



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

**The Effect of Leadership Style on Employee Motivation:
The Case of Ethiopia Commodity Exchange**

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Requirement for The Degree of Masters in Business Leadership**

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STATEMENT OF DECLARATION

I, Yihunsew Getahun, hereby declare that this research project entitled: The Effect of Leadership Style on Employee Motivation in the Case of Ethiopia Commodity Exchange, submitted by me for the award of Master 's Degree in Business Leadership is my original work and it has not been presented for the award of any other Degrees, Diploma, Fellowship or any other similar titles of any other university or institutions.

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STATEMENT OF CERTIFICATION

This is to certify that research work prepared by Yihunsew Getahun entitled “The Effect of Leadership Style on Employee Motivation in the Case of Ethiopia Commodity Exchange” submitted in partial fulfilment of the requirements for the degree of Masters of Arts in Business Leadership complies with the regulation of the University and meets the accepted standards with respect to originality and quality.

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ABSTRACT

The aim of this study is to appearance at the effect of leadership style on employee motivation at ECX (Ethiopia Commodity Exchange). To accomplish the research goal, both primary and secondary data were used to study the effect of leadership styles such as transformational leadership styles, transactional leadership styles, and laissez-faire leadership styles (an independent variable) on employee motivation (a dependent variable). To measure leadership style and employee motivation, the Multifactor Leadership Questionnaire (MLQ) and Employee Motivation Questionnaire (EMQ) were utilized to collect primary data. The quantitative approach was applied, and data was gathered via surveys. Inferential and descriptive statistics were applied to analyze the data; correlation analysis was used to identify and relate variables; and regression analysis was used to forecast changes in dependent variable as the independent variables change. The analysis of data resulting from administered questionnaires on employee motivation and leadership styles answered by 122 Ethiopia Commodity Exchange employees discovered that the transformational leadership style is the most commonly practiced leadership style with a high mean and standard deviation score, and the laissez-faire leadership style also has a positive and highly significant effect on employee motivation. Employee motivation is marginally yet positively associated with the transactional leadership style. The independent variables (Transformational, Laissez-faire, and Transactional Leadership Styles) are found to be excellent interpreters of employee motivation, which is a dependent variable. Moreover, all three leadership styles (transformational, transactional, and laissez-faire) were discovered to be statistically significant interpreters of employee motivation. According to the findings and conclusions, senior management should prioritize transformational and laissez-faire leadership styles, which are supported by transactional leadership styles.

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LIST OF ABBREVIATIONS

ECX – Ethiopia Commodity Exchange

SPSS - Statistical Package for the Social Sciences

CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The idea that leadership styles are linked to organizational performance has piqued people's interest (Al Khajeh, 2018). In these modern times, when societal needs are becoming more complex and organizations and nations are becoming more competitive, achieving high outputs and performance has never been more important. The literature emphasizes the importance of leaders in ensuring high organizational performance (Al Khajeh, 2018). Recruiting and retaining employees has become more difficult in recent years (Davis, 2004). Human resources are becoming increasingly demanding as a result of globalization and other multinational factors. At the same time, motivating employees has been found to be a catalyst for their performance and, as a result, for the success of the organization. For decades, both academics and practitioners have been interested in the topic of leadership.

People are influenced to work toward organizational goals through the process of leadership. It entails the ability to motivate others as well as the development of followers' capacity to achieve organizational objectives. (Klein, Cooke & Wallis 2013). As noted by Akparep, Jengre, and Mogre (2019), An organization's leadership style has an impact on its operational success. Workers' behavior is influenced by processes such as training, rewards, communication, and discipline. (Alghazo & Al-Anazi 2016).

Because a leader's efficacy is a primary predictor tool for an organization's business success or failure, it is its employees' motivation, or lack thereof, that motivates them (Fiedler, 1996). From managers to researchers all over the world, the concept of leadership has gotten a lot of attention this makes studying the effect of leadership style interesting concept. To use literature for this study according to a review of the literature on leadership, there are numerous definitions and styles of leadership. The changing nature of leadership is the primary reason for the wide range of leadership definitions and styles (Northouse G. P., 2010). Leadership styles that were effective at one point in time or in a specific context may lose their efficacy if social ideals, cultures change or time. For example, consider Fredric Taylor's scientific management theory, which was very effective at the time.

According to current research, the most common leadership styles in most organizations are transactional leadership, transformational leadership, and laissez-faire leadership. (Abasilim, 2014)

Leaders who want to boost employee motivation should pay attention, according to Nitin N. 2008 module, Employee Motivation: A Powerful New Model. Some employees are driven by money, while others are motivated by recognition and awards. Employee productivity is directly affected by motivation levels in the workplace. It's impossible to dispute the commonly held assumption, supported by scientific evidence, which is a motivated staff primes to increased organizational success. But, more precisely, what efforts did leaders make to fulfill the four drives and, as a result, increase the overall motivation of their employees? Most employees want motivation in order to feel good about their profession and perform well. (GANTA 2014).

Employee requirements, duties, supervision, working environment, fairness and equity, effort, feedback and rewards, and employee growth are all important variables in employee motivation (Khuong and Hoang, 2015).

Leaders have a critical role in motivating their followers to achieve organizational goals. They must maintain open lines of communication with their personnel and prudently handle human capital, finance, and marketing. Simply said, leadership is the process of motivating or influencing others to attain organizational goals (Kesting, 2016).

Motivation is an important component of leadership. Leadership is defined as "the capacity to motivate individuals to contribute to the effectiveness and success of the groups in which they engage," among other things (House, 2004). Unless organizational leaders can encourage their members, they will be ineffectual (Schaffer, 2008).

Ethiopia Commodity Exchange (ECX) is a new Ethiopian project and the first of its type in Africa. ECX's vision is to transform Ethiopia's traditional agriculture by establishing a new marketplace that benefits all market actors, from growers to dealers to processors to exporters to customers.

ECX assures all commodity market players the security they need in the market through providing a secure and reliable End-to-End system for matching offers and bids for commodity transactions,

and a risk-free payment and goods delivery system to settle transactions, while serving all fairly and efficiently.

ECX creates trust and transparency through aggressive market data dissemination to all market actors, through clearly defined rules of trading, payments and business conduct, and through an internal dispute settlement mechanism. ECX provides market integrity at three important levels: the integrity of the product itself, the integrity of the transaction, and the integrity of the market actors.

ECX commenced trading operations in April 2008. ECX has invited membership of the agricultural and trade industry. Before ECX was commenced its operation, agricultural markets in Ethiopia had been characterized by high costs and high risks of transaction, and this put the country's agricultural economy into global isolation. With only one third of output reaching the market, commodity buyers and sellers tended to trade only with those they knew, to avoid the risk of being cheated or default.

Before the establishment of ECX, trading was done on the basis of visual inspection because there was no assurance of product quality or quantity, this drove up market costs, leading to high consumer prices. For their part, small-scale farmers, who produce 95 percent of Ethiopia's output, came to market with little information and are at the mercy of merchants in the nearest and only market they know, unable to negotiate better prices or reduce their market risk. As a result, the emergence of ECX brings a number of benefits for all stakeholders by modernizing the exchange system.

The vision of ECX is to revolutionize Ethiopia's tradition bound agriculture through creating a new and modernized marketplace that serves all market actors, from farmers to traders to processors to exporters to consumer. As a result, starting from July 2015 the exchange (ECX) rendering its service by adopting a better technology, electronic trading platform, which modernizes the exchange system in advanced way.

Ethiopia's Commodity Exchange includes a headquarters in Addis Ababa, 23 offices throughout the country, and four outlying trading hubs in addition to the headquarters. ECX has over 1,000 regular employees, according to current figures for the year 2022. The Exchange has seen

numerous changes since its founding, ranging from operating models to major structural alterations. (<http://www.ecx.com.et>).

Based on the researcher observation and previous studies showed that ECX has implemented the three Leadership Styles predominantly. This study was conducted to assess the effect of Leadership Style on ECX Employees Motivation.

1.2 STATEMENT OF THE PROBLEM

Organizational leaders are truly effective only when they are motivated themselves, and when their concern for others motivates them, and when their actions are invariably guided primarily by the criteria of benefit to others, even if it comes at some cost to oneself. (Kanungo and Mendonca, 1996).

According to Rubin (2013:130), motivation can lead to the highest company profit while causing the least amount of fatigue. From the perspective of an employee, Zineldin (2012:186) defined motivation as an optimistic emotional state derived from the evaluation of their work experience. Furthermore, according to Zineldin (2012:186), classical theory encouraged various studies that revealed opposing influences behind job satisfaction.

To encourage employees to improve their performance and job satisfaction, ECX has a variety of motivation programs in place. Full health insurance coverage, an annual bonus and salary increase, and job grade advancement based on overall employee performance are just a few of the benefits.

Relationships between leaders and followers, motivational scams, communication, ease of understanding each other with regard to the job at hand, skills required to perform the job, and the rewards and returns from that performance are all important factors in such work arrangements. This paper was look into this and other aspects of leadership and supervisory roles in motivating employees, as well as employee attitudes toward leaders' methods. There have been studies in terms of the impact of leadership styles on employee motivation in other industries such as banking and manufacturing, but this paper focuses on the motivation of ECX employees and the impact of leadership styles (i.e., transformational, transactional, and laissez-faire).

Motivating employees in a sector like ECX operating needs more than extrinsic forces to attain the intended organizational goal. As a result, this research was important in determining the effect

of middle and top management leadership styles (transformational, transactional, and laissez-faire) on employee motivation at Ethiopia Commodity Exchange, which has its headquarters in Addis Ababa. The study uncovers differences in employee motivation and leadership styles among ECX's top and middle management, as well as viable remedies based on the findings.

1.3 Research Question

The research attempts to answer the following questions:

Q1: How does a transformational leadership style affect ECX employee motivation?

