

**THE EFFECT OF LEADERSHIP STYLE ON EMPLOYEE
ENGAGEMENT AT COMMERCIAL BANK OF ETHIOPIA**



**THESIS SUBMITTED TO OFFICE OF GRADUATE STUDIES OF AA
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HUMAN RESOURCES MANAGEMENT**

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Declaration

I, the undersigned, declare that this study entitled “*The effects of leadership style on Employees Engagement at Commercial Bank of Ethiopia East Addis Ababa District*” is my original work and has not been presented for a degree in any other university, and that all sources of materials used for the study have been duly acknowledged.

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CERTIFICATE

This is to certify that this study, “Effects of leadership style on Employees Engagement at Commercial Bank of Ethiopia; East Addis Ababa District”, undertaken by **Kidist Birhanu** for the partial fulfilment of the Requirements for the Degree of Master of Arts in Human Resource Management at Addis Ababa University College of Business and Economics School of Commerce, is an original work and not submitted earlier for any degree either at this University or any other University.

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Office of Graduate Studies

**Effects of Leadership Style on Employees Engagement
at Commercial Bank of Ethiopia**

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List of abbreviations

MLQ = Multifactor Leadership questioner

CBE = Commercial Bank of Ethiopia

SPSS = Statistical Package for Social Science

CSO = Customer Service Officer

CRO = Customer Relation Officer

BBO = Branch Business Officer

BOO = Branch Operation Officer

SBBO = Senior Branch Business Officer

SBOO = Senior Branch Operation Officer

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Abstract

The main objective of the study was to examine effects of leadership style on employee engagement. A total of 242 questioner were distributed out of this 239 respondents completed the MLQ and Gallup 12 item survey questionnaires. The study employed both Descriptive and explanatory research design. Primary and secondary sources of data were used in the study. In addition the study employed a stratified random sampling method to collect data from professional employees of commercial bank of Ethiopia found in ten Grade 4 branches under East Addis Ababa District. The collected data was analysed using SPSS software version 22. In addition, to analyse the collected data descriptive statistics (frequencies means & standard deviations), correlation & regression analysis were used. The descriptive statistics result showed that the employees exhibited a great extentlevel of engagement and the dominant leadership style at the organization is transactional leadership. The Correlation and regression analysis also showed there is a relationship between the effect of leadership style (Independents Variables) and Employees Engagement (Dependent Variable).In addition the result of peerson correlation revealed that significant positive relationship is found between Leadership style and Employee Engagement. At last the researcher suggested that since the effect of leadership style has a significant effect on employee engagement, it is recommended that using various leadership styles will bring more effectiveness and enhance employee performance.

Keywords: Transformational Leadership, Transactional Leadership, Laissez-faire leadership, Employee Engagement

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Leadership is a key component of all organizations but its function and capacity are getting more complicated with increased involvement in globalization and technology development (Punnett, 2004). People that have different experience and also different background probably will have different experience when it comes to leadership and the various styles that leaders follow.

Leadership is a social influence process in which the leader seeks the voluntary participation of subordinates in an effort to reach organization goals. A leader can be defined as a person who delegates or influencing others to act so as to carry out specified objectives. Today's organizations need effective leaders who understand the complexities of the rapidly changing global environment. If the task is highly structured and the leader has good relationship with the employees, effectiveness will be high on the part of the employees. The study further revealed that democratic leaders take great care to involve all members of the team in discussion and can work with a small but highly motivated team. (Nanjundeswaras and Swamy, 2014)

An organizations leadership style is considered to have a direct impact on the relations between superiors and employees, thus affecting both the performance, job satisfaction and commitment and the organizations total coherence (Wilderom, Berg and Peter, 2004).

Chung – Hsiung Fang, 2009 identified that leadership style can affect organizational commitment and work satisfaction positively and work satisfaction intern can affect organization commitment and work performance positively. Leadership is largely culturally oriented, embracing traditional beliefs, norms and values and a preoccupation.

Managers agree that this century demands more efficiency and productivity than any other time in history as business are striving to increase their performance and to succeed in putting their company ahead of competitors (Kompaso & Sridevi, 2010). Moreover, the current global economy is constantly driven by innovation, performance and profitability. Batista

Tarana, Shuck, Gutierrez and Baralt (2009) note that due to globalization, companies are changing their structure in order to compete in the bigger global arena.

There is a notable missing link between ‘good management and mentoring’ leadership style and employee engagement among entrepreneurial CEO’s subordinates (Papalexandris and Galanaki, 2009). ‘Good management and mentoring’

Employee engagement is an important concept for organizations because it predicts productivity, job satisfaction, motivation, commitment and low turnover intention (Bakker, demerouti et. al., 2003; Bakker, Schaufeli, Leiter and Taris, 2008). According to Nortje (2010), “The corporate Leadership Council defines employee engagement as the extent to which employees commit to something or someone in the organization, how hard they work as a result of this commitment and how long they intend to stay within an organization.”

According to Saks (2006), a highly engaged workforce is the sign of a healthy organization, whatever its size, geographical location and economic sector (Devi, 2009). Engagement does not only benefit the organizations but also the individuals within the organization through increased enthusiasm, greater value to the employer, improved physical health, and happiness (Loehr, 2005).

High levels of employee engagement will have a positive effect on business outcomes, like customer satisfaction, productivity and profitability (Harter, Schmltdt and Hayes, 2002). Organization leaders can boost work engagement (Chughtal and Buckley, 2008). Employee engagement is an emerging concept in the HRD literature, with demonstrated organizational benefits (Wollard and Shuck, 2011) and positive consequences (Sake, 2006).

According to Nowack (2006) effective leadership among other organizational factors, are required for employees to realize their full potential and value. Managers who are able to build an all-around engaging work climate have an invaluable effect on an employee's commitment to a company and on the productive a group of employees can generate.

First line supervisors are believed to be important for building employee engagement (Saks, 2006). Papalexandrls and Galanaki (2009) found that some leadership behaviors have a strong positive effect on employee engagement while other behaviors have no significant effect.

It is important to note that the key element of employee engagement goes beyond other constructs such as job satisfaction, organizational commitment, job involvement, organizational citizenship behavior because it involves the active use of emotions, cognition and behavior while focusing on interactions of employers and employees working in consonance with the organization's objectives and strategy (Andrew and Sofian, 2011).

This study helps to understand the effects of leadership style on employee engagement (taking CBE East Addis Ababa District as a case company) using the Multifactor Leadership Questioner and the Gallup 12 item survey.

1.2. Background of the Organization

On 15th April 1943, the State Bank of Ethiopia commenced full operations acting as the central Bank of Ethiopia with power to issue bank notes as the agent of the Ministry of Finance.

The Ethiopian Monetary & Banking law (1963) separated the function of commercial and Central Banking to NBE & CBE in a way that The National Bank of Ethiopia as the country's central bank has the regulatory and financial advisor role and The Commercial Bank of Ethiopia: handles commercial operations.

Commercial Bank of Ethiopia was incorporated as a share company on December 16, 1963 per proclamation number 207-1955 to take over the commercial banking activities of the former state Bank of Ethiopia. Under this name, it began operation on January 1, 1964, with a capital of Ethiopian Birr 20,000,000 and served for about 16 years. The bank was wholly owned by the state and operated as an autonomous institution under the commercial code of Ethiopia under the socialist regime in Ethiopia (1974-1991).

The Commercial Bank of Ethiopia Share Company and Addis Bank had identical objectives power and duties. Hence, the socialist regime saw it necessary to merge them in order to eliminate the duplication of efforts and bring them under a centralized banking structure; consequently, the present day commercial Bank of Ethiopia was established under proclamation No.184 of August 2, 1980 (Belay, 1987).

The CBE now has 1,346 branches as of December 31, 2018 across 15 Districts and a subsidiary in South Sudan. Its Vision is: To be a world-class commercial bank by the year 2025 with the Mission of: We are committed to best realize stakeholders' needs through enhanced financial intermediation globally and supporting national development priorities, by deploying highly motivated, skilled, and disciplined employees as well as state-of-the-art technology. We strongly believe that winning the public confidence is the basis of our success.

Commercial Bank of Ethiopia provides three major services which comprises of Domestic banking service, International banking service and recently E-payment services.

1.3. Statement of the problem

Efforts to improve organizational performance productivity begin with positive organizational concepts like optimism, trust, and employee engagement (Kataria, Garg, & Rastogi, 2013). Implementation of adequate employee engagement and effective leadership offers competitive advantage in an organization. Engaged employees usually act in the interests of their organization they tend to generate high business outcomes as measured by increased sales, improved productivity, and profitability and enhanced employee retention (Romzek, 1990).

Prior researches regarding this topic have been conducted in different parts of the world. For instance Mutunga (2009) in her study on the level of employee engagement found that pay and benefits are not by themselves effective drivers of employee engagement. She therefore concluded that corporate leadership contributes to employee engagement. Mwangi (2011) in her study on utilization of transformational leadership style for employee engagement in public universities found out that career engagement has a strong correlation with turnover. According to (Bushra, 2011) transformational leadership has significantly positive effect at level of overall employee engagement and adopting transformational leadership style, leaders can achieve more satisfied staff so that they will perform better which will lead organizations towards success.

As mentioned above in different research findings on transformational and transactional leadership leads to determine the significance of their respective relationship with employee engagement of employees working in different sectors and organizations, however findings of those researches were inconsistent. In this regard, as far as the Commercial Bank of Ethiopia is concerned, a reasonable contribution regarding leadership styles and employee engagement is still needed. Due to this research gap and insufficient information, this study tried to determine the significance of relationship of transactional, transformational leadership and Laissez faire Leadership styles with employee engagement in the Commercial Bank of Ethiopia and shows the leadership style which frequently being exercised as perceived by the employee.

