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**THE ROLE OF CONTINGENT REWARD LEADERSHIP ON BANK  
PERFORMANCE: THE CASE OF HIBRET BANK SC.**

**BY**

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*A Research Project Submitted to the School of Graduate Studies of  
Addis Ababa University School of Commerce in Partial Fulfillment of  
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Leadership*

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## **Declaration**

I hereby declare that the work titled "The Role of Contingent Reward Leadership on Bank Performance: The Case of Hibret Bank SC" is the result of my own research and effort, and that any other contributions or sources of materials utilized for the study have been properly recognized. Except for the direction and suggestions of my Research Project Advisor, Abraraw Chane(PhD), I prepared it entirely on my own. Furthermore, no research has been conducted and submitted on this specific firm for any degree at this institution or any other university for the award of a Degree or Diploma Program. It is offered here as part of the Master of Arts in Business Leadership degree program.

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## **Certification**

This is to confirm that Yirga Almaw's research topic, "The Role of Contingent Reward Leadership on Bank performance: The Case of Hibret Bank SC," is part of the Master of Arts Degree in Business Leadership program at Addis Ababa University School of Commerce. This work conforms to university requirements and fulfills the acknowledged standard for originality and quality. As a result, the study is unique and was not completed and submitted for any degree at this or any other university.

**CONFIRMATION BY ADVISOR:** \_\_\_\_\_

Abraraw Chane (PhD)

Signature

Date

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*<<Dedicated To My Deeply Missed Mother. Forever You Remain in My Soul until  
we meet again>>*

## ABSTRACT

*The purpose of this study was to investigate the role of Contingent Reward leadership on bank performance in the case of Hibret Bank sc. Taking the study's objectives and questions into consideration, a quantitative research technique and descriptive research designs were adopted. The proportional stratified, and random sampling procedures were used in the study. Structured questionnaires were issued to a sample of 336 Hibret Bank sc clerical and management staffs through mail group to obtain quantitative data. As a statistical tool, the Statistical Package for Social Science software (SPSS) version 26.0 was used. Descriptive and inferential analyses were used to analyze the quantitative data. Correlational analysis demonstrated a substantial association between the mean score of CR leadership factors (contingent financial reward and contingent non-financial reward) and the dependent variable, bank performance. Similarly, the results of multiple regressions revealed that predictor factors such as CR leadership (Contingent financial and non-financial reward) had a favorable and substantial influence on the bank's performance. Thus, this study suggests the formulation and implementation of effective contingent reward and recognition systems where employees are clearly informed what is expected from them, staffs are assisted to develop themselves and recognized for achievement to encourage the performance improvement for employee and the bank as well.*

**Keywords:** Contingent reward leadership, Contingent financial reward, Contingent non-financial reward, Bank performance.

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## **ACRONYMS/ABBREVIATIONS**

CR: Contingent Reward

R: Coefficient of Correlation

R Square: Coefficient of Determination

F: Frequency

Sig.: Significance

$\beta$  : Beta Coefficient

t-value: Confidence Interval

P-value: Significance Level

F-value: Fitness of the Model

Std. Standard

ANOVA: Analysis Of Variance

# CHAPTER ONE

## INTRODUCTION

This chapter includes background of the study, background of the company, problem statement, research objectives, research questions, research hypotheses, significance of the study, scope of the study, limitation of the study, definition of key terms, and organization of the study.

### 1.1 Background of the Study

The primary aim of all businesses is profit, as is expanding the scope of the business in accordance to the founding rules. Firms should constantly improve their performance in order to meet the demands of a highly competitive industry. Leadership style plays a significant role in deciding an organization's success or failure. A leader is someone who is supposed to influence, direct, and motivate people around him to complete their individual tasks and to steer his subordinates toward effective performance and the achievement of the firm's goals. A leadership style is a leader's method of providing direction, implementing plans, and motivating people (Kotter, John 1947-(2001).

As individuals connect with the company, one of the most active effects is leadership. According to Rowe (2001), a strong leader not only inspires his subordinates but also ensures that their needs are met while attaining corporate goals. A link between leadership and organizational success is required for a variety of reasons. According to research, good leadership behaviours can significantly influence performance development as firms face new problems.

Since leadership is a vital factor in increasing an organization's employee performance, an organization's exceptional performance is dependent on the efficacy of leadership at all levels (Randall, 2012). When managers practice management, they exhibit a wide spectrum of leadership styles (Vigoda-Gadot, 2007).

Managers in the banking industry also have a distinct leadership style that has a direct impact on bank success. Transactional leadership is a modern leadership style that

demonstrates both constructive and corrective behaviours in banks. Constructive behaviour is characterized by contingent reward, and the corrective dimension is characterized by management by exception (active and passive).

Many researchers are interested in transactional leadership in the current period. Transactional leadership is based on leader-follower interaction. Followers act in accordance with the leaders' will and direction, and leaders positively reward their efforts. The baseline is reward, which can be negative, such as punitive action, if followers fail to comply, or positive, such as praise and recognition, if subordinates comply with a leader's aim and direction and achieve the specified objective.

Transactional leadership attempts to maintain stability within an organization rather than promote change through regular economic and social exchanges that fulfil specified goals for both leaders and followers. Its fundamental assumption is that subordinates work in order to receive compensation (Micheal, 2005:38). Four core facets of transactional leadership as described by Philip (2000:45) are contingent rewards, active management by exception, passive management by exception and laissez-faire.

Contingent reward leaders connect the aim to the incentives, define expectations, give appropriate resources, set mutually agreed-upon goals, and provide a variety of prizes for effective performance. Making the task readily known is part of contingent reward leadership. Work was required to get the benefits. It honours followers' desires and recognizes individuals when goals are met. It is predicted that explaining objectives and acknowledging employees when goals are met would result in higher levels of performance.

In Ethiopia, the banking system plays an important role in diverting public deposits to investment, consumption, and lending, which ultimately helps to improve the country's residents' standard of living and quality of life. Banking, on the other hand, is a distinct component of Ethiopian economic life. The banking sector has undergone significant structural and organizational changes in the new globalization era. Banks operate as economic growth catalysts in the financial sector, and it is obvious that countries with strong financial systems tend to expand their economies more quickly. In this way,

banks play an important role in an economy, making bank performance a primary priority.

According to Sofi et al. (2015), an organization's performance can be measured subjectively or objectively. Subjective measurements are non-financial or non-economic performance indicators like sales growth, market share, employee satisfaction, customer satisfaction, product development, competitive advantage, customer retention, and other aspects. Subjective metrics are used to assess performance by relying on the respondents/employees' perceptions.

Objective evaluation is a financial or economic measure of organizational performance that employs financial data such as profit, revenue, return on investment (ROI), return on equity (ROE), and return on assets (ROA), as well as share price, liquidity, and operational efficiency. Although most researchers analyzed organizational performance using quantitative data such as return on equity (ROE), return on sales, return on assets, and so on, Sofi et al. claimed that organizational performance was measured inconsistently.

The purpose of this article is to investigate the role of contingent reward leadership on bank performance in the case of Hibret Bank S.C.

### **1.1.1 Background of the Company**

Hibret Bank was founded on September 10, 1998 as a joint share company under the Ethiopian Commercial Code of 1960 and Banking Licensing and Supervision Proclamation No. 84/1994. It presently has 383 branches, 200 of which are in Addis Abeba and the rest in key cities throughout the country. Its objective is to exceed its customers' and other stakeholders' expectations by delivering competitive financial solutions while assuring efficient service delivery and people empowerment. Hibret Bank's aim is to be the preferred provider of innovative financial services in Africa.

