, to improve the organization's engagement initiative (Nazir & Islam, 2017). Leaders, therefore, must work to motivate employees to develop attitudes and behaviors to enable them to engage (Eneh & Awara, 2016; Maghraoui & Zidai, 2016). Employee engagement is a new business idea that is crucial to business success.

(Saks & Gruman, 2014b). Gelderman, Semeijn, and Bruijn (2015) pointed out that employee engagement is important to achieving organizational goals, and researchers therefore took an interest in employee engagement to identify the elements that would encourage or discourage employee engagement. Bakker and Albrecht (2018) suggested that employee engagement maintained its popularity because it can predict organizational outcomes.

The lack of a single definition of employee engagement has created a fundamental challenge (Kassa & Raju, 2015). Bettis et al. (2014) examined the many definitions and concluded that the definition of employee engagement changed over time. Lu and Anderson-Cook (2015) stated that engaged employees work to fit their job role and to reach their potential, reinforcing the importance of deploying employee engagement strategies. Although there are differences, the basic components of employee engagement are the same.

2.2.3.1 Categories of Employee Engagement

Adkins (2015) proposed three categories of employee engagement. These are engaged, not engaged, and actively disengaged. Employee engagement occurs when employee individualism synchronizes with their work roles (Kahn, 1990). Kahn (1990) posited further that when employees engage at work, the employees express their individuality physically, cognitively, and emotionally. Thompson, Lemmon, and Walter (2015) added that engaged employees are enthusiastic about their work, make fewer mistakes and have a strong commitment to the organization.

Thompson et al. (2015) articulated further that high levels of organizational engagement positively affect sustainability, competitiveness, and the community in general. Thompson et al. reached their conclusions from conducting a study, in which they drew on several previous studies on engaged employees. The goal of the study was to (a) provide a framework for understanding existing research on predictors of employee engagement, (b) expand that framework by including the concept of psychological capital, and (c) provide managers and leaders with a number of case studies that illustrate how to improve employee engagement.

Mann and Harter (2016) pointed out that researchers noted that unengaged employees represented more than 50% of the 150.6 million U.S. workforce in 2015 (Mann & Harter, 2016). Unengaged employees have an interest only in the specific tasks assigned and demonstrate limited commitment to the organization. Valentin et al. (2015) noted that organizations are less productive with unengaged employees. Although the effect on productivity is negative, unengaged employees do not present challenges to the organizations by spreading their negativity like disengaged employees do (Chaudhary et al., 2013). Engagement strategies are therefore important to organizations, because while unengaged employees are less destructive than disengaged employees, unengaged employees add little value to the organization since they lack commitment.

Chaudhary et al. (2013) conducted a study with 126 business executives from the private and public sectors. Private sector participation was from the manufacturing and service industries. The intention was for the authors to examine whether an engaged workforce could be distinguished from a disengaged workforce based on occupational self-efficacy. The findings confirmed the hypothesis that an engaged workforce functioned more productively than a disengaged workforce, as engaged employees had self-efficacy.

Based on the findings of a research study, Joyner (2015) pointed out that 90% of organizational leaders believed that employee engagement is important to their success. The majority of those leaders however, failed to understand or implement strategies to increase employee engagement (Joyner, 2015). Kumar and Pansari (2015) suggested that only when leaders understand fully the distinction between engagement and disengagement and the merits of having an engaged workforce will efforts to increase engagement really take place.

2.2.4 Leadership and Employee Engagement

Harter, Schmidt and Hayes found that employee engagement is significantly positively correlated with organizational performance. (James, Frank, & Emily, 2002) Therefore, how to make employees increase their engagement, that is, to find the antecedent variables affecting

engagement, has become the research focus. Leadership is an important situational variable in the employee's work situation, which will have a significant impact on the employee's psychology, attitudes, and behavior.

According to leadership contingency theory, there is no universally applicable leadership style (Fiedler, 1958), and the effectiveness of leadership style is inevitably affected by organizational contextual factors. Therefore, according to the theory of leadership change, it is necessary to match the leader's behavior with the situation to achieve leadership effectiveness. Researchers have noticed that different leadership styles have different strengths and weaknesses, and different leadership styles need to match different contexts. In one situation, one leader can be a successful leader, while in another context it cannot be.

Organizational culture, communication style, management styles, leadership styles, confidence, and respect factors all play a role in employee engagement. To build an engaging culture, the workplace must create an atmosphere that supports these factors. During this process, leadership culture creation and employee engagement activities are linked. Effective leadership has been described as a crucial precondition to strengthen the degree of employee engagement, according to Hockey and Ley, who also demonstrate a potential connection to organizational success (Zeberga, 2017).

In several researches, there are two conditions which projected employee engagement as having negative and positive association with the employees' perception of leadership styles in his or her immediate supervisors. When managers use classical or transactional leadership styles, employee engagement is viewed as subsuming negative employee outcomes. Employee involvement is thought to have a beneficial connection with employee perception when leaders adopt innovative and organic leadership. These disparities are the result of ingrained fears that conventional leadership models are only appropriate for some ages and generations.

Nevertheless, these employee characteristics seems to moderate the connection between perceived leadership styles and employee engagement in several ways. Regarding need for achievement, when the employees' score on this variable is higher, the stronger the positive association is between perceived visionary or organic leadership styles and employee

engagement and the weaker the negative association is between employee engagement and classical or transactional leadership. By contrast, the higher equity sensitivity, the positive association between visionary or organic leadership and employee engagement tends to get weaker and the negative association between perceived classical or transactional leadership styles and employee engagement turns to get stronger. Finally, the higher employees' need for clarity is, the negative association found between perceptions of classical or transactional leadership and employee engagement tends to become weaker, whereas where employees' need for clarity is high, the positive association between visionary or organic leadership styles and employee engagement is weakened. As a result, while new research on employee engagement is growing, and a variety of other models point to leadership as a significant factor in the growth of employee engagement, there is still a gap in understanding what leadership behaviors can influence engagement-encouraging cultures, as well as the mechanisms through which leader behaviors contribute to higher levels of engagement (Ahmad, Jamilah, & Jeffrey, 2013).

Employee Engagement is a measurable degree of an employee's positive or negative emotional attachment to his job, colleagues and institution which profoundly influence willingness to learn and perform at work. Leaders also act as catalyst in pushing the employee in organizational activities through meetings, allocation of responsibilities etc. The leader's role is important not only in giving direction but also for inspiring the employees to share responsibilities through shared vision (Navneet, Rajkumar, & Pankaj, 2019).

2.3. Empirical (Previous) Studies

Many research has been undertaken by various scholars to investigate the impact of leadership styles on employee engagement, and a review of these empirical studies is offered in this section as follows:

In their research entitled "Leadership and Employee Engagement in Organizations: an analysis on correlation"; Kamil & Ahmet, (2017) have concluded that there is a close and positive correlation between effective leadership and employee engagement. Their survey results showed that; the more efficient the leadership, the higher the employee engagement. They further explained that leaders in an organization are in a position where they have high potential to affect the drivers of the employee's engagement, thus the engagement itself by their attitude.