Q2: How does a transactional leadership style affect ECX employee motivation?

Q3: How does the laissez-faire leadership style affect ECX employee motivation?

1.4 OBJECTIVES OF THE STUDY

1.4.1 General Objective

To evaluate the impact of leadership styles on ECX employee motivation.

1.4.2 Specific Objectives

- To assess the effect of transformational leadership style on ECX employees Motivation.
- To assess the effect of transactional leadership style on ECX employees Motivation.
- To assess the effect of laissez-faire leadership style on ECX employees Motivation.

1.5 SIGNIFICANCE OF THE STUDY

One of the most important variables determining an organization's performance is the leadership style of its managers. Leaders not only motivate people to progress on their job performance but also inspiring employees to go above and beyond the job standards (Nawoselng'ollan & Roussel, 2017). Many firms are currently facing issues such as significant employee turnover, a absence of commitment, and work-related pressure (Asrar & Kuchinke, 2016). This has resulted in low productivity and efficiency in aligning and achieving the organization's goals. Using multiple MULTIFACTOR LEADERSHIP QUESTIONNAIRE instruments, this study aimed to access diverse leadership styles and related motivation patterns and recommend the results to the firm. Employees, management, and the ECX accountable body were the research stakeholders. This research will assist ECX's management team in the future in motivating its personnel.

1.6 SCOPE AND LIMITATION OF THE STUDY

The overall conceptual emphasis of this study was on the effect of leadership styles on employee motivation, although only three different types of leadership styles were employed as variables. The study of various employee motivation measurement models was taken into account. The scope of this research was limited to three leadership styles and employee motivation. Future research could concentrate on developing new frameworks for studying other variables related to motivation and leadership styles, such as employee satisfaction, commitment, and performance. Furthermore, questionnaires were the primary sources of this data. This paper will serve as a foundation for future research.

This study focused on the effect of leadership style (transactional, transformational, and laissez-faire) on ECX employees' motivation; it did not investigate other types of leadership styles or elements that may influence employee motivation.

1.7 ORGANIZATION OF THE STUDY

This research was divided into five chapters. The second chapter, which follows the first and introductory chapter, provides a review of theoretical and empirical research on leadership style and motivation. The research design and procedures employed were explained in Chapter 3. Model estimation and interpretation of findings were explored in Chapter 4. Finally, in Chapter 5, the primary findings, conclusions, recommendation, and suggestions for the specified research topic are presented. The appendix, which contains a list of questionnaires and tables with figures used throughout the analysis, is located at the bottom of the paper.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter addresses the topic of leadership style and its effect on employee motivation. It focuses on a review of relevant literature from various sources. This means that various published materials and books were researched in order to conceptualize the issue of leadership style and employee motivation. Various empirical and conceptual evidences are critically reviewed and presented to make it more sensuous. It has also identified past research gaps that have not been addressed so that a solution can be sought. It also helped to shed some light on important areas that previous researchers had overlooked and that are a major barrier to employees' motivation in ECX when compared to other researched industries.

2.2 Theoretical Review

2.2.1 Concept of Leadership

Despite extensive research in the fields of management, trade, and marketing on the philosophy of leadership, there is a shortage of scholarly discourse on the topic. Leadership entails taking responsibility and accountability for achieving the top goal by using available resources and maintaining a cohesive community through which a single individual can influence a collective to accomplish a shared goal. Leadership interventions tend to have an impact on a number of outcomes. However, the influence of leadership initiatives tends to vary based on the theoretical emphasis of the leadership models. (Sunil, 2018).

The variation in attempts to show a whole definition of the term, according to Naile et al. (2014), indicates the difficulty of the concept of leadership. Assignment as the process of sharing ideas, embracing institutional visions, and encouraging followers to support and apply ideas Achua and Lussier (2013). However, Naile et al. (2014) believes that a leader, rather than a manager, who naturally has the potential to influence others. He also adds a caveat that it is possible for one individual to be both a leader and a manager, effectively proving an unmistakable relationship between the two. Leadership necessitates the ability to evaluate work in order to ensure that time and resources are not wasted on tasks that do not produce outcomes. Leadership talents, according to this definition, include the capacity to establish urgencies and manage limited resources in order

to attain fair goals. Even though there are some academics disagree with this concept, no one has been able to prove it is unreasonable Peter Drucker (1999).

According to Gibson (1994), leadership is an effort to persuade individuals to attain a goal by using non-coercive techniques of persuasion. This implies that leaders are individuals who can persuade others to adopt goal-oriented behaviors in a diversity of circumstances. Leadership is seen as a measurable and quantifiable trait that people exhibit to varying degrees Jago (1982).

Leadership encompasses the fundamentals of being ready and able to inspire others. Effective leadership is founded on ideas that are effectively communicated to others, both original and borrowed, in a way that entices them to act in the way the leader desires. A leader motivates others to act while also directing their actions. They must be personable enough for people to follow their orders, and they must have the reasoning capacity to consider the appropriate way to use the resources at their disposal.

2.2.2 Leadership Theories

Leadership theories emerge in a cyclical fashion, corresponding to the evolution of management practices. In chronological sequence, these theories are summarized and described below:

1. Behavioral leadership theories
2. Trait theory
3. Situational leadership theories

2.2.2.1 Trait theory

Early theorists believed that born leaders have physical and psychological qualities that differentiated them from non-leaders. The assumptions regarding whether leadership characteristics are hereditary or acquired were discarded by trait theories. Jenkins identified two

types of traits: emergent traits (those that are heavily influenced by heredity) such as height, intelligence, attractiveness, and self-confidence, and effectiveness traits (those that are influenced by experience or learning), such as charisma, as a fundamental component of leadership (Ekvall & Arvonen, 1991).

According to trait theory, roughly characteristics differentiate the leader from the followers. There are four types of studies that can be used to determine these traits. The first type of research looks into the characteristics and skills needed for a person to pursue a leadership position or to perform as an informal leader in a group. Several studies compare leaders to quasi in terms of traits and competences. The second sort of research seeks to ascertain the influence of talents and traits in a leader's achievement in his current position. The third type of research is a long-term study that takes several years to determine the talents and attributes of great applicants who deserve to advance to a higher position. The fourth research kind is concerned with effective leaders. The distinctions and similarities between top managers and the abilities and qualities of managers who were unable to advance in their careers due to early retirement or plateauing (lack of opportunity for further development) are studied in these studies (Bickes and Yilmaz, 2020). According to Northouse (2016), from a characteristic standpoint, certain individuals have specific innate or inborn features or attributes that designate them as leaders, and it is these qualities that differentiate them from non-leaders.

Leaders with notable characteristics and abilities may be successful in one context but not in another. As a result, the features cannot ensure success. As a result, interest in this strategy has waned for a long time. The purpose of these investigations is to add a few features to the literature on leadership. Emotional intelligence, drive, motivation, honesty, integrity, self-confidence,

cognitive capacity, business knowledge, and charisma are among these attributes addressed (Bickes and Yilmaz, 2020).

2.2.2.2 Behavioral Leadership Theories

The work of German-born psychologist Kurt Lewin, one of the founding fathers of social psychology, at the University of Iowa in the 1930s served as the foundation for behavioral leadership ideas. The behavioral idea holds that leaders are created rather than born, which contradicts the Great Man Theory (Sethuraman and Suresh, 2014).

This approach focuses on leaders' actions rather than their intellectual and personal traits. It implies that outstanding leaders may be developed via training and observation (Amanchukwu et al., 2015). According to this notion, a leader influences their followers by three skills: technical, human, and intellectual. A successful leader establishes objectives, motivates personnel to reach those objectives, interacts and communicates effectively, and fosters team spirit. One shortcoming of this approach is that particular actions may be relevant and useful at one moment but irrelevant and atypical at another.

2.2.2.3 Situational leadership theories

This method is based on the notion that different conditions necessitate different types of leadership. Initiated by Hersey and Blanchard (1969) and Reddin (1967), a comprehensive analysis of situational approach theories began in the late 1960s (Northouse, 2018). According to situational theory, leaders will select the optimal leadership style based on the scenario and the group most affected (Sethuraman and Suresh, 2014).

One of the most popular contingency theories among practitioners is the situational leadership theory (SLT) also called the life-cycle theory of leadership, developed by Paul Hersey and Ken

Blanchard. SLT suggests that effective leaders vary their style with the “readiness” of followers. (An earlier version of the model called this “maturity”). Readiness refers to the employee’s or work team’s ability and willingness to accomplish a specific task. Ability refers to the extent to which the follower has the skills and knowledge to perform the task without the leader’s guidance. Willingness refers to the follower’s motivation and commitment to perform the assigned task. The model compresses these distinct concepts into a single situational condition. According to Fiedler (1964), The best leadership style depends on the level of situational control, that is, the degree of power and influence that the leader possesses in a particular situation. Situational control is affected by three factors in the following order of importance: leader-member relations, task structure, and position power.

According to contingency theory, there is no single leadership style that is appropriate for all situations (Fiedler, 1964). The ideal style to adopt in a given situation is determined by a number of factors. "There is no single right approach to leading because the leader must adapt to the internal and external characteristics of the environment" (Greenleaf, 1977). According to this notion, the efficacy of a leader is determined by whether their skills and style match the specific needs of a certain setting (Lamb, 2013).

In situational theory leaders select the best course of action based on what they believe that situation requires. Different leadership styles suit different circumstances and effective leadership is considered task-relevant. In order to be an effective leader, one must adapt their style to the performance readiness (ability and willingness) of the group they intend to lead. This theory was developed by Hersey and Blanchard (1969) who categorized styles into four situation and behavior types: directing, coaching, supporting, delegating.