### **1.2 Problem Statement**

Contingent reward leadership behaviour has received a lot of attention in organizational studies (Podsakoff et al. 2000; Podsakoff et al. 2006). Recent research

has found that transactional contingent reward behaviour has a considerable distinctive effect on employee behaviours, perceptions, and attitudes (Judge and Piccolo 2004; Podsakoff et al. 2010).

To the best of the researcher's knowledge, little empirical study has been conducted to examine how well defined CR leadership behaviour may interact with bank's performance in Ethiopian private banks.

The absence of good leadership is a critical issue that plagues many companies. It is evident that the end effect is poor worker performance, a lack of enthusiasm, and poor institutional growth and development (Mesfin & Deres, 2018).

The banking industry is Ethiopia's most important financial institution, controlling the majority of financial operations. Furthermore, the sector is underdeveloped and poorly integrated with the global financial system, and the market is uncompetitive (ILO, 2009). In Ethiopia's banking sector, there is less infrastructural development: technology, service delivery, less capital, and an ineffective management system.

Sub-Saharan Africa's financial sector lags behind that of other regions (Kefela, 2008). Ethiopia is not an exception. The lack of infrastructure facilities (technology, service delivery, and capital) and an ineffective management system, among other things, have kept the Ethiopian banking industry closed to foreign investors and operating in a unique business environment, even compared to neighbouring East African countries like Kenya, Tanzania, and Uganda. The country's banking industry is failing due to a lack of social and economic development. However, according to Kefela (2008), the weak management system within individual banks is the root source of all difficulties in the banking sector (Kefela 2008).

Globalization, increased competition among rivals, changing regulatory rules, technology, and increasingly demanding clients have all contributed to major developments in Ethiopia's banking industry. These developments and dynamic business environments necessitate leadership that enables both people and organizations to adapt and succeed.

Several studies have found that an organization's performance is influenced by its leadership style and behaviour (Chen & Barnes, 2006). Transformational and transactional leadership styles are two modern leadership styles that experts have

proposed for organizational effectiveness in various conditions. More research is needed to add to the expanding body of literature on the impact of leadership on bank performance.

It demonstrates that empirical evidence on the effects of the contingent reward transactional leadership style on bank performance in Ethiopian banks is sparse, as is study data inside the Ethiopian banking sector.

This study tries to bridge the gap by combining contingent reward (financial and non-financial) leadership and Hibret Bank's performance.

### **1.3 Research Questions and Hypotheses**

#### **1.3.1 Research Questions**

This study will focus on answering the following research question;

What is the relationship between contingent financial reward and contingent non-financial reward with bank performance?

#### **1.3.2 Research Hypotheses**

From the fact of an existing gap in assessing the relationship between the contingent reward leadership and the bank's performance, the researcher addressed the following questions:

H1: There is significant positive relationship between contingent financial reward and bank performance

H2: There is significant positive relationship between contingent non-financial reward and bank performance

### **1.4 Research Objectives**

The research objectives are the desired outcomes of the study project.

#### **1.4.1 General Objective**

The general objective of this study was to investigate the relation between contingent reward leadership and bank performance in the case of Hibret Bank sc.

### **1.4.2 Specific Objectives**

The specific objectives of the paper were:

- △ To examine the effect of contingent financial reward on bank performance and
- △ To identify the effect of contingent non-financial reward on bank performance.

### **1.5 Significance of the Study**

In addition to meeting, the objectives of the study which are mentioned above, the study will bring awareness to other financial institutions in the banking sector how the performance of individual banks can be affected by the contingent rewards provided to their employees. The study intends to contribute or serve as an additional source of reference that will add to some existing literature. Helps the leadership of the organizations to understand the importance of contingent reward leadership and how it could be effectively delivered to the employees to improve their performance.

### **1.6 Scope of the Study**

The study was conceptually, geographically, and methodologically limited. As a result, the study attempted to investigate the role of contingent reward leadership on the performance of Hibret Bank S.C. The bank's performance was evaluated solely on the basis of employees' perceived estimate of the bank's performance. The research was restricted to the city of Addis Ababa. A quantitative research approach was employed to answer the study questions. The research design used in the study was descriptive. The study's sampling methodologies were limited to proportionate stratified sampling.

The study's sample population included all levels of management as well as clerical workers. Non-clerical employees were excluded from the study as most were outsourced and the researcher believed to obtain more reliable data. Finally, for data analysis, both descriptive, correlation and inferential statistics were employed.

## **1.7 Limitation of the Study**

The content in the literature on the effects of leadership styles on organizational performance observed by multiple scholars is dispersed across different industries and nations, making proof of these effects variable. The majority of the literature studied indicates that transformational and transactional leadership styles are most suited to promote a beneficial effect on employee performance, with a greater emphasis on transformational leadership style (Kehinde & Banjo, 2014; Rasool et al, 2015). Literature research is also limited because little research has been undertaken on the effects of contingent reward transactional leadership style on bank performance.

The study is limited to a single private bank which may raise to generalize the results in all commercial banks in Ethiopia.

As a result, the motivation for this study exists as a way to increase empirical evidence of the effects of contingent reward transactional leadership styles on bank performance, Hibret Bank SC setting.

## **1.8 Definition of Terms**

**Leadership:** According to Peris(2012) leadership to be a reciprocal processes of social influence, in which leaders and subordinates influence each other in order to achieve organizational goals.

**Transactional leadership** is defined as a trade-off between followers and their leader to achieve certain goals wherein both parties mutually affect each other and obtain valuable outputs for themselves Yukl(1981).

**CR leadership behaviour** refers to leadership behaviours emphasizing and clarifying role and task requirements, and providing subordinates with material or psychological rewards contingent on the completion of contractual regulation.

**Organizational performance** is the benchmark of an organization to measure whether the strategy of an organization receives good scores or not.

**Performance** is a multidimensional construct and an extremely vital criterion that determines organizational successes or failures.

## **1.9 Organization of the Study**

This paper is divided into five chapters. The first chapter included an introduction to the study, the study's background, the company's background, a problem statement, research objectives, research questions, research hypotheses, significance of the study, the scope of the investigation, limitations of the study, and definitions of terms. The second chapter was a review of relevant literature in which the researcher reviewed current material on the issue and built a conceptual framework for the study. The third chapter included the research methodology, which included designs, approach, and methods utilized to achieve the study objectives. The fourth chapter focuses on data presentation, analysis, and interpretation based on the collected data. Finally, the fifth chapter included a summary of the study's results, conclusions, and suggestions.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1 Introduction**

The chapter included a review of the relevant literature. Previous studies were crucial since they guided the researcher in future investigations on the same issue. This review resulted in the development of a conceptual framework based on the dependent and independent variables in the survey, which served as the foundation for the study. The chapter was divided into three sections: theoretical literature review, empirical literature review, and conceptual framework.

#### **2.2 Review of Theoretical Literature**

##### **2.2.1. Transactional Leadership Theory**

This study was guided by transactional theory. Transactional leadership theory was first introduced by Burns (1978), but it was the work of Bass (1985) that put it under the spotlight. Basically, transactional leadership can be viewed as an exchange of services between the leader and follower (Bass & Avolio, 1990). Bearing in mind the twentieth century organizational context characterized by employees giving extra importance to the financial incentives and rewards attached to their jobs and career, Bass and Riggio (2006) noted that transactional business leaders tend to offer rewards for productivity or tend to deny and hold back rewards for lack of productivity on the part of the employees and subordinates. Thus it is evident that where financial and monetary incentives are utilized in order to enhance, motivate, and foster the performance of employees, the glimmers of transaction leadership fundamentals are in play.