As it has been stated on the five year strategic plan of the bank; competency gap and low level of employee engagement proved as weakness of the organization;(2015/16-2019/20). For the matter employees reward for meeting and exceeding their target and punish for their failure. Commercial Bank of Ethiopia's management recognizes the need to address

engagement and retention issues which, if not properly managed, could hinder the achievement of the CBE's targeted business outcomes.

Even if the CBE studied before three years and identify some factors that influence employee engagement, the researcher believes employee engagement should be studied each year due to the rapid change in the banking industry and globalization. The researcher also believes the issue must get serious attention beyond surveying and knowing the level of engagement so that sensitive factors which affect employee engagement will be addressed quickly to retain employees.

Among the motives of this study is to add some important values on the pioneer studies focusing on the perceived gaps. The bank, CBE in particular regarding both in the industry and geographic context is supposed to be less discussed or less represented in this particular research issue. Hence, this study will assess the current leadership trends, styles, relationship and effect between the style of leadership and employee engagement as a case of CBE. This is because CBE needs to adopt and practice the appropriate leadership style which is vital for the existing and future leaders as it effects on employee engagement, commitment, and productivity and ultimately achieve the desire vision of the organization.

The study addresses the following basic questions

1. What type of leadership style CBE exercise?
2. What is the effect of leadership style on employee's engagement?

1.4 Objective of the study

1.4.1 General Objective of the study

The main objective of the study is to examine the effect of Leadership style on employees' engagement the case of CBE East Addis Ababa District.

1.4.2 Specific Objectives

1. To assess the dominant leadership style at CBE
2. To assess the effect of leadership style on employees engagement

1.5 Significance of the Study

The research finding and recommendation contribute to organizational change by providing organizations with an implication of how their styles of leadership can impact the overall environment of the organization. The outcome of this research is to provide better understanding for leaders of CBE to practice the best leadership style; to improve the relationship with their followers; to increase employees' commitment and overall productivity of the organization. Furthermore, this study serves as an input and basis for other researches, academicians, consultants and some associations who conduct further researches on related fields.

1.6 Scope of the study

The scope of the study delimited on examining the practical experience of leadership style in the context of the Commercial Bank of Ethiopia in some selected branches under East Addis Ababa District. Since, branches of CBE are supposed to be more or less homogeneous by their working character; they are abiding with the same working procedure. There are 109 branches under East Addis Ababa District and all Grade 4 branches are selected so as to determine the target population size. So the total population size under East Addis Ababa districts become 10 branch managers, 35 SBBO/SBOO and 397 non managerial staffs' total 442 employees.

In order to assure manageability of the collection of data, the questionnaires prepared based on Likert-scale, including multifactor leadership questionnaires (MLQ) and Gallup's 12 Item employee engagement survey. For better understanding about the study area employees were invited for both type of questionnaires (MLQ & Gallup) in order to have clear insight about the behaviors of their managers and employee engagement as consequence.

1.7 Limitation of the study

In conducting this study, the researcher faced some constraints in administering the data collection process and also doing the analysis. Some of the limit includes all the distributed survey questionnaires are not returned; the respondents not fill their responses to the entire items question or they did not give a genuine response. However the researcher at most effort tries to overcome this challenge by explaining the purpose of the research to the respondents and also by assuring the confidentiality of the response.

1.8 Organization of the study

The research is organized in to five chapters. The first chapter deals with introduction of the study, background of the study area, statement of the problem, objective of the study, significance of the study, Scope of the study. The second chapter introduces review of related literature in the area. The third chapter deals with the research design and methodology. The forth chapter presents the analysis and the fifth chapter covers summary of the major findings, conclusion and recommendation of the study. Finally list of references and appendix and annex will be at the end of the page.

CHAPTER TWO

LITERATURE REVIEW

This part of the study tried to provide the most important concepts on effects of leadership style on employee engagement. It provides an insight into these concepts as well as their relationships by focusing on previous literatures relevant to this study.

2.1. Concepts of Leadership Style

According to Yuki (2010), leadership reflect the assumption that it involves a process whereby intentional influence is exerted over other people to guide, structure, and facilitate activities and relationships in a group or organization.

Leadership is the ability to influence a group toward the achievement of a vision or set of goals. The source of this influence may be formal, such as that provided by managerial rank in an organization. But not all leaders are managers, nor for that matter, are all managers' are leaders. Just because an organization provides its managers with certain formal rights is no assurance they will lead effectively (Robbins, 2013).

Organizational leaders are tasked to cope with many challenges resulting from globalization, economic turmoil, volatile business markets, continuous consumer changing needs and complex technology impacting the commercial industry (Masood, Dani, Burns & Backhouse, 2006).

According to (Robbins, 2015), organizations need strong leadership and strong management for optimal effectiveness. We need leaders today to challenge the status que, create visions of the future, and inspire organizational members to want achieve the visions. We also need managers to formulate detailed plans, create efficient organizational structures, and oversee day to day operations.

2.1.1. Leadership styles

Leadership style is the ‘relatively consistent pattern of behavior that characterizes a leader’. *DuBrin (2001)*. Today’s organizations need effective leaders who understand the complexities of the rapidly changing global environment. Different leadership styles may affect organizational effectiveness or performance *Nahavandi (2002)*.

According to *Goh Yuan (2005)* study leadership style is significantly influenced by the leader’s immediate and extended family, clan and tribe. This study finds the linkages between organizational leadership and business ethics, thereby making a contribution toward increasing the quality of organizational life which may have a positive influence on both members of the organization and the wider community.

According to Bass (1985), the new leadership model includes both transactional and transformational leadership theories. According to Yuki (2010), Transformational and transactional leadership behaviors are described in terms of two broad of behavior, each with specific sub categories. The taxonomy was identified primarily by factor analysis of a behavior description questionnaire called the Multifactor Leadership Questionnaire (MLQ). As stated in Day (2012), in its current form, the MLQ measures nine leadership factors. The first five (Idealized influence attribute, idealized influence behaviors, inspirational motivation, intellectual stimulation, and individualized consideration) measure transformational leadership; the next three (Contingent rewards, management by exception (active), and Management by exception (passive) measure transactional leadership; the last factor is concerned with non-leadership (i.e. Laissez-fair Leadership).

However, newer versions of the theory also include laissez-faire leadership as a third Meta category, it is best described 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) is sometimes called the Full Range Leadership Model as cited in (Yuk 2010), this label is inappropriate because some important leadership behaviors are not included in the model. As a result of such findings this particular study will highly relies on the two particular Meta leadership behaviors. On top of this most of these studies found support for the distinction between transformational and transactional leadership as broad Meta categories, but in some cases only after eliminating many weak items or entire subscales (Yuki 2010).

2.1.1.1. Transformational Leadership

Transformational leadership has the characteristics of individual influence, spiritual encouragement and intellectual stimulation. They often take individual into considerations, establish vision and aim inside, create open culture, trust the staff to reach their goals and give full play for staff's potential.

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; Bassi & McMurrer 2007).

According to (*Jong and Hartog 2007*); and (*Kent, Crofts and Aziz 2001*), 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 specific behaviors of the leader that followers can observe directly. Among the things the leader does to earn credit with followers is to consider followers' needs over his/her own needs. The leader shares risks with followers and is consistent in conduct with underlying ethics, principles, and values. Provides vision and sense of mission, instills pride, gains respect and trust (Bass & Avolio, 1990),

3. Inspirational Motivation

According to (Bass & Avolio, 1990), Inspirational motivation is leadership that inspires and motivates followers to reach ambitious goals that may have previously seemed unreachable. This factor, which is distinct from the idealized charismatic effect, emotional qualities to the influence process. Inspirational motivation, which includes communicating an appealing vision, and using symbols to focus subordinate effort (Bass & Avolio, 1990), cited in (Yuki, 2010). On top of this individual and team spirit is aroused. Enthusiasm and optimism are displayed. The leader encourages followers to envision attractive future state, which they can ultimately envision for themselves. Communicates high expectations, uses symbols to focus efforts, and expresses important purposes in simple ways.

4. Intellectual Stimulation

According to Yuki (2010), is behavior that increases followers' awareness of problems and influences followers to view problems from a negative perspective. This is mostly a rational and non-emotional components of transformational leadership, distinct from the other transformational components. Leader appeals to followers' intellects by creating problem awareness and problem solving, of thought and imagination, and of beliefs and values. As (Bass & Avolio, 1990), noted further that as a result of intellectual stimulation, 'followers' conceptualization, comprehension, and discernment of the nature of the problems they face, and heir solutions are radically altered. Because individuals are included in the problem solving process, they are motivated and committed to achieving the goals at hand.

5. Individualized Consideration

According to Bass & Avolio (1990) stated that a leader using individualized consideration provides socio-emotional support to followers and is concerned with developing followers to their highest level of potential and empowering them. The leader in this instance gives individualized attention and a developmental or mentoring orientation toward followers. This outcome is achieved by coaching and counseling followers, maintaining frequent contact with them, and helping them to self-actualize. Individualized consideration includes providing support: encouragement, and coaching to followers (Yuki, 2010).

2.1.1.2. Transactional Leadership

According to Bass Transactional leadership is focused on staff's basic and external demand, the relationship between leaders and subordinates is based on the contract. They tend to attain organizational goal by pacific job roles and mission design, their basic purpose is to maintain a stable organization.