As a contingency theory, path-goal theory states that each of the four leadership styles was effective in some situations but not in others. The path-goal leadership model specifies two sets of situational variables that moderate the relationship between a leader's style and effectiveness. This includes employee characteristics and characteristics of the employee's work environment. The path-goal model contends that effective leaders are capable of selecting the most appropriate behavioral style (or styles) for each situation. Leaders might simultaneously use two or more styles. The style of leadership best used depended on the performance readiness of the group. Hersey and Blanchard (1969) again categorized performance readiness into four levels: very capable and confident, capable but unwilling, unable but confident, and unable and insecure.

The participative theory of leadership, on the other hand, indicates that the most effective leaders are those who consider the ideas, recommendations, and concerns of others. As a result, a participative leader focuses on encouraging people to participate, particularly during decision-making processes. A leader who actively engages people develops dedication and teamwork, which can result in higher-quality decisions and outcomes (Lamb, 2013). Democratic, autocratic, and laissez-faire leadership styles are examples of leadership styles that fit under this leadership ideology. This idea, however, has limits. Participatory leadership, for example, is ineffective in situations where time is of the essence and compliance is essential.

2.2.3 Current leadership style

One of the most significant parts of the new leadership paradigm is the capacity to leverage human abilities to create a culture of performance, trust, and collaboration. In this regard, it is necessary to go over the theoretical aspects of transformational, transactional, and laissez-faire leadership styles that are being studied.

2.2.3.1 Theory of transformational leadership style

This leadership style pushes subordinates to look beyond their own self-interest in order to achieve corporate goals that go above and beyond the stated expectations. This is accomplished by altering their perspective, behavior, morals, thoughts, interests, and values (Bass, 1985). It is important to note that Burns (1978) introduced this notion, which was then expanded by other scholars such as Bass and Avolio (1990); Bass, Avolio, Jung, and Berson (2003); and Antonakis, Avolio, and Sivasubramanian (2004).

Similarly, Bass and Riggio (2006) defined transformational leaders as people who enjoy motivating and inspiring their followers to achieve extraordinary achievements while also developing their own leadership skills. This implies that transformational leadership is change-driven, particularly in terms of how goals are attained. These leaders are concerned not just with achieving organizational goals that exceed stated expectations, but also with the growth of their employees/subordinate capacity.

Transformational leadership has five separate components: idealized traits; idealized influence; inspiring motivation; customized concern; and mental challenge (Bass & Avolio, 1997). The idealized attribute is characterized as the most crucial of the leader's attributes (charismatic, confident, ethical, idealistic, and trustworthy). Idealized influence extends beyond the subordinate, identifying the qualities of the leader that are considered significant to the actual behavior and actions chosen to be taken by them, particularly in their ability to express the vision of the organization clearly to the followers and motivate people to recognize and absorb the vision (Bass, 1999). These transformational leadership traits make the leader appealing and a true inspiration for their followers (Avolio & Bass, 2004). The degree to which a leader stimulates his or her

employees by inspiring confidence and a feeling of purpose in them, thereby attaining organizational goals, is referred to as inspirational motivation (Yukl, 2013).

This suggests that leaders exhibit a high level of enthusiasm and optimism, as well as communicate effectively, with the purpose of boosting their promise to the organization's objectives and common vision. The leader's disposition as a mentor and coach demonstrates individualized concern. The leader demonstrates respect and attention, attends to the needs of each individual in the organization, and exhibits delight when the followers achieve the group's shared goals (Winkler, 2010). Intellectual stimulation depicts how much a leader questions stereotypes or business as usual, takes risks, and is open to fresh ideas from followers without criticism (Bass et al., 2003).

2.2.3.2 Theory of transactional leadership style

The contractual relationship that exists between the leader and subordinates based on their particular benefits is referred to as transactional leadership (Winkler, 2010). This leadership style is well-known for using the carrot and stick method to achieve organizational goals (Bass, 1997). This means that employees are reimbursed depending on the completion of their tasks while simultaneously ensuring that the leader's standards are met in order to avoid punishment (Aarons, 2006). Avolio and Bass (2004) define transactional leadership as having three components: contingent reward, active management by exception, and passive management by exception.

The leader is responsible for creating goals and performance standards for his or her followers, as well as motivating them with rewards and advancements to accomplish the desired results (Akram, Lei, Hussain, Haider, & Akram, 2016). Active management by exception refers to the leader's continual monitoring and control to guarantee that tasks are completed, problems are identified and resolved, and processes are strengthened (Gill, 2012). This shows that the leader is worried

about their followers' activities. For example, passive management occurs when managers are open to issues and react only when they occur. These leaders deal with problems as they arise (Yahaya & Ebrahim, 2016)

2.2.3.3 Theory of laissez-faire leadership style

This leadership style is distinguished by its physical presence yet is lacking in leadership (Lewin, Lippitt, & White, 1939). It is defined as "the inability or a sign of general failure to take responsibility for directing and coordinating activities, so demonstrating leaders who postpone making decisions, hesitate to act, and are missing when needed in critical situations" (Eagly, Johannesen-Schmidt, & Van Engen, 2003, p. 571). Piccolo, Bono, Heinitz, Rowold, Duehr, and Judge (2012) defined this leadership style as "leaders who delay making decisions, procrastinate in taking any action, and are missing when needed" (p. 569). Furthermore, it is distinguished by the leader's quasi with employees' actions in terms of decision-making processes and the approach and manner in which employees aim to achieve organizational goals delegated to them (Goodnight, 2011).

Similarly, Bhatti, Maitlo, Hashmi, and Shaikh (2012) stated that a laissez-faire leadership style includes a "non-interference strategy that offers entire flexibility to all workers and has no particular way of achieving goals" (p. 193).

2.2.4 Concept of Motivation

Different authors define motivation in different ways. Torrington et al., (2009), defined the term as the desire to achieve beyond expectations, being driven by internal rather than external factors and to be involved in a continuous striving for improvement.

Armstrong (2010), describes motivation as the force that energizes, directs and sustains behavior. Motivation theory explains how motivation works and the factors that determine its strength. It deals with how money and other types of rewards affect the motivation to work and level of performance. It therefore influences decision on how people should be valued, the choice and design of financial rewards and the use of nonfinancial rewards.

The most practical definition proposed by various social scientists is that motivation is a psychological process that causes the stimulation, direction, and persistence of behavior.

According to Locke (as described by Saari and Judge, 2004, p396), "a glad or good emotional state resulting from the appraisal of one's work experiences," according to Locke (as described by Saari and Judge, 2004, p396), "a glad or good emotional state resulting from the appraisal of one's work experiences," according to Locke (as described by Saari and Judge, This concept emphasizes two aspects: an employee's emotional connection to their job and the employer's deliberate judgment of the employee's work. Motivation, according to David and Anderzej (2010), is defined as the effectiveness of control with the intent of initiating and monitoring behavior directed at reaching a specific goal. Appraisals are used at work to conduct reviews, and they have predetermined requirements. Their findings may elicit an emotional response from the employee, determining whether the individual is satisfied or unsatisfied. Positive feedback may indicate that an employee is pleased, whilst negative feedback may indicate that the individual is dissatisfied. Every employee is motivated by either external factors (extrinsic) such as prizes or internal factors (intrinsic) such as a desire to achieve better.

2.2.5 Employee Motivation

Getting individuals to produce their best work, especially under difficult conditions, is one of the most difficult and perilous problems for managers. Understanding what drives us as humans is a

centuries-old puzzle. Some of history's most significant thinkers on human behavior, including Aristotle, Adam Smith, Sigmund Freud, and Abraham Maslow, strived to comprehend its subtleties and taught us a lot about why individuals do what they do (Nitin Nohria, 2008).

Employee motivation has always been a source of concern for leaders and managers. Unmotivated people are more likely to put in little or no effort at work, avoid it as much as possible, leave the firm if given the chance, and create low-quality work. Employees who are motivated to work, on the other hand, are more likely to be persistent, creative, and productive, producing high-quality work that they will willingly do. (November 2014, GANTA).

2.2.6 The Four Drives That Underlie Motivation

Because the four drives are hardwired into our brains, the degree to which they are satisfied has a direct effect on our feelings and, as a result, our behavior. Let's take a peek at how they work individually. (2008, Nitin Nohria)

1. **The desire to obtain:** The desire to obtain is both relative (we constantly compare what we have to what others have) and unquenchable (we always want more). When this urge is satisfied, we are delighted; when it is thwarted, we are dissatisfied. This problem affects not only physical items such as food, clothing, housing, and money, but also experiences such as travel and entertainment (Nitin Nohria, 2008).

2. **The drive to bond-** When the need to link is satisfied, it is related to powerful positive emotions such as love and care, and when it is not, it is associated with negative emotions such as loneliness and anomie. At work, the need to bond accounts for both the significant boost in motivation that occurs when employees feel pleased to be a part of the organization and the loss of morale that occurs when the institution betrays them. Nitin Nohria in 2008.

3. **The drive to comprehend-** The urge to make a meaningful contribution at work is accounted for by the drive to grasp. Employees are motivated by jobs that challenge them and allow them to grow and learn, whereas jobs that seem repetitive or lead to a dead end are demotivating. Talented individuals who feel imprisoned often leave their firms in search of fresh challenges. 2008. (Nitin Nohria)

4. **The drive to defend-** The impulse to protect tells a lot regarding people's reluctance to change; it's one reason why employees can be grieved by the prospect of a business combination, even if that's the only chance for an organization's survival (Nitin Nohria, 2008).

2.2.7 The Organizational Levers of Motivation

Culture- The most effective strategy to satisfy the desire to bond and foster a strong sense of camaraderie is to foster a culture that values teamwork, collaboration, transparency, and friendship (Nitin Nohria, 2008).

Job design- The desire to understand is best met by creating employment opportunities that are relevant, fascinating, and demanding (Nitin Nohria, 2008).

2.3 Empirical Review

Leadership is a new and distinct topic these days, but it is interconnected with others. Management and public administration fields have a wealth of management and journal literature, particularly in specialized areas. This resulted in only a few publications that were directly related. This paper attempts to review some of them for reference purposes.