Transaction literally mean “exchange” therefore, transaction leadership deals with the exchange between leader and his followers (Paracha et al., 2012). In other word,

transactional leadership as supported by Bass and Riggio (2006) is based on the expected reward in return that will be received by the followers with their determinations, productivity and trustworthiness. The objectives of the transactional leaders therefore to ensure the path to goal accomplishment is clearly understood by the followers, to remove potential barriers within the organization, and to motivate them to achieve the predetermined goals (House and Aditya, 1997).

Transactional leaders aim to motivate followers by offering an 'exchange' appealing to their more narrow self-interest, such as providing jobs or subsidies (Conger & Kanungo, 1998). Transactional leaders focus mainly on the physical and the security needs of subordinates. The relationship that evolves between the leader and the follower is based on bargaining exchange or reward systems (Bass, 1985; Bass and Avolio, 1993). Transactional leadership. "Using a carrot or a stick, transactional leadership is usually characterized as instrumental in followers' goal attainment" (Bass, 1997).

Building upon the work of Burns (1978) and that of Bass and colleagues (Bass, 1985, Bass & Avolio, 1990, Bass & Riggio, 2006), transformational and transactional leadership are nowadays considered as higher order constructs composed of several components.

### **2.2.2. Scope and Components of Transactional Leadership**

Transactional leadership is defined as a trade-off between followers and their leader to achieve certain goals wherein both parties mutually affect each other and obtain valuable outputs for themselves Yukl(1981). According to transactional leadership theory, a leader and his/her followers interact mutually and ultimately both win. In other words, transactional leaders meet their followers' expectations in return for the fulfilment of their wishes and the achievement of the determined targets. Thus, there is mutual dependence between a leader and his/her followers. Hence, effective transactional leadership depends on a leader's ability to respond to his/her followers' reactions and to meet their changing demands Kuhnert and Lewis(1987), Kellerman(1984).

However, although transactional leadership has been described as an exchange between a leader and his/her followers, where both parties achieve results that are valuable to them, not all exchanges occur at the same level Dienesch, and Liden (1986). Exchanges between leaders and followers occur at two levels: high and low Graen, Liden, and Hoel(1982). While high-level relationships include the support and emotional resources of the leader and strengthen the link between the leader and his/her followers, low-level relationships include the provisions of a contract between the leader and his/her followers (i.e. the employer and the employees). These provisions cover the salary for the working period, annual leave duration, health insurance, and similar rights and benefits. Low-level relationships are more common than high-level relationships.

In a low-level exchange relationship, the leader describes the rules that followers must follow, the tasks they must complete, the goals they must achieve, and the rewards they will receive if they succeed. In contrast, high-level exchange relationships are based on mutual respect and trust, and involve promises and commitments Burns (1978) & Bass(1985). While low-level exchange relationships depend on the leader's control over wage increases, premiums, promotion decisions, and similar resources, high-level exchange relationships are based on intangible rewards to sustain performance, Yukl(1981). For example, in a high-level exchange relationship, a leader may express increasing support, sincerity, consideration, assistance, protection, and courtesy in exchange for the loyalty, respect, diligence, and acceptance of his/her followers. It can be assumed that transactional leadership, wherein high-level exchange relationships are common, is similar to transformational leadership as it is also based on the personal values and beliefs of the leader rather than the exchange of tangible gains Kuhnert, and Lewis(1987).

In fact, some researchers believe that transformational and transactional leadership are polar opposites, while others consider these leadership styles to be complementary, Lowe, Kroeck, and Sivasubramaniam(1996). Thus, many leaders exhibit transactional

leadership behaviours. However, effective leaders go beyond this and support their transactional leadership behaviours with transformational leadership behaviours. In this way, leaders become more effective when they display both transactional and transformational leadership behaviours compared to when they display transactional leadership behaviours only Waldman, Bass, and Yammarino(1990). Transformational leaders, unlike transactional leaders, motivate followers to do more than expected. In doing so, transformational leaders transform their followers' goals and beliefs by emphasizing the importance and value of common goals, encouraging them to internalize shared goals regarding the organization's mission and vision, and creating a spirit of unity and solidarity, thereby enabling them to see beyond their own interests. Transformational leaders have been described as charismatic, caring, considerate, inspiring, and intellectually impressive individuals, Hater, and Bass(1988).

Transactional leadership has three main components. The first component is contingent reward. Transactional leadership based on contingent reward is considered as an active and positive trade-off between a leader and their followers. Transactional leaders tend to focus more on defining roles and task requirements and offering rewards that are contingent on task fulfilment. This explains why transactional leadership is also referred to as contingent reward leadership. Contingent reward refers to a situation wherein the followers are rewarded in various ways by their leader, if they fulfil their tasks and successfully achieve the goals expected from them. Contingent rewards comprise practices such as recognition and appreciation by the leader, bonuses, premiums, and promotions, Kampa-Kokesch & Anderson(2001), Berman & Bradt(2006), Kemp(2008).

Another component of transactional leadership is active management-by-exception, which refers to a management style that includes interventions such as solving the problems faced by followers and showing them their errors. The last component of transactional leadership is passive leadership or passive management-by-exception, which refers to a management style wherein followers are given freedom in their work and the leader intervenes only when necessary. The main difference between active and passive management-by-exception is the time at which the leader intervenes

(Kampa-Kokesch & Anderson (2001), Berman & Bradt(2006), Kemp(2008).

In active management-by-exception, the leader actively controls and monitors the performance and activities of his/her followers. Thus, a potential error is corrected by the leader's intervention before it turns into a bigger problem. The leader continually checks followers' tasks to identify any deviations from the goals or standards and whether any errors have occurred. In this management approach, the leader initially sets out the standards explicitly and checks whether these standards have been exceeded during a task (Kampa-Kokesch & Anderson (2001), Berman & Bradt(2006), Kemp(2008).

In the case of passive management-by-exception, the leader intervenes in a task after an error or problem occurs and criticizes, reprimands, scolds, and/or condemns the followers responsible for the malfunction. The leader waits for the task to be completed and only then, informs the responsible followers about the problem or error and explains the standards that must be met. What is important here is that, in both management styles (i.e. active and passive management-by exception), the leader provides negative feedback to followers and punishes and/or disciplines them Bass(1985 ), Bass and Avolio(1993) .

### **2.2.3. Contingent Reward (CR) Leadership**

CR leadership behaviour refers to leadership behaviours emphasizing and clarifying role and task requirements, and providing subordinates with material or psychological rewards contingent on the completion of contractual regulation (Bass et al. 2003). Such leadership behaviour is emphasized on explaining effort-reward relations and engages exchanges that take place among a leader and subordinates: that is, a leader argues with employees what is required and clarifies how these outcomes are to be achieved and the reward they will receive in exchange for their satisfactory effort and performance. CR leaders recognize risk-taking, continuous learning and collegial support and teamwork; they provide an environment where correct behaviour is prized and where rewards serve as extrinsic motivation for desired behaviour (Natter et al.