Sapna and Irfan, (2016) with their article title “Drivers of Employee-Engagement: The Role of Leadership Style”, they have come up with evidences that show positive association between transformational leadership-style & employee-engagement. This style stimulates, motivates and inspires subordinates to work for the achievement of company goals. Moreover, the leaders are in the position to draw out the best in the employees by clearly expressing confidence in their skills and abilities. They have also revealed that transactional leadership-style also has a positive correlation with employee-engagement and practicing the style leaders motivate employees by appreciating and rewarding their employees against their task accomplishment. As evidenced in their research, subordinates can get engaged in the presence of practicing transformational and transactional leadership-styles. Leaders must be able to determine the style that is most effective in a given situation and meets employee expectations so that they can be engaged to improving performance.

As the research model of Anouk D. and Wilmar S. (2019) implied; leaders can affect employee work engagement in many ways. First, engagement can be increased indirectly through changing work demands and work resources as well as through enhancing employees’ need of psychological satisfaction. This can be achieved by devising interventions targeted at enhancing competitiveness, autonomy, and relatedness. Secondly, leaders may want to increase their engagement level, because this will affect their leadership and employee engagement through emotional contagion, role-modeling, and social-exch. The study conducted by Ashebir E. (2020) with study title “The Role of Leadership-Style on Employee-Engagement: The Case of Commercial Bank of Ethiopia” has also concluded that transformational & transactional leadership-styles positively affect the engagement level of employees. However, laissez-faire leadership-style has negative effect on employee engagement.

In summary, the majority of the research analyzed showed that both transformational and transactional leadership styles have a good correlate with strong employee engagement, but the latter has a weaker correlation. Finally, autocratic leadership has been shown to have a negative association with employee engagement.

2.4. Conceptual Framework of the Study

The following conceptual framework was established based on the broad study of related literatures undertaken in this chapter. The model clearly shows that there are two independent factors, transformational and transactional leadership styles, as well as a dependent variable, Employee Engagement. These two leadership styles were chosen because of the various features that each leader possesses. This helps to understand what happens to employee engagement in an organization when a leader adopts such differentiated leadership behavior.

On the conceptual framework, each dimension for the study's dependent and independent variables is presented. Transformational leadership style has five dimensions: idealized influence (behavior), idealized influence (attributed), inspiring motivation, intellectual stimulation, and individualized consideration. Each of these styles is thought to be related to employee engagement in some way. Employee engagement is influenced by three characteristics of transactional leadership style. These are dependent rewards, active management by exception, and passive management by exception. Each of the three aspects is also thought to be in some way related to employee engagement.

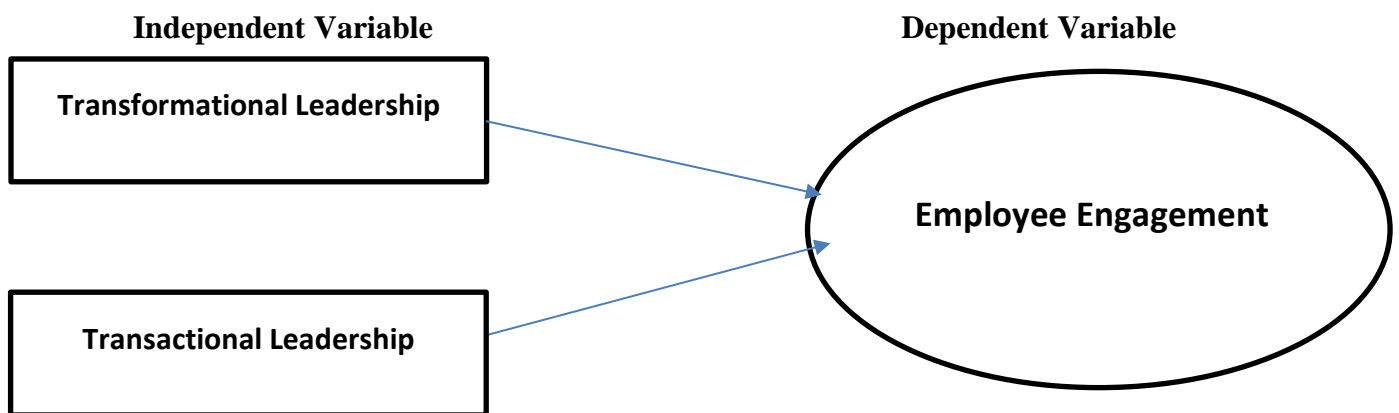


Figure 2.1 Conceptual Framework

Source: Developed by the researcher

2.5. Research Hypothesis

In order to answer the research questions; the researcher has developed the following hypothesis which are tested and answered up on data analysis using different statistical techniques.

H₀₁: Transformational leadership style has significant-relationship on employee-engagement at Berhan Bank S.C.

H₀₂: Transactional leadership style has significant-relationship on employee-engagement at Berhan Bank S.C.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Chapter Overview

This chapters deals with description of the study area, the research-design, approach and methodologies', target population, sample selection, data collection and analysis methods. Finally; it discusses the research instrument's reliability and validity issues before culminating the chapter with ethical consideration discussion.

3.2 Description of the study area

As per Berhan bank annual report for the fiscal year 2020/21, the bank stated that it has a total of 4 District Offices and around 231 branches all over Ethiopia. From the total districts, four are found in Addis Ababa and contain 180 branches under them. In addition, there are twenty-two Departments residing under Head Office. (<https://berhanbanksc.com/>)

Therefore, this research was conducted on professional employees of the Berhan bank found in selected branches under the four districts of Addis Ababa and Head Office where the effect of leadership styles on employee engagement examined.

3.3. Research Design

The study focus on describing the type of leadership style exercised in Berhan Bank Sc. In addition, transactional & transformational leadership styles are examined in relation to employees' engagement. Therefore, explanatory research design is used to examine the extent to which different leadership styles are demonstrated in the Bank and level of engagement exhibited & leadership styles is scrutinized for their relationship on followers' engagement respectively.

3.4. Research Approach

Quantitative research approach is employed to assess the relationship between dependent-variable (employee engagement) and independent-variables (transformational-leadership-style and transactional-leadership style) of the research study. Then the relationship between these variables is measured and analyzed using statistical procedures.

3.5. Population and Sampling Design

3.5.1. Total Population

As population is the broader group of people to whom we intend to generalize the results of our study, the total of population in this study will be employees working in Brahan Bank Share Company, in both head quarter and 128 branches of the company located at Addis Ababa. The total clerical employee is 1053 (one thousand fifty-three) employing 642 and 411 Clerical employees in its branches and headquarters, as of June 30, 2021. The target populations size is 1053 employees in Addis Ababa.

3.5.2. Sample Size Determination

Out of the total population of 1053, 289 sample sizes will be selected for the survey as per the sampling technique used by Israel (2013):

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

$$n = 1053 / (1 + 1053(0.05)^2) = 289$$

Where n = the sample size

N = size of population

e = the level of accuracy (e = 0.05)

3.5.3. Sampling Technique

The sampling technique used was Purposive sampling, sample respondent was selected from employees in branches and head office Addis Ababa based on availability and willing to respond the questionnaire.

3.6. Data Collection

3.6.1 Source of Data

Both primary & secondary source of data was used to conduct the study. Primary data was collected from the clerical employees of Berhan Bank working at the head office and Branches in Addis Ababa using standard questionnaires. Books, the bank's annual reports, different articles, literatures, publications and journals were also used as secondary data for the research study.