Rima Gose's findings in 2014 highlight the importance of supervisor-employee interactions and the way the business communicates; a finding reinforced by comparable research that has found supervision and communication to be crucial elements in terms of employee motivation. Other

theories and research that use MLQ and the complete range of leadership development behaviors in diverse businesses back up these findings.

According to a survey conducted by Masho Zenabu, transformational leadership is the most commonly employed leadership style, followed by transactional leadership. According to the Ministry of Public Service and Human Resource Development, the laissez-faire leadership style was the least used (Masho, 2016).

Benoit & Denise (2005), findings highlighted both charismatic and transformational aspects as being important for the leadership of large-scale sporting events (e.g., ability to motivate followers, creating an attractive vision to follow, and fostering commitment and teamwork).

Amsalu in 2010 tries to do a comparative analysis in organizational leadership and employee motivation between two public service organizations, namely social security agency (SSA) and Ethiopian investment commission (EIC). And concluded that a relatively better conditions such as organizational leadership and motivated employees seem to contribute to the better result EIA but SSA fails to do that. And he recommended new public management like employees of an organizations should be provided training opportunities based on fair and transparent selection procedures, clear working instructions and sound communications.

Ali M. and Meshal conducted various research in 2016 to evaluate the association between both the chosen leadership style and employee motivation in a commercial petrochemical corporation in Saudi Arabia's eastern province. A survey was developed and distributed to 30 people from two departments. A focus group of ten employees was also interviewed to verify the survey results. The research discovered a strong relationship between leadership and employee motivation, with

a strong correlation with a transformational leadership and a negative correlation with a transactional leadership.

In 2016, Fasika used the 36-item Multifactor Leadership Questionnaire created by Bass and Avolio (1997) and the Job Happiness instrument developed by Spector to assess leadership styles and job satisfaction. The information gathered from respondents was analyzed using descriptive and correlation analysis. The study discovered that leadership styles were fundamentally related to job happiness. The study's findings revealed that there was a significant association between transactional and transformational leadership styles and employee job satisfaction. He further noted employees favored transformational leadership style over transactional leadership style subsequently the most astounding mean score of the worker job satisfaction measurement went to transformational leadership style. Then recommended the significance of transformational leadership style that ought to be advanced through the organization's strategies and representative assessments.

Admekew's 2015 study on Haramaya University employees seeks to investigate the relationship between transformational, transactional, and laissez-faire leadership styles and employee engagement at Haramaya University in Ethiopia. The findings of the study show a positive and statistically significant relationship between transformative leadership and employee motivation.

2.3.1 Hypothesis development

Rima Gose's 2014 findings emphasize the importance of supervisor-employee interactions, as well as how the organization communicates; a result reinforced by comparable research that have proven supervision and communication to be essential elements in terms of employee motivation.

Other ideas and research that used the MLQ and the full range of leadership development approaches in various firms verify these findings.

According to Masho Zenabu's research, transformational leadership is the most commonly used leadership style, accompanied by transactional leadership, and laissez-faire leadership is the least commonly used leadership style, as regarded by the Ministry of Public Service and Human Resource Development (Masho, 2016).

Transactional leaders, according to Agboli and Chikwendu (2006), care about their subordinates' following orders and getting the job done. As a result, to set expectations for their organization, these school leaders use rewards and punishments. Situational leadership, according to Hersey and Blanchard (1996), is the interaction of task behavior and relationship behavior, as well as follower readiness and maturity for performing a specific task.

Because of their commitment to relationship building, transformational leaders see people as being motivated by a shared vision and commitment to organizational goals. They focus on cultivating trust, respect, and empowerment within the organization (Agboli and Chikwendu, 2006).

Benoit & Denise (2005), findings highlighted both charismatic and transformational aspects as being important for the leadership of large-scale sporting events (e.g., ability to motivate followers, creating an attractive vision to follow, and fostering commitment and teamwork).

In 2010, Amsalu attempts to conduct a comparative examination of organizational leadership and employee motivation in two public sector organizations, namely the Social Security Agency (SSA) and the Ethiopian Investment Commission (EIC). And it was established that relatively better conditions, such as organizational leadership and engaged personnel, appear to contribute to a better EIC, but SSA does not. In addition, he proposed that new public management, such as

employees of an organization, be provided with training chances based on fair and open selection procedures, clear job instructions, and effective communication.

In 2016, Ali M. Alghazo and Meshal Al-Anazi carried out a mixed-method study to evaluate the association between the adopted leadership style and employee motivation in a private petrochemical firm in Saudi Arabia's eastern province. A survey was developed and given to 30 employees from two departments. In addition, ten employees were interviewed for a focus group to confirm the survey's findings. The study showed a clear association between leadership style and employee motivation, with transformational leadership having a positive correlate and transactional leadership having a negative correlation. To assess leadership styles and job satisfaction, Fasika used the 36-item Multifactor Leadership Questionnaire established by Bass and Avolio (1997) and the Job Satisfaction Instrument developed by Spector in 2016. Descriptive and correlation analyses were used to examine the data received from respondents. The study discovered that leadership styles are fundamentally linked to job happiness. Transactional and transformational leadership styles have a significant impact on employee job satisfaction, according to the findings of the study. According to him, employees preferred transformational leadership styles over transactional leadership styles, and the transformational leadership style received the highest mean score in the worker job satisfaction measurement. The importance of a transformational leadership style, which should be promoted through the organization's strategies and representative assessments, was then recommended.

Study by Admekew in 2015 in employees of Haremiya university aims to investigate the impact of transformational, transactional, and laissez-faire leadership styles on employee motivation at Haramaya University in Ethiopia. The study's findings show that transformational leadership and employee motivation have a positive and significant relationship.

Based on these theories and concepts, The effect of Leadership style on employee motivation have been studied in the above sectors. In this research the focus will be on the first modern exchange market of Africa ECX in relation to others sectors.

we can form the following research hypothesis: The three leadership styles are independent variables, and employee motivation is the dependent variable.

H1; Transformational leadership style is positively related to employee motivation.

H2; Transactional leadership style is positively related with employee motivation.

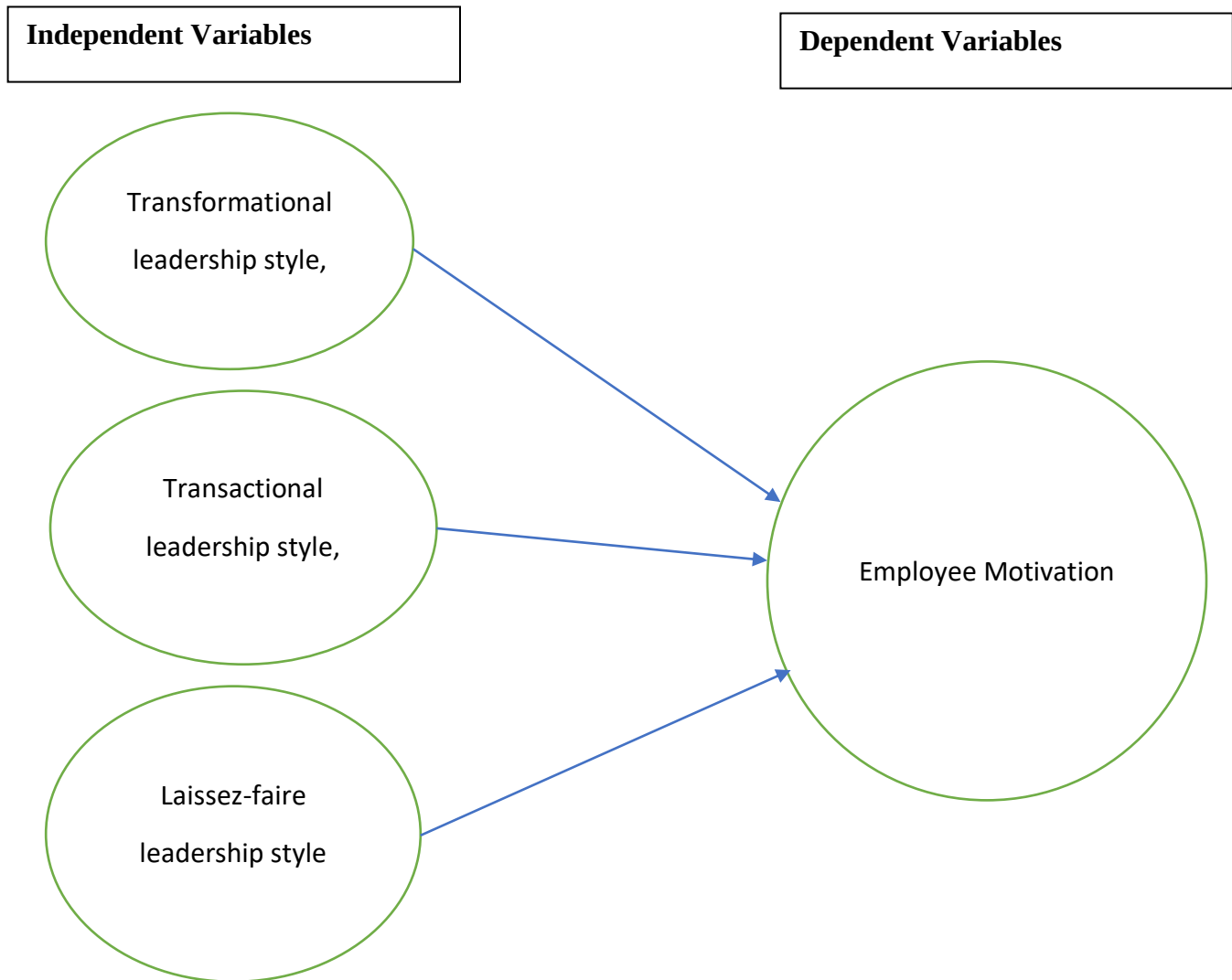
H3; Laissez-faire leadership style is positively related with employee motivation.