Transactional leadership in its purest form is an exchange of valued things between the leader and follower in order to achieve an outcome. It has always been viewed as the method of getting subordinates to meet job requirements by reinforcing rewards or punishments (Avery, 2004; Bass, 1985). In other words, if followers do something good then they will be rewarded and if followers do something wrong then they will be punished. Transactional

leaders will therefore identify, define and communicate what needs to be done and how the instruction will be carried out (Piccolo & Calquitt, 2006).

Bass (1990) explained that transactional leadership depends on contingent reinforcement, either positive contingent reward or the more negative active or passive forms of management by exception. Transactional leaders motivate followers through exchange; for example, accomplishing work in exchange for rewards or preferences. Kahl et al found group efficacy was higher under the transactional leadership condition. According to Burns, transactional leader tends to focus on task completion and employee compliance and these leaders rely quite heavily on organizational rewards and punishments to influence employee performance.

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

a. Contingent Reward:

Contracts exchange of rewards for effort, promises rewards for good performance, recognizes accomplishments, these rewards are connected to the performance of the employee. If employee puts efforts it is recognized by their wards.

b. Management-By-Exception (Active):

Watches and searches for deviations 4 from rules and standards, takes corrective action. It takes the notice of any deviations from the rules and regulations, and if there is it takes the action for correction. Whenever there is deviation from the rules and regulations management but expectation happens and the actions for corrections are also taken. The leader „fallow followers to work on the mission and doesn't interfere unless goals aren't being achieved in a proper time and at the reasonable cost. Transactional leadership means the leaders or the bosses who leads primarily by using social behavior exchanges for maximum benefit at low cost.

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 will imply that the leaders are inflexible. That means focuses on the accomplishment of tasks & good worker relationships in exchange for desirable rewards.

2.1.1.3 Laissez Faire Leadership style

It's difficult to defend this leadership style unless the leader's subordinates are expert and well-motivated specialists, such as Scientists. "Leaders let group members make all decision" (Mondy&Premeaux, 1995).

The laissez-faire leadership style is also known as the "hands-off style. It is one in which the manager provides little or no direction and gives employees as much freedom as possible. Basically, this style looks simple and easy-going between leaders and subordinates.

Robbins (2007) explained the laissez-fair style as "Abdicates responsibilities avoid making decisions". Similar Luthans (2005), defined laissez- fair style as "Abdicates responsibilities avoids making decisions. Laissez- Fair is uninvolved in the work of the unit. It is difficult to defend this leadership style unless the leaders' subordinates are expert and well-motivated specialists, such as Scientists. "Leaders let group members make all decision" (Mondy&Premeaux, 1995). "Behavioral style of leaders who generally give the group complete freedom, Provide necessary materials, participate only to answer questions, and avoided giving feedback" (Bartol &Martin, 1994). The concept to laissez was also given by Osborn as "Abdicates responsibilities and avoiding decisions" (Osborn, 2008).

Above All the Authors defines the Laissez – Fair Leadership with their own words according to their given definitions the idea of this type of leadership is same. Authors define that in this style the Leaders normally don't want their interference in decision making process. They normally allowed to their subordinates that they have power to get their personal decisions about the work. They are free to do work in their own way and they are also responsible for their decision. Normally Leaders avoids to making decision and don't involve in working units because the leaders gives to subordinates to completely freedom to do decisions. Sometimes the leaders provide them to important material and they just involve the answer & question but avoiding feedback.

The laissez –faire use when employees are highly skilled, experienced, and educated, Employees have pride in their work and the drive to do it successfully on their own, Outside experts, such as staff specialists or consultants are being used And Employees are trustworthy and experienced.

2.2. Approaches to Leadership

For better understanding regarding the nature of leadership and its different aspects it is necessary to discuss the different theories of leadership that have developed over time, as various schools of thought have brought their differing ideas and knowledge to this discipline. One of the more useful ways to classify leadership theory and research is according to the type of variable that is emphasized the most, (Yuki, 2010). As of him, three types of variables that are relevant for understanding leadership effectiveness include (1) Characteristics of leaders, (2) characteristics of followers, and (3) characteristics of the situation.

Based on ;the book of (Yuki, 2010), and to be consistent with most of the leadership literature, the theories and empirical research reviewed leadership classified into five approaches like (i) the trait approach, (ii) the power influence approach, (iv) the situational approach, and (v) the integrative approach.

i. Trait Approach

It is one of the earliest approaches for studying leadership was the trait approach; this approach emphasizes attributes of leaders such as personality, motives, values, and skills. Underlying this approach was the assumption that some people: are natural leaders, endowed with certain traits not possessed by other people (Yuki, 2010). It focuses on personal characteristics of the leaders that consider personal qualities to differentiate leaders from non-leaders (Robbins, 2005). Hence, this was the first attempt at the theoretical understating of the nature and concepts of leadership.

ii. Behavioral Approach

The failure of early trait studies led researchers in the late 1940s through the 1960s to go in different direction. They began looking at the behaviors exhibited by specific leaders. They wondered if there is if there was something unique in the way that

effective leaders behave. This theory had modest success in identifying consistent relationship between leadership behavior and group performance (Robbins, 2005).

iii. The power-influence approach

As of Yiki (2010), power influence approach examines influence processes between leaders and other people. Power is viewed as important not only influencing subordinates but also for influencing peers, superiors and people outside the organization, such as clients and suppliers. According to this approach, the use or different influence tactics is compared in terms of their relative effectiveness for getting people to do what the leader wants.

iv. The situational approach

According to Yiki (2010), the situational approach emphasizes the importance of contextual factors that influence leadership processes. Major situational variables include the characteristics of followers, the nature of the work performed by the leader's unit, the type of organization, and the nature of the external environment. This approach has two major subcategories. The first one is an attempt to discover the extent to which leadership processes are the same or unique across different type of organizations, levels of management and cultures. The second assumption of situational research attempt to identify aspects of the situation that "moderate" the relationship of leader attributes like traits, skills, behavior to leadership effectiveness. According to this assumption, different attributes will be effective in different situations, and that the same attribute is not optimal in all situations.

v. The integrative approach

An integrative approach involves more than one type of leadership variable in recent years it has become more common for researchers to include two or more types of leadership variables in the same study, but it is still rare to find a theory that includes all of them like traits, behavior, influence processes, situational variables, and outcomes (Yuki, 2010).

2.3. Definition of Employee Engagement

Different literatures define employee engagement in different way. William (1990) completed some of the earliest work on engagement and defined engagement as, “the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances.”

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

Employee engagement is “a heightened emotional and intellectual connection that an employee has for his/her job, organization, manager, or co-workers that, in turn, influence him/her to apply additional discretionary effort to his/her work” (Gibbons, 2006., p.5).

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

2.4. Levels of Employee Engagement

Employee engagement, as a work-related state of mind can be characterized by vigor, dedication and absorption. Vigor means high levels of energy and mental resilience on the job, persistence in the face of difficulties and a willingness to invest effort in one’s work. Dedication refers to a sense of inspiration, pride, significance, enthusiasm and challenge at work. Absorption is being happy, fully concentrated and deeply engrossed in one’s work so that time passes quickly, with difficulty detaching from work (Corporate Leadership Council,

2004). Certain levels drive employee engagement and reflect factors that promote vigor, dedication and absorption. Engagement is also strongly influenced by organizational characteristics, such as a reputation for integrity, good internal communication and a culture of innovation (Corporate Leadership Council, 2004).

2.5. Empirical review of related studies

Welbourne (2003) states that it is in this role that managers have to take the initiative of engagement. Welbourne is further of the opinion that the people in charge of organizations, the leadership and management teams, have a direct impact on the engagement exhibited by their subordinate teams. Harris (2007), refer to the current research interest in the effects of leadership style on employees. Findings on leadership research point to a correlation between organizations, which become draw cards for strong talented employees and organizations that boast good leadership at all levels.

Harris (2007) showed that the effectiveness of leaders' communication had a significantly strong relationship to employee's engagement and intent to stay. More specifically, their research found that each level of leadership and message communicated by that level revealed a correlation to employee engagement and intent to stay. Additionally, the study examined relationship between employee engagement and intent to stay with several significant leadership styles. More direct one-on-one communication aimed at specifically linking employee roles and behaviors to larger organization goals.

Zhu, Avolio and Walumbwa (2009) researched the relationship between transformational leadership and employee engagement. Data was collected from a sample of 140 followers and their 48 supervisors from a diverse range of industries in South Africa. Hierarchical linear modeling results shows that follower characteristics moderate the positive relationship between transformational leadership and employee engagement. However, more importantly, these researchers propose that transformational leadership has a positive effect on employee engagement particularly, when employees are intellectually stimulated to be creative and innovative thinkers.

Harter, Schmidt, & Hayes, (2002). investigated the relationship between leadership style and employee engagement in Geothermal Development company(GDC) and found that there is a direct relationship exists between leadership styles and employee engagement from the

correlations table, it can be seen that the correlation coefficient(r) equals 0.882, indicating a strong relationship. $P < 0.001$. The relationship between manager's leadership styles and employee engagement established through job satisfaction and career growth which are achieved through proper leadership. This confirms that engaged employees with high levels of job satisfaction may attribute those enjoyable, fulfilling feelings to the support they receive from the organization, developing a feeling of both appreciation and obligation towards the organization for its support and benefits.

