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# **Effect of Leadership Styles on Employee Performance: The Case of United Insurance Company Share Company**

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**A Final Project Submitted to the School of Graduate Studies  
of Addis Ababa University School of Commerce in Partial  
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Arts in Business Leadership**

**Addis Ababa University  
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## **Declaration**

I the undersigned declare that the project research work entitled: “Effect of Leadership Styles on Employee Performance: In the Case United Insurance Company Share Company”, is the output of my own effort and study for the partial fulfillment of Degree of Master of Arts in Business Leadership. I have produced it independently with the guidance and suggestion obtained from my research project advisor, Abraraw Chane (PhD). Moreover, this study has not been done, submitted and presented on this particular organization for any degree in this university or any other university for the award of Degree or Diploma Program. All other contributors and/or sources used for the study have been duly acknowledged.

**Aneer Mohammed**

**Signature .....**

**Date .....**

**ADDIS ABABA UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**SCHOOL OF COMMERCE**  
**MASTER OF BUSINESS LEADERSHIP PROGRAM**

**Effect of Leadership Style on Employee Performance: In the Case  
of United Insurance Company Share Company**

**By**  
**Aneer Mohammed**

This is to certify that the research project conducted and presented by Aneer Mohammed “Effect of Leadership Styles on Employee Performance: The Case of United Insurance Company Share Company” and submitted in partial fulfillment of the requirements for the Degree of Masters of Art in Business Leadership complies with the regulation of the university and meets the accepted standards with respects to originality and quality.

**Approved by Board of Examiner:**

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## **Statement of Certification**

This is to certify that Aneer Mohammed has carried out this project work on the topic entitled “Effect of Leadership Styles on Employee Performance: The Case of United Insurance Company Share Company” under my supervision. This work is original in nature and it is sufficient for submission for the partial fulfillment for the award of Degree of Master of Art in Business Leadership.

**Abraraw Chane (PhD)**

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

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## **Acronyms**

**UNIC: - United Insurance Company**

**SC: - Share Company**

## **Abstract**

*The objective of this study was to examine the relationship between leadership styles and the performance of employees in UNIC. To assess the objective, three basic questions were prepared. The sources of information were employees of UNIC. Thus participants were selected using simple random sampling method from Addis Ababa branches and data was gathered through questionnaire. The research methodology used in this study was quantitative approach. The collected data was analyzed using Pearson's correlation method with the help of SPSS version 23 software. The result of the study confirmed that there was statistically significant positive relationship between transformational leadership and transactional leadership style with employee's performance, and there is no statistically significant relationship between laissez-fair leadership style and employee performance. Based on the findings of the study, it was recommended that leadership styles in UNIC employed could be transactional and transformational so as to upraise the performance of its employees. Furthermore the study also found that transformational leadership style was the dominant leadership style in the organization.*

*Key Words: Leadership style, Transformational Leadership, Transactional Leadership, Laissez-fair Leadership, Employee Performance*

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the study

Financially defined, insurance is a financial arrangement that redistributes the costs of unexpected losses. The commercial code of Ethiopia defines insurance policy as a contract whereby a person called the insurer undertakes against payment of one or more premiums to pay to a person, called the beneficiary, a sum of money where a specified risk materializes. Usually, the insurance coverage is valid for one year and can be extended for another year for a fee with the mutual interest of the insurer and the insured. In this process employees of insurance play a crucial role in selling/renewing the insurance policy.

The number of insurance company is increasing from time to time. Eighteen insurance companies are currently operating in the Ethiopian insurance market. Given the recently established company is less than a year ago, it is common for the occurrence of stiff competition and switching of employees among the insurance companies.

In 1994, the United Insurance Company SC, often known as UNIC-Ethiopia, was founded. It began writing non-life insurance from a single office in Meskel Square. With 28 city branches, 12 contact offices, and 12 upcountry branches, the firm is currently one of the most competitive insurance companies in Ethiopia. It also offers both life and non-life insurance to its customers. The company aims to be the best insurance company in the country, most professional, most commercial and most responsible. UNIC's mission is to provide complete insurance cover at economic rates, honest, prompt and courteous claims services, to fully satisfy all its constituencies: customers, shareholders, employees, society and the environment (Annual Report UNIC, 2020/21).

In modern days, business demands in human resources management system that is designed to attract, motivate and retain people and to ensure equitable and fair treatment. Management has to work on relationship building with employees. Maintaining good employees' relation is possible through creating good working atmosphere, providing attractive rewards, having good leadership and assigning employees to interesting and challenging jobs (Beech and Engene1995). Thus it would be crucial to understand the relationship between leadership style

and employee performance at the United Insurance Company (UNIC) to be a leading competitor in the industry.

Leadership may be seen from a variety of perspectives and notions. Leadership is often defined as a collection of characteristics held by the leader or as a social phenomena resulting from relationships with groups. This concepts can give different opinions about the definition of leadership comes from personal qualities of a leader or a leaded makes followership through what she or he does or believes (Grint,2004) cited in Yezina Tibebe (2021).

Leadership is a multifaceted notion that is defined as the ability to influence, motivate and enable others to the effectiveness and success of the organizations (Steven, 2005).

Leadership is a social process in which leader seeks the voluntary participation of subordinates in an effort to reach organizational goals. Today's organizations more than ever need effective leaders who understand the complexities of the changing global environment, who have the intelligence, sensitivity and ability to emphasize with others and who can motivate their followers to strive for excellence. The leadership of an organization is an ability of management to get and protect the company targets and bringing them together to work in an improved environment to achieve the common goals (Sansom, 1998).

In fact, Leadership is essential for all organizations to achieve their goals. Because leadership is a key factor in improving the performance of many, if not all, organizations, and an organization's success or failure is dependent on the effectiveness of leadership at all levels. Paracha, Qamar, Mirza, Hassan & Waqas (2012) is in support of this idea said that “leaders play an important role in achieving goals and improving employee performance by keeping them satisfied with their jobs” (p.55). Perhaps the most thoroughly researched organizational variable with a potential impact on employee performance is leadership (Cummings and Schwab, 1973). “It is a critical issue in every organization, primarily because the decisions made by leaders can lead to business success or failure.” Furthermore, it is widely acknowledged that the effectiveness of any group of people is largely determined by the quality of its leadership. Effective leader behavior facilitates the fulfillment of the desires of the followers, which leads to effective performance (Fiedler & House, 1988; Maritz, 1995; Ristow.et al., 1999). This study would assess the relationship between leadership styles and the employee's performance in United Insurance Company.

## 1.2 Statement of the Problem

Leadership is the key to the sustainable competitive advantage of any organization. In their research on leadership and organizational performance, Al Khajeh (2018) and Bhargavi and Yaseen (2016) argue that the function of leadership is vital for an organization to achieve a high level of performance. It is critical to adapt to change in addition to obtaining a high degree of performance. Kotter (1988) advocated for the ever-increasing relevance of leadership in organizations as a result of substantial alterations in business settings, such as changes in competitive intensity and the need for greater participation of the entire workforce.

Leadership and its role are the most concerning issue for the business and organization now days. Leadership is important and necessary for achieving individual, group and organizational goals. To accomplish this goals effectively, trained and skilled person and conducive organizational systems are needed. Leadership is getting people to do their work willingly, even when they do not really want to do it at all. It is the ability to score desirable actions from a group of followers voluntarily without the use of collusion force (Bantie, Meseret, and Yigremew, 2004).

Armstrong (2005) explains employee performance which is perceived as: executing defined duties, meeting the deadlines, team input, and the integration of both leadership and performance should be evident through the style and approach employed by managers in the attempt to cause efficiency, which demands specific leadership approaches to unique performance challenges in achieving departmental goals and objectives.