2001). Generally, CR leaders offer resources, tangible or intangible support to subordinates in exchange for their performance and efforts, maintain standards, define rules regarding work obligations, and determine the consequences of goal achievement. These have been shown to relate to both individual-level and organizational-level outcomes. Thus, CR leadership behaviour is positively related to organization performance, and leader effectiveness (Bass et al. 2003; Walumbwa et al. 2004; Podsakoff et al. 2000; Podsakoff et al. 2006).

Contingent reward refers to setting goals and rewarding employees when these goals are achieved. Subordinates' performance is associated with contingent rewards or exchange relationship. This factor is based on a bargaining exchange system in which the leader and subordinates agree together to accomplish the organizational goals and the leader will provide rewards to them. Leaders must clarify the expectations and offer recognition when goals are achieved. This constructive behaviour of transactional leaders involves the clarification of the work required to obtain rewards and the use of incentives and contingent reward to exert influence. It considers follower expectations and offers recognition when goals are achieved. The clarification of goals and objectives and providing of recognition once goals are achieved should result in individuals and groups achieving expected levels of performance (Bass, 1985).

#### **2.2.4. Management by exception**

Management by exception is the degree to which the leader takes action when the behaviour of followers is not in line with the expectations. In the 'active' form, leaders actively monitor followers and take corrective actions before the behaviour of followers creates serious difficulties. The leader specifies the standards for compliance, as well as what constitutes ineffective performance, and may punish subordinates for being out of compliance with those standards. This style of leadership implies closely monitoring for mistakes and errors and then taking corrective action as quickly as needed and it is a type of corrective behaviour of transactional leaders. In the 'passive' form, leaders fail to intervene until something has gone wrong and take corrective action (Bass, 1997). Passive leaders avoid specifying agreements, clarifying

expectations and standards to be achieved by subordinates, but will intervene when specific problems become apparent. This style does not respond to situations and problems systematically.

### **2.2.5. Organizational performance**

According to Aaltonen and Ikavalko (2002), organizational performance is the benchmark of an organization to measure whether the strategy of an organization receives good scores or not. Organizational performance measures the effectiveness and efficiency of an organization. It is summarized as the outcome of all of the organizational operations and strategies.

The capacity of an organization to reach defined production and profit objectives, as well as the development and growth envisioned by the leader/founder, is referred to as organizational performance (Koontz and Donnell, in Khan and Adnan, 2014). According to the authors, organizational performance comprises achieving goals/objectives such as maximum profit, high quality products, increasing market share, lucrative financial outcomes, and an effective development and growth plan. Organizational performance also refers to the organization's status in respect to other companies in terms of profit made during a time, product quality in contrast to others, and gained market share in that industry.

### **2.2.6. Dimensions of Organizational Performance**

According to Alam et al. (2001), firm performance is a multidimensional construct comprised of four elements: customer-focused performance, which includes customer satisfaction and product or service performance; financial and market performance, which includes revenue, profits, market position, cash-to-cash cycle time, and earnings per share; human resource performance, which includes employee satisfaction; and organizational effectiveness, which includes time to market, level of innovation, and production and supply chain flexibility.

An organization's performance can be measured subjectively or objectively (Sofi et al.

2015). Subjective measurements are non-financial or non-economic performance indicators like as sales growth, market share, employee satisfaction, customer satisfaction, product development, competitive advantage, customer retention, and other aspects. Subjective metrics are used to assess performance by relying on the respondents/employees' perceptions.

Objective evaluation is a financial or economic measure of organizational performance that employs financial data such as profit, revenue, return on investment (ROI), return on equity (ROE), and return on assets (ROA), as well as share price, liquidity, and operational efficiency.

### **2.2.7. Transactional leadership style and organizational performance**

A leader is known as a transactional leader if he/she is always willing to give something in return (Uchenwamgbe, 2013). This can include a number of things like promotion, pay raise, performance reviews, new responsibilities etc. The major problem with this type of leadership is the expectation. Hence, transactional leadership can be defined as the exchange of targets and rewards between the management and the employees (Ojokuku, et al., 2012).

The study by Longe (2014) revealed that transactional leadership style has a positive impact on the organizational performance. The transactional leadership style helps in creating as well as sustaining the context in which organizational and human capabilities are maximized as the employees are always able to achieve the tangible and intangible rewards. This leadership style particularly helps in creating an environment that is optimal for performance and also articulates the compelling vision that enhances the overall organizational performance (Longe, 2014).

According to Robbin (2008:132) transactional leadership through the provision of either positive reward in case of meeting established goals or negative rewards when the performer fails to achieve the desire objectives, build a strong relationship with job success. When more positive rewards are given on out-performance the employees achieve concrete success in terms of career growth and supervisor's satisfaction. They use rewards and punishments to promote performance, thereby making the leader-follower relationship an economic exchange transaction Premack (2009) argue that

finding ways of enhancing goal commitment is a key leadership task, suggesting that this may be achieved by strengthening individuals' outcome expectancies and self-efficacy. Transactional leadership represent a viable way of strengthening subordinates' goal commitment by providing the required clarifications for subordinates on how to attain work goals and on which intrinsic and extrinsic rewards subordinates will receive upon goal attainment thereby motivating them to contributes immensely towards improving organizational productivity.

Under certain situations, transactional style of leadership leads to a successful working of the organizations even though it doesn't give the followers as much liberty as transformational leadership does (Boseman, 2008). Transactional leadership style gives more work pleasure as compared to transformational leadership style as fulfilling the given task is synonymous to reward in that leadership structure (Wu, 2009).

The process of transaction is an essential part of the full range of effective leadership. Effective leaders are able to turn other's self-interests for the good of their group or organization (Avolio& Bass, 2004). Avolio and Bass (2004) mean that "the transactional leader works within the existing organizational culture, the transformational leader changes it" (p. 29). When individual needs are met, transactional leadership starts its shift towards transformational. Employees' perceptions of their own efficacy or potential for development are augmented through the transactional leadership process. Transactional leadership alone is incomplete since transaction based changes represent small, however sometimes significant, improvements in employees' performance and effort.

Transformation occurs when subordinates understand that they are interested in their work and they want to work as a contribution to their own self development (Avolio& Bass, 2004). Transformational leadership does not replace, but enhances transactional leadership when it comes to reaching the goals. Transactional leadership is effective at lower levels of performance or non \_significant change, especially when a leader employs passive management-by-exception, interfering only when the standard

requirements are unmet. Focus on failures is necessary, especially when mistakes are resulted in high costs. Nevertheless, if the leader only focuses on mistakes, the development of the employees will decline (Avolio& Bass, 2004). Some leaders even try to avoid transactional relationship with the subordinates by turning to contingent reinforcement and practicing management-by-exception.

Different leaders have different relations with their employees. Some leaders establish close relationships with certain associates, while other leaders communicate with all employees on important issues. Some transactional leaders are capable of fulfilling their employees' expectations, and therefore gain reputation for managing to give pay, promotions and recognition. Other transactional leaders fail to deliver the needed rewards and lack the necessary reputation, and are therefore considered ineffective (Avolio& Bass, 2004). Adequate performance may be evoked by feeling of obligation for providing non contingent rewards. Immediate feedback concerning the learning potential and performance of an individual is very important (Avolio& Bass, 2004).