Harris, (2007) investigated the impact of leadership styles on employee's engagement in a Larger Retail Organization in the Western Cape and found that transformational leadership is the more optimal style to foster engagement; this research has proven that transactional leadership also positively predicts engagement.

Podsakoff, MacKenzie, Moorman. and Fetter (1990), investigated the impact of leadership style on employee engagement in the Platinum Mining Sector in South Africa and demonstrated that transformational style of leadership has a great impact on engagement of employees. The study found to be substantially enhanced by the existence of a high quality relationship between employees and supervisors. Valuable insight into the emergence, characteristics and behaviors of these leaders that could be used in leader selection, promotion and development has been provided.

A study conducted by *Tims, Bakker and Xanthopoulou (2011)* examining how transformational leaders enhance employee engagement also confirm the findings of this study. Their sample consisted on 42 employees working at two different consulting agencies in the Netherlands. Eighty-four percent of the sample worked as consultants at an agency that recruited temps and sixteen percent worked at an industrial consultancy agency. Data was collected by means of general questionnaire and a diary survey over five consecutive workdays. Results of the study authenticate that transformational leadership positively impact employee engagement as transformational leaders are able to inspire, motivate and pay special attention to the needs of their employees.

Padmanathan (2010) who investigated the relationship between transformational and transactional leadership styles on employee engagement among a sample of 150 respondents from Intel Malaysia. Data was collected by means of two structured questionnaires namely, the

Multifactor Leadership Questionnaire and the Utrecht Work Engagement Scale. Correlation analysis and multiple regression analysis conclude that transactional leadership is significantly related to employee engagement. Within a transactional leadership model, the leader identifies which actions must be taken by their employees in order to achieve certain goals and objectives required for the organization to succeed (Den Hartog, 1997).

Metzler (2006) researched the relationship between transformational and transactional leadership styles and employee engagement using a sample of 251 university students who had work experience. His research supports the findings of the current study namely, that transactional leadership positively predicts dedication and absorption. His findings however, also indicate that transactional leadership positively predict vigor, which is contrary to this study. Given the fundamental assumption that subordinates work in order to receive compensation, transactional leaders are able to motivate their employees through the exchange of resources such as contingent rewards.

Offering valuable compensation like increased salaries, incentives and promotions to employees that perform in their duties therefore significantly influences the levels of engagement as employees feel energized, driven and dedicated to achieving organizational goals in exchange for rewards (Metzler, 2006).

Laissez-faire leadership style provides a little supervision or no directions and gives employees authority to determine goals, make decisions, and resolve issues on their own. The laissez-faire leadership can be used if employees are greatly experienced, highly educated, and skilled (Kotter, 2013; Yang, 2015). Awan and Khalid (2010) reported that the laissez-faire leadership style shows a little control on the team and does not interfere in the affairs of workers.

Many employees want to perform their task without involvement and directions from their leaders but people need a little supervision and they appreciate being left alone to manage their own matters. Yang (2015) tries to draw attention as possible positive consequences of laissez-faire leadership leading to a sense of independence and self-control (Konya and Gurel, 2014; Yang, 2015; Martin, 2016). It has been identified that the laissez-faire leadership style provides a little supervision or no directions and gives employees authority to determine goals, make decisions, and resolve issues on their own.

2.7. Conceptual frame work

The main focuses of this research are transformational, transactional leadership and laissez – faire leadership style. This is because a number of researchers like Yuki (2010), Bass (1985), (Avolio, 1999) and so on considered these leadership styles are the two Meta categories of

leadership style. This because different theories and research findings shows that these two leadership styles have relation and effect on employees engagement.

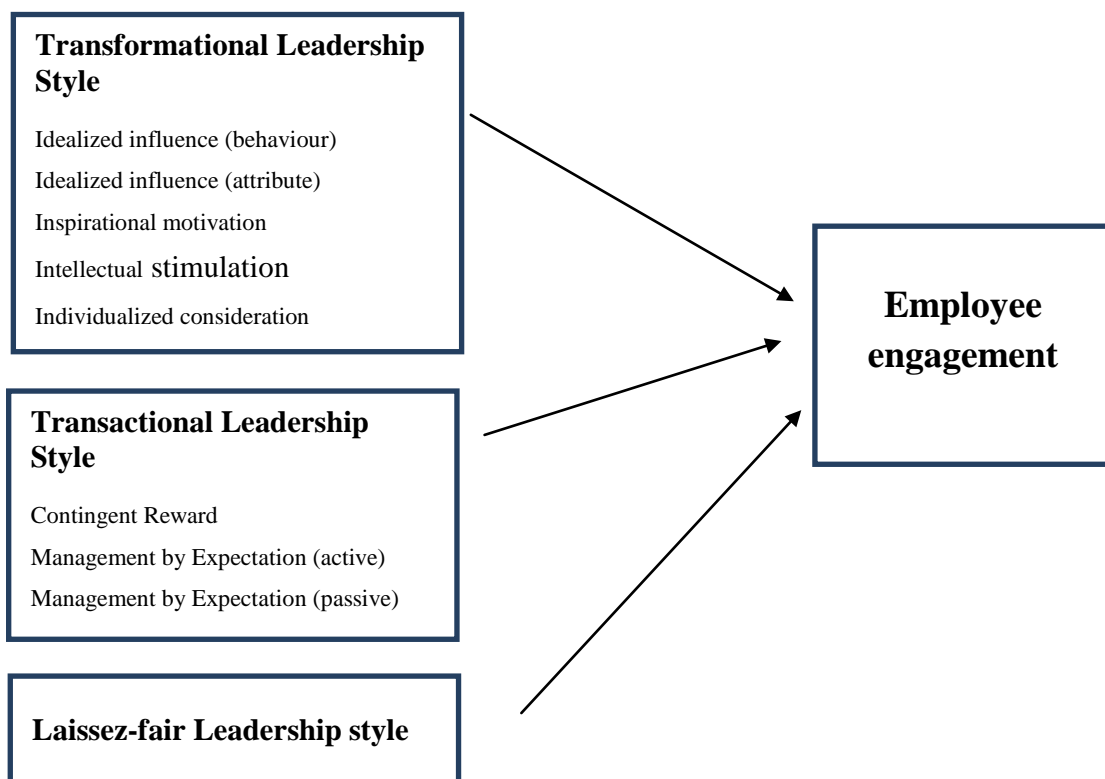
The brief concepts of both leadership styles can be conceived as follows. There are five dimensions of transformational leadership style namely idealized influence (behavior), idealized influence (attributed), inspirational motivation, intellectual stimulation and individualized consideration. It is assumed that each of these styles relates to employee engagement in a certain way.

There are three dimensions of transactional leadership style namely contingent rewards, management by exception (active) and management by exception (passive). Each of the three dimensions is also assumed to be related to employee engagement in a certain way.

The third style in the figure is laissez-faire leadership style. It is also assumed that this style is related to Employee Engagement.

In this model, leadership styles are regarded as independent variables and of Employee Engagement are taken as dependent variables.

Fig 2.7 Conceptual frame work



Sources: (Interdisciplinary journal of contemporary research in business, 2014)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter covers the various steps that facilitate execution of the study to help achieve the study objectives. These steps includes: Research design, population of interest, sample data collection instruments and procedures and data analysis.

3.2. Research Design and Approach

According to Winter, (2001). There are three types of studies according to their purpose: exploratory, descriptive and explanatory. The first one is used in order to clarify some concepts, find explanations, assess phenomena or seek for new insights. The main goal for such research is to develop a theory. Such kind of research is known as a very flexible one. Second type of research, the descriptive one, seeks to describe people, events or situations. The researcher must have a clear picture of phenomena before conducting the research. Thus all required changes must be done before the process of research has started. The last type, explanatory research, provides the cause and effect relationships between variables (Winter, 2001).

Explanatory research design used in this study based on mixed research approach that involves the combination or integration of qualitative and quantitative research and data in the research study.

3.3. Population

The study conducted in the Eastern Addis Ababa District of the Commercial Bank of Ethiopia (CBE). Under this district there are 109 branches as of 31/12/2018 performance report of East Addis Ababa District. By considering the homogeneous nature of the branches in terms of organizational culture, working procedure and all Grade 4 branch are selected in the research process. The population of the study encompasses both male and female branch managers, SBBO/SBOO, and employees.

3.4. Sampling Design

The research is used both random and non-random sampling techniques which are known as mixed approach to select target population and participants accordingly. The number of branch found in the district is 109 and all Grade 4 branches are selected so as to determine the target population size. The management teams are selected none randomly because they are considered as informative groups as well as they have good experience on leading employees. Whereas employees of the selected branches have equal chance to be selected through systematic sampling methods. The population of the study encompasses both male and female branch Managers, SBBO/SBOO, and employees. As of data gathered from HR Business East Addis Ababa District, shows that there are 10 branch managers, 35 SBBO/SBOO (Senior Business Branch Officer/Senior Branch Operation Officer) and 397 employees. Out of 397 employees 199 are selected through systematic sampling methods.

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

n = sample size required

N = Number of people in the population

e = allowable error (%)

$$n = \frac{397}{1 + 397(0.05)^2} \quad \text{where: } N = 397$$

$$n = 199 \quad e = 5\%$$

3.5. Data Collection Instrument and Methods

There researcher used both the Multifactor Leadership Questionnaire (MLQ) and Gallup 12 Item Survey.