The business environment is changing from time to time and competition is intense in the insurance industry of Ethiopia. Therefore, there is an urgent need for the renewal of leadership styles across the insurance industry in Ethiopia in general and UNIC to be specific, to enhance employee performance.

Therefore, this study was concerned with examining the relationships of different leadership style with the effectiveness of employees working in the organization of United Insurance Company Share Company.

### **1.3 Objective of the study**

#### **1.4.1 General Objective**

The main objective of the research is to examine the relationship between leadership styles and employee performance at the United Insurance Company Share Company in Ethiopia.

#### **1.4.2 Specific Objectives**

The specific objectives of the study are:

- To examine the relationship between transformational leadership style and employee performance in UNIC Addis Ababa, Ethiopia.
- To examine the relationship between transactional leadership style and employee performance in UNIC Addis Ababa, Ethiopia.
- To examine the relationship between laissez-fair leadership style and employee performance in UNIC Addis Ababa, Ethiopia.
- To identify the dominant leadership style on employee performance in UNIC Addis Ababa, Ethiopia.

### **1.4 Research questions**

To achieve the objective of the study, the research was guided by the following leading questions.

- What is the relationship between transformational leadership style and employee performance?
- What is the relationship between transactional leadership style and employee performance?
- What is the relationship between laissez-faire leadership style and employee performance?
- Which leadership style has dominant effect on employee performance?

### **1.5 Significance of the study**

This study investigated the relationship between leadership style and employee performance at the United Insurance Company SC. The results of this study are expected to benefit senior

management especially the Human Resource Managers to understand the relationship between leadership style and employee performance and make better decisions regarding this area. It may also be used as a reference for future researchers.

## **1.6 Scope of the study**

The scope of the study was limited to single organization known as United Insurance Company SC in Addis Ababa city branches. Due to the fact that majority of the branches are located in the capital city; the target population of this study was limited to be employees in UNIC at Addis Ababa branches.

## **1.7 limitations of the study**

The research sample population of this study was taken from employees who work in Addis Ababa branches only. This would possibly affect the generalization of the research findings to the entire UNIC employee. Another potential limitation would be not including other insurance companies in Ethiopia. In addition some of the branches didn't have internet access. And also due to internet connection problem while collecting data online, it was challenging and time taking to gather all the questionnaires.

## **1.8 Definition of key terms**

**Leadership:** -Leadership is a process whereby an individual influences a group of individuals to achieve a common goal (Northhouse, 2016).

**Leadership Style:** -Many leadership theories have been developed over years but for the purpose of this study Bass's leadership style will be used. Bass (1990) defines three well-known leadership styles as belonging to one of the leadership styles categories: transformational leadership, transactional leadership, and laissez-faire leadership.

**Employee Performance:** -Employee performance signifies individual's work achievement after exerting required effort on the job which is associated through getting a meaningful work, engaged profile, and compassionate colleagues/employers around (Hellriegel, Jackson, & Slocum, 1999).

**Transformational Leadership:** -According to Bass (1990), transformational leadership happens when leaders expand and elevate their workers' interests, develop knowledge and

acceptance of the organization's goals and mission, and motivate their employees to look beyond their own self-interest for the good of the group.

**Transactional Leadership:** -Transactional leaders tend to manage than change the organizations. They are concerned with establishing stable relationships with subordinates. These leaders establish transaction-based relationships with their followers: they motivate through rewards and punishments (Kreitner and Kinicki, 2004).

**Laissez-faire:** -Jones and Rudd (2007) described laissez-faire leadership as leadership in an inactive form characterized by unwillingness to be actively involved and a view that the best leadership comes from disassociation from activities.

## **1.9 Organization of the study**

This paper was organized into five chapters. The first is already presented in this section. Chapter two was concerned with related literature review. Chapter three deals with research methodology which is concerned with the research approach, collection of data and analysis of data to be used. Chapter four also provided data presentation, analysis and discussion of the findings of the result. Finally, chapter five dealt with conclusion and recommendation.

# **CHAPTER TWO: REVIEW OF RELATED LITERATURES**

## **2.1 Theoretical literature review**

Leadership is the process by which an individual encourages a group of people to achieve a common goal (Northouse, 2015). It is a complicated phenomenon that affects a wide range of organizational, societal, and personal activities. It is based on an influence process in which people are inspired to work toward group goals by personal motivation rather than coercion (Bolden, 2004). Furthermore, Rost (1997) defines leadership as an influence relationship between leaders and collaborators who seek to make meaningful changes that represent their joint goals. Even though numerous definitions of leadership have evolved throughout time, one can agree that it is the ability to persuade groups toward a common purpose. Leadership style can be understood as the deliberate ways by which a leader affects a group of people in an organization to a widely acknowledged future state that differs from the present one (Gandolfi & Stone, 2016).

Many leadership theories have been produced through the years, according to Abdul Basit (2017). According to Lewin's Leadership Style (1939), there are three types of leadership styles: democratic, autocratic, and laissez-faire (Billig, 2015). Robert Blake and Jane Mouton founded "Grid" in 1964 (Molloy, 1998). Hersey and Blanchard (1969) created a leadership theory known as the situational leadership theory (McCleskey, 2014). Burns (1978) developed transformational theory, which focused on motivations and values in measuring how leaders approach power, in the 1970s and was later broadened by Bass (1985) (Levine, 2000). Transformational leadership theory, developed by Bass (1985), focuses on how a leader impacts followers by his or her traits (Levine, 2000).

## **2.2 Leadership Styles**

There are various types of leadership styles like transformational leadership style, transactional leadership styles, laissez-fair leadership styles, and democratic leadership styles, autocratic and situational leadership. Some of them were discussed below.

### **2.2.1 Transformational leadership style**

Transformational leadership, as defined by Burns (1978), is a situation in which leaders inspire their employees to raise the degree of their beliefs, values, perceptions, motivations, and coalitions with the organization's objectives. Transformational leadership, as the term implies, is a process that changes and transforms people. It entails a unique type of influence that causes followers to accomplish more than what is usually expected of them (Northouse, 2015). Transformational leadership is founded on the leader's personal ideals, beliefs, and characteristics, rather than on an exchange process between leaders and followers. It is distinguished by the ability to effect major change in followers and the organization. It also emphasizes intangible elements such as vision, shared values, and ideas in order to foster relationships and provide broader meaning to separate activities, and provide common ground to join followers in the change process (Daft, 2005).

According to Bass and Avolio (1994), there are four major characteristics of transformative leadership: idealized influence, inspiring motivation, intellectual stimulation, and individual consideration. Each of the four dimensions explains the characteristics of an organizational transformational leader;

- Idealized influence refers to a leader who serves as a role model for his employees. In this level, leaders apply their greatest moral and ethical standards to employees or followers rather than using control and authority over them.
- Inspirational motivation on the other hand, refers to a manager or leader who offers meaning to various workplace issues. Leaders who show this behavior inspire their followers by giving meaning to their followers' work and effort. These leaders place a premium on articulating the significance of their positions and performance to people throughout the organization.
- Intellectual stimulation means leaders Motivate followers by teaching them a variety of problem-solving techniques. This leader action makes followers aware of their intellect and talents in dealing with problems or challenges at work. Followers must be encouraged to communicate their opinions and vision for the organization, as well as trained to look at issues in new ways, consider before acting, and being accurate with decisions.

- Individualized consideration refers to a situation in which a leader has a personalized relationship with each employee, paying particular attention to individuals inside an organization. In other words, this behavior focuses on how to treat workers as peers, without bias or doubt, and to find potential in them.