Contingent punishment makes transactional leadership much less successful though it can have a positive impact on performance, or sometimes even on satisfaction and motivation. In other situations contingent punishment can be motivational and improve performance. According to Bass (1990), employees might comply in order to avoid punishment (as cited in Avolio & Bass, 2004). Contingent punishment should be applied when poor performance is delivered, if a leader makes clear what behavior is acceptable or unacceptable and sticks to the given standard, then employees will see contingent punishment as effective and fair. Non-contingent punishment is negatively related to performance, especially when employees feel that any amount of the effort they put into their job is not enough to decrease the frequency of punishment (Avolio& Bass, 2004).

### **2.3 Review of Empirical Literature**

Contingent reward is a constructive and generally active transactional leadership behavior in which the leader creates a contingency between recognition or rewards

and the achievement of specified performance targets (Burns 1978). Research indicates that leaders who spend more time displaying the active transactional leadership such as contingent reward and less time displaying the more passive or corrective types of transactional leadership behaviors (such as Management by Exception-Passive and Management by Exception-Active) are generally associated with high levels of individual, group, and organizational satisfaction and performance (Avolio 1999; Bass and Avolio 1994; Breevaart et al. 2014; Derue et al. 2011; Judge and Piccolo 2004; Lowe et al. 1996). Many authors propose that contingent reward leadership should be viewed as a separate factor (Avolio et al. 1999) and it was identified as the most effective factor of transactional leadership behaviors (Avolio, 1999; Bass and Avolio, 1994; Chiaburu et al. 2014; Hinkin and Schriesheim 2008; Judge and Piccolo 2004; Lowe et al. 1996). Setting clear expectations and rewarding followers for goal attainment are likely to motivate followers to a certain point and to increase their satisfaction with supervision and leadership they have received (Afshari and Gibson 2016; Judge and Piccolo 2004).

In cross-lagged causal analysis of 206 employees, Greene (1976a) demonstrated that contingent rewarding by supervisors resulted in the improved subsequent performance and satisfaction of subordinates. The correlation was .48. The effect had some permanency. In a six-month longitudinal field study of 61 working MBA students, Sims (1977) corroborated Greene's conclusion about how much contingent rewarding by supervisors contributed to the respondents' subsequent performance. The correlation was .50. Szilagyi (1980b), in a three-month longitudinal study of 128 employees in a controller's department, obtained a comparable coefficient of .48.

Yukl (1981) used content analysis to derive a category of "structuring reward contingencies"- the extent to which a leader rewards a subordinate's effective performance with tangible benefits, such as a pay increase, promotion, more desirable assignments, a better work schedule, or more time off. Examples of contingent reward structuring included: "My supervisor established a new policy that any subordinate who brought in a new client would earn 10 percent of the contracted

fee” and “My supervisor recommended a promotion for a subordinate with the best performance record in the group” (p. 122).

Using factor analysis of survey results, Sims (1977) found that contingent reward took two main forms: (1) praise for work well done; and (2) recommendations for pay increases, bonuses, and promotions. Also, there may be commendations for meritorious effort and honors for outstanding service. The first positive-reward behavior factor explained 37% of the variance among the supervisors. Items most highly correlated with this first factor included: “Your supervisor would show a great deal of interest if you suggested a new and better way of doing things.” “Your supervisor would give you special recognition if your work performance was especially good.” “Your supervisor would personally pay you a compliment if you did outstanding work” (p. 126).

The second factor, which accounted for 18% of the variance, dealt with recommendations for promotion and advancement. Items highly correlated with the second factor included: “Your supervisor would see that you will eventually go as far as you would like to go in this organization, if your work is consistently above average.” “Your supervisor would recommend that you be promoted if your work was better than others who were otherwise equally qualified.” “Your supervisor would help you get a transfer if you asked for one” (p. 126). Bass and Avolio (1989) validated a scale of 10 items within the Multifactor Leadership Questionnaire (MLQ) to measure contingent reward in an exchange context that contained items such as: “Tells me what to do if I want to be rewarded for my efforts” and “There is close agreement between what I am expected to put into the group effort and what I can get out of it.”

As was already noted, contingent rewards for compliance may entail recommended increases in pay or advancement. If it is possible to make pay fully contingent on performance, such as by placing employees on a straight piece-rate or straight commission basis, productivity may rise as much as 30%, according to some studies.

But in practice, for most work, there is likely to be little linkage between pay and performance, despite revealed wisdom to the contrary.

Research exemplified by Podsakoff and Schriesheim (1985), as well as much of the research with the Full Range of Leadership (FRL) model (Avolio & Bass, 1991) indicated that contingent reward is reasonably effective under most circumstances.

### **2.3.1 Material versus Non-material Rewards.**

Pay for performance still remains a popular contingent reward in the United States, Britain, and elsewhere, with schedules set by the human resources staff. Supervisors may recommend pay raises in their performance reports of subordinates, but non-material rewarding may be more important in motivating and maintaining performance. Although pay motivates people to seek and accept employment for better wages and salaries, leaders are likely to have even more discretionary effects on their subordinates in their use of non-material positive feedback of praise and recognition for work well done (Kohn, 1993).

In cross-lagged causal analysis of 206 employees, Greene (1976a) demonstrated that contingent rewarding by supervisors resulted in the improved subsequent performance and satisfaction of subordinates. The correlation was .48. The effect had some permanency. In a six-month longitudinal field study of 61 working MBA students, Sims (1977) corroborated Greene's conclusion about how much contingent rewarding by supervisors contributed to the respondents' subsequent performance. The correlation was .50. Szilagyi (1980b), in a three-month longitudinal study of 128 employees in a controller's department, obtained a comparable coefficient of .48.

Transactional leadership behaviors based on contingent reward had a positive impact on followers' trust in their leader, that is, it strengthened the followers' trust. Bass et al.(2003) found that positive relationships exist between transactional leadership behaviors based on contingent reward and followers' potential, unity, solidarity, and performance. They also found that transactional leadership behaviors based on

contingent reward have a positive impact on followers' performance. In other words, contingent reward behaviors increased followers' performance.

Hamstra et al.(2014) found that transactional leadership behaviors have a positive impact on followers' achievement of their performance goals. Okçu's(2014) findings revealed that positive relationships exist between transactional leadership behaviors based on contingent rewards and followers' attitudes and behaviors, organizational values and norms, and managerial practices and policies.

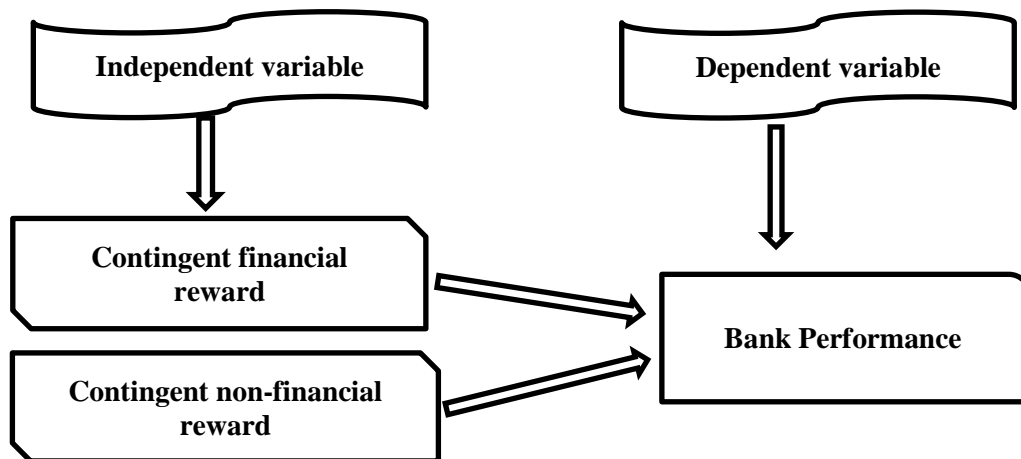
Moreover, in the same research, it was found that, among the components of transactional leadership, only contingent reward behaviors have a positive effect on followers' attitudes and behaviors, organizational values and norms, and managerial practices and policies. Behaviors based on contingent reward, a component of transactional leadership, mostly increase the performance of followers and have a positive effect on them.