Multifactor Leadership Questionnaire” (MLQ From 5x) developed by (Bass and Avolio 1997). The Multifactor Leadership Questionnaire (MLQ-5X) is the standard instrument for assessing transformational and transactional leadership behavior (Bass & Avolio, 2000; Avolio & Bass, 2004). MLQ helps the researcher to rate the leadership behaviors utilized by leaders/supervisors. MLQ presents into 9 factors of leadership (5 for transformational style; 3 for transactional and 1 factor for laissez faire style).

The Gallup Organization, potentially the most widely recognized name associated with employee engagement due to their best-selling book, "First, Break All the Rules," defines engaged employees as those who, "work with a passion and feel a profound connection to their company" and "drive innovation and move the organization forward" (Gullup organization, 2006). The Gallup contain 12 questioner that helps to know the level of employee's engagement.

The measuring instrument for this research is questionnaire; the questionnaire consists of three parts.

The first part is the demographic which helps us to identify the participant Gender, Age, Educational background. The second part for the MLQ consists of 36 types of questions which helps us to identify what kind of leadership style that the employee practice in the organization and the third part is The Gallup 12 item questionnaire which helps to measure level of employee's engagement.

The rating for the MLQ starts from Strongly Disagree (1) Disagree (2) Neutral (3) Agree (4) Strongly Agree (4) and the rating for Gallup 12 item starts from (1) Strongly disagree (2) Disagree (3) Neutral (4) Agree and (5) Strongly Agree.

Bass stated that if the transformational leadership style means rate is less than 3 it means that the leadership style is ineffective leadership style.

Table 3.5 Leadership style subscale and Items

Leadership Style	Subscale	Items
Transformational Leadership Style	Idealized Attributes	10,18,21,25
	Idealized Influence	6,14,23,24
	Inspirational Motivation	9,13,26,36
	Intellectual Stimulation	2,8,30,32
	Individualized Consideration	15,19,29,31
Transactional Leadership Style	Contingent Reward	1,11,16,35
	Management by Exception (Active)	4,22,24,27
	Management by Exception (Passive)	3,12,17,20
Laissez – Faire		5,7,28,33

Source: MQL 5X questioner (Bass and Avolio 2000)

3.6. Reliability Test

The term reliability is defined as consistency of measurement or stability of measurement over a variety of condition in which basically the same result should be obtained (Hoffman & Bateson, 2010; Jacob & Ulaga, 2008). Cronbach's alpha coefficient is the most popular and commonly used technique to estimate reliability or internal consistency of assessments and questionnaires in the behavioral sciences (Kurata H, Nam SH, 2010). Reliability of the items/questions has been checked before the distributed questionnaires were analyzed. George and Mallery (2003) provide the scale of Cronbach alpha coefficient: “->0.9 excellent, ->0.8 Good, ->0.7 Acceptable, _>0.6 questionable, _>0.5 poor, and _<0.5 unacceptable”. Thus, the value of Cronbach alphas for this study is above 0.7 for all scale variables, the data collected from respondents was reliable and consistent with the scale. In simple term the result is confirmed the reliability and consistency of the questionnaire. A summary of the reliability statistics of the data from the SPSS version 22 is presented in Table 4.1.

Cronbach's alpha was employed to test the reliability of the questionnaire and all of the questionnaire items were found to have a result higher than 0.6. This shows that the internal consistency of the items taken is good (Duffy, Duffy, and Kilbourne 2001). Duffy et al. (2001) asserted, Cronbach's α measure the consistency with which participants answers items within a scale and further stated, a high α (greater than .60) indicates that the items within a scale are measuring the same Construct. SPSS version 22 used to produce the values for Cronbach's α . The results of the reliability analysis are presented in below table. Based on the results of the reliability analysis, one can conclude that the items are internal consistence.

Table 3.6: Reliability Statistics

	Cronbach's Alpha	No. of Items
Idealized Influence (Behavior)	0.732	4
Idealized Influence (Attributed)	0.775	4
Inspirational Motivation	0.699	4
Intellectual stimulation	0.749	4
Individual Consideration	0.875	4
Contingent Reward	0.684	4
Management by Exception (Active)	0.821	4
Management by Exception (Passive)	0.838	4
Laissez-faire	0.765	4

Source: SPSS result, 2019

Since the value of Cronbach alphas for this study is above 0.6 for all scale variables, Cronbach's alpha was employed to test the reliability of the questionnaire and all of the questionnaire items were found to have a result higher than 0.6. This shows that the internal consistency of the items taken is good (Duffy, Duffy, and Kilbourne 2001). In simple term the result is confirmed the reliability and consistency of the questionnaire.

3.7. Ethical consideration

The researcher addressed ethical considerations of confidentiality and privacy throughout the research process. A written guarantee was given to the respondents that their names will not be revealed in the questionnaire and the research report. Moreover, the participants were given a verbal and written description of the study, and informed consent was obtained before the survey. Participation in the study was made only voluntarily and also they were assured that the responses kept confidentially and only be used for the purpose of this study. Finally, a copy of the final report could be given to the organization if demanded.

The study was conducted by considering ethical responsibility. This includes using proper citation, providing Information to the respondents the purpose of the study and the use of the information as Well and reporting of the finding in amoral way. Information obtained kept in strict confidentiality by the researcher.

3.8. Data Analysis

This study used both quantitative and qualitative data analysis methods that were, descriptive statistics and inferential statistics as they showed the frequency of occurrence through establishing statistical relationships between variables (Saunders, Lewis & Thornhill, 2011). The research used both random and non-random sampling techniques which are known as mixed approach to select target population and participants accordingly. The inferential statistical method that was used was correlation and the descriptive statistical methods involved measures of central tendency (the mean). The data analysis tool used for this research study is statistical package for the Social Sciences software (SPSS-22).

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

The objective of this research paper is to examine effects of leadership style on employee's engagement at CBE East Addis Ababa District. This chapter presents and analyzes the data collected from the participants. The findings about the relationships/effects of leadership style with employee engagement relevant statistical analysis to answer the research questions will also be presented and analyzed.

The total number of questioner that was distributed was 242 out of it 239 was properly filled and returned for analysis purpose. 239 is more than the 95% and the data was analyzed using the SPSS version 22.

Out of the total of 242 questionnaires that were distributed to the selected sample of employees 239 (98.76%) properly filled and used for the analysis. The data collected from the target population was analyzed using SPSS Version 22. As a result of this, the responses of the participants regarding the independent and dependent variables were summarized using the mean and standard deviation whereas the demographic profile of the respondents is summarized using frequencies and percentage. In addition, regression analysis was used to identify the effect of independent variable on the dependent variable.

4.1. Demographic Characteristics of the Participants

In this section the personal and job related profile of the participants is presented. As it is presented in the following tables the gender, age, educational background of the participants presented using a descriptive statistics of frequency and percentage.

Table 4.1. Demographic Information of Participants

		In number	In percent
Gender	Male	153	64
	Female	86	36
	Total	239	100
Age	Below 25 years	7	2.9
	26 – 30 years	148	61.7
	31 – 40 years	84	35.10
	41 - 50 years	0	0
	51 and above	0	0
	Total	239	100
Educational Level	Diploma	3	1.3
	Degree	186	77.50
	Masters	50	20.8
	PhD & above	0	0
	Total	239	100
Job Position	CSO	11	4.6
	BBO/BOO	140	58.6
	SBBO/SBOO	18	7.5
	CRO	10	4.2
	MANAGER	40	16.7
	TOTAL	239	100
Work Experience	1-2 years	17	7.1
	2-3 years	44	18.40
	4-5 years	73	30.50
	Above 5 years	105	43.90
	TOTAL	239	100

The above table shows that the major participant on this questioner was male which 64% is, and the number of female respondent is slightly lower than the male, the total female participant was 36 %.

The majority of the respondents are in the age of 25 – 30 years which is 61.7 %, as shown in the table there is no respondent above 40 years old but that doesn't mean there is no employee above 40.

As per the above table 77.50 % of the participants have a first degree, 20.8 % Masters and only 1.3 % of participants have diploma.

The majority of respondents from the data collected out of 239 respondents 140 (58.6%) are BBO/BOO (Branch Business Officer or Branch Operation Officer) followed by managers which is 40 (16.7%).

Concerning work experience of respondents 43.90% (105) out of 239 respondents are above 5 years' experience 73 (30.50%) are between 4 – 5 years the rest 44 (18.40%) and 17 (7.1%) are 2-4 years and 1-2 years' of experience respectively.

4.2. Descriptive Statistics of the Variables

The descriptive statistics was used to examine the mean and standard deviation of the responses of respondents on the MLQ and Gallup 12 item survey. The MLQ scale contains 36 questions that ask the respondents their perception the three dements of Leadership style. Table 3.5 clearly stated which question states what kind of leadership style. The Gallup survey contains 12 questions regarding employee's level of engagement which attached on the Annex.