### **2.2.2 Transactional leadership style**

Transactional leadership is a process of exchange or transaction between leaders and followers. The transactional leader acknowledges the wants and desires of his or her followers and then defines how those wants and desires will be met in exchange for accomplishing specific objectives or executing certain chores. As a result, followers are rewarded for their efforts, whilst leaders gain from job completion (Daft, 2005). The transactional leader is close to the follower and the goal is to exchange one person for another. Transactional leaders identify the followers they need for their work and attempt to offer them in exchange for the organization's goals being met. In other words, the transaction's leader relies on the followers' own interests to acquire momentum. As long as the followers complete their work, the leader will get a reward or reward commitment (Bass, 2008; Mahar et.al, 2020).

There are two main dimensions of transactional leadership namely contingent reward and management by exception (Bass, 1990; Northouse, 2015; Hoxha, 2019). Contingent rewards refer to rewards for employees after the successful accomplishment of their assigned task. It is a sign of recognition towards employees for their good performance. Management by exception on the other hand, refers to a leader who continuously following up employees to observe if they are doing what they are supposed to do and takes action when employees do not meet the requirements. Management by exception takes two forms: active and passive. Active management by exception refers to a leader who regularly monitors employees and takes corrective action if any problem arises. Passive management by exception on the other hand, refers to leaders who intervene only when problem arises and they respond with negative feedback.

### **2.2.3 Laissez-fair**

The laissez faire leader, as the French name implies, takes a “hands-off, let-things-ride” style. This leader abdicates responsibility, postpones choices, provides minimal feedback, and takes few efforts to assist followers in meeting their requirements. There is no interaction with

followers, nor is there any attempt to assist them grow (Northouse, 2015). Bradford and Lippitt (1945) define laissez faire leadership as a leader's disregard for supervisory obligations and lack of guidance to subordinates (Zareen et.al, 2014).

According to Bass (1985), the laissez faire leadership style is one in which the leader has no confidence in his own competence to monitor. He goes on to say that the leader has no clear established goals for how they will work, does not assist the group in making decisions, and so delegated too much responsibility to subordinates. (Akpapere and colleagues, 2019).

### **2.3 Factors that Affect Leadership Effectiveness**

In addition to personal qualities possessed by manager, several other factors affect the quality of leadership. According to Mamoria1980, some of the factors are:

**Organizational size:** - as the number of people in an organization increases the enterprise becomes more bureaucratic. Therefore communication becomes more impersonal, greater reliance is placed on previously adopted procedures, policies and rules, the relation to change events become slower and less spontaneous. A manager in a small organization normally can be more flexible and take prompter action thus, exercising leadership that can be perceived than a manager in a comparative large organization. As a result, large size of the organization has more leadership required than small size organizations. Because manager of the organization does not lead or direct all members of the organization otherwise leaders are more skill full than managers to direct each member. Incase leadership is important to large organizations.

**Leader – member relations:** -the degrees of confidence, trust, and respect subordinates have in their leader. The need for members of an organization to communicate with one another and in other ways interact varies considerably. As far as leadership is concerned the more there is interaction the greater the opportunity is to demonstrate leadership skill. Generally, good interaction between the leader and members as well as employees themselves is important for the exercising of leadership on employee's performance.

**Personalities of group members:** - the kind of leadership that proves most effective in any organization relates to the personalities of those who make up the group. In an organization in which members are passive and do not want to participate in planning the best leadership style is

likely to be autocratic. Some people do, in fact, prefer, taking orders and making no input in to the decision making process.

**Congruence of goals:** - Generally when members of an organization share the same, clearly defined goals. A leadership style based on participation is more likely to work when members are working toward different or conflicting objectives. One of the firm think manager does in an attempt to levied effectively is to get everyone headed in the same direction. Quarrels, bickering, conflicting orders, excessive tension and similar problems all of which are evidence of in effective leadership occur when the goals of the leaders and followers are not in occurred. Generally the congruence of different goals between organization employees, leaders and top management bodies etc., are important to exercise and implement leadership effectively.

## 2.4 Characteristic of Leadership

According to Kumar (2002), Leadership includes the following features;

- ❖ **Leadership is the process of influencing:** A leader, by exercising his leadership, tries to influence the behavior of individuals to carry out his wishes and accept his advice, guidance and direction towards the achievement of pre-determined goals. A leader modifies, reshapes, directs and controls the behavior of the members through leadership.
- ❖ **Leadership is power based:** leadership is a power or authority based process- leader needs adequate power and authority to influence the followers or to lead the group. A leader has knowledge, experience, skill and competence of leadership, resources for rewarding and punishing. A leader enjoys formal authority which he gets by virtue of holding positions in the organization. A leader has certain personal traits which have significant impact on the followers.
- ❖ **The followers:** leader requires the followers to lead, guide and direct. It is the activities of the followers which are directed towards the attainment of group goals. The core of leadership is to lead by example. It is the willingness of people to follow that makes a leader.
- ❖ **Leadership is the ability to inspire/ stimulate:** the major ingredient of leadership is the rare ability inspires followers to apply their full capabilities. Leadership is the function to motivate people to strive willingly to attain organizational objectives. Leaders are considered successful when they are able to subordinate the individual interest of the employees to the general interest of the organization.
- ❖ **Leadership is related to a situation:** the effectiveness of a leader is greatly influenced by situational variables. To be more effective, a leader has to modify his approach and style of

functioning, as per the demand of the situation. Leadership styles will be different conditions. Leadership is situational; it is always related to a particular situation.

- ❖ **Leadership helps to attain the common objectives:** the main task of a leader is to lead inspire and motivate the group to achieve desired state of affairs. He seeks the maximum cooperation of the members to achieve goals by justifying and explaining the goals to the followers. A leader integrates the individual and organizational goal in such a way that individual goals help to attain the common objectives and thus a leader avoids clashes and conflicts.
- ❖ **Leadership provides satisfaction of members:** the basic feature of leadership is that it provides a sense of good feeling to the members and just they must be satisfied with the type of leadership provided. A good leader tries to solve the problems of his followers. Good leader's shares everything with his followers so they are best served in the interest of the organization.
- ❖ **Leadership is basically personal quality:** leadership is basically the personal quality. The quality motivates the individuals to be with a leader. A leader has the traits to influence his followers in any manner and to persuade the followers to seek defined objectives.

## 2.5 Function of Leadership

The function of business leader is briefly explained by Ramasmy, (2001) as follows;

- ❖ **Representation:** a leader is an organization's representation. The leader represents the organization's objective to employees and outsiders.
- ❖ **Guide:** the major responsibility of the leader is to guide others. A leader should provide proper guidance. The organization will fail if he does not do so.
- ❖ **Encouraging others:** the leader is the captain of a team. Before winning in completeness, the leader needs gain the trust of his teammates. Without teamwork, the leader cannot succeed. Encouragement is required to foster teamwork.
- ❖ **Arbitrator and mediator:** the leader can mediate worker disagreements. Furthermore, he has the ability to foster positive relationships among coworkers.
- ❖ **Planner:** the leader will decide on the type of activities or tasks. The leader has the authority to determine when a task should be completed, where it should be completed, and by whom.
- ❖ **Rewards and punishments:** there is a standard for a specific type of work. Some employees complete their tasks on schedule and correctly. The leader has the authority to award awards to individuals who have performed the work to the standard. The worker who does not complete the work according to the job requirements may be punished by the leader.

- ❖ **Integration:** each individual does a part of a whole work. They carry out the work in accordance with their areas of expertise. There is a need for integration here. As a result, the leader merges the efforts of all employees.
- ❖ **Communication.** An effective communication system in a company should be established by the leader.
- ❖ **Production:** A leader is supposed to have a high level of output. The leader adopts a production-oriented approach. He should take all possible steps to increase output.