3.6.2 Data Collection Method

The data collection instrument will be questionnaire which is organized in the form of a five-point scale for Leadership styles and employee work engagement to investigate the impact of leadership styles on employee work engagement which is 1- strongly disagree to 5- strongly agree ranges.

The instruments which are used in this study is close-ended questionnaire which is adopted from previous studies (Bass & Avolio ,2000). The validity and reliability of Multifactor Leadership Questionnaire is proved by various researches and Bass himself has tested the questionnaire for its validity and reliability and proved it right (Munwar Hussain Pahi, Washeed Ali Umrani, Kamal Ab. Hamid, Umair Ahmed, 2016)

3.7. Data Analysis and Presentation Method

The primary data will be gathered from employees and will be analyzed using SPSS to conduct the descriptive, correlation and regression analysis. After collection of the raw data from the

respondents the data is organized and coded in a way that was suitable to feed the SPSS software. Descriptive and correlation analysis will be done to assess the relationships between independent variables and the dependent variable; which are leadership styles (transformational, transactional) and employee engagement respectively. Moreover, regression analysis will also be done to assess the predictive power of independent variables on the variability of dependent variable both collectively and individually. Not only was the effect will be analyzed in detail but also the significance of the impact will further be explained in detail.

3.8. Reliability and Validity of the Study Instrument

One of the important aspects of research methodology is to make sure that the research instrument (in this case, questionnaire) is accurate and consistent. The first aspect of the instrument; validity refers to its ability to explain how the actual area of the survey is well covered by the collected data (Ghuri and Gronhaug, 2005). In other words, validity is all about the instrument's potential to predict or measure what is intended to be measured. Predictive validity, content validity and construct validity are three main types of validity which should be tested before using a particular research instrument. The research study adopted Multifactor-Leadership-Questionnaire (MLQ) formulated by Avolio and Bass (1995) for measuring leadership styles, the independent variables. Likewise, Employee Engagement level, the dependent variable was assessed using Utrecht-Work-Engagement-Scale (UWES) Questionnaire. But to ensure the validity of the instrument the researcher has pilot tested the questionnaires with 12 respondents and found the questions are clear and unambiguous before they are used for the main survey.

Reliability in turn pertains to the extent to that a measurement of a phenomenon provides stable and consistent result (Carmines and Zeller, 1979). If the elements of the scale are combined and measure the same structure, the scale has a high degree of internal consistency (Huck 2007, Robinson, 2009). The most widely and commonly used to measure reliability is Cronbach's Alpha-Coefficient. When Likert Scales are used; Cronbach's Alpha-Coefficient is considered as the most appropriate and applicable measure of reliability (Whitley, 2002, Robinson, 2009). It is measured on scale from 0.0 to 1.0 but most scholars agree that the minimum threshold for reliable internal consistency coefficient for test scales should be 0.70.

Accordingly, the reliability of the questionnaires was tested using Cronbach's-Alpha-Coefficient and the following results have been produced for both dependent and independent variables.

Table 3.1 Cronbach's Alpha Coefficients (Reliability Statistics)

Sr. No	Construct	Cronbach's Alpha	No. of Items
1	Transaction Leadership Style	0.919	12
2	Transformational Leadership Style	0.710	9
3	Employee Work Engagement	.927	17
Overall Reliability		0.906	43

3.9. Ethical Consideration

The researcher has got permission from Berhan Bank Share Company to conduct the study in advance. Besides, the researcher plans to inform the participants about the importance and purpose of the study, during data collection and the data interpretation process. So, the questionnaires will be completed namelessly by respondents and treats confidentially. This study is intended for academics purpose only and the researcher will not disclose any confidential information to other party.

CHAPTER FOUR

ANALYSIS, DISCUSSION AND INTERPRETATION

4.1 Chapter Overview

This chapter examines the effect of leadership style on employee engagement through study analysis, discussion, and interpretation. This chapter also uses descriptive statistical tools to discuss the respondents' perceptions of different leadership styles (transformational and transactional) and their interaction with employee engagement at Berhan Bank. Finally, the correlation analysis results and discussion, as well as multiple regression analysis and interpretation, are presented.

4.2 Response Rate of Respondents

Table 4.1. Respondents' response rate

<i>Questionnaires Distributed</i>	<i>Questionnaires Returned</i>	<i>Percentage</i>
289	250	86.5

Source: Own field survey, 2022

The response rate of the survey was 86.5%, 289 questionnaires were distributed to respondents and 250 were appropriately filled and returned with the rate of 86.5%. Since according to Ruta, (2017), response rate of 50% is satisfactory, 60% is good and 70% and above is excellent for a study. This implies that, the information gained were sufficient enough to conduct the analysis. Hence, based on this sample size, i.e.,250 (86.5%) the next analysis was carried out.

4.3 The Demographic Characteristics of Respondents

Table 4.2: Respondents Demographic Characteristics

No	Factors (Variables)	Categories/ Characteristics	Frequency	Percentage (%)
1	Sex	Male	134	53.6
		Female	116	46.4
2	Age	Below 25 Years	36	14.4
		26 years - 35 years	176	70.4
		36 years - 45 years	34	13.6
		Over 45 Years	4	1.6
3	Educational level	Diploma	8	3.2
		First Degree	180	72.0
		Second Degree	59	23.6
		Above Master Degree	3	1.2
4	Work experience	Below 2 years	36	14.4
		2 to 5 years	176	70.4
		6 to 10 years	34	13.6
		11 to 15 years	4	1.6
5		Total	250	100%

Source: Survey study (2022)

Demographic Data of the respondents in terms of age, gender, current educational status and their service year in Berhan Bank has been collected and described using frequencies and percentages as depicted above.

As we can see from the table 4.2; most of the respondents are in the age range of 26 to 35 years with 70.4% of all the respondents or 176 employees and second highest age range of respondent is below 25 years of age which comprises 14.4 % or 36 employees. The third highest number of respondents in terms of age group is from 36 to 45 years with 13.6% or 34 employees. The last small proportion of respondent in terms of age is over 46 years with 1.6 % or 4 employees. The above results indicate that, majority of the respondents age lies between 26 -35 which means most of the workers in the bank are at productive work age. But they are highly exposed to leave the bank and absenteeism at work place. According to Al-Kahtani (2012) analyzed on 1022 valid respondents results indicate age is positively related to organizational engagement and the older employees tend to be more engaged than the younger employees.

Most of the respondent are female with the number of 134 or 53.6% of the total sample under study whereas 46.4 % or 116 employees are male. This implies that both genders were involved fairly in the study and thus the finding of the study did not experience gender bias.

Majority of the proportion 72% or 180 employees in the study are BA/BSC degree level educated, 59 or 23.6% employee are MA/MSc degree holders and the remaining insignificant numbers 11 or 4.4% are Diploma or above Master level of educated. The result indicate that majority of the respondents can easily understand and fill out the questionnaires. The results also point out that the majority of the respondents have enough knowledge and skills to be engaged in their work environments.

The respondent years of the services in the case of Berhan Bank and it is found that 66.4% of the respondents or 166 employees have served the bank less than 5 years, 28.8% or 72 employees served the Bank 6 to 10 years and less than 5% of the employee under study served the Bank for more than 11 years. The results indicate that, the workers of the respondents have less work experience and year of service. As result, the bank might be loss the potential and qualified employees if they do not managed them properly. According to (Rabindarang , et al, 2014) Employees who have short period of service year seems mostly exposed to intention to leave and not emotionally attached with their Organization. Therefore, the bank is better to recruit and train new employee regularly.