Table 4.2. TRANSFORMATIONAL LEADERSHIP

	MEAN	STANDARD DEVIATION
Idealized Influence (Behavior)	2.555	1.2943
Talks about his/her most important values and beliefs	2.77	1.327
Stresses the importance of having a strong sense of purpose	2.36	1.275
Considers the moral and ethical consequences of decisions.	2.67	1.314
Emphasizes the importance of having a collective sense of mission	2.42	1.261
Idealized Influence (Attributed)	2.54	1.2653
Instills pride in me for being associated with him/her	2.62	1.238
Goes beyond self-interest for the good of the group	2.64	1.285
Acts in ways that builds my respect.	2.36	1.252
Displays a sense of power and confidence	2.54	1.286
Inspirational Motivation	2.425	1.2845
Talks optimistically about the future	2.37	1.202
Talks enthusiastically about what needs to be accomplished	2.27	1.279
Articulates a compelling vision of the future	2.32	1.263
Expresses confidence that goals will be achieved	2.74	1.394
Intellectual Stimulation	2.628	1.363
Re-examines critical assumptions to questions when they are appropriate	2.72	1.360
Seeks differing perspectives when solving problems	2.56	1.370
Gets me to look at problems from many different angles.	2.74	1.335
Suggests new ways of looking at how to complete assignments	2.49	1.387
Individual Consideration	2.5	1.3313
Spends time teaching and coaching	2.80	1.354
Treats me as an individual rather than just as a member of a group.	2.48	1.378
Considers me as having different needs, abilities, and aspirations from others.	2.38	1.310
Helps me to develop my strengths	2.34	1.283
Transformational leadership	2.5295	1.3077

Source: Own Survey (2019)

To indicate the dominant leadership style used by the managers of Commercial Bank of Ethiopia, mean scores of all the dimensions of leadership styles were computed. From the above table, the highest mean score was that of Intellectual Stimulation (M= 2.628, SD= 1.363) followed by Idealized Influence (Behaviour) (M= 2.555, SD= 1.294). The third highest mean score was Idealized Influence (Attribute) (M= 2.54, SD= 1.265).

Mean scores can also use to identify the effectiveness of a leader. The above table also shows that the mean scores of leadership styles along with corresponding standard deviation. The mean score for transformational leadership style was 2.530 (SD= 1.308). The mean score of transformational leadership style dimensions ranges from 2.425 to 2.628. From the dimensions of transformational leadership style, Individual Motivation had the lowest mean score (M= 2.425, SD= 1.285) whereas Intellectual Stimulation had the highest mean score (M= 2.628, SD= 1.363). However, Bass and Avolio (1999) suggested that the ideal mean score required for good leadership is greater than 3 for all the dimensions of transformational leadership style. From this we can conclude that the leaders of Commercial Bank of Ethiopia were not effective transformational leaders as such, because the mean score of all the dimensions of transformational leadership style were below the required level for effectiveness of leadership. Having transformational leaders in an organization is particularly essential in today's fast changing environment. Transformational leaders are necessary because they motivate others to work beyond what they think is possible. Transformational leadership is about motivating and raising the morals of both the leader and the followers. Such leaders pay great attention to the need and interest of those whom they lead. They strive to support their followers to reach their fullest potential (Bass, 1997; Northouse, 2013; Bass and Riggio, 2006).

Table 4.3 TRANSACTIONAL LEADERSHIP

	MEAN	STANDARD DEVIATION
CONTINGENT REWARD	2.485	1.239
Provides me with assistance in exchange for my efforts	2.58	1.234
Is specific about who is responsible for reaching performance targets	2.35	1.210
Makes clear what one can expect to receive when performance goals are achieved	2.53	1.229
Expresses satisfaction when I meet expectations	2.48	1.283
MGT BY EXCEPTION (ACTIVE)	2.685	1.394
Focuses attention on mistakes and deviations from standards	2.48	1.283
Concentrates his/her full attention on dealing with mistakes, complaints, and failures.	2.56	1.448
Keeps track of all mistakes	2.85	1.426
Directs my attention toward failures to meet standards	2.85	1.419
MGT BY EXCEPTION (PASSIVE)	2.765	1.552
Fails to interfere until problems become serious	2.90	1.427
Waits for things to go wrong before taking action	2.93	1.408
Shows that he/she is a firm believer in "If it isn't broke, don't fix it."	2.85	1.424
Demonstrates that problems must become chronic before taking action.	2.38	0.950
Transactional Leadership	2.645	1.395

According to the above table minimum scale is 2.485 while the maximum scale is 2.765. The average mean score of overall transactional leadership is $M=2.645$ ($S.D=1.395$). While Management by Exception passive with a mean score of ($M=2.765$, $SD=1.552$) is the highest dimension of transactional leadership style whereas contingent reward shows the lowest mean score of 2.485 ($S.D=1.239$) and the remaining is Management by Exception active with the mean score of 2.685 ($SD=1.394$). Management by Exception passive with a mean score of ($M=2.765$, $SD=1.552$) is the highest of all the remaining eight leadership dimensions so that it is possible to conclude as it is the dominant leadership style in which branch managers of CBE actually applying right now. Bass and Avolio (1995 and 2004) suggested that for transactional leadership to be effective its mean score should be not less than 2.5 even to be transactional leadership itself. The above data concerning the average mean of transactional leadership style ($M=2.645$) is exceeding this minimum requirement. Hence, the report shows

that there is sufficient evidence to conclude that transactional leadership style is effective even if contingent reward leadership style is the dominant leadership dimension. In general it is possible to conclude that out of all parameters of leadership styles dimensions, contingent reward is the prevailing leadership practice fairly often used by branch managers in which reward and punishment is used alternatively as leadership style. In line to this, Bass (1985, 1998) argued that contingent reward leadership is based on economic and emotional exchange s by clarifying role requirements and rewarding desired outcomes. Contingent rewards is a constructive transaction (Bass, 1998), and it is reasonable effective in motivating followers, but to a lesser degree than the transformational leadership behavior.

Table 4.4. LAISSEZ FAIRE LEADERSHIP

	MEAN	STANDARD DEVIATION
Avoids getting involved when important issues arise	2.39	1.031
Is absent when needed	2.54	1.072
Avoids making decisions.	2.44	1.169
Delays responding to urgent questions	2.54	1.060
Laissez faire leadership	2.478	1.083

Sources : Questioner Data (2019)

The mean score of laissez-faire leadership was 2.478 (SD=1.083). When the mean score is less than 1 as suggested by Bass and Avolio (1999) the Laissez-faire is effective, but it is slightly greater than what Bass and Avolio puts at Commercial Bank of Ethiopia. It can be concluded that the Laissez-faire leadership were not effective as per Bass and Avolio.

From this we can conclude that the dominant leadership styles were Transactional Leadership Style followed by transformational leadership styles. Thus, the data shows that the dominant leadership style was transactional leadership style.

4.6. Employee Engagement

The below table shows the engagement level of employees at their jobs using the 12 Gallup item survey. The respondents were asked to the extent to which the organization had engaged and emphasized activities relating to employee engagement and rate the factor on a scale of 1 to 5 (1: To Strongly Disagree, 2: to Disagree, 3: Neutral, 4: Agree and 5 to Strongly Agree).

Means greater than 1 and less than 1.5 implies that the factor influenced employee engagement to no extent, Means greater than 1.5 and less than 2.5 implies that the activity influenced employee engagement to a little extent. Means greater than 2.5 and less than 3.5 implies that the activity influenced employee engagement to a moderate extent. Means greater than 3.5 and less than 4.5 implies that the activity influenced employee engagement to a great extent while means greater than 4.5 implies that the activity influenced employee engagement to a very great extent (Gullup organization, 2006)

Table 4.6. Employee Engagement

	Mean	Standard Deviation	MIN	MAX
I know what is expected of me at work.	3.65	0.815	2	5
I have the materials and equipment I need to do my work right.	3.07	1.246	1	5
At work, I have the opportunity to do what I do best every day.	3.52	1.202	1	5
In the last seven days, I received recognition or praise for doing good work.	3.01	1.435	1	5
My supervisor, or someone at work, seems to care about me as a person.	3.73	1.242	1	5
There is someone at work who encourages my development	3.78	1.039	2	5
At work my opinions seem to count.	3.55	0.951	2	5
The mission/purpose of my company makes me feel my job is important.	3.66	1.004	1	5
My associates (fellow employees) committed to doing quality work.	3.58	1.116	1	5
I have a best friend at work.	3.68	0.855	2	5
In the last six months, someone at work talked to me about my progress.	3.51	1.163	1	5
In the last year, I had opportunities at work to learn and grow.	3.55	1.235	1	5
TOTAL	3.5242	1.1086		

The above table shows Employee of Commercial Bank of Ethiopia Means greater than 3.5 and less than 4.5 in the above 10 factors (Q. 1, 3, 5, 6, 7, 8, 9, 10, 11, 12) according to (Gullup organization, 2006) which implies that the activity influenced employee engagement to a great while the rest two factors Means greater than 2.5 and less than 3.5 (3.07 and 3.01) implies that the activity influenced employee engagement to a moderate extent.

4.7 Correlation Analysis

The correlation analysis result was performed to see the association between Leadership style and employee engagement. Therefore, the correlation analysis revealed the relationship between leadership styles with overall employee engagement factors. If the correlation result lies between -1 and 0, the two variables are negatively related. But if the correlation result of the two variables lies between 0 and 1, the two variables are positively related. Furthermore, according to Field (2005) general guidelines correlations of 0.1 – 0.29 are considered small, correlations of 0.30 – 0.49 are considered moderate and correlations above > 0.5 are considered large. The correlations of the variables are shown in Table 4.7, however, each variable correlates perfectly with itself, as evidenced by the coefficients of +1.00 at the intersection of a particular variables' row and column.

Correlation coefficients say nothing about which variable causes the other to change. Although it cannot make direct conclusion about causality, we can take the correlation coefficient a step further by squaring it (Field, 2005). The correlation coefficient squared (known as the coefficients of determination, R^2) is a measure of the amount of variability in one variable that is explained by the other.

According to (Cochran, 1977), positive values indicate positive correlation between the two variables, whereas negative values indicate negative correlation.