## 2.6 Techniques of Leadership

A leader can use a variety of techniques to get his followers to do work for him/her. Some of the techniques as **Ramasamy, (2001)** described:

- **Securing co-operation:-** a leader should get co-operation from his followers. Unless he enlists their co-operation, he cannot succeed. Both parties must be willing to collaborate. The leader must be convincing each follower to extend co-operation. Both leaders and their followers must have interests in the growth of an enterprise.
- **The use of power:** - leadership goes with power. It cannot exist without power, so the leaders must use his power which subsequently resents in getting things done by others. At the same time, the leader should use power only to safeguard the interests of the enterprise. Some leaders expect more powers than required. It is not advisable. A leader, on the other hand, can achieve his or her objectives using the resources at his or her disposal.
- **Co-ordination:-** a leader can co-ordinate the activities of his followers through orders or commands. Definite, flexible and open orders alone co-ordinate activities.
- **Discipline:** - discipline is nothing but the adherence to rules, regulations and procedures. Discipline should be maintained to be achieving the objectives. Individuals are restricted from doing things which are detrimental to the group interests. The very success of leadership and organization depends upon the maintenance of discipline.
- **Moral:** - moral is an attributed of an individual and group growing out of the conditions under which he or they complete the job effectively. A leader has confidence in his followers and vice versa. Mental maturity plays an important role in creating confidence.

## **2.7 Leadership and employee performance**

Employees need good working environment in order to perform well. A good working environment encourages people to bring the right attitudes and behaviors to their jobs. Employee commitment, which includes both organizational and work dedication, is connected to job satisfaction, supervisory support, and organizational career assistance (Allen et.al 1999).

According to Dell Carnegie Training (2012), leaders may emotionally link employees to the organization, and those who are emotionally attached to the organization have a sense of ownership and tend to stay in the business to do excellent work in a short period of time (Mahar et.al, 2010).

According to Amos et al. (2004), “the effective management of individual performance is critical to the execution of strategy and the organization achieving its strategic objectives” Despite the employee's natural desire to succeed and be rewarded for it, performance cannot be let to develop spontaneously. This urge must be accommodated, supported, and nurtured (Amos et al., 2004; Baika 2020).

## **2.8 The Concept of Employee Performance**

Employee performance is a critical component of any organization and the most important factor in the organization's success and performance. True, most organizations rely on their employees, but one or two employees cannot change the organization's fate. The organization's performance is the result of a collaborative effort by all of its employees. Employee performance is about employees achieving the results, goals or standards as per the expectation set by the organization.

Employees are rated on how well they do their jobs compared to the performance standard set. In short, it is the accomplishment of a given task measured against pre-set of standards of accuracy, completeness, cost, and speed, the initiative they take, their creativity in solving problems and the resourcefulness in the way they utilize their resources, time and energy (Rothman, 2003).

Employee ability, proper equipment, safe working circumstances, effective leadership and management, employee health, and other factors all contribute to improved levels of employee performance (Ivancivich, 1989). Employee performance is typically measured in terms of

outcomes. It can, however, be viewed in terms of behavior (Armstrong 2000). Kenney et al. (1992) stated that employee performance is measured against the performance standards established by the organization. When measuring performance, a variety of measures can be used, including productivity, efficiency, effectiveness, quality, and profitability measures (Ahuja1992), as briefly explained below.

Profitability is defined as the ability to generate profits on a consistent basis over a long period of time. It is expressed as the gross profit-to-sales ratio or return on capital employed (Wood & Stangster2002). Efficiency and effectiveness - efficiency is the ability to produce the desired outcomes with the fewest resources possible, whereas effectiveness is the ability of employees to meet the desired objectives or target (Stoner 1996).

Productivity is defined as the ratio of output to input (Stoner, Freeman and Gilbert Jr 1995). It quantifies how an individual, organization, or industry converts input resources into commodities and services. The amount of output produced per unit of resources employed (Lipsev 1989). Quality is a feature of products or services that demonstrates the ability to meet stated or implied needs (Kotler& Armstrong 2002). It is increasingly producing better products and services at a more competitive price (Stoner 1996).

As noted by Draft (1988), it is the responsibility of company executives to ensure that their organizations strive for and achieve high levels of performance. As a result, managers must establish the desired levels of performance for any time periods in question. They can accomplish this by, for example, establishing goals and standards against which individual performance can be measured. Companies ensure that their employees are contributing to the production of high-quality products and/or services through the process of employee performance management. This management process encourages employees to participate in company planning and thus participates by having a role in the entire process, creating motivation for high performance levels. It is critical to understand that performance management includes activities that ensure that organizational goals are consistently met in an effective and efficient manner. Employees, departments, processes to build a product or service, and so on can all be the focus of performance management. Earlier research on worker productivity found that employees who are happy with their jobs have higher job performance and thus superior job retention than those who are unhappy with their jobs (Landy 1985). Furthermore, Kinicki and Kreitner (2007) demonstrate that employee

performance is higher in happy and satisfied workers, and management finds it easy to motivate high performers to meet firm goals.

## **2.9 The role of leadership on employee performance**

In this modern age, leadership is broadly familiarized and proved through research to be an important factor for the success of the organizations. Now, leadership is being used to influence and stimulate the people for better performance (Popper, 2005).

An efficient leadership plan can be a strong weapon to assist in the discovering and polishing leadership characteristics between the employees of the organization. The association among performance and leadership can be direct and sometime indirect (Gadot,2007), which testifies that leadership qualities can be build among employees through leadership development programs. Increasing employee performance is a key ingredient to a successful organization. Effective leaders should therefore be able to motivate their subordinates.

## **2.10 Empirical study**

Various studies on leadership and employee performance have been undertaken through time, and they all had their share of academic gaps to fill. Shafie (2013) conducted a study to examine the association between leadership style and employee performance in the Real Estate Registration in Tehran province. The findings revealed that transformational leadership and pragmatic leadership had an impact on staff performance and that performance will lead to increased, and that transformational leadership style is related with higher relevance.

NawoseIng'olla (2017) investigated the relationship between leadership styles and performance in Turkana County, Kenya. The research used a mixed method approach and an exploratory survey methodology and the findings revealed that there is no perfect leadership style, but according to this study, the following leadership styles influenced employee performance: affiliative leadership 49.5 percent, authoritative leadership style 52.2 percent, and it was concluded that the two leadership styles influence county government employees style in Turkana County and should be adopted and not each style on its own.

Abdul Basit (2017) discovered the effects of leadership style on employee performance in another study on private organizations in Malaysia. The quantitative approach and convenience sampling approaches were applied. Descriptive analysis and regression analysis

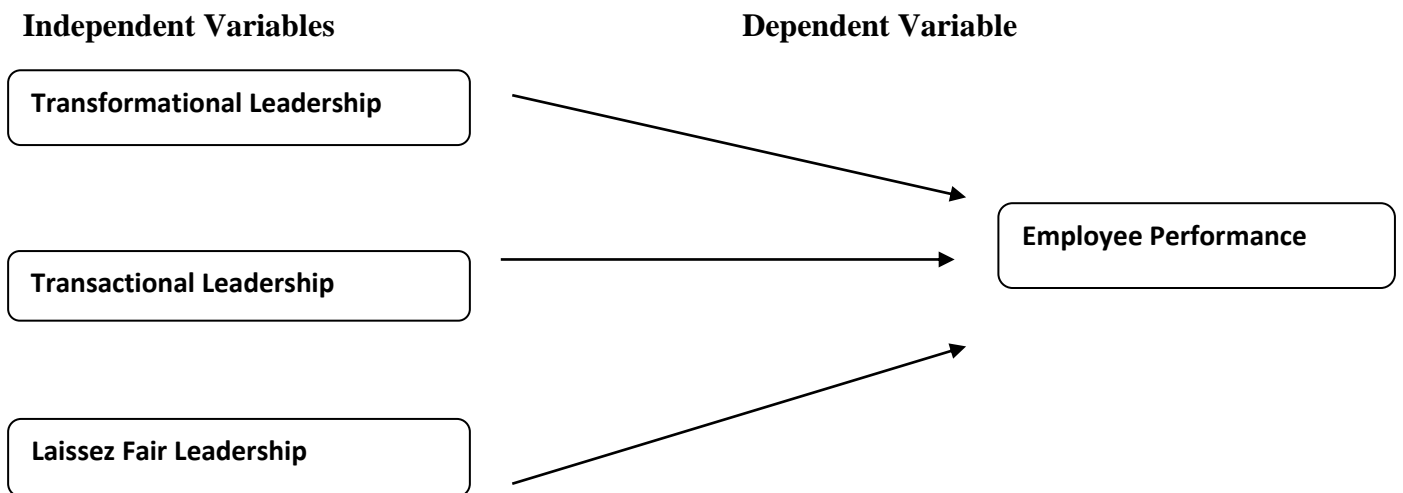
was presented. A five-point Likert scale questionnaire was distributed by a researcher, and SPSS software was utilized to analyze the data collected. According to the findings, democratic leadership has a considerable positive impact on staff performance.