2.3.2 Conceptual Framework

This section describes the conceptual framework that was used to clarify relevant concepts in the research paper. Following a thorough examination of extensive literatures in the fields of leadership styles and motivation. Through this we developed a conceptual model that was guide the researcher in designing data collection instruments, data analysis and interpretation. It is presented in order to understand the whole process in a concisely. Accordingly, the conceptual model has been depicted in Figure 1. More specifically, this framework indicates dependent and independent variables, leadership styles (i.e., transformational, transactional, and laissez-faire) that have impacts on the outcome variable namely employee motivation.

A literature review on the current state of leadership styles and employee motivation was conducted. The studies are conducted utilizing a number of elements that provide an adequate grasp of the context in which the problem under discussion is investigated and analyzed. In terms of the variables that was used, the discussion provides an important framework for this research. The conceptual framework of this study is depicted in Figure 1.

Figure 1: Conceptual Framework



CHAPTER THREE: METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was used to carry out this study, which includes the research design, population studies, and sampling strategy, the data collection process, data collection instruments, and how the data was analyzed and presented.

The goal of this study is to examine the effect of leadership style on employee motivation at the Ethiopia Commodity Exchange. In ECX, an attempt was also made to discover a probable link between leadership style and employee motivation. Where there is no clear dominant leadership style, the research attempted to determine which leadership style is most typically applied at ECX.

3.2 Research design

The study attempted to determine the relationship between leadership styles and employee motivation by being both descriptive and explanatory in nature. To determine cause and effect, a descriptive study method was utilized to describe a population data set by computing the frequency, mean, and standard deviation of responder events or phenomena in a systematic and accurate manner. When the purpose of the research is to find traits, frequency, trends, correlations, and classifications, this method is acceptable. Inferential analysis was used to extrapolate insights from single experimental research to a wider population.

3.3 Research Approach

The purpose of this study was to look at the effect of three leadership styles (transformational, transactional, and laissez-faire as independent factors) on employee motivation (as a dependent variable) at ECX. To get more dependable results, quantitative research was used. Quantitative research is a method for testing objective ideas by studying the relationship between variables. These parameters can then be monitored, often using equipment, and the resulting numerical data can be statistically analyzed. Mr. Creswell (2009).

3.4 Source of data

The study was conducted using primary data sources. A questionnaire was administered to collect data from a primary data source. The Ethiopia Commodity Exchange's senior management, middle-level management, supervisors, and non-management staff was the primary data sources.

Secondary data was gathered from a variety of sources such as textbooks, articles, and other written materials on the topic.

Senior executives, middle-level management, supervisors, and non-management personnel were the study's target of the Ethiopia Commodity Exchange at the Head Office in Addis Ababa.

3.5 Sampling method

It is preferable to investigate the full population for an accurate result. However, because this was unfeasible given the population's size, a sample was taken from the population using Yamane's (1967) formula, $n = N / 1 + (N * e^2)$, where n denotes the sample size, N =total population size, and e =level of precision.

At the Head Office, there are 13 top management, 31 mid - level management, 15 supervisory level workers, and 183 non-managerial staff, for a total of 242 as of April 2022. As a result, the sample size was determined using a 95% confidence level and a 5% confidence interval to be as follows: -

$$n = N / \{ 1 + (N * e^2) \} = 242 / [1 + (242 * 0.05^2)] = 149$$

Following sample size determination, a simple random sampling procedure was employed to include samples from each group.

3.6 Data collection method

The study relied on primary data sources. To acquire quantitative data, various data collection technologies were used. The questionnaires were divided into three sections: Part I was used to present personal data from respondents for descriptive analysis, Part II was used to evaluate the applied leadership style, and Part III was used to evaluate the impact of employee motivation on the link between transformational, transactional, and laissez-faire leadership styles. These were closed-ended questions that were assessed on a five-point scale using the Likert scale.

The Avolio and Bass student researcher device (2004) Multifactor Leadership Questionnaires were used to collect data on leadership behavior (MLQ).

The Multifactor Leadership Questionnaire (MLQ) is a widely used tool for assessing transformational, transactional and laissez-faire leadership styles (Rowold, 2005). The Multifactor Leadership Questionnaire (MLQ) assesses a wide range of leadership styles, including passive

leaders, leaders who give followers contingent rewards, and leaders who train their followers to become leaders themselves. The MLQ defines transformational leadership qualities and assists individuals in determining how they rank in their own eyes and in the eyes of others with whom they interact (Bass & Avolio, 2019). Essentially, it evaluates a wide range of leadership styles, such as passive leaders and leaders who delegate authority to their subordinates. As a result, the primary source of data for this study was generated using a standard Multifactor Leadership Questionnaire as the best fit to assess leadership styles, while employees were given a self-rating motivation measurement questionnaire.

3.7 Data analysis method

Data for this research topic was acquired through primary sources utilizing a questionnaire with closed-ended questions. To encode and analyze data for data analysis, the most recent IBM Statistical Package for the Social Sciences (SPSS) Version 24 was utilized. To examine quantitative data, descriptive statistics, correlation, and regression analysis were used.

Chapter Four

DATA ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

The goal of this chapter is to use data analysis and interpretation to assess the impact of leadership styles on employee motivation at ECX. To examine respondents' ideas or opinions, the surveys were created as Likert Scale ratings, and the data was analyzed using IBM SPSS Version 24. The collected data's results are reported in the sections below.

4.2 Response Rate

149 questionnaires were given to the sampled respondents based on the sample size obtained in the preceding chapter. Out of the total number of questionnaires distributed, 122 (82%) were found to be legitimate and used for further study. There was no missing data or unanswered questions in any of the questionnaire parts for the 122 respondents (100 percent).

4.3 DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

Descriptive statistics and frequencies were used to analyze the demographic characteristics of the respondents. Gender, age, marital status, degree of education, work experience, job level, and income at ECX are among the personal and employment-related profiles listed here.

Table 1: Demographic Characteristic

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	100	82.0	82.0	82.0
	Female	22	18.0	18.0	100.0
	Total	122	100.0	100.0	

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 to 35 years	57	46.7	46.7	46.7
	36 to 45 years	47	38.5	38.5	85.2
	46 to 60 years	18	14.8	14.8	100.0
	Total	122	100.0	100.0	

Marital Status					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	58	47.5	47.5	47.5
	Married	59	48.4	48.4	95.9
	Divorced	5	4.1	4.1	100.0
	Total	122	100.0	100.0	

Education					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	6	4.9	4.9	4.9
	Degree	59	48.4	48.4	53.3
	Masters	57	46.7	46.7	100.0
	Total	122	100.0	100.0	

Experience					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 – 3 years	11	9.0	9.0	9.0
	3 – 5 years	47	38.5	38.5	47.5
	5 – 10 years	17	13.9	13.9	61.5
	Above 10 years	47	38.5	38.5	100.0
	Total	122	100.0	100.0	

Job Level					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Top Level Management	6	4.9	4.9	4.9
	Middle Level Management	51	41.8	41.8	46.7
	Non-Managerial Level	65	53.3	53.3	100.0
	Total	122	100.0	100.0	

Income					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 10,000	47	38.5	38.5	38.5
	10,001 – 20,000	53	43.4	43.4	82.0
	20,001 – 30,000	10	8.2	8.2	90.2
	30,001 – 40,000	6	4.9	4.9	95.1
	40,001 – 50,000	6	4.9	4.9	100.0
	Total	122	100.0	100.0	

Source: Own Survey (2022)

According to Table 4.1, male respondents account for 82 percent of the total, while female respondents account for 18 percent. 46.7 percent, 38.5 percent, 14.8 percent, and none, respectively, between the ages of 18 and 35, 36 to 45, 46 to 60, and above 60. From this, it can be concluded that the younger and working age group "between 18 and 45" dominates the company, accounting for approximately 85.2 percent of the total. The motivational efforts fostered in this dynamic generation had a tremendous impact on the company's overall performance.

In terms of marital status, respondents who are single, married, or divorced account for 47.5 percent, 48.4 percent, and 4.1 percent, respectively. The majority of those who filled out the questionnaires were married, with single people coming in second. In the sample, there are no widowed employees.

In addition, respondents who completed "Diploma/TVET," "Degree," and "Masters" were found to have 4.9 percent, 48.4 percent, and 46.7 percent, respectively, in the above table. From this, it can be deduced that those with an educational background of at least "Degree and above" dominate

the company, accounting for approximately 95.1 percent of the total. This could be taken as proof that ECX has professional staff, which is required in Ethiopian sectors like this. Top-level management accounts for 4.9 percent of the total respondents, middle-level management for 41.8 percent, and non-management personnel for 53.3 percent. This result is consistent with the educational background described in the previous paragraph.

Respondents with 1-3 years, 3-5 years, 5-10 years, and more than 10 years of experience account for 9 percent, 38.5 percent, 13.9 percent, and 38.5 percent of the total, respectively. The majority of ECX employees have been with the company for more than ten years, indicating that the company has the potential to retain employees for a longer period of time.

The respondents' income level is also taken into account in this study. 38.5 percent of respondents earn less than \$10,000 per month, while 43.4 percent earn \$10,000 to 20,000 per month, followed by 20,001–30,000 (9%), 30,001–40,000 (4.9%), and 40,001–50,000 (4.9%). 4.9 percent. The majority of respondents, with an additional percentage of 81.9 percent, fall into the categories of less than 10,000 and ten to twenty thousand.