4.4 The Current Practice of Leadership Style in the Case of Berhan Bank Share Company

The Mean and Standard deviation of respondents' responses to the two leadership styles (transformational and transactional leadership) on employee work engagement were examined using descriptive statistics.

4.4.1 Analysis of leadership Styles

In this study, the researcher analyzed two types of leadership styles to examine their impact on employee engagement at Berhan Bank Sc. The first leadership style evaluated was

transformational leadership, which was evaluated across four (4) dimensions: Idealized-Influence, Inspirational-Motivation, Intellectual-Stimulation, and Individual-Consideration, with three (3) question items for each dimension, for a total of twelve (12) items for transformational leadership. The second leadership style is transactional leadership, which has three (3) aspects (Contingent Reward, Management by Exceptions-Active, and Management by Exception Passive) and nine (9) things in total. For each issue, the 5 scales utilized in the question statements were as follows: 1-Strongly Disagree 2-Strongly Disagree, 3-Neutral, 4-Agree, and 5-Strongly Agree.

4.4.1.1 Transformational leadership Styles

Table 4.3: Analysis of Transformational Leadership style

Dimensions	N	Mean	Standard Deviation
Idealized Influence	250	3.803	0.876
Inspirational Motivation	250	3.752	0.886
Intellectual Stimulation	250	3.479	0.857
Individual Consideration	250	3.610	0.929
Valid N/Overall Average	250	3.661	0.754

Source: Field Study, 2022

As above illustrated in table 4.3; idealized influence has been the most perceived transformational leadership style dimension by the respondents with mean of 3.803 which was followed by inspirational motivation with mean value of 3.752. The third highly rated transformational leadership style dimension is individual consideration with mean value of 3.610 and the lastly rated dimension by the respondents is intellectual stimulation with mean value of 3.479. Transformational leadership style has scored overall average mean and standard deviation of 3.661 and 0.754 respectively which indicates that the employees have perceived that the application of transformational leadership style by their immediate supervisors in Berhan Bank is with more than average mean score. In case of the a five point Likert Scale; the mean score cut off point can be calculated as : $(\text{Maximum} - \text{minimum} / n)$ where maximum is highest score , 5 in our case , minimum is lowest score , 1 in our case and is the number of categories required (low

, Medium and high) ((<https://www.researchgate.net>). According the interval value is calculated score as $(5-1)/3=1.33$) so low score is $1+1.33=2.33$ or 1 to 2.339 are low mean scores. Medium score is $2.34+1.33 = 2.66$ or 2.34 to 3.669 are medium mean scores and high score is $3.67 +1.33=5$ or 3.67 are high mean scores. Hence transformational leadership style is being exhibited by supervisors at Berhan higher than average in the medium level range perceived by the respondents participated on the survey.

4.4.1.2 Transactional leadership Styles

Table 4.4: Analysis of Transactional Leadership style

Dimensions	N	Mean	Standard Deviation
Contingent Reward	250	3.696	1.074
Management by exception active	250	3.2333	0.985
Management by exception passive	250	2.9253	1.096
Valid N/Overall Average	250	3.283	0.731

The respondents' perception of transactional leadership under three dimensions is also presented in table 4.4 which reveals most of the respondents have replied that contingent reward is the mostly practiced transactional leadership style in Berhan Bank with mean value 3.7. The Second most common transactional leadership style in Berhan Bank is Management by exception - active, with a mean value of 3.23, while the least common transacting leadership style is Management by exception-passive, with a mean value of 2.93. Overall, the study of leadership styles shows that transformational leadership is more prevalent in BB than transactional leadership.

4.5 The Level of Employee Work Engagement in the Case of Berhan Bank Share Company

Table 4.5 Analysis of Employee Work Engagement

Sr.no	List of Question Statements	N	Mean	Standard Deviation
1	At my work I feel bursting with energy	250	3.63	1.042
2	At my job, I feel strong and vigorous	250	3.86	0.921

3	When I get up in the morning, I feel like going to work.	250	3.83	0.98
4	I can continue working for every long period at a time.	250	3.9	1.005
5	At my job, I am very resilient, mentally	250	3.87	2.736
6	At my work I always persevere even when things do not go well.	250	3.76	0.921
7	I find the work that I do full of meaning and purpose	250	3.99	1.579
8	I am enthusiastic about my job	250	3.88	0.987
9	My job inspires me	250	3.85	1.038
10	I am proud on the work that I do	250	3.93	1.019
11	To me , My job is challenging	250	3.12	1.26
12	Time flies when I ‘am working	250	4	3.393
13	When I am working, I forget everything else around me	250	3.43	1.194
14	I feel happy when I am working intensely	250	3.96	0.935
15	I am immersed in my work	250	3.66	0.982
16	I get carried away when I ‘ am working	250	3.64	1.037
17	It is difficult to detach myself from my Job	250	3.32	1.200
18	Valid N/Overall Average	250	3.744	0.741

Source: Own survey 2022.

There were seventeen (17) standard engagement rater question statements used to assess the respondents’ current engagement level in Berhan Bank and its results of descriptive statistics is presented in table 4.5 as under. The result reveals that the statement ‘Time flies when I am working’ has scored the highest mean of 4 out of seventeen (17) questions which shows the respondent are engaged with the work whereas the statement ‘To me, my job is challenging’ has scored the least mean value 3.12 which indicates that the respondents’ job is repetitive or more of routine that has low challenge.

4.6 Summary of Analysis Leadership Styles and Employee Work Engagement

Table 4.6 Summary of Analysis Leadership Styles and Employee Work Engagement

Variables	N	Mean	Standard Deviation
Transformational Leadership Style	250	3.661	0.754
Transactional Leadership Style	250	3.285	0.735
Employee Engagement	250	3.744	0.741

Source: Own Survey 2022

As the table 4.6 reveals that the respondents perceive that the transformational leadership style with men value 3.661 is more practiced than transactional leadership style with mean value 3.285 at Berhan Bank Sc. The mean value for the employee engagements is 3.744, the results indicates that the level of engagement of Berhan employees is moderate.

4.7 The Relationship Between Leadership Style on Employee Work Engagement in the Case of Berhan Bank Share Company

Table 4.7 Correlation of Between Leadership Style on Employee Work Engagement

		Correlations		
		Employee Engagement	Transformational Leadership Style	Transactional Leadership Style.
Employee Engagement	Pearson Correlation	1	0.442**	0.324**
	Sig. (2- tailed)		< 0.01	< 0.01
	Size (N)	250	250	250
Transformational Leadership Style	Pearson Correlation	0.442**	1	0.427**
	Sig. (2- tailed)	< 0.01		< 0.01
	Size (N)	250	250	250
Transactional Leadership Style.	Pearson Correlation	0.324**	0.427**	1
	Sig. (2-tailed)	< 0.01	< 0.01	
	Size (N)	250	250	250

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

The strength of relationship or correlation between independent variables and dependent variable along with the significance of the relationship of the variables is analyzed in this section. Pearson’s correlation can vary from a minimum negative value of -1.00 to a maximum value of positive 1.00. A value of -1.00 describes a perfect negative relationship while a value of 1.00 describes a perfect positive relationship. A value of 0.00 or close 0.00 may indicate either a curvilinear or no relationship in the case pf Person’s correlation. These values indicate both the direction and size of the relationship.