Hoxha (2019) conducted study on the effects of transformational and transactional leadership styles on employee performance at a Malaysian telecommunications company. The sample included 333 leaders and subordinates with varying managerial positions, job responsibilities, gender, and educational backgrounds. Furthermore, the results demonstrated that transformational leadership style substantially influenced employee performance.

In Cameroon, Baika (2020) investigated the impact of leadership style on employee performance. The findings demonstrated a strong link between leadership style and employee performance. The study also found that supervisors and managers use transformational leadership styles to help employees develop their strengths, adjust to new work environments, and even encourage them to be positive about the future by embedding new mindsets in them.

## 2.11 Conceptual framework

This conceptual framework was created using the literature from many related investigations.



## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Research Approach, Setting and Design**

A research design refers to the overall strategy that integrates different components of the study. For this research, correlational quantitative research design was employed. Quantitative research design refers to the scientific and statistical techniques used to depict the validity and reliability of the subject of study. This project's research design consists of four fundamental steps:

- i. selecting the possible sample size from the available population
- ii. Selecting the appropriate questionnaire
- iii. Interpretation and
- iv. Analysis

### **3.2 Research Area**

This study was conducted to assess the relationship between different leadership styles and the performance of employees in United Insurance Company SC. The organization has numerous branches and is located in different cities. Therefore, it was difficult to collect data in all branches. The study was more of focused in Addis Ababa branches of UNIC.

### **3.3 Population and Sampling Procedure**

#### **3.3.1 Population of the Study**

According to Ngechu (2004) cited in International Journal of Social Science and Entrepreneurship (2014), a population is a well-defined set of people, services, elements, events, and group of things that are being investigated .The study was conducted in United Insurance Company SC in Addis Ababa city branches. To get relevant information about the leadership styles followed by the organization and its employee's performances, data was collected from UNIC workers in Addis Ababa branches. The target populations of this study were consisted of 153 employees from 28 branches in Addis Ababa. The populations were composed of managers and assistant managers, cashier, officers and supervisors of the UNIC.

### 3.3.2 Sample Size Determination

It is difficult to consider the whole population as a source of information for a study. Thus, sampling is preferable. But, the sample size need not be too large or too small. There are different sample size determination formulas adopted by various researchers. For this study, the simplified sample size determination formula of Yamane (1967) was used. The formula is given by

$$n = \frac{N}{1+N(e)^2}, \text{ where } N = \text{total number of employees in UNIC in Addis Ababa}$$

n = sample size of the study

e = the level of precision.

By considering 93% confidence level  $e = 0.07$ ) and  $N = 153$ , the calculated sample size was

$$n = \frac{153}{1+153(0.07)^2} = \mathbf{88}. \text{ Therefore, the sample size of this study was 88 employees of UNIC.}$$

### 3.3.3 Sampling Techniques

Sampling is the process of selecting a group of people, events, behaviors or other elements with which to conduct a study. There were 28 UNIC branches in Addis Ababa city Administration. Among those branches of the organization, employees were selected using simple random sampling method. For 88 randomly selected employees of UNIC in Addis Ababa city administration, the questionnaire was attached to give their responses regarding to leadership styles and employees performances.

## 3.4 Data Source and type

All relevant information used in this study was acquired from primary sources. Primary data on leadership styles and employees performance of UNIC was obtained from employees of the organization through questionnaires distributed to them. The sources of information consisted of the cashiers, officers, senior officers or supervisors, and managers or assistance managers.

## 3.5 Data Gathering Instruments

A closed-ended questionnaire was employed as a measuring tool in this investigation. A questionnaire were less expensive and time intensive than other measurement tools, closed-ended questionnaires were administered to groups of people simultaneously. To acquire

information on leadership style, two distinct instruments, notably the Multifactor Leadership Questionnaire (MLQ) developed by Avolio and Bass (1995), modified to fit the context of the study were used. And the scale of Yousef (2000) was utilized to assess employee performance.

### **3.6 Data Gathering Procedures**

The leadership style questionnaire was adopted from Avolio and Bass (1995), and performance measuring items were adopted from and Yousef (2000). The items of the questionnaire in the leadership style have three sections including transformational leadership style, transactional leadership style and laissez-fair leadership style. Each items consisted of likhert-five point scales with values 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree. On the other hand, performance related items have five scales having values 1 = very low, 2 = low, 3 = average, 4 = high and 5 = very high.

Questionnaire was collected using Google forms distributed via email and the company's intranet to all branches. But, some branches did not have network connections due to maintenance purpose, so it was not possible to collect data from 6 employees. As a result, completed data was collected from only 82 staff members of United Insurance Company in Addis Ababa branches. The data obtained was organized and presented in Statistical package for Social Science (SPSS) version 23.0.

### **3.7 Methods of Data Analysis**

As it was described in section 3.1, the study was guided by quantitative research design. Quantitative data collected from employees of UNIC through questionnaire scales was analyzed using the statistical analysis software 'Statistical Package for the Social Sciences' (SPSS) Version 23.0. Generally, a variety of statistical methods such as frequency, percentages, and Pearson's product correlation were employed. The independent variables of the study were different leadership styles considered in this study including transformational, transactional and laissez-fair leadership styles, whereas the dependent variable was the performance of employees working in United Insurance Company SC.

Therefore, the relationship between three different leadership styles implemented in UNIC and the performance of employees in UNIC was determined by Pearson's correlation coefficient and was interpreted accordingly.

### 3.8 Reliability and validity of the instruments

Validity is the most crucial criterion and indicates the degree to which an instrument measures what it is supposed to measure (Kothari C., 2008). In order to insure validity, the study has reviewed previous literatures and adopted instrument used in previous research.

Before gathering data for the main study, pre-test was carried out to ensure the precision and reliability of the instrument. This pilot test was conducted with a sample of 10 participants (employees) in three branches in Addis Ababa other than the employees selected for the main data collection. The main objective of pilot study was to improve the instruments on clients self-report. This was followed by modifications on the ambiguous items of the questionnaires. Finally, the collected data was analyzed using appropriate methods and interpreted accordingly.

The reliability of the research instrument was checked by Cronbach's alpha statistic with the help of SPSS. The Cronbach's alpha reliability test result of the pilot study and the main study result were summarized below. These values confirmed that the reliability of the result was acceptable.

| N<br>o | Variables                   | Alpha<br>value of<br>Pilot result | Alpha value<br>of main<br>study result | Number of<br>items |
|--------|-----------------------------|-----------------------------------|--|--------------------|
| 1      | Transformational leadership | 0.872                             | 0.922                                  | 12                 |
| 2      | Transactional leadership    | 0.743                             | 0.710                                  | 6                  |
| 3      | Laissez – fair leadership   | 0.731                             | 0.703                                  | 6                  |
| 4      | Employees performance       | 0.861                             | 0.835                                  | 4                  |
|        | Total                       | 0.71                              | 0.762                                  | 28                 |

### 3.9 Ethical Consideration

By noting the importance of ethics in research work, the researcher has attempted to keep a high level of confidentiality as much as possible. The responses of the participants who were involved in the study were kept in secrete and used only for the academic purpose.