Leaders use various methods and exhibit various behaviors to achieve specific goals. These behaviors constitute the integrity within themselves and can have a positive and/or negative effect on followers. Thus, transactional leadership behaviors based on conditional reward are expected to have a positive impact on followers' achievement of predetermined or agreed performance goals. In fact, many studies Hunt, J. G., and Schuler, R. S. (1976) , Podsakoff, P. M., Todor, W. D., Grover, R. A., and Huber, V. L. (1984). have shown that transactional leadership behaviors based on conditional reward have a positive effect on the job satisfaction and performance of followers.

Transactional leadership behaviors based on contingent reward had a positive impact on followers' trust in their leader, that is, it strengthened the followers' trust. Bass et al. Bass, B. M., Avolio, B. J., Jung, D. I., and Berson, Y. (2003) found that positive relationships exist between transactional leadership behaviors based on contingent reward and followers' potential, unity, solidarity, and performance. They also found that transactional leadership behaviors based on contingent reward have a positive impact on followers' performance.

## 2.4 Conceptual Framework of the Study

The conceptual model below was created for the current study to connect the study variables and support the hypotheses. According to Rocco and Plakhotnik (2009), the purpose of a conceptual framework is to categorize and characterize concepts relevant to the study as well as draw links between them. It also serves as support for the research design, technique, and instruments to be employed in a study. The framework below was created after a thorough examination of related literatures and is intended to conceptualize the study as well as give a reference point for interpreting findings. The purpose of this study was to examine the role of contingent reward leadership (financial & non-financial) on bank performance in the case of Hibret Bank S.C. For the purposes of this study, the model given was utilized to demonstrate the correlations between the studied variables.



*Figure 1: Conceptual Model of the Study (self-designed)*

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The primary goal of this chapter was to discover a correlation and inferential link between contingent reward leadership and bank performance. It was critical to plan and develop an acceptable study area. Thus, this chapter presented the research methodology, research approach and design, target population and sampling design, sampling frame, sample size and sampling technique, data source types and collection methods, research instrument, data quality control that ensured the validity and reliability of the research instrument and controlled data generated by the instrument, data processing and analysis, and finally ethical consideration.

#### **3.2 Research Design**

Hopkins (2000) suggested that quantitative research work connects independent and dependent variables. Thus, the study was conducted using quantitative descriptive type in the form of correlational research Design. This design was more appropriate in exploring the effect of contingent reward leadership practices on bank performance. In addition, the study was also said to be correlation in design because there was intent to establish the relationship between contingent rewards (financial and non-financial) on one hand, and the performance of the bank on the other. Organization size, sample, and organization type were control variables. Correlation research aims to ascertain if there are significant associations between two variables (Reid 1987). Data were collected for a single point of time so it is a cross sectional study (In the year 2022).

##### **3.2.1 Quantitative approach**

A quantitative approach is one in which the investigator primarily uses post positive claims for developing knowledge, i.e., cause and effect relationship between known variables of interest or it employs strategies of inquiry such as experiments and surveys, and collect data on predetermined instruments that yield statistics data (Creswell, 2003).

### **3.3 Description of study variables**

Variables are an essential component of an eye tracking experiment. Anything that may vary or be altered is considered a variable. In other words, it is any factor in an experiment that may be modified, controlled for, or assessed. Variables of several sorts can be found in experiments.

In research terminology, change variables are called independent variables; outcome/effect variables are called dependent variables. Hence: 1. Independent variable – the cause supposed to be responsible for bringing about change(s) in a phenomenon or situation. 2. Dependent variable– the outcome or change(s) brought about by introduction of an independent variable.

The independent variables in this research are contingent financial reward and contingent non-financial reward-the reason attributed to causing a change in the bank performance and the dependent variable is bank performance-the result or change(s) caused by the addition of an independent variable.

The dependent variable in the study was bank performance which can be measured subjectively and objectively (Sofi et al. 2015). Subjective measurements are non-financial or non-economic performance indicators like sales growth, market share, employee satisfaction, customer satisfaction, product development, competitive advantage, customer retention, and other aspects. Subjective metrics are used to assess performance by relying on the respondents/employees' perceptions.

According to Creswell (2009), the variables need to be specified in quantitative researches so that it is clear to readers what groups are receiving the experimental treatment and what outcomes are being measured.

### **3.4 Description of study area and target population**

A population can be defined as items with the characteristics that one wishes to study

that may be a person, organization, or other that researcher wish to draw scientific inferences about (Kelley, Clark, Brown & Sitzia 2003). The target populations of the study, was 2085 managerial and clerical staff of Hibret Bank working at Head Office and four districts (North Addis Ababa (NAAD), South Addis Ababa (SAAD), East Addis Ababa(EAAD) and West Addis Ababa(WAAD) located in Addis Ababa. Researcher selected this target population due to their accessibility and high confidence of obtaining data.

HEAD OFFICE & DISTRICT	CLERICAL			MANAGERIAL		
	MALE	FEMALE	SUM	MALE	FEMALE	SUM
HEAD OFFICE	180	168	348	117	43	160
NORTH ADDIS ABABA	179	151	330	76	30	106
EAST ADDIS ABABA	130	152	282	75	42	117
WEST ADDIS ABABA	168	123	291	79	31	110
SOUTH ADDIS ABABA	118	131	249	56	36	92
Sum	775	725	1500	403	182	585
Total target population	2085					

*Table 1: Target Population*

### **3.5 Sampling technique/methods and sample size**

In choosing the research participants, it would be said that, in this study, stratified random sampling techniques was applied in determining the participants that enabled the researcher to answer the research questions and to meet the research objectives. According to Kothari (2004) since each stratum is more homogeneous than the total population, we are able to get more precise estimates for each Stratum and by estimating more accurately each of the component parts, we get a better estimate of the whole. In brief, stratified sampling results is more reliable and detailed information , so in this study the population were divided into strata of Head Office, NAAD, SAAD, EAAD and WAAD then to select the appropriate sample under each strata, proportionate figure was given to each strata then simple random sampling was taken . The target population size of this study was 2085 out of this to get the appropriate sample size the formula by Kothari (2014..p. 179) was used .