According to Cohen(1988) effect size standard , the correlation coefficient from 0.1 to 0.29 demonstrating a small amount of association , whereas ranging from 0.3 to 0.49 may be taken as moderate/medium degree of association where and ranging from 0.5 to 1. Considered as a high level of association. As we can observe from the table 4.7; there is moderate positive correlation

between transformational as well as transactional leadership style with employee engagement as evidenced by $R^2=0.442$ and 0.329 respectively. The results from the correlation analysis are summarized; transformational leadership style and transactional leadership have positive relationship with employee engagement at Berhan Bank as witnessed from table 4.7. Even if both are moderate positive relation the association between Transformational leadership is stronger than the transactional leadership style.

4.8 The Effect of Leadership Style on Employee Work Engagement in the Case of Berhan Bank Share Company

Multiple regression analysis was conducted to assess the impact of leadership -styles (transformational leadership style, transactional leadership style); which all two are independent variables, on the dependent variable; employee engagement. In other words, multiple regression analysis was run to estimate how much proportion of dependent variable variation can be predicted/explained by independent variables.

Before regression analysis is done it requires at least five assumptions should be fulfilled to use the analysis. Accordingly, the researcher has checked for those five assumptions before proceeding to the regression analysis.

1. Sample size Assumptions: - The Basic rule is if the two independent variables are being used to predict a dependent variable; there should be at least 20 cases for each independent variable which will become at least 40 cases. As the researcher has used 250 cases; the sample size assumptions are met.
2. Normality Test Assumption: - The second assumption is to check if the dependent variable is normally distributed. So, to test this assumption the researcher has used SPSS descriptive analysis and obtained the following output.

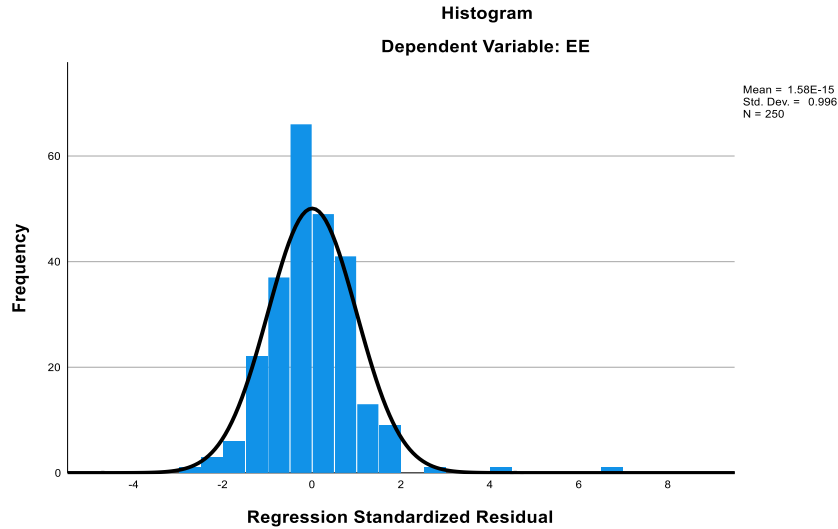


Fig. 4.1 Frequency Distribution of Standard Residual

3. Non-Multicollinearity Assumption: - One of the assumptions of the classical linear regression model (CLRM) is that there is no accurate linear relationship among the regressors. If there are one or more such relationships among the regressors we call it multi-collinearity, or collinearity, for short (Gujarati, 2011). Multi-collinearity can be tested either from correlation coefficient results or from the value of Tolerance and VIF (Variance Inflation Factor). As we can see from the below table the Tolerance value is 0.818 which is above the verge limit and the VIF value is also 1.223 which below the verge limit. Therefore, we can summarize that there is no co-linearity issue between independent variables.

Table 4.8 Collinearity Diagnostics

Independent Variable	Collinearity Tolerance	Statistic VIF
Transformational	0.818	1.223
Transactional	0.818	1.223

4. Linearity Assumption: - This assumption requires the linear relationship between dependent variable and independent variables. These assumptions can be checked from the regression analysis output as follows. As we can observe from the figure 4.2; the

relationship between dependent-variable and independent -variables is linear

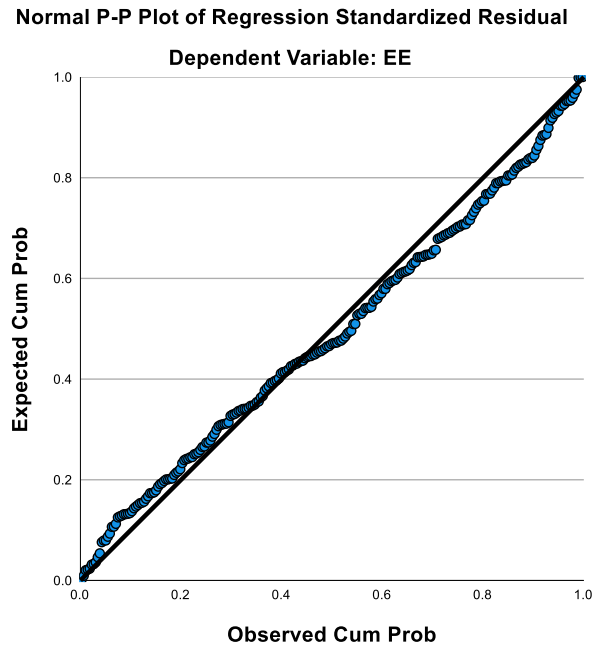


Fig. 4.2 Linearity test

5. Absence of Outliers Assumption: - There should not be outlier value in the to use the output of regression analysis. If any outlier data found it should be removed to use the regression analysis after removal of the outlier data. As we witness from 4.3; most of the observation there is no value that lies outside the value of 3 and -3 on both y and x- axis. But two outliers are observed in the figure which means that there is residual variables that should requires further investigation.

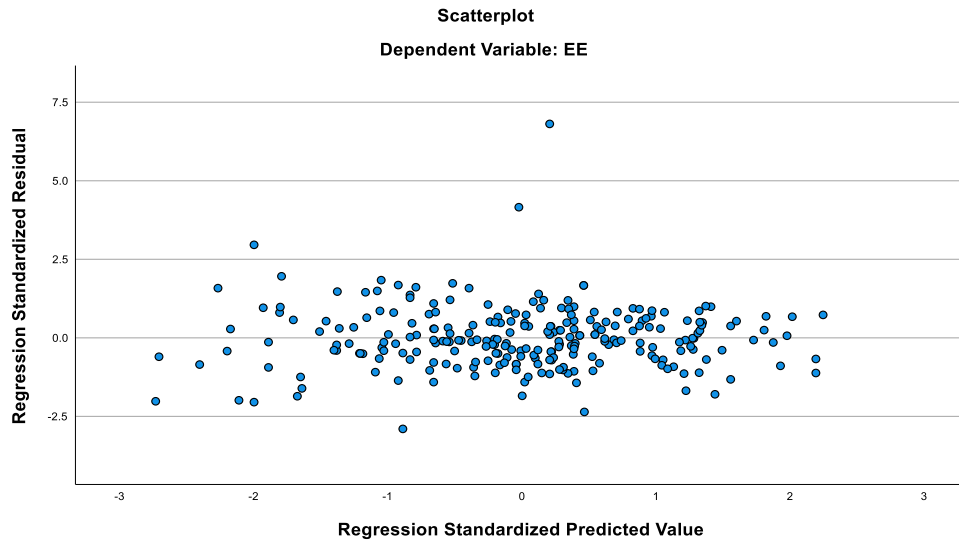


Fig. 4.3 No outlier assumption test

As per the tables 4.8, 4.10, and the figures. Presents the details and implications of the regression analysis run to assess the impact of independent variables on the dependent variable.