Table 4.7 Correlation between Leadership style and Employee Engagement

Correlations					
		Transformational	Transactional	Laissez-Faire	Employee Engagement
Transformational	Pearson Correlation	1			
	N	239			
Transactional	Pearson Correlation	0.850**	1		
	N	239	239		
Laissez-Faire	Pearson Correlation	0.411	0.53	1	
	N	239	239	239	
Employee Engagement	Pearson Correlation	0.511	0.600	0.420	1
	N	239	239	239	239

Source: SPSS result, 2019

Based on The Pearson correlation result that is association with independent variables with employee engagement presented on the above table 4.7, transformational with employee engagement correlation coefficient is 0.511, this explain that there is positive relationship between the two variables. Transactional and employee engagement correlation coefficient is 0.600, this result indicates that there is positive relationship between the two variables. Laissez faire and employee engagement correlation coefficient is 0. 420, this explains that there is strong and positive relationship between the two variables. Hence the result implies there is a positive relationship between independent variables and employee engagement.

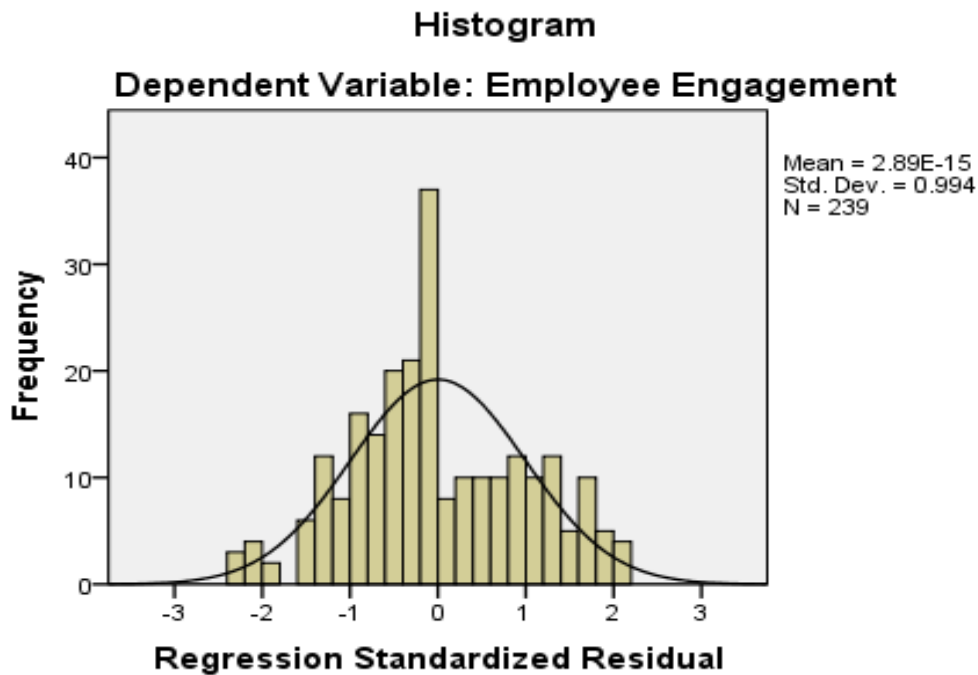
4.8 Regression Analysis

According to Gujarat, (2001) in the classical linear regression model it need to be test the classical linear regression model assumptions in order to maintain the data validity and robustness of the regressed result of the research. As result, this study was tested the following classical linear regression model assumptions.

4.8.1. Normality Assumptions Test

This study was a test for normality assumption and is presented graphically as follows

Figure 4.1 - Normality test for residuals



If the residuals are normally distributed, the histogram should be bell-shaped. Bryman, (1988). Therefore, from the above figure, the Histogram is bell-shaped; this implies that the residuals are normally distributed. Hence, the normality assumption is fulfilled.

4.8.2. Autocorrelation Assumptions Test

The Durbin Watson statistic is a number that tests for autocorrelation in the residuals from a statistical regression analysis. The Durbin-Watson statistic is always between 0 and 4. The value 2 means that there is no autocorrelation in the sample of the study. Values approaching 0 indicate positive autocorrelation and values toward 4 indicate negative autocorrelation (Bryman, 1988).

Table 4.8 Autocorrelation assumptions test

Model	Durbin-Watson
1	1.546
a. Predictors: (Constant), Laissez Faire , Transformational, Transactional	
b. Dependent Variable: Employee Engagement	

Source: SPSS result, 2019

From the above table 4.8 indicate that the value Durbin Watson statistic result is 1.546. Thus, this study has tested for assumption of Autocorrelation and as it can be seen there is no Autocorrelation from the above result. Hence, the Autocorrelation assumption is fulfilled.

4.8.3. Linearity Assumptions Test

In linear regression analysis it is assumed that there is a linear relation between the predictors and the dependent variable. This study measured the linearity by testing the goodness of fit of the model by conducting ANOVA test.

The test hypothesis is:

H0: The model is not a good fit

H1: The model is a good fit

$\alpha = 0.05$

Table 4.9 linearity assumptions test

ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	6.196	3	2.065	4.424	0.000
Residual	109.709	235	.467		
Total	115.905	238			
Dependent Variable: Employee Engagement					
b. Predictors: (Constant), Laissez Faire , Transformational, Transactional					

Source: SPSS result, 2019

From the above table 4.9, we concluded that the model is a good fit. Since, the p-value, 0.000 is less than $\alpha = 0.05$. This result indicates a linear relation between the dependent variable and the independent variables

4.8.4. The Multi collinearity Assumption

According to (Cochran, 1977) stated that presence of multi collinearity can be detected by just looking at variance inflation factor (VIF) value of each explanatory variable. That is, if VIF is more than 10, then, it signifies that there is interdependency among independent variables.

Table 4.10 Multi collinearity assumption Test

Variables	Collinearity Statistics
	VIF
Transformational,	3.639
Transactional	3.649
Laissez Faire	1.014

Source: SPSS result, 2019

The above table 4.10 indicates that the VIF values of transformational, transactional and laissez faire are below 10. Hence, the multi collinearity assumption is fulfilled in this study.

4.8.5. The regressions result

Regression analysis shows that independent variables explain the dependent variable, a regression analysis was performed. The regression was made between the independent variables which are the three different dimensions of Leadership style (transformational, transactional and laissez-faire leadership) with the twelve factors of Employee Engagement.

Table 4.11 The Overall Regression Analysis

Model	R	R square	Adjusted R square	St. Error of the Estimated
1	.531	0.453	0.341	0.17312

Source: SPSS result, 2019

As indicated in table 4.11, the model summary which states that employee engagement as a function of transformational, transactional and laissez faire. Based on the model summary R square value indicated that the independent variables explained the dependent variable by 0.453. This result implies that transformational, transactional and laissez faire are accounted for 45.3 percent of the variance in employee engagement. Therefore, transformational, transactional and laissez faire were explained the employee engagement by 54.3 percent.

Table 4.12 Coefficients of Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Transformational	.286	.091	0.382	3.155	.002
Transactional	.332	.091	0.441	3.642	.000
Laissez Faire	.240	.054	0.290	0.453	.041

Dependent Variable: Employee Engagement

Sources: Questioner Data (2019)

As shown on table 4.12, the results of regression regarding transformational show that it has statically significant and also positive effect on employee engagement. Unstandardized Coefficients of transformational is 0.286 which implies that on average a percent increase in transformational will increase employee engagement by 28.6 percent and vice versa. Thus, from the results it can be conclude that transformational has effect on employee engagement. This result strengthens the finding of Rigopoulou & et al (2008),

And also the regression results indicate that transactional has a positive and statistically significant effect on employee engagement. Unstandardized Coefficients of transactional is 0.332 which implies that on average a percent increase in transactional will increase employee engagement by 33.2 percent and vice versa. The result indicates that employee engagement can determine employee engagement.

The result of regression regarding laissez fairehas a positive and significant effect on employee engagement. As shown above in table 4.12, the regression un standardized Coefficients of laissez faireis 0.240 which implies that on average when a percent increase in laissez faire will increase employee engagement by 24.0 percent and vice versa. The result indicates that laissez faire can determine employee engagement.

Generally, the main purpose of this study is to analysis the effect of leadership style on employee’s engagement at commercial bank of Ethiopia. From the above data analysis, transformational leadership, transactional leadership style and laissez –fair leadership style has effect on employee engagement at 5% level of significance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND SUGGESTION

This chapter presents the summary of the findings from the analysis, the conclusion drawn from the finding of the study and also suggestions for future practice.

5.1 Summary of finding

The general objective of this study was to investigate the effect of leadership style on employees engagement also specific objectives includes assessing the dominant leadership style at Commercial Bank of Ethiopia, determine the relationship between leadership style and employee engagement and also to examine the effect of leadership style (Transformational, Transactional and Laissez-faire) on employee engagement.

In order to clarify the given objectives descriptive analysis expressed by the percentage and frequency to analyze the respondents demographic parts while using the mean and standard deviation were able to identify the dominant leadership style and employees engagement at Commercial Bank of Ethiopia.

- ✚ The demographic analysis revealed that the majority of the employees who participated in this study were male (64%), Female (36%) shows the majority of the respondents who participated were male.
- ✚ The majority of the employee were in the age of 25-30 years old which is (61.7%) while there was no participant above the age of 40 years old. The majority of the participant were BA degree holder.
- ✚ The mean that was used to identify the dominant leadership style was transactional leadership (M=2.645, SD=1.395)
- ✚ The means on the employee engagement shows the level of their engagement, employee were engaged (M=3.5242, S= 1.1086)

Correlation and regression analysis were used to show the relationship between variables and the effect of leadership style (Independents Variables) and Employees Engagement (Dependent Variable) of the study.