S/N	Strata (Head office or District name)	Position & No. of staffs			Sample taken from each category $n_i=N_i/N*336$
		Managerial	Clerical	Total	
1	Head Office	160	348	508	82
2	NAAD	106	330	436	70
3	EAAD	117	282	399	64
4	WAAD	110	291	401	65
5	SAAD	92	249	341	55
	<b>Sum</b>	<b>585</b>	<b>1500</b>	<b>2085</b>	<b>336</b>

*Table 2: Sample proportion*

$$n = N/(1+ (N \times e^2))$$

Where;

n = Sample size

N = Target population (2085)

e = Standard error (5%)

Thus,

$$n=(2085/1+(2085*5\%^2))$$

Sample size = 336

### **3.6 Data collection-Source, types, instruments etc.**

The main data collection instrument used in the study was a questionnaire. A five point Likert type scale questionnaire(Not at all, Once in a while, Sometimes , Fairly often, Frequently, if not always) and (Very low, Low, Medium, High and Very high) was distributed to 336 employees(both clerical and managerial) working at the HO, NAAD, SAAD, EAAD & WAAD. The questionnaire measured contingent rewards(financial and non-financial). The questionnaire was screened intensively to understand the importance, homogeneity and completeness of all the independent variables in the study. The independent variables were measured in terms of such indicators: the praise employee get for doing a good job, the promotion employees provided when performance level is achieved. The dependent variable were measured by subjective metrics of organizational performance as market share, employee satisfaction, quality of products and services rendered, competitive advantage and public image of the bank.

The planned and used questionnaire in this study was divided into four sections. Part one investigated respondents' demographic characteristics or variables; Part two included a series of statements to capture employees' perceptions of the contingent financial reward practiced by the immediate supervisor; Part three included statements to capture contingent non-financial reward observed; Moreover, part four includes statements to measure bank performance. These questions were distributed to respondents through Google Forms via the bank's mail group. The questionnaires were annexed.

### **3.7 Data analysis- model, techniques, software etc**

Data analysis is the process of editing and reducing accumulated data to a manageable size, developing summaries, seeking for patterns and using statistical methods as described by Cooper and Schindler (2000). The questionnaire was coded before entering the data into Statistical Package for Social Sciences (SPSS) version 26 for analysis.

The data analysis involved frequencies, means, analysis of variances and bi-variate analysis in form of cross tabulation to explore the relationships between the various variables tested in the current study. The data was then presented in form of Tables.

Correctness of data entry was also checked. The variables were checked for internal consistence after which the scores were aggregated and obtained mean scores for each respondent per variable measure.

Descriptive and inferential statistical techniques were used for data analysis. According to Amin (2005) Descriptive statistics provides us with the techniques of numerically and graphically presenting information that gives an overall picture of the data collected. In inferential statistics, Spearman's correlation and multiple regression analysis are used to assess both relationships and effects as per the hypotheses of the study.

### **3.8 Reliability and validity analysis**

This section was critical in ensuring the validity and reliability of the instruments and,

as a result, managing the data provided by questionnaires. A dependable and legitimate research instrument is critical for gathering correct data for the conduct of any research and the advancement of the current research endeavor. A detailed overview of how the validity and reliability of the data gathering instrument is ensured should be supplied here. The discussion should also be accompanied by an explanation of how validity is maintained. To demonstrate scale dependability, statistical tests should be utilized.

### **3.8.1 Reliability**

Reliability is the degree to which a construct's measure is consistent or trustworthy. Internal consistency reliability is a measure of consistency between different items of the same construct (Bhattacharjee, 2012).

Reliability is the extent with which findings repeat/consistent (Joppe, 2000). Reliability refers to the accuracy and consistency of information attained in a study (Beck, 2004). Reliability is the consistence of a score from one occasion to the next occasion. In survey reliability problems commonly resulted when the respondents/research participants did not understand the question, are asked about something they did not clearly remember, or asked about something they did not clearly know effectively (Kothari, 2004). It was planned that this research used well-structured questionnaire in order to avoid reliability problems.

Cronbach alpha with acceptable cut off points 0.7 demonstrate that all attributes are internally consistent; the reliability test for the instrument used for the study was conducted using SPSS 26.0 the results shows that the items used are reliable. Therefore, in this study, in order to test the reliability of the research instruments, a pilot test was carried out before the final research was commenced from 24(10%) of the sample size the respondents did not participate in the main research. The reliability test was conducted based on (Zikmund, 2010) scales with a coefficient between 0.80 and 0.95 are considered to have very good reliability, Scales with a coefficient between 0.70 and 0.80 are considered to have good reliability, and value with a coefficient between 0.60 and 0.70 indicates fair reliability. When the coefficient is below 0.6, the scale has poor reliability.

**Table 1: Reliability test of measurement items**

No	Variables	Number of items	Cronbach alpha
1	Contingent financial reward	3	0.841
2	Contingent non-financial reward	3	0.833
3	Bank performance	5	0.919
Total		11	0.910

*Source: own survey, 2022*

The alpha value for contingent financial reward, contingent non-financial reward and bank performance is 0.841, 0.833 and 0.919 respectively. The result implied that the alpha value for all variables was above 0.7. Therefore, all attributes are internally consistent and reliable. The overall reliability test for all measurement items used in this study was 0.910. This implied that there was very good internal consistency among measurement items used in this study.

### **3.8.2 Validity**

According to Bhattacharjee (2012), validity refers to how well a measure represents the underlying concept that it is meant to assess. It is concerned with how effectively the measure defines the idea. The researcher employed content validity of instruments; originally, the instruments were created by the researcher and developed under the direct supervision of an adviser. The instrument was evaluated by some subject matter experts to verify that it covered all facets of the subject matter.

### **3.9 Ethical consideration**

We will be unable to complete our study satisfactorily if we do not get assistance from others. If we expect people to give us their valuable time, we should reciprocate by giving them something in return. Many people are prepared to share a great deal of personal information during our study, so we must ensure that both the participants and the information they contribute are treated with honesty and respect (Dawson, 2002).

Accordingly, all research participants in this study were properly informed about their right to participate or not in this study, as well as the goal of the research. Furthermore, their willingness and agreement were obtained prior to the distribution of the questionnaire. In terms of the respondents' right to privacy, the study kept each participant's identity hidden. Because names were kept private in all cases, collective designations such as "respondents" were used instead.

As a result, the researcher actively examined ethical concerns in getting consent, avoiding deceptions, maintaining confidentiality, respecting respondents' privacy, and protecting their identity during the study. In general, the research's ethical requirements were followed.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

#### **4.1 Introduction**

This chapter described how data from respondents was presented, analyzed, and interpreted. The primary goal of this study was to look at the impact of contingent reward leadership on bank performance in the case of Hibret Bank SC. Contingent financial reward and contingent non-financial reward were employed as independent variables in the study, while bank performance was used as a dependent variable. This chapter used descriptive analysis to determine how much the sample group agreed or disagreed with various claims using mean and standard deviation, frequencies, and percentage. This chapter also demonstrated the Spearman correlation analysis, which was used to examine the link between independent and dependent variables. Furthermore, this chapter used to describe inferential statistics such as multiple regressions for examining the impact of independent factors on the dependent variable. Finally, the chapter presented a discussion that mostly compared results to empirical and theoretical findings.

#### **4.2 Questionnaires Administration**

A total of 336 sets of questionnaires using Google form were distributed to respondents through the Bank's mail group out of which 234 or 69.6% were filled all of which is usable reflecting valid response rate. Even though the response rate for mail questionnaires is almost always low, a 30% rate is quite acceptable (Wright, 2005).

**Table 2: Survey Response Rate**

Head office or district	Distributed through mail group	Filled questionnaires	Valid response rate
Head Office	82	60	73.17%
North AA District	70	42	60.00%
South AA District	55	44	80.00%
East AA District	64	49	76.56%
West AA District	65	39	60.00%
Total	336	234	69.64%

*Source: Own survey, 2022*

### 4.3 Demographic information of the respondents

This section summarized the demographic characteristics of the respondents, including gender of the respondent, age, education level, work experience, marital status and place of work of respondents. The purpose of the demographic analysis in this research was to describe the characteristics of the respondents in terms of the proportion of males and females in the sample, range of age, education level, respondent marital status, service year and name of district where the respondents are working.