4.8.1 Model Summary

Table 4.9 Model Summary

Model	R=	R Square	Adjusted R Square	Std, Error of the Estimate
1	0.467a	0.218	0.211	0.6578

a. Predictor: (Constant), Transactional, Transformational

Source: Filed Study 2022.

As per the model summary in Table 4.9; the R Square (Square of Correlation Coefficient) which is 0.218, indicates that the independent variables (Transformational leadership Style, Transactional Leadership Style) explain 21.8% of the Variability in the dependent Variable Employee Engagement) which can also be considered as 79.2% of the variation in employee engagement is explained or predicted by factors outside or independent of the two leadership - styles. The result indicates that employee engagement is depend on other various factors such as job characteristics, reward and recognition, organization justice, perceived organizational support. Different research results also advised us the same results.

Employee engagement, according to Andrew, O.C., and Sofian, S. (2011), goes beyond other

constructs such as job satisfaction, organizational commitment, job involvement, and organizational citizenship behavior because it involves the active use of emotions, cognition, and behavior while focusing on interactions of employers and employees working in accordance with the organization's objectives and strategy.

Sendaye Kiros ,(2020) in his study found that job characteristics ,organizational justice , leadership style and perceived organizational support influence the level of employee engagement within the organization.

Therefore, we can learn from this model summery and the previous research finding, leadership style is not the only variable that can determine the employee engagement in the organization.

4.8.2 Analysis of Variance (ANOVA) or F-test

Table 4.10 Analysis of Variance (ANOVA^a)

Model		Sum of Squares	df	Mean Square	F	Sig,
1	Regression	29.732	2	14.866	34.353	<.001 ^b
	Residual	106.88	247	0.433		
	Total	136.62	249			

a: Dependent Variable: EE

b: Predictors Constant, Transactional Transformational

Source Field Study, 2022.

The ANOVA summary table indicates whether the regression model is a good fit for the data used by the researcher. So as shown in table 4.10; the independent -Variables (Transformational leadership -style and Transactional leadership style are statistically significant to predict the dependent variable (Employee Engagement) with p-value is less than .001 which is <0.05. So, the ANOVA table indicates that the model used is good fit to suggest that employee engagement can be significantly predicted from the scores of leadership styles.

4.8.3 Coefficients of Variables

Table 4.11 Coefficients of Variables

Coefficients ^a						
Model 1	Unstandardized Coefficients		Standardized Coefficients			Sig
	Variables	Beta	Std. Error	Beta	t	
	Constant	1.857	.235			
Transformational	.365	.061	.371		5.967	<.001
Transactional	.167	.063	.165		2.658	.008

a: Dependent Variable: Employee Engagement

Source Field Study, 2022.

Standardized regression coefficient (beta) Coefficient shows the strength of effect of each individual independent Variables (Transformational and Transactional) to the dependent variable (Employee Engagement). The regression coefficient results of the model showed that (see table 4.11), The Impact of leadership style both transformational and Transactional on employee engagement are positive. Which implies that if there is an increase in transformational leadership style, there will also be an increase in employee engagement level. In other words, the regression coefficient of 0.365 for Transformational Leadership Style indicates a percent/unit change Transformational Leadership Style will lead to 36% change in employee engagement. Similarly, the regression coefficient of 0.167 for Transactional Leadership Style indicates a percent/unit change Transactional Leadership Style will lead to almost 17% change in employee engagement By using the B Coefficients for all significant predictors, we can create a prediction equation to use for overall Employee Engagement.

$$\text{Employee Engagement} = 1.857 + 0.365 * \text{Transformational leadership style} + .167 * \text{Transaction Leadership Style} + e$$

4.9 Discussion

The regression results for transformational leadership reveal that it has a statistically significant and favorable effect on employee engagement, as shown in table 4.13. The unstandardized coefficient of transformational leadership is 0.365, implying that a percentage increase in transformational will boost employee engagement by 36.5% on average, and vice versa. As a result of the findings, it is possible to conclude that transformational leadership has an encouraging impact on employee engagement. This study supports Rigopoulou and amp; et al's

(2008) research, and the regression results show that transformational leadership has a positive and statistically significant effect on employee engagement.

The unstandardized coefficient of transactional leadership is 0.167, implying that a 1% increase in transactional leadership will improve employee engagement by 16.7% and vice versa. The findings suggest that transactional leadership can influence or determine employee engagement.

The primary goal of this research is to examine the impact of leadership style on employee engagement at Berhan International Bank. According to the data research, both transformational and transactional leadership styles have an impact on employee engagement.

The research hypothesis(H01) stated that transformational leadership style has significant relationship on employee’s engagement which was also confirmed by result of the current study. Thus, the study supports hypothesis 1 (H01). Similarly, hypothesis (H02) stated that transactional leadership style has significant relationship on employee’s engagement which was also confirmed by the result of this study.

4.10 Testing the Research Hypotheses

Table 4.12 Summary of Hypotheses

	Hypotheses	Analytical Model	Decision /Result
H₀₁	Transformational leadership style has significant-relationship on employee-engagement at Berhan Bank S.C.	Correlation Analysis	Accepted
H₀₂	Transactional leadership style has significant-relationship on employee-engagement at Berhan Bank S.C.	Correlation Analysis	Accepted

This section presents research hypotheses tests and the result of the test is presented in table 4.10 above.

CHAPTER FIVE

SUMMARY OF MAIN FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Chapter Overview

This Chapter deals with the findings of the research study, conclusions and recommendations given based on the draw conclusions. Furthermore, it includes some suggestions given by the researcher for further study on the subject matter.

5.2. Summary of Major Findings of the Study

The finding with regard to identifying the dominant leadership style being exhibited by supervisors in Berhan Bank out of the two kinds of leadership -style selected for the study reveals that both leadership styles are practiced but the degree of recurrence is slightly different as perceived by the respondents. As per the results of descriptive analysis; transformational leadership style is slightly dominant leadership style practiced with mean value of 3.661, 3.283 which is greater than the average. Transactional leadership style was perceived equally practiced in Berhan Bank with mean value of 3.283 still above average. So, both leadership style is mostly practiced in Berhan Bank. The engagement level of employees was also perceived as good with mean value of 3.744.

As per the correlation analysis conducted using Parsons's Correlation Coefficient to assess the degree of the strength of relationship between dependent-variable (employee engagement) and independent-variables (Transformational leadership style, and Transactional Leadership style) have positive correlation with ($r=.442$ $r=.324$, $P<0.001$) in Berhan Bank respectively.

Multiple regression analysis was also done to investigate the predictability effect of the independent variables on the dependent variable. Accordingly, the first assessment done was to reveal the cumulative predictive power of the independent variables on the dependent variable and it is found that transformational and transactional leadership style can explain 21.8% of the variability in employee engagement (dependent variable) in Berhan Bank without considering other factors that might affect engagement.