# **CHAPER FOUR: DATA PRESENTATION, ANALYSIS AND DISCUSSION**

The main objective of the research was to determine the relationship between leadership styles and employee performance at the United Insurance Company Share Company in Addis Ababa, Ethiopia. To attain this objective, the research was guided by the following leading questions:

- What is the relationship between transformational leadership style and employee performance?
- What is the relationship between transactional leadership style and employee performance?
- What is the relationship between laissez-faire leadership style and employee performance?
- Which leadership style has dominant effect on employee performance?

To provide answers for the above questions, data was collected from employees of UNIC in Addis Ababa branches. The main data gathering instrument employed in this study was questionnaire that concerned with the demographic characteristics of respondents, leadership styles employed in the company and their performances in the company.

This chapter contained the presentation and discussion of the findings for the study. The chapter was organized into different sections containing the socio-demographic characteristics of the respondents, findings and discussion related to organizational leadership styles and performance of employees in UNIC. Data analysis was made using frequencies, percentages and correlations.

## **4.1 Socio-Demographic Characteristics of Participants**

The sex, age, level of position, experience and level of educations of respondents were presented below.

### **4.1.1 Sex and Age of Participants**

The characteristics of sex and age of respondent employees were presented below.

**Table 1: Sex and Age of respondent employees**

| N<br>o | Variable | Label          | Number | Percent<br>(%) |
|--------|----------|----------------|--------|----------------|
| 1      | Sex      | Male           | 43     | 52.4           |
|        |          | Female         | 39     | 47.6           |
|        |          | Total          | 82     | 100.0          |
| 2      | Age      | Below 20 years | 0      | 0              |
|        |          | 20-30 years    | 57     | 69.5           |
|        |          | 31-40 years    | 23     | 28.0           |
|        |          | Above 40 years | 2      | 2.4            |
|        |          | Total          | 82     | 100.0          |

From the above table, 52.4% respondent employees for this study were males and the rest 47.6% were females. Regarding to the ages of employees participated in this study, all of them were above 20 years, 69.5% were between 20 and 30, 28% were between 31 and 40, and 2.4% were above 40 years. Most employees of the organization lied between 20 and 30 years.

#### **4.1.2 Working position, working experience and educational level of respondents**

The variables of working position, working experience and educational level of respondent employees were presented below at table 2.

**Table 2: Working position, working experience and educational level of respondent employees**

| N<br>o | Variable               | Label            | Number of<br>participants | Percent |
|--------|------------------------|------------------|---------------------------|---------|
| 4      | Position<br>of employe | Cashier or clerk | 7                         | 8.5     |
|        |                        | Officer          | 44                        | 53.7    |
|        |                        | Supervisor or    | 21                        | 25.6    |

|   |                     |                               |    |       |
|---|---------------------|-------------------------------|----|-------|
|   | es                  | senior officer                |    |       |
|   |                     | Manager or assistance manager | 10 | 12.2  |
|   |                     | Total                         | 82 | 100.0 |
| 5 | Experience in years | Below 5 years                 | 40 | 48.8  |
|   |                     | 5-10 years                    | 32 | 39.0  |
|   |                     | 11-15 years                   | 9  | 11.0  |
|   |                     | Above 15 years                | 1  | 1.2   |
|   |                     | Total                         | 82 | 100.0 |
| 6 | Education al Level  | Higher diploma                | 3  | 3.7   |
|   |                     | Bachelor degree               | 66 | 80.5  |
|   |                     | Masters degree                | 13 | 15.9  |
|   |                     | Total                         | 82 | 100.0 |

Among participant employees of UNIC for this study, 8.5% were cashiers or clerks, 53.7% were officers, 25.6% were supervisors or senior officers and 12.2% were managers or assistance managers of the company in each branch. Majority of the participant employees were officers.

In relation to the working experience of employees in the organization, 48.8% were below 5 years experienced, 39% were experienced between 5 and 10 years, 11% employees experienced from 11 to 15 years, and 1.2 % employees were more than 15 years experienced. Around half of the employees did not have experiences above five years in the company.

As presented at table 2, the educational statuses of 3.7% employees were higher Diploma holders, 80.5% were Bachelor Degree holders and 15.9% employees were Masters Degree holders. Almost 96.3% employees of the company were Bachelor Degree and above holders.

## 4.2 Analysis of Data

The data collected from employees of UNIC in order to determine the relationship between three different leadership styles employed in the company and the performance of workers in the company was calculated using Pearson's product correlation coefficient. The independent variable was leadership style consisting of three levels namely transformational, transactional and laissez-fair where as the dependent variable was performance of employees in UNIC. The

scales of the items for leadership styles were strongly disagree (1), disagree (2), neutral (3), agree (4) and strongly agree (5). Similarly, performance related items have scales having values very low (1), low (2), average (3), high (4) and very high (5). The analysis and interpretation of correlation was made by the suggestions Kothari, C. (2008).

According to Kothari (2008:138) with respect to the direction of correlation, positive correlation coefficient indicates direct relationship between variables, and negative correlation coefficient indicates the relation is reverse. Based on correlation value of Kothari (2008), the magnitude or strength or degree of the relationship is determined as very low relationship (below 0.19), low (0.20-0.39), moderate or medium (0.40-0.59), high (0.60-0.79) and very high or strong relationship (0.80-1.00). The correlation was based on the assumption of 95% confidence interval and it was calculated using SPSS version 23.0.

#### 4.2.1 Relationship between Transformational Leadership and Employee’s Performance

The purpose of Pearson’s correlation test was to determine whether there existed an association between transformational leadership style used in UNIC and the performance of employees in the organization. The result of correlation and its interpretations were described as follows.

**Table 3: Correlation of Transformational Leadership with performance of Employees in UNIC**

|   |                        | TRANSFORMAT<br>IONAL<br>LEADERSHIP<br>STYLE | PERFORMAN<br>CE of<br>Employees |
|---|------------------------|---|---------------------------------|
| TRANSFORMAT<br>IONAL<br>LEADERSHIP<br>STYLE | Pearson<br>Correlation | 1   | <b>.334**</b>                   |
|   | Sig. (2-tailed)        |   | <b>0.002</b>                    |
|   | N                      | 82  | 82                              |
| PERFORMANCE<br>of Employees                 | Pearson<br>Correlation | <b>.334**</b>                               | 1                               |

|  |                 |              |    |
|--|-----------------|--------------|----|
|  | Sig. (2-tailed) | <b>0.002</b> |    |
|  | N               | 82           | 82 |

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

From the above table the correlation between transformational leadership employed in UNIC with their perspective performance of employees was  $r = 0.334$ , sig. (two-tailed) value,  $p = 0.002$  ( $p < 0.01$ ). This value indicated that there was statistically significant correlation between transformational leadership style and the performance of employees in UNIC. Since the correlation value was positive, the relationship occurred between the two variables was strong and direct relationship. That is, as transformational leadership employed, the performance of employees would be improved.

The magnitude of relationship in percentage was also determined by  $r^2 \times 100 = 11.2\%$ . That is, the relationship between the two variables was 11.2%. The double Asterix (\*\*\*) confirmed that even the relationship was significant at 99% confidence interval or 1% level of precision.

#### 4.2.2 Relationship between Transactional Leadership and Employee's Performance

Pearson's product correlation was also conducted to examine the relationship that can be existed between transactional leadership style and employee's performance in UNIC. The result of correlation was presented below in table 4.