4.4 DESCRIPTIVE STATISTICS FOR LEADERSHIP STYLE

The mean and standard deviation of respondents' responses regarding the influence of leadership styles on employee motivation at ECX were calculated using descriptive statistics. Each descriptive statistic condenses a large quantity of data into a more succinct summary; it was used to offer quantitative descriptions in an easier-to-digest style (Gelman, 2006). The three most popular types of leadership styles were studied in this study. The first is transformational leadership, which includes eleven claims to evaluate, and the second is transactional leadership, which has eight statements to evaluate. The third is laissez-faire leadership, which will be analyzed through six statements. The three most popular types of leadership styles were studied in this study. The first is transformational leadership, which includes eleven claims to evaluate, and the second is transactional leadership, which has eight statements to evaluate. The third is laissez-faire leadership, which will be analyzed through six statements.

Respondents were asked to score their ideas on a five-point Likert scale, with 1 representing strongly disagree and 5 signifying strongly agree. The mean scores for all variables were calculated by evenly balancing the mean scores of all items within each dimension. The standard deviation

is used to describe the spread of a variable's values from its mean value. The results of the descriptive analysis are shown in the tables below.

Table 2: Descriptive Statistics for Transformational Leadership style

Descriptive Statistics	N	Mean	Std. Deviation
My superior helps staff members to develop and improve their abilities and skills.	122	3.5000	.97277
My leader considers the moral and ethical consequences of his decision.	122	3.5984	.97625
My supervisor emphasizes the necessity of having a shared sense of purpose and team spirit.	122	3.6803	.92947
My immediate manager suggests creative ways of completing task assignment	122	3.2459	1.04693
My leader has leadership skill that deserves my respect	122	3.5164	.91121
My boss acts in a way that builds trust of subordinates	122	3.4754	1.03023
My boss involves subordinates individually as well as in groups to making decisions.	122	3.3770	1.06273
My boss motivates subordinates for a higher level of performance	122	3.5492	1.09923
My leader considers staff's special needs, abilities and aspirations during task assignment	122	3.4098	1.04252
My boss spend time in teaching coaching and controlling subordinates	122	2.8443	1.09106
My boss scarifies his interest to the good of the group and the organization	122	3.0492	1.21867
Pooled Result	122	3.3860	.79514

Source: Own Survey (2022)

4.4.1 TRANSFORMATIONAL LEADERSHIP STYLE

According to Bass and Avolio (1997), mean scores for transformational leadership style should be larger or equal to 3.0, and mean scores for transactional and laissez-faire leadership style should be more than 2.0. Table 4.3 shows the mean and standard deviation values of the respondents for the eleven statements that potentially represent transformational leadership style. The mean and standard deviations for the various transformational leadership style questions ranged from 2.84 and 1.09 for "My boss spends time teaching, coaching, and controlling subordinates" to 3.68 and

0.93 for " My boss highlights the importance of having a shared sense of purpose and encourages teamwork." The overall score for the Transformational Leadership Style components is 3.39 with 0.79 standard deviations. According to the findings of this study, transformational leadership was the most commonly used leadership style in ECX.

4.4.2 TRANSACTIONAL LEADERSHIP STYLE

Table 3: Transactional leadership - Descriptive Statistics

	N	Mean	Std. Deviation
My boss concentrates on dealing with irregularities, mistakes, complaints and deviations from standards	122	3.0656	.97690
My leader concentrates on maintains performances standards than relationship building.	122	2.8770	1.12506
In exchange for my efforts, my leader assists me.	122	3.2131	.83547
My leader Keeps track of all mistakes	122	2.6803	.98975
My leader provides rewards when others reach their goals	122	2.7951	.89015
My supervisor teaches everyone about what they must accomplish in order to be rewarded for their efforts.	122	2.8934	.85093
I mostly expect appreciation after finishing my job	122	2.7131	1.24966
My supervisor woks on allocation of benefit packages	122	2.8607	.88435
Pooled Result	122	2.8873	.55633

Source: Own Survey (2022)

To extract respondents' feelings regarding the transactional leadership style, several constructs were established. According to Table 4.3, the statement "In exchange for my efforts, my leader assists me." had the greatest mean value of 3.21 and the highest standard deviation of .83, whereas the statement "My leader keeps track of all mistakes" has the smallest mean of 2.68 and the smallest standard deviation of 0.99. The mean value of the Transactional Leadership Style is 2.89, with a standard deviation of 0.56. This score shows the degree to which respondents agreed that their immediate leader or manager used a transactional leadership style.

4.4.3 LAISSEZ-FAIRE LEADERSHIP STYLE

Table 4: Laissez-faire Leadership Style - Descriptive Statistics

Descriptive Statistics			
	N	Mean	Std. Deviation
My boss avoids getting involved when important issues arise	122	2.7459	.87727
My leader abstains from goal-setting and making decisions.	122	2.4836	.95549
My boss gives us complete freedom to make decision in our respective jobs	122	3.0820	1.13247
My supervisor has many tasks other than following me	122	3.2213	1.17489
My supervisor has a habit of letting things to go by them selves	122	2.9508	.85137
Intervention in my job is not important	122	3.2377	.97957
Pooled Result	122	2.9536	.58731

Source: Own Survey (2022)

Table 4.4 The mean and standard deviation values of the respondents are displayed, as suggested by the six assertions that can be used to characterize the laissez-faire leadership style. The statement "My boss minimizes goal setting and decision making." had the greatest mean value of 3.24 and the lowest standard deviation of .98, whereas the statement "Intervention in my job is not significant." had the lowest mean value of 3.24 and the highest standard deviation of .98. The mean was 2.48, and the standard deviation was 0.95.

The laissez-faire leadership style had a mean of 2.95 and a standard deviation of 0.587, as measured by six items. This indicates a proclivity towards allowing employees to work and solve work problems on their own.

4.5 DESCRIPTIVE STATISTICS FOR EMPLOYEE MOTIVATION

Table 5: Employee motivation - Descriptive Statistics

	N	Mean	Std. Deviation
Having the freedom to try out my own ideas makes me happy	122	3.9836	.94461
For me Being expected to achieve results increase my motivation.	122	4.1721	.75725
Not having to work to tight deadlines is good for my job.	122	3.4754	1.02218
Having job security is more important for me	122	3.9508	.85137
Having a flexible boss is important	122	4.1393	.56504
Having a job that provides development opportunities and future is motivating.	122	4.4426	.65617
I like the challenges of my job	122	4.2869	.55267
Being able to do interesting work motivates me.	122	4.3443	.71316
Being recognized for my expertise is important for me	122	4.3443	.63987
Solving problems by my self makes me happy	122	4.54098	.577076
Pooled Result	122	4.1680	.41025

Source: Own Survey (2022)

Table 4.6 summarizes the responses to the various theories proposed in relation to the dependent variable, employee motivation with a mean value of 4.5 and a standard deviation of 0.58, ECX respondents think that solving problems on their own makes them happy. According to their responses, the construct "Not having to work under tight deadlines is good to my employment" had the lowest mean value of 3.47 with a standard deviation of 1.02. This suggests that, in comparison to other variables, employees do not perceive that this concept aids in employee motivation.

In other words, as the mean and standard deviation of a laissez-faire leadership style indicate, employees may have faith and belief in management and may carry out their obligations without anticipating orders from their managers. Idealized influence is a characteristic of transformational leadership, in which the leader makes his or her followers feel good, inspires faith, and executes

their job with minimum monitoring. According to the findings above, the transformational leadership style is currently the dominating style in the organization, followed by the laissez-faire leadership style.

Table 6: Descriptive Statistics of dependent and independent variables

	N	Minimum	Maximum	Mean	Std. Deviation
Transformational Leadership Style	122	1.00	4.55	3.3860	.79514
Transactional Leadership Style	122	1.00	3.88	2.8873	.55633
Laissez-Faire Leadership Style	122	1.67	4.17	2.9536	.58731
Employee Motivation	122	3.40	5.00	4.1680	.41025
Valid N (listwise)	122				

Source: Own Survey (2022)

According to Table 4.6, the Transformation Leadership Style is currently the most prevalent at ECX, with the highest mean value of 3.38 and a standard deviation of 0.79. With a mean of 2.95 and a standard deviation of 0.58, the Laissez-Faire leadership style is the second most popular at ECX. With a mean score of 2.88 and a standard deviation of 0.56, transactional leadership was revealed to be the third-rated leadership style.

Effective leadership has a mean score of 3 or higher, as demonstrated by the mean and standard deviation values of the respondents, according to Bass and Avolio (1999). As a result, the target sample is thought to have Transformational Leadership Style as the dominant leadership style, followed by Laissez-Faire leadership style, with the target sample responding "Agreed" to the questions because the mean value of Transformational leadership styles is greater than 3.

4.6 INFERENTIAL STATISTICS

Inferential statistics, as opposed to descriptive statistics, are being used to draw conclusions from the data collected from a single experimental study and apply them to larger populations. Inferential analysis makes use of statistical tests to determine if a pattern observed is due to chance, data collection effects, or intervention effects. In research, inferential analysis is commonly used

to determine whether a proposed hypothesis and an outcome have a relationship and the strength of that association. The purpose of inferential statistics, which is all about statistical processes, is to draw a conclusion regarding the relationships between the variables of interest in the study. R. Endacott and M. Botti (2008).

4.6.1 CORRELATION ANALYSIS

Bivariate Correlation: When Pearson's r is close to one, it indicates a strong relationship between the two variables, implying that changes in one variable are strongly correlated with changes in the other. When Pearson's r is close to zero, it indicates a weak relationship between the two variables, implying that changes in one variable are not correlated with changes in the other (Malhotra and Briks, 2007).

Sig (2-Tailed) value: According to Pedhazur, this value reflects whether or not there is a statistically significant correlation between two variables (1982). If the Sig (2-Tailed) value is greater than 0.05, the researcher can conclude that the association between two variables is not statistically significant. That is, changes in one variable have no discernible effect on changes in the other. If the Sig (2-Tailed) value is less than or equal to 0.05, the researcher can conclude that there is a statistically significant connection between two variables. Changes in one variable are therefore closely related to changes in the other.