ANOVA (Analysis of Variance); one of the outputs of the regression analysis, has also revealed that the two independent variables are statistically significant to predict the dependent variable (employee engagement) with $P=0.001$ which is less than the threshold significance value .05 at 95% Confidence level. This also indicates that the model is a good fit to suggest that employee engagement can be significantly predicted from the score of leadership styles.

The Multiple regression coefficients analysis which was produced to test the independent variables' individual contribution to the variability of the dependent variable. Accordingly, it was shown that the transformational leadership style can positively predict employee engagement variation with individual prediction power of 36%, similarly, Transactional leadership style has weak positive prediction power of 16.2% of variation of in employee engagement.

Finally, the formulated both hypothesis H01: Transformational Leadership has significance effect on employee engagement at Berhan Bank; H02: Transactional leadership has significant impact on employee engagement tested with correlational analysis and both Hypothesis accepted.

That is, there's a considerable positive association between Transformational and Transactional leadership styles and employee engagement. That is, there's a significant positive relationship between Transformational, Transactional, and Employee Work Engagement

5.3. Conclusions

From the finding and results of the study conducted it can be concluded that both types of leadership -styles (Transformational and Transactional) considered in this study are practiced in Berhan Bank in mixed way but at different level. The descriptive analysis indicated that transformational leadership style slightly more experienced than transactional leadership style as perceived by the employees.

The study has also so concluded that transformational leadership style and transactional leadership style positively affect employee engagement in Berhan Bank with slightly different degree of significance. When the leaders, the Mangers at Berhan Bank exhibits transformational

leadership style manifested in its four dimensions (idealized influence, inspirational motivation, intellectual stimulations and individual considerations) while dealing with their subordinates; they tend to significantly increase the engagement level of the subordinates. Similarly with slightly moderate to apply the Transactional leadership style compare with the transformational leadership but the result showed us the Transactional leadership also practiced well in Berhan Bank. So, the overall conclusion of this point is that employees in Berhan Bank prefer leadership style that gave them more inspiring, idealized influence and individual consideration on their job, encourages creativity and innovation and contributes to their personal development.

The results of the research study have also revealed the overall engagement level of employees at Berhan Bank is a little bit more than the average which can be concluded that it is the result of the application of transformational and transactional leadership which positively affects the employee engagement, the same results shown from the correlation analysis too.

5.4. Recommendations

Based on the major results and findings of the research study and conclusions drawn above; the following recommendations are forwarded to the study company for its consideration with regard to its employee engagement.

Both transformational and transactional leadership style have been shown a positive association with employee engagement, Berhan Bank should strive to keep these leadership styles in place within the organization, as engaged employees are the most productive resource in the Bank. Furthermore, employee's recognition, full fill expectation timely without waiting for problem to worsen is essential.

The Bank should also promote the application of transformational leadership style by its Leaders, Managers and Supervisors as this leadership style highly and positively affects employee engagement. As part of the promotion of this leadership style; the bank should devise leadership capacity building training programs for its leaders, managers and supervisors especially with regard to better and positive correlation between employee engagement and transformational leadership style.

The Bank should periodically conduct employee engagement survey to assess the level of its employees' engagement so that appropriate engagement enhancing measures are put in place to increase its bank wide overall engagement level. This Practice should not be a one-time program and should be placed as regular operation policy of the bank.

The Bank should value the contribution of the employee towards its business success by making sure that their endeavors and efforts are appreciated, the work environment is conducive; all the required resources for their job are always in place, innovative and creative ideas are encouraged, training and learning opportunities for their personal and career development is fairly allocated among all employees.

5.5. Limitation of the study and Suggestions for Future Research

First, this study is used quantitative single point of data uses to gather employee responses, this is limited to certain point of time. Future researcher may also use longitudinal design and integrated qualitative questions to assess the leadership style on employee engagement.

Second, the impact of leadership style on employee engagement was investigated, as well as the relationship between employee engagement and transformational and transactional leadership styles. Future research should include other variables, such as different types of leadership styles, work environment, job characteristics, reward and recognition, organizational culture, and measuring dimensions.

Third, Similar research studies can also be done by incorporating different sectors other than banking sector to better assess employee engagement and its relationship with different leadership style across different industries.

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Annex 1



Addis Ababa University, School of Commerce

Date: _____

Dear Participants,

My name is Yoseph Kibret . I am a postgraduate candidate pursuing Master of Arts Program in Business Leadership at Addis Ababa University, School of Commerce. I am conducting my final year project for partial fulfillment of Master's Degree with the title 'THE EFFECT OF LEADERSHIP STYLE ON EMPLOYEE WORK ENGAGEMENT :THE CASE OF BERHAN BANK SHARE COMPANY '.

This questionnaire is aimed to gather relevant information that will be useful in the above mentioned research. I am pleased to inform you that, you have been selected as one of the respondents in this study. I, therefore kindly request your utmost cooperation in filling the questionnaire honestly and accurately. Please note that the quality of information you provide determines the ultimate reliability of the study.

If you are interested to have further information about this study or have any problem in filling the questionnaire, please contact me through:

Tel.: +251-921-741745 **Email:** yosephkibret@gmail.com

Note:-

✓ *Please do not write your name.*

- ✓ *Please put the tick mark (✓) on the appropriate space in the box to the point which mostly reflects your idea.*
- ✓ *All information will be used only for academic purpose and treated confidentially.*
- ✓ *Your honest and unbiased response will greatly contribute for the research to achieve its objective.*

Part 1: Demographic Information

Please put tick (✓) mark on the option that best describes you.

1. Gender

- Male Female

2. Age

- Below 25 26-35 36-45 Over 45

3. Marital Status

- Single Married Divorced Widowed

4. Which staff category do you belong?

- Management Staff Operation Staff Support Staff

5. What is your highest level of education?

- Diploma First degree Master's Degree Above Master's Degree

6. Monthly income (in Eth. Birr):

- Below 5,000 5,000-10,000
 10,000-15,000 Above 15,000

7. How many years have you worked for Berhan Bank Share Company S.C.?

- Below 2 years
 2-5 years

S/N	Question Items	Rating Scales				
TRANSFORMATIONAL LEADERSHIP STYLE		SD (1)	D (2)	N (3)	A (4)	SA (5)
I. Transformational Leadership style						
Idealized Influence (II)						
1	My supervisor makes others feel good to be around him / her					
2	I have complete faith in my supervisor					
3	I am proud to be associated with my supervisor					
Inspirational Motivation (IM)						
1	My supervisor expresses in a few simple words what we could and should do					
2	My supervisor provides appealing images about what we can do					
3	My supervisor helps me find meaning in my work					
Intellectual Stimulation (IS)		SD (1)	D (2)	N (3)	A (4)	SA (5)
1	My supervisor enables others to think about old problems in new ways					
2	My supervisor provides others with new ways of looking at puzzling things.					