**Table 4: Correlation of Transactional Leadership with performance of Employees in UNIC**

|                                      |                     | TRANSACTIONAL<br>LEADERSHIP<br>STYLE | PERFORMANCE<br>of Employees |
|--------------------------------------|---------------------|--------------------------------------|-----------------------------|
| TRANSACTIONAL<br>LEADERSHIP<br>STYLE | Pearson Correlation | 1                                    | <b>.315**</b>               |
|                                      | Sig. (2-tailed)     |                                      | <b>.004</b>                 |
|                                      | N                   | 82                                   | 82                          |
| PERFORMANCE of<br>Employees          | Pearson Correlation | <b>.315**</b>                        | 1                           |
|                                      | Sig. (2-tailed)     | <b>.004</b>                          |                             |

|  |   |    |    |
|--|---|----|----|
|  | N | 82 | 82 |
|--|---|----|----|

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

As presented at table 4, the correlation between transactional leadership employed in UNIC and the performance of employees was calculated in SPSS as  $r = 0.315$ , sig. (two-tailed) value,  $p = 0.004$  ( $p < 0.01$ ). This value of Pearson's correlation suggested that there was statistically significant correlation between transactional leadership style and the performance of employees in UNIC even at 1% level of error. Positive correlation value specified that the relationship occurred between transactional leadership style and the performance of employees was significant relationship. That is, as transactional leadership employed, the performance of employees would be changed. The degree of relationship between the two variables in percentage was also determined by  $r^2 \times 100 = 9.92\%$ .

#### 4.2.3 Relationship between Laissez-fair Leadership and Employee's Performance

Similar to the above analysis, the correlation between laissez-fair type leadership and employees performance was evaluated and interpreted below.

**Table 5: Correlation of Laissez-fair Leadership with performance of employees in UNIC**

|                                     |                     | LAISSEZ-FAIR<br>LEADERSHIP<br>STYLE | PERFORMANCE<br>of Employees |
|-------------------------------------|---------------------|-------------------------------------|-----------------------------|
| LAISSEZ-FAIR<br>LEADERSHIP<br>STYLE | Pearson Correlation | 1                                   | <b>-0.200</b>               |
|                                     | Sig. (2-tailed)     |                                     | <b>0.072</b>                |
|                                     | N                   | 82                                  | 82                          |
| PERFORMANCE of<br>Employees         | Pearson Correlation | <b>-0.200</b>                       | 1                           |
|                                     | Sig. (2-tailed)     | <b>0.072</b>                        |                             |
|                                     | N                   | 82                                  | 82                          |

The result in table 5 indicated that the correlation between laissez-fair leadership employed in UNIC and the performance of employees was  $r = -0.200$ , sig. (two-tailed) value,  $p = 0.072$

( $p > 0.05$ ). This value suggested that there was statistically no significant correlation between laissez-fair type leadership style and the performance of employees in UNIC. Negative and small correlation value specified that the relationship occurred between the two variables was weak and reverse relationship. That is, as laissez-fair leadership employed in the company, the performance of employees would be insignificant. The magnitude of relationship in percentage was only 4%.

#### 4.2.4 Effect of leadership styles on the performance of employees

To determine the contribution of the independent variables (leadership styles) to the predicted variable (performance of employees) in the United Insurance Share Company, multiple regression analysis was calculated with the help of SPSS version 24.0 and interpreted as below.

**Table 6: Effect comparison of leadership styles on employees performances**

| Model      | df | Sum of Squares | Mean Square | R    | R <sup>2</sup> | F     | Sig. | Adjusted R Square |
|------------|----|----------------|-------------|------|----------------|-------|------|-------------------|
| Regression | 3  | 5.245          | 1.748       | .410 | .168           | 5.262 | .002 | .136              |
| Residuals  | 78 | 25.915         | .332        |      |                |       |      |                   |
| Total      | 81 | 31.159         |             |      |                |       |      |                   |

$P < 0.01$

**Table 7: The result of the Regression analysis on employees performance (model summary of simple regression)**

| Variables                         | Regression coe. (b) | Std. Error | Beta (B) value | T      | Sig. |
|-----------------------------------|---------------------|------------|----------------|--------|------|
| Transformational leadership style | .244                | .121       | .265           | 2.020  | .047 |
| Transactional leadership style    | .150                | .137       | .143           | 1.093  | .278 |
| Laissez – fair leadership style   | -.273               | .148       | -.194          | -1.846 | .069 |

a. Dependent Variable: PERFORMANCE OF EMPLOYEES

b. Predictors: (Constant), LAISSEZ-FAIR LEADERSHIP STYLE, TRANSACTIONAL LEADERSHIP STYLE, TRANSFORMATIONAL LEADERSHIP STYLE

As displayed in table 6 above, the independent variable indicates that the F value is 5.262 ( $p < 0.01$ ), explains the combination of these independent variables (leadership styles) significantly predict the dependent variable (employee performance). From the analysis, it was shown that the correlation (R) value is 0.410. This indicates that there is a moderate linear correlation among independent variables. The adjusted R square of 0.136 indicates that 13.6% of the variance can be predicted from the independent variables (leadership styles).

The beta (B) value shows that out of the three leadership styles administered in the company, the highest contribution to employee's performance is transformational leadership style (B = 0.265). Therefore, among the three leadership styles considered in this study, the dominant contributor for the performance of employees is transformational leadership style.

### **4.3 Discussion of the Study**

The main purpose of applying Pearson's correlation test was to investigate the existing relationship between the independent variables (three leadership styles) and the dependent variable (performance). According to the interpretation of Pearson's product correlation coefficient, the main findings of the study were discussed below.

The relationship between transformational leadership and the performance of employees in the United Insurance Company SC was significant with correlation magnitude of 0.334. The relationship in percentage was 11.2%. That is, as supervisors of the company apply transformational leadership style, the performance of employees would be developed. The result of this study was supported by Hoxha (2019) that transformational leadership style substantially influenced employee performance at a Malaysian telecommunications company.

Regarding to the relationship between transactional leadership style and performance of employees under the United Insurance Company, the result convinced that the two variables were linearly and directly correlated. The correlation value was 0.315 with degree of correlation 9.92%. The value suggested that when managers, coordinators or supervisors apply transactional leadership style, the performance of employees in the company could grow or increase. In harmony with the result of this study, the study result of Kabiru (2020) on the influence of transactional leadership style and employee performance at selected commercial banks of Kenya revealed that transactional leadership had an impact on employee performance

and that performance will lead to increased productivity, and that transactional leadership style is related with higher relevance.

Finally, concerning on the correlation between laissez-fair leadership style and employee's performance in UNIC, the correlation coefficient was - 0.200. This value indicated that there was no statistically significant difference between the two variables. The relationship was low and negative with degree of relationship 4% only. That is, as coordinators, managers, supervisors or district managers of the company administer the company; the level of performance of employees would not get high like that of transformational and transactional leadership styles. On the other hand, negative correlation value specified that laissez-fair leadership style is statistically insignificant.

Finally, the result of multiple regression indicated that among leadership styles considered in this study, the dominant contributor for the variation of employee performance in the united insurance share company was transformational leadership style.

# **CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS OF THE STUDY**

As described in the previous sections of this paper, the result obtained from employees of UNIC (officers, cashiers, supervisors and managers) via closed-ended questionnaire was coded in SPSS version 23.0 and analyzed using Pearson's correlation coefficient. The core findings of the study were outlined and suggested recommendations were forwarded for UNIC staff members and heads.

## **5.1 Summary of Major Findings**

The total number of questionnaires collected, from participants online was 82 out of which 52.4% were male and 47.6% were female. Majority of the participants were in the age group 20-30 years (i.e. 69.5%).