Table 7: Correlations Analysis

		Transformational Leadership Style	Transactional Leadership Style	Laissez-Faire Leadership Style	Employee Motivation
Transformational Leadership Style	Pearson Correlation	1	.501**	.382**	.090
	Sig. (2-tailed)		.000	.000	.324
	N	122	122	122	122
Transactional Leadership Style	Pearson Correlation	.501**	1	.448**	.131
	Sig. (2-tailed)	.000		.000	.150
	N	122	122	122	122
Laissez-Faire Leadership Style	Pearson Correlation	.382**	.448**	1	.427**
	Sig. (2-tailed)	.000	.000		.000
	N	122	122	122	122
Employee Motivation	Pearson Correlation	.090	.131	.427**	1
	Sig. (2-tailed)	.324	.150	.000	
	N	122	122	122	122
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: Own Survey (2022)

As previously stated, the correlation coefficient "r," also known as Pearson's correlation coefficient, measures the degree of linkage and is a measure of linear relationship. The correlation between the dependent variable (Employee Motivation) and the independent variables is shown in Table 4.7 above (the leadership styles). The link between the dependent and each independent variable as examined in a two-tailed Pearson's correlation study is described below.

According to Field (2009), the correlation coefficient (r) is classified as follows: 0.10 – 0.29 is weak, 0.30 – 0.49 is moderate, and > 0.5 is considered strong. When Pearson's r is positive (+), it means that as the value of one variable rises, the value of the second variable rises as well. Similarly, as the value of one variable falls, so does the value of the second variable. This is referred to as a positive correlation. When the value of one variable rises while the value of the second variable falls, the Pearson's r is negative (-), indicating a negative correlation. Pearson correlation coefficient for the Laissez-Faire Leadership was found to be 0.427 and it is at the 0.01 confidence interval level. As a result, because the coefficient is in the range of 0.30 – 0.49, there is a moderate degree of correlation between Laissez-Faire Leadership and Employee Motivation.

At the 0.05 level of significance, the Transactional Leadership Style has a r value of 0.131. We may conclude that there is a weak link between Transactional Leadership and Employee Motivation at ECX because the result spans from 0.10 to 0.29. Concerning the association between Transformational Leadership Style and Employee Motivation, there is a slightly positive correlation with a Pearson correlation coefficient (r) of 0.090, although the correlation is inconsequential with Employee Motivation due to the weak correlation. The results show a weak relationship between Transformational Leadership style and Employee Motivation.

According to table 4.7, all three leadership styles and employee motivation are positively correlated in general. ECX employees has shown high level of motivation based on the mean value and standard deviation of employee motivation which is influenced by the three leadership styles applied on by ECX.

4.6.2 REGRESSION ANALYSIS

Regression is the use of one or even more relationship between the independent variable to predict the value of the dependent variable (Albaum, 1997). In other terms, it is a statistical instrument used to investigate the correlations between variables. Linear regression is a method of computing the coefficients of a linear equation with one or more independent variables that best predict the value of the dependent variable (Field, 2009). It is commonly used to assess how well a certain leadership style explains the dependent variable (employee motivation).

4.6.2.1 NORMALITY TEST

The normality test was used to examine if a data collection is well-represented by a normal distribution and how probable it is that an underlying random variable is normally distributed. If the residuals were normally distributed, the histogram should be bell-shaped. As illustrated in Figure 4.1, The bell-shaped structure of the histogram was clearly defined. As a result, both the fundamental random variable and the residuals have normally distributed distributions.

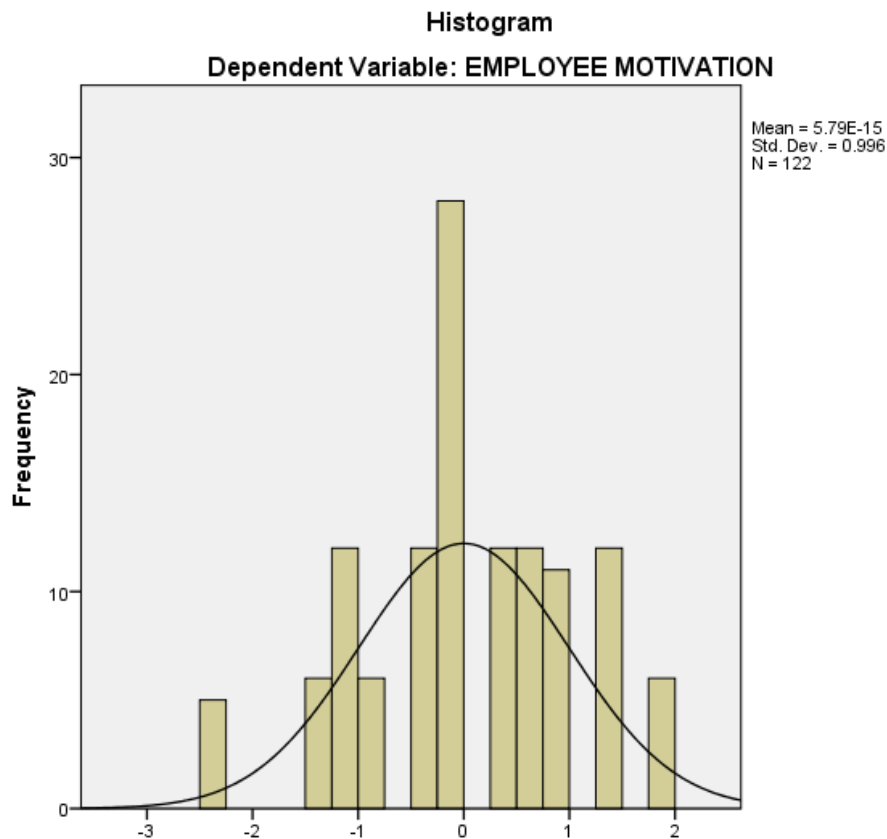


Figure 2: Normality Test

Source: Own survey (2022)

4.6.2.2 THE REGRESSION ANALYSIS

The purpose of this research project study was to determine which independent variable was more relevant in predicting the dependent variable. As a result, the standardized Beta coefficient was employed to analyze the influence of each predictor (independent variable) on the criterion

(dependent variable). The regression coefficient takes into account the average amount of change in the dependent variable induced by a unit change in the independent variable. The bigger the value of an independent variable's Beta coefficient, the more support the independent variable has as a more relevant predictor of the dependent variable.

Independent variables were employed in this study to measure the effect of leadership styles that were considered as independent variables individually in the complete range of leadership. These factors (transformational, transactional, and laissez-faire leadership styles) were evaluated and interpreted using a regression model in order to determine the impact on employee motivation, which was measured independently as a dependent variable. To test the assumptions, a linear regression model was created and utilized independently for the dependent variable of employee motivation. In addition, in each regression model, each type of leadership style was treated as an independent variable.

Hence the models were as follows:

Employee Motivation = Constant + B1Y1 + B2Y2 + B3Y3;

Where:

Y1= transformational leadership style

Y2 = transactional leadership style

Y3 = laissez-fair leadership style

Constant: At the point at which the dependent variable's value is equal to the independent variable's value of zero, the regression line crosses the x-axis in the graph at this point. When the predictors and control variables have no effect on the result, the constant is the initial value (Field, 2009).

B: An unstandardized regression coefficient expresses the strength of the link between a predictor and an outcome in the predictors' units of measurement. It depicts the change in outcome as a function of the predictor's unit change (Field, 2009).

R – Square: the coefficient of determination, which indicates how much of the variation in result can be explained by the predictor (Field, 2009).

Adjusted R – Square: a measure of regression's loss of predictive ability, or shrinking. If indeed the model had already been developed from the population from which data was drawn, this would

be the case. value would tell us how much variation in the outcome would be accounted for (Field, 2009)

Table 8: Model Summary

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.436 ^a	.190	.170	.37384	.190	9.240	3	118	.000
a. Predictors: (Constant), laissez-fair, Transformational, Transactional									

Source: Own Survey (2022)

The amount of variation in the dependent variable (employee motivation) explained by transformational, transactional, and laissez-faire leadership styles was calculated using R-Square (.170) in table 4.8. Employee motivation accounted for 17 percent of the variation, which can be explained by the model's three leadership styles. As a result, there must be other factors influencing the outcome. Other variables not considered in this study could account for the remaining 83 percent of the variance.

Table 9: ANOVA Table

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.874	3	1.291	9.240	.000 ^b
	Residual	16.491	118	.140		
	Total	20.365	121			
a. Dependent Variable: EM						
b. Predictors: (Constant), laissez-fair, Transformational, Transactional						

Source: Own Survey (2022)

As demonstrated in Table 4.9, the ANOVA shows the model's overall statistical significance and acceptance (Pedhazur, 1982). The summary displays the degrees of freedom associated with each of the sums of squares shown in the table above. The study's ANOVA analysis revealed that the

numerous sums of squares stated and degrees of freedom related to each other indicate that the overall variance explained by the model is good and significant because the p-value is below 0.000, i.e., less than 0.05.

Table 10: Coefficients of dependent and independent variables

Coefficients^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(EM)	3.408	.212		16.093	.000		
	x1	-.035	.050	-.068	-.693	.489	.718	1.393
	x2	-.035	.075	-.047	-.465	.642	.672	1.488
	x3	.331	.066	.474	5.010	.000	.766	1.305
a. Dependent Variable: EM								

Source: own survey (2022)

The purpose of this study was to establish which leadership style has the greatest influence on employee motivation. A standardized Beta coefficient was used to identify the relative impact of leadership styles (independent variables) in contributing to the variation in employee motivation (dependent variable). A laissez-faire leadership style, as indicated in the preceding Table, is a significant predictor of employee motivation. Both Transformational and Transactional leadership styles are excluded, yet they do have an impact on employee motivation, as proven by their high correlation with the Laissez-faire leadership style and utilization by ECX, as indicated by their mean value.