✚ The result of Pearson correlation revealed that significant positive relationship is found between Leadership style and Employee Engagement.

✚ All the three leadership styles has a significant effect on employee engagement

5.2 Conclusion

Based on the data analysis and discussion of the results the following conclusions are drawn:

The result of this study shows that there is significant relationship between Transformational, and employee engagement. Transactional leadership also had a positive effect on the significant subscales of Employee Engagement and laissez-faire leadership had a positive effect as well on the significant subscales of Employee Engagement. The subscales of leadership style were that significant to Employee Engagement.

Hence, based on this research finding it is possible to generalize, that leadership behaviours particularly transactional and transformational styles have significant positive relationship with employees' engagement.

Findings analysed in the Pearson correlation matrix regarding leadership dimensions shows that Contingent reward, management by exception-active, management by exception-passive commonly called as transactional leadership style have better positive correlation with employees engagement. Idealize influence-attributed, idealize influence-behaviour, intellectual stimulation, inspirational motivation, individual consideration are generally known as transformational leadership style have positive relationship but less significant than transactional leadership and laissez-fair leadership style is least of all. Up on these findings we conceive dimensions of transactional leadership style proved to be the first choice and more preferable and dimension of transformational leadership style were second on behalf of employees.

However, findings produced from the analysed response of managers using frequency distribution and descriptive statistics shows that Management by Exception-passive with the mean of ($M= 2.765$, $SD= 1.552$) is the most dominant leadership dimension out of all leadership dimension from transitional leadership style, the second and third leadership was transformational and Laissez-fair leadership style respectively. This leads us to conclude that

the current leadership styles that the branch managers of Commercial Bank of Ethiopia is more or less transactional. Hence, punishment and reward used as a leadership style used by these supervisors to manage the work to be done by the employee (co-workers) right now. Low participation of employees is one of the manifestations of transactional leadership style. Inline to this strategic plan of CBE confirms that low level of employee engagement proved as weak side of the organization, (2015/16 – 2019/2020). This finding is also consistent with the previous studies done by Higgins (1994), transactional leadership is a type of leadership in which the leader exchanges something him or her values for something valued by follower.

Since leadership styles affect employee engagement, which in turn affect job performance, managers, supervisors, leaders and organizational heads should not stick to only one form of leadership style. Using appropriate leadership styles will bring more engagement and enhance employee performance. They should therefore find the appropriate leadership styles that would achieve the organizational goals together with the individual targets or objectives of the employees.

In general, this study is successful in achieving expected objectives and making a significant contribution to the existing studies by further exploring the effect of leadership styles on job satisfaction through an empirical analysis.

5.3 Recommendation

Based on the findings and conclusions of this study, the researcher suggested the following recommendations which they possibly be considered by senior management to increase employee engagement within the organization.

- It is very much important for the higher management of the bank (CBE) ought to update the HR procedure and leadership development program to enhance the knowledge and skills of their branch managers to adopt transformational leadership style as long as it has been proved that transformational leadership style was not frequently used by them.
- Leaders should adopt the transformational leadership style if they want to improve and increase organization outcomes such as employee engagement and organizational commitment of employees within the organization.
- Continuous capacity building programs, like training, seminars, workshops and panel discussion need to be prepared to improve the competence level of the branch managers about skills of leadership as a management function.
- Leaders of the bank at all levels; top, middle, and lower, should pay great attention to individual differences among employees and treating them empathetically in accordance with existing situations.
- Top management of the banks as a whole and the branch managers in particular, should frequently use contingent reward leadership dimension to maintain equilibrium between the work to be done and employee engagement using financial rewards and punishments as an alternative leadership mechanism. However, more emphasize need to be given to psychological rewards such as recognition, appreciation, praise and others whenever their subordinates did better so that they will relatively have better and long lasting employee engagement.

In general, employees should be viewed as the most valuable assets in an organization. This is because the success and failure of an organization is determined highly by the effort and commitment of employees whom they are satisfied by their job. On top of this, it is imperative that an organization having capable and vibrant leaders to lead and motivate employees towards achieving organization success.

The findings encourage Commercial Bank of Ethiopia to use the various leadership styles which is comfortable and helps to increase employee's engagement and enhance employee performance to the stated area of study.

More effective results can be accomplished through applying the three types of leadership thought and principle on job training, which includes modifying organizational objectives and developing new methods of coordination such as, planned progression, job rotation, re-assigning supervision and temporary promotion until the employee has proven himself up those leadership styles are fully internalized by the company.

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Annex

Questionnaire

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE

DEPARTMENT OF HUMAN RESOURCE MANAGEMENT

Dear! Respondent,

The purpose of this questionnaire is to assess the leadership style of your managers and your engagement. The questionnaire is designed to collect data for master's thesis with the title "*The Effect of Leadership Style on Employee Engagement the case of Commercial Bank of Ethiopia*". So, you are kindly requested to give genuine and appropriate response. The researcher would like to assure you that the information you give will be kept confidential and used only for academic purpose. The researcher is interested to thank you in advance for your cooperation and kindness.

This survey questionnaire contains three parts of statements intended to measure managers perceived leadership styles. In section 'I' you are asked to fill demographic information which will be used for statistical purpose only. In Section 'II' you will rate your manager/supervisor the extent to which he/she frequently demonstrate behaviors given and in section "III" you will rate your agreement with each statement about engagement.

General Direction:

- ◆ You are not required to write your name.
- ◆ Read the statements carefully.
- ◆ For the 1st, 2nd & 3rd Sections respond by putting a "√" mark in the blank space beside your choice.

Once again thank you for your Cooperation!

KidistBirhanu

Section I: Demographic Information:

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

1. Gender: Male Female

2. Age below 25 26- 30 31- 40 41- 50
 51 and above

4. What is your highest educational level attainment?

Diploma Degree Master PhD and above

5. How long have you been working in CBE?

Below 1 year 1-2 year 3-4 year 4-5 years Above 5 years.

6. What is the title of your job position?

CSO BBO/BOO SBBO/SBOO

Manager CRO

Section "II" Instructions: Leadership styles

This questionnaire provides a description of your manager'/supervisors' leadership style. Thirty six descriptive statements are listed below. Judge how frequently each statement fit with him/her.

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

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

Multifactor Leadership Questionnaire (MLQ) Rater Form (5X-Short)

1 –Strongly disagree 2- Disagree 3-Neutral 4- Agree 5- Strongly agree

No.	Statement	Scale				
		1	2	3	4	5
	Idealized Influence (behavior)					
1	Talks about his/her most important values and beliefs					
2	Stresses the importance of having a strong sense of purpose					
3	Considers the moral and ethical consequences of decisions.					
4	Emphasizes the importance of having a collective sense of mission					
	Idealized Influence (Attribute)					
1	Instills pride in me for being associated with him/her					
2	Goes beyond self-interest for the good of the group					
3	Acts in ways that builds my respect.					
5	Displays a sense of power and confidence					
	Inspirational Motivation					
1	Talks optimistically about the future					
2	Talks enthusiastically about what needs to be accomplished					
3	Articulates a compelling vision of the future					
4	Expresses confidence that goals will be achieved					
	Intellectual Stimulation					
1	Re-examines critical assumptions to questions when they are appropriate					
2	Seeks differing perspectives when solving problems					
3	Gets me to look at problems from many different angles.					
4	Suggests new ways of looking at how to complete assignments					
	Individual Consideration					

No.	Statement	Scale				
		1	2	3	4	5
1	Spends time teaching and coaching					
2	Treats me as an individual rather than just as a member of a group.					
3	Considers me as having different needs, abilities, and aspirations from others.					
3	Helps me to develop my strengths					
	Contingent Reward					
1	Provides me with assistance in exchange for my efforts					
2	Is specific about who is responsible for reaching performance targets					
3	Makes clear what one can expect to receive when performance goals are achieved					
4	Expresses satisfaction when I meet expectations					
	Management by Exception (Active)					
1	Focuses attention on mistakes and deviations from standards					
2	Concentrates his/her full attention on dealing with mistakes, complaints, and failures.					
3	Keeps track of all mistakes					
4	Directs my attention toward failures to meet standards					
	Management by Exception (Passive)					
1	Fails to interfere until problems become serious					
2	Waits for things to go wrong before taking action					
3	Shows that he/she is a firm believer in "If it ain't broke, don't fix it."					
4	Demonstrates that problems must become chronic before taking action.					
	Laissez-faire					
1	Avoids getting involved when important issues arise					
2	Is absent when needed					

No.	Statement	Scale				
		1	2	3	4	5
3	Avoids making decisions.					
4	Delays responding to urgent questions					

Section III. Employees Engagement Factors Questions

I. Questions for Dependent variable (Engagement) I use Gallup standard question

	Question	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I know what is expected of me at work.					
2	I have the materials and equipment I need to do my work right.					
3	At work, I have the opportunity to do what I do best every day.					
4	In the last seven days, I received recognition or praise for doing good work.					
5	My supervisor, or someone at work, seems to care about me as a person.					
6	There is someone at work who encourages my development					
7	At work my opinions seem to count.					
8	The mission/purpose of my company makes me feel my job is important.					
9	My associates (fellow employees) committed to doing quality work.					
10	I have a best friend at work.					
11	In the last six months, someone at work talked to me about my progress.					
12	In the last year, I had opportunities at work to learn and grow.					