3	My supervisor gets others to rethink ideas that they had never questioned before.					
Individual Consideration (IC)						
1	My supervisor helps others develop themselves					
2	My supervisor lets others know how he /she thinks we are doing					
3	My supervisor gives personal attention to others who seem rejected					
TRANSACTIONAL LEADERSHIP STYLE						
	Contingent Reward(CR)					
1	My supervisor provides me with assistance in exchange for my efforts					
2	My supervisor is specific about who is responsible for reaching performance targets					
3	My supervisor makes clear what one can expect to receive when performance goals are achieved					
Management By Exception Active (MBEA)						
1	My supervisor focuses attention on mistakes and deviations from					

	standards					
2	My supervisor concentrates his/her full attention on dealing with mistakes, complaints, and failures					
3	My supervisor keeps track of all mistakes					
Management By Exception Passive (MBEP)						
1	My supervisor fails to interfere until problems become serious					
2	My supervisor waits for things to go wrong before taking action					
3	My supervisor shows that he/she is a firm believer in “If it isn't broke, don't fix it.”					

Part 2: Multifactor Leadership Questionnaire -Adapted

Directions: Please put tick (✓) in the appropriate place for each item to express your view and level of agreement with the statements.

Hint: Please use the following key for your information:

- 1 = Strongly Disagree (SD) ➔ if your level of agreement is very low in the measured attribute.
- 2 = Disagree (D) ➔ if your level of agreement is below average in the measured attribute.

- 3 = Neutral (N) ➔ if you are not so sure about the measured attribute.
- 4 = Agree (A) ➔ if your level of agreement is above average in the measured attribute.

- 5= Strongly Agree (SA) → if your level of agreement is very high in the measured attribute.

S/ N	Question Items	Rating Scales				
TRANSFORMATIONAL LEADERSHIP STYLE		SD (1)	D (2)	N (3)	A (4)	SA (5)
V. Transformational Leadership style						
Idealized Influence (II)						
1	My supervisor makes others feel good to be around him / her					
2	I have complete faith in my supervisor					
3	I am proud to be associated with my supervisor					
Inspirational Motivation (IM)						
1	My supervisor expresses in a few simple words what we could and should do					
2	My supervisor provides appealing images about what we can do					
3	My supervisor helps me find meaning in my work					
Intellectual Stimulation (IS)		SD (1)	D (2)	N (3)	A (4)	SA (5)
1	My supervisor enables others to think about old problems in new ways					
2	My supervisor provides others with new ways of looking at puzzling things.					

3	My supervisor gets others to rethink ideas that they had never questioned before.					
Individual Consideration (IC)						
1	My supervisor helps others develop themselves					
2	My supervisor lets others know how he /she thinks we are doing					
3	My supervisor gives personal attention to others who seem rejected					
TRANSACTIONAL LEADERSHIP STYLE						
	Contingent Reward(CR)					
1	My supervisor provides me with assistance in exchange for my efforts					
2	My supervisor is specific about who is responsible for reaching performance targets					
3	My supervisor makes clear what one can expect to receive when performance goals are achieved					
Management By Exception Active (MBEA)						
1	My supervisor focuses attention on mistakes and deviations from standards					

2	My supervisor concentrates his/her full attention on dealing with mistakes, complaints, and failures					
3	My supervisor keeps track of all mistakes					
Management By Exception Passive (MBEP)						
1	My supervisor fails to interfere until problems become serious					
2	My supervisor waits for things to go wrong before taking action					
3	My supervisor shows that he/she is a firm believer in "If it isn't broke, don't fix it."					

PART 3: Employee Engagement Rater Form –Adapted

Please read each statement carefully and decide if you ever feel this way about your job. Please tick (✓) for your agreement or disagreement with each statement on the 5 point Likert Scale prepared for this purpose.

1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree

S/N	Question Items	Rating Scales				
EMPLOYEE ENGAGEMENT (EE)		SD	D	N	A	SA
I.		(1)	(2)	(3)	(4)	(5)
1	At my work, I feel bursting with energy					
2	At my job, I feel strong and vigorous					
3	When I get up in the morning, I feel like going to work					
4	I can continue working for very long periods at a time					
5	At my job, I am very resilient, mentally					
6	At my work I always persevere, even when things do not go well					
7	I find the work that I do full of meaning and purpose					
8	I am enthusiastic about my job					
9	My job inspires me					
10	I am proud on the work that I do					
11	To me, my job is challenging					
12	Time flies when I'm working					
13	When I am working, I forget everything else around me					

14	I feel happy when I am working intensely					
15	I am immersed in my work					
16	I get carried away when I'm working					
17	It is difficult to detach myself from my job					

Thank you for your patience and honesty to answer the research questions.

Thank you again for giving your precious time.

Annex II Charts

Fig. 4.1 Frequency Distribution of Standard Residual

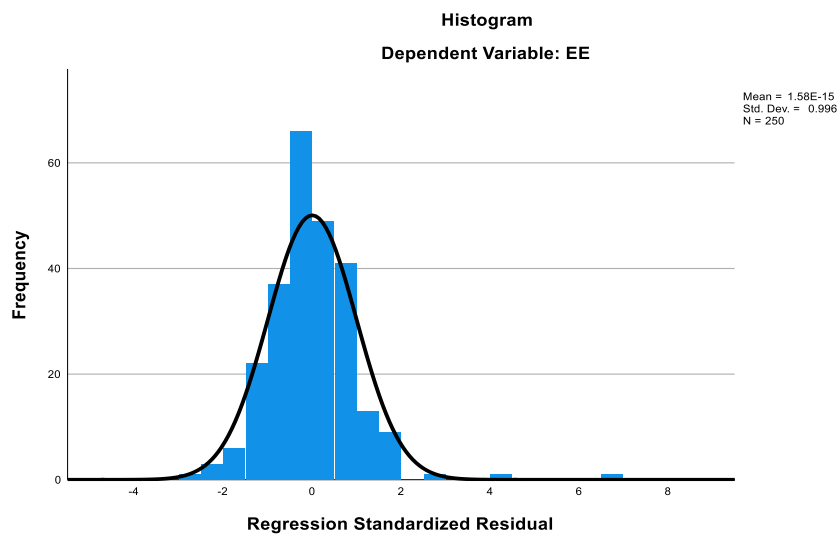


Fig. 4.2 Linearity test

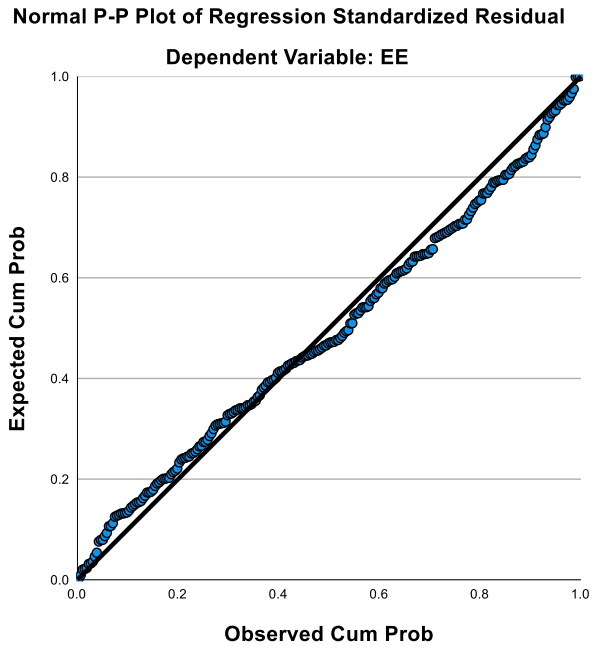


Fig. 4.3 No outlier assumption test