In general, the factor which had the greatest impact on the overall the effect of employee Motivation at ECX is Laissez-faire Leadership Style with a standard beta of 0.474 which makes it highly significant leadership style.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of major findings, conclusion, and the significant contribution of the study as well as recommendations for future researchers. The first section is summary of major findings followed by conclusion and finally recommendation for future researchers.

5.2 Summary of findings

The result of the findings showed that the majority of the employees who have worked in ECX has an experience of more than 10 years and 3 to 5 years with 38.5% each. Majority of respondents are male consisting of 82% of respondents.

The study found that transformational leadership was the most commonly used leadership style, followed by laissez-faire leadership, and transactional leadership was the least frequently used leadership style at ECX. The findings show that the mean score of the three leadership styles (transformational, laissez-faire, and transactional) was 3.38, 2.95, and 2.89, respectively. For the most effective leadership, Bass and Avolio (1997) proposed that mean scores for all transformational leadership subscales be greater or equal to 3.0. As a result, the results show that the "ideal" levels of transformational leadership behavior, such as sense of vision and mission, improving abilities, and moral and ethical considerations, were demonstrated in the ECX workplace.

The correlation study, which looked at the link between the variables, discovered that all three leadership styles are positively associated to employee motivation. On the other hand, the relationship between Transformational Leadership style and Transactional Leadership style and employee motivation is moderately significant than laissez-faire leadership style. Employee motivation is significantly influenced by a laissez-faire leadership style at ECX.

With a Pearson correlation coefficient of 0.474 and a below 0.01 confidence interval, a laissez-faire leadership style has a significant positive relationship with employee motivation. Employees at ECX are highly motivated, as evidenced by a mean of 4.16 and a standard deviation of 0.41. Based on the regression analysis the major findings on the effect Employee motivation caused by followed leadership style of ECX indicates:

- The freedom given to ECX employees can encourage creativity and innovation.
- ECX used Transformational Leadership, followed by Laissez-faire and Transactional Leadership Styles, as determined by descriptive data analysis mean and standard derivation. According to the regression analysis, it is preferable to utilize a laissez-faire leadership style backed up by transformational leadership and Laissez-faire leadership style.
- Laissez-faire leaders delegate decision-making authority to their followers. This procedure provides excellent learning opportunities for ECX employees.
- When employees are highly skilled and motivated, the style becomes more effective.
- It allows for faster decision-making. Since there is no micromanagement, employees under laissez-faire leadership have the autonomy to make their own decisions.

5.3 Conclusion.

Based on the findings of the research, this study concluded that all independent variables, have a positive relationship with employee motivation at ECX. At ECX, a laissez-faire leadership style has a significantly positive relationship with employee motivation. At ECX, the three leadership styles are used, each of which has a significant impact on employee motivation. As we have seen, the most significant leadership style is laissez-faire leadership, and the working culture and environment of ECX promote innovative ideas and quick decision making.

The effect of transformational leadership on employee motivation at ECX is lower than that of laissez-faire leadership and transactional leadership. Following a laissez-faire leadership style, transactional leadership has an effect on employee motivation at ECX. According to the findings of this study, different leadership styles have significantly different levels of employee motivation at ECX.

5.4 Recommendation

A leadership style is a specific behavior that a leader employs to motivate subordinates to achieve business objectives (Alexander 2002). The use of the proper leadership style for the scenario and setting aids the company in meeting its objectives and goals. Leaders must analyze the setting and situation to identify which leadership style is acceptable in the current conditions because certain leadership styles have a big impact on employee motivation. Employees are the most valuable assets in any company; thus, organizations must have effective leaders to manage and encourage

them in their everyday operations and achieve corporate goals. As a result of the above summary and conclusions, the researcher has forwarded the following recommendations:

- I. Because laissez-faire leadership has a strong positive relationship with employee motivation, top management should pay more attention to it in the hopes of increasing productivity through a motivated workforce.
- II. Based on the study findings, ECX should identify transformational leadership styles as effective leadership styles that were widely shown throughout the firm to motivate employees.
- III. The Laissez-faire Leadership Style, which promotes innovation and enables employees to make their own decisions, is a vital asset for industries such as the modern exchange market that rely on creativity and innovation.
- IV. I propose that ECX use the three leadership styles to encourage personnel in appropriate situations.
- V. Employees should be given more freedom in a highly conducive and innovative environment so that they can stay motivated for a longer period of time.
- VI. Constantly assessing employee motivation levels via various methods such as employee surveys, consultants, or external agents in order to have a direct impact on commitment, performance, and profitability.
- VII. Motivating people entails consistently demonstrating transformational leadership ideals such as respect, acknowledgment, and providing training, skill, and growth. Employees become more innovative and change-oriented as a result.

5.5 Regarding to future research:

Because this study is limited to one moment in time, the compilation of cross-sectional/single point data utilizing quantitative study methodology has been used to obtain employee responses. Future researchers may also utilize a longitudinal design and include qualitative questions to explain the impact of leadership styles on employee motivation.

Second, this study looked at the effect of several leadership styles, such as transformational leadership, transactional leadership, and laissez-faire leadership. More variables could be included in future studies. Such as different forms of leadership styles and measurement dimensions.

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APPENDIX
QUESTIONNAIRE
ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE DEPARTMENT OF
BUSINESS LEADERSHIP

Dear respondents:

My name is **Yihunsew Getahun**, a graduate candidate at the Addis Ababa University School of Commerce. I am conducting my senior thesis entitled “**THE EFFECT OF LEADERSHIP STYLE ON EMPLOYEE MOTIVATION: THE CASE OF ETHIOPIA COMMODITY EXCHANGE**” as partial fulfillment of the requirements for the completion of my Master’s Degree in Business Leadership.

The main reason you are chosen as a respondent for the study is that you are an employee of ECX, your inputs are believed to be helpful in drawing valid conclusions on the effect of Leadership style on Employee’s Motivation.

Participation is absolutely **voluntary**. If you choose to participate in this research, please take a few minutes of your time to answer the entire questionnaire honestly about your intention and attitude with regard to employee motivation in ECX. I really appreciate your willingness and cooperation in giving genuine information for this questionnaire and I hereby declare and promise you that the information you provide was kept confidential and only be used for academic purpose.

For any clarification you can contact me through +251-925-29-90-40 or through my email: **yihunget@gmail.com**.

In advance, I would like to thank you for your cooperation.

NB:

- No need of writing your name
- Please put tick mark (✓) in front of choice box that you believe appropriate for Part 1 to 3 of the questionnaire.

Part I: General Information

Please answer by putting a tick mark (✓) in the box provided.

1. What is your gender?

☐ Male

☐ Female

2. Your age?

☐ 18 to 35 years

☐ 36 to 45 years

☐ 46 to 60 years

☐ Above 60 years

3. Marital status

☐ Single

☐ Married

☐ Divorced

☐ Widowed

4. What is your highest level of education?

☐ Diploma

☐ Degree

☐ Masters

☐ PhD

5. Your work experiences?

☐ 1 – 3 years

☐ 3 – 5 years

☐ 5 – 10 years

☐ Above 10 years

6. Job level at ECX

☐ Top Level Management

☐ Middle Level Management

☐ Non-Managerial Level

7. Your monthly income (ETB)

☐ < 10,000

☐ 10,001 – 20,000

☐ 20,001 – 30,000

☐ 30,001 – 40,000

☐ 40,001 – 50,000

☐ >50,001

PART II: Questions on Leadership Style and Employee Motivation

The following statements are aimed at helping you assess your feelings or perceptions of your immediate supervisors' leadership style. Please rate as: 1-Strongly Disagree, 2- Disagree, 3

Neutral, 4-Agree, 5-Strongly Agree. Please place a tick (✓) or a mark (x) in the box (cell) that represents your appropriate level of agreement.

No.	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Transformational Leadership						
1.	My superior helps staff members to develop and improve their abilities and skills.					
2.	My leader considers the moral and ethical consequences of his decision					
3.	My supervisor emphasizes the necessity of having a shared sense of purpose and team spirit.					
4.	My immediate manager suggests creative ways of completing task assignment					
5.	My leader has leadership skill that deserves my respect					
6.	My boss acts in a way that builds trust of subordinates					
7.	My boss involves subordinates individually as well as in groups to making decisions.					
8.	My boss motivates subordinates for a higher level of performance					

9.	My leader considers staff's special needs, abilities and aspirations during task assignment					
10	My boss spend time in teaching coaching and controlling subordinates					
11	My boss scarifies his interest to the good of the group and the organization					
Transactional Leadership						
1.	My boss concentrates on dealing with irregularities, mistakes, complaints and deviations from standards					
2.	My leader concentrates on maintains performances standards than relationship building.					
3.	In exchange for my efforts, my leader assists me.					
4.	My leader Keeps track of all mistakes					
5.	My leader provides rewards when others reach their goals					
6.	My supervisor teaches everyone about what they must accomplish in order to be rewarded for their efforts.					
7.	I mostly expect appreciation after finishing my job					

8.	My supervisor woks on allocation of benefit packages					
Laissez-faire Leadership						
1.	My boss avoids getting involved when important issues arise					
2.	My leader abstains from goal-setting and making decisions.					
3.	My boss gives us complete freedom to make decision in our respective jobs					
4.	My supervisor has many tasks other than following me					
5.	My supervisor has a habit of letting things to go by them selves					
6.	Intervention in my job is not important					
Employee Motivation						
1.	Having the freedom to try out my own ideas makes me happy					
2.	For me Being expected to achieve results increase my motivation.					
3.	Not having to work to tight deadlines is good for my job.					
4.	Having job security is more important for me					

5.	Having a flexible boss is important					
6.	Having a job that provides development opportunities and future is motivating.					
7.	I like the challenges of my job					
8.	Being able to do interesting work motivates me.					
9.	Being recognized for my expertise is important for me					
10	Solving problems by my self makes me happy					