Transformational leadership style had a significant influence on the performance of employees in the company. Transformational leadership and employee's performance were linearly and directly correlated with a magnitude of 11.2%.

The relationship between transactional leadership style and the performance of employees was significant with the magnitude of 9.92%.

Laissez-fair leadership style had no significant relationship with the performance of employees in UNIC.

The adjusted R square of also indicates that 13.6% of the variance can be predicted from the independent variables (leadership styles).

The most dominant leadership style that affects the performance of employees of UNIC was transformational leadership style with 0.265 beta value.

## **5.2 Conclusion**

The major objective of the study was to examine the relationship between leadership style and employee performance at UNIC. The study also tries to find out which leadership style is dominant in the organization.

The researcher has carried out the analysis and found out that there is a significant relationship with both transactional leadership and transformational leadership styles; and employee performance at UNIC. The study also shows that the magnitude of relationship for transformational leadership is slightly greater than that of transactional leadership style. Laissez-fair leadership style was found out to be statistically insignificant in relation to employee performance.

Transformational leadership style was also found to be the dominant leadership style that affects employee performance at UNIC.

### **5.3 Recommendations**

Based on the main findings of the study, it was recommended for the company coordinators and staff as follows.

From the study, it was shown that transformational leadership and transactional leadership styles are significantly associated with the performance of employees. On the other hand, laissez-fair leadership style was found to be statistically insignificant. Therefore, the representative supervisors, managers and coordinators should prefer suitable leadership style that would improve the performances of the employees.

Among the actions that might be prioritized are the following:

- ❖ Creating a shared sense of purpose
- ❖ Investing time and money in training and mentoring employees
- ❖ Improving effective communication and listening skills
- ❖ Recognizing and rewarding high-performing employees, as well as properly outlining penalties
- ❖ Employees should be followed up on on a regular basis and assisted if they require assistance.

Both transactional and transformational leadership style are significantly related to employee performance, according to the statistics, but I propose that the organization evaluate both types of leadership styles and choose one that is more compatible with the

firm's goals. This will create a common ground between the management team and the supervisors.

To have a better knowledge of this topic, I would also recommend conducting more study on other insurance firms as well as different leadership styles.

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## Appendix A

### Questionnaire

ADDIS ABABA UNIVERSITY  
SCHOOL OF COMMERCE

Dear respondents,

The primary goal of this questioner is to gather relevant data for the research topic titled *The Effect of Leadership Style on Employee Performance: In the Case of United Insurance Company SC (UNIC)*. The questionnaire is designed to collect information for academic purposes only and is guaranteed to be kept confidential.

I'd like to ask you to spend some of your important time (10-15 minutes) filling out this questionnaire to the best of your ability. Thank you in advance for agreeing to participate.

#### **Research questionnaire**

##### **Part A: GENERAL INFORMATION**

Please place a tick (√) or a mark (x) in the box (cell) that represents your appropriate level of agreement

1. What is your age?

(A) Below 20 years ( B ) 20-30 years ( C ) 31-40 years ( D ) Above 40 years

2. What is your gender?(A). Male (B). Female

3. What is your highest education qualification?

(A). Certificate/diploma ( B ) Higher diploma ( C ) Bachelor (D ) Master

(E). Others, \_\_\_\_\_

4. What position do you work in?

Manager / Assistant Manager ( ) Supervisor / Senior officer ( ) Officer ( ) Cashier / Clerk ( )

other ( )

5. Specify your years of work experience in the organization;

(A) Less than 5 years ( B ) 5-10 years ( C ) 11-15 years ( D ) above 15 years

##### **Part B: LEADERSHIP STYLE**

The sets of statements are intended to assist you in assessing your feelings or impressions about your immediate supervisor's leadership style. You are asked to rate yourself in relation to each statement to show your level of agreement with what the statement is suggesting, where the following ratings are:

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

| <b>TRANSFORMATIONAL LEADERSHIP</b>  |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|
| <b>Idealized Influence (II)</b>   | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| 1. My supervisor makes others feel good to be around him / her                          |          |          |          |          |          |
| 2. I have complete faith in my supervisor   |          |          |          |          |          |
| 3. I am proud to be associated with my supervisor                                       |          |          |          |          |          |
| <b>Inspirational Motivation (IM)</b>  | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| 1. My supervisor expresses in a few simple words what we could and should do            |          |          |          |          |          |
| 2. My supervisor provides appealing images about what we can do                         |          |          |          |          |          |
| 3. My supervisor helps me find meaning in my work                                       |          |          |          |          |          |
| <b>Intellectual Simulation (IS)</b>   | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| 1. My supervisor enables others to think about old problems in new ways                 |          |          |          |          |          |
| 2. My supervisor provides others with new ways of looking at puzzling things.           |          |          |          |          |          |
| 3. My supervisor gets others to rethink ideas that they had never questioned before.    |          |          |          |          |          |
| <b>Individual Consideration (IC)</b>  | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| 1. My supervisor helps others develop themselves.                                       |          |          |          |          |          |
| 2. My supervisor lets others know how he /she think we are doing.                       |          |          |          |          |          |
| 3. My supervisor gives personal attention to others who seem rejected.                  |          |          |          |          |          |
| <b>TRANSACTIONAL LEADERSHIP</b>   |          |          |          |          |          |
| <b>Contingent Reward (CR)</b>   | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| 1. My supervisor tells others what to do if they want to be rewarded for their work     |          |          |          |          |          |
| 2. My supervisor provides recognition/rewards when others reach their goals.            |          |          |          |          |          |
| 3. My supervisor calls attention to what others can get for what they accomplish.       |          |          |          |          |          |
| <b>Management by Exception (MBE)</b>  | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| 1. My supervisor is always satisfied when others meet agreed-upon standards             |          |          |          |          |          |
| 2. As long as things are working, my supervisor do not try to change anything           |          |          |          |          |          |
| 3. My supervisor tells us the standards we have to know to carry out our work           |          |          |          |          |          |
| <b>LAISSEZ FAIR LEADERSHIP</b>  |          |          |          |          |          |
| 1. In complex situations my supervisor allows me to work my problems out on my own way. |          |          |          |          |          |
| 2. My supervisor stays out of the way as I do my work.                                  |          |          |          |          |          |
| 3. As a rule, my supervisor allows me to appraise my own work.                          |          |          |          |          |          |
| 4. My supervisor gives me complete freedom to solve problems on my own.                 |          |          |          |          |          |
| 5. In most situations I prefer little input from my supervisor.                         |          |          |          |          |          |
| 6. In general my supervisor feels it's best to leave subordinates alone.                |          |          |          |          |          |

Source: Adopted from Bass and Avolio (1992)

### Part C: EMPLOYEE PERFORMANCE

The sets of statements aimed at helping you assess your performance at your job in the company. You are requested to rate yourself against each statement to indicate your self-assessment of your own performance, where the following ratings are:

1 = very low 2 = low 3 = Average 4 = high 5 = very high Please place a tick (√) or a mark (x) in the box (cell) that represents your appropriate level of performance rating.

|   | <b>Quality of your performance and productivity</b>   | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
|---|---|----------|----------|----------|----------|----------|
| 1 | How do you rate quality of your performance?  |          |          |          |          |          |
| 2 | How do you rate your productivity on the job Individual's quality of performance and productivity compared with other's doing similar jobs? |          |          |          |          |          |
|   | <b>Individual's quality of performance and productivity compared with others doing similar jobs</b>   |          |          |          |          |          |
| 1 | How do you evaluate the performance of your peers at their jobs compared with yourself doing the same kind of work?                         |          |          |          |          |          |
| 2 | How do you evaluate the performance of yourself at your job compared with your peers doing the same kind of work?                           |          |          |          |          |          |

Source: Adopted from Yousef (2000)