**Table 3: Age of Respondents**

Age	Frequency	Percent
18-25 Years	28	12
26-35 Years	71	30.3
36-45 Years	107	45.7
Above 45 Years	28	12
Total	234	100

*Source: own survey, 2022*

Respondents were asked to indicate their ages. Accordingly, 28(12%) of the respondents were between 18-25 years, 71(30.3%) between 26-35 years, 107(45.7%) between 36-45 years and 28(12%) were above 45 years. The result implied that the majority of the respondents were senior staffs.

**Table 4: Sex of Respondents**

Gender	Frequency	Percent
Male	138	59
Female	96	41
Total	234	100

*Source: own survey, 2022*

Respondents were requested to indicate their gender. Accordingly, 138(59%) of the respondents were male and 96(41%) of the respondents were females. The result implied that both sexes were represented in the study.

**Table 5: Educational Levels of Respondents**

Educational level	Frequency	Percent
Diploma	1	0.4
Bachelor's Degree	125	53.4
Master's Degree	108	46.2
Total	234	100

*Source: own survey, 2022*

Respondents were asked to fill their level of education. The result of the study implied that almost all of the respondents were above diploma in which they are able to understand about the effects of leadership styles on the performance in their company.

**Table 6: Work Experiences of Respondents**

Work experience	Frequency	Percent
1-5 Years	56	23.9
6-10 Years	72	30.8
11-15 Years	79	33.8
15+ Years	27	11.5
Total	234	100

*Source: own survey, 2022*

Respondents were asked to indicate their work experience. The result of the study implied that 178(76%) respondents had over five years of work experience. This could

explain more about the effects of leadership style on bank performance in their respective company.

**Table 7: Salary level of Respondents**

Salary level	Frequency	Percent
Below 12,000	1	0.4
12,001-24,000	56	23.9
24,001-36,000	80	34.2
36,001-48,000	68	29.1
Above 48,000	29	12.4
Total	234	100

*Source: Own survey, 2022*

Respondents response to the salary scale implied that 24%, 34%, 29% and 12.4% was under the category (Birr 12,001-24,000),( 24,001-36,000),(36,001-48,000) and above 48,000 respectively.

**Table 8: Position of Respondents**

Current position	Frequency	Percent
Clerical	114	48.7
Managerial	120	51.3
Total	234	100

Source: own survey

The table implied almost equal respondents with regard to current position in the bank.

**Table 9: Location of Respondents**

	Frequency	Percent
Head Office	60	25.6
North AA District	42	17.9
South AA District	44	18.8
East AA District	49	20.9
West AA District	39	16.7
Total	234	100

Source: Own survey, 2022

#### 4.4 Respondents rating of the level of Contingent reward and Bank Performance

This section seen that the general perception of the respondents regarding the role of CR on bank performance. The results were summarized through (Not at all, once in a while, sometimes, fairly often and frequently, if not always), mean scores and standard deviations. Thus, the mean indicated to what extent the sample group averagely agreed or did not agree with the different statements. The lower the mean, the more the respondents disagree with the statements. The higher the mean, the more the respondents agree with the statement. On the other hand, standard deviation shows the variability of an observed response from a single sample Marczyk, Dematteo and Festinger (2005).

**Table 10: Responses on Contingent reward**

Statement	Level of Agreement							Mean	SD
		Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always	Total		
<b>Contingent financial reward</b>									
The Bank's bonus practice considers my performance	F	29	26	54	111	14	234	3.24	1.127
	%	12.4	11.1	23.1	47.4	6	100		
Salary increment is made based on the performance results of workers	F	38	16	53	123	4	234	3.17	1.136
	%	16.2	6.8	22.6	52.6	1.7	100		
Those who do well on the job have a fair chance of being promoted	F	28	28	51	119	8	234	3.22	1.096
	%	12.0	12.0	21.8	50.9	3.4	100		
<b>Contingent non-financial reward</b>									
The Leader expresses satisfaction when others meet expectations	F	4	18	88	116	8	234	3.45	0.758
	%	1.7	7.7	37.6	49.6	3.4	100		
There is a practice of appreciating or recognizing good performers	F	5	18	83	117	11	234	3.47	0.793
	%	2.1	7.7	35.5	50.0	4.7	100		
I receive constructive feedback for making progress	F	17	26	67	115	9	234	3.31	0.977
	%	7.3	11.1	28.6	49.1	3.8	100		

Source: Own survey, 2022

CR leadership has two elements: contingent financial and non-financial reward. Respondents were asked to express their perception of the financial and non-financial contingent reward.

Respondents were also requested to fill their opinion on the statement that says 'The

Bank's bonus practice considers my performance'. The result implied that the Bank's bonus practice considers my performance with the mean score of (3.24) & SD (1.127)

Respondents were asked to indicate their opinion on the statement that says salary increment is made based on the performance results of workers. The result implied that salary increment is made based on the performance results of workers with a mean of (3.17) and SD (1.136).

Respondents were asked to indicate their opinion on the statement that says those who do well on the job have a fair chance of being promoted. The result implied that those who do well on the job have a fair chance of being promoted with mean score of (3.22) and SD of (1.096).

Respondents were asked to fill their opinion regarding the statement 'The Leader expresses satisfaction when others meet expectations'. The result showed that The Leader expresses satisfaction when others meet expectations with a mean figure of (3.45) and SD (0.758).

Respondents perception on the statement, 'There is a practice of appreciating or recognizing good performers' implied a mean score of (3.47) & SD(0.793).

Similarly, respondent's opinion on 'I receive constructive feedback for making progresses gave a mean score of (3.31) and SD (0.977).

**Table 11: Bank Performance Frequency Distribution**

Statement	Ratings							Mean	SD
		Very Low	Low	Medium	High	Very High	Total		
Market Share of the bank	F	3	18	89	123	1	234	3.43	0.698
	%	1.3	7.7	38.0	52.6	0.4	100		
Quality of products & services rendered	F	4	21	85	117	7	234	3.44	0.768
	%	1.7	9.0	36.3	50.0	3.0	100		
Competitive advantage or position of the Bank	F	5	29	77	118	5	234	3.38	0.811
	%	2.1	12.4	32.9	50.4	2.1	100		
Employee satisfaction in the bank	F	14	69	145	5	1	234	2.62	0.653
	%	6.0	29.5	62.0	2.1	0.4	100		
Public image of the bank	F	3	9	100	89	33	234	3.6	0.824
	%	1.3	3.8	42.7	38	14.1	100		

Source: own survey, 2022

Respondents were asked to rate the Market Share of the bank. Accordingly, they rated the market share of the bank with mean score of (3.43) and SD (0.698).

With regard to quality of products and services rendered, the result implied that the quality of products and services rendered were rated with mean of (3.44) & SD (0.768).

On the statement that says how do you rate competitive advantage or position of the Bank, the result implied that the competitive position of the bank is rated with mean score of 3.38 & SD(0.811).

Respondents rating of the statements employee satisfaction and public image of the bank, both are rated with a mean value of 2.62 & 3.6 and SD of 0.653 & 0.824 respectively.

#### 4.5. Descriptive Statistics

This section described the general perception of the respondents regarding the role of CR leadership on bank performance in the case of Hibret Bank sc. The results were summarized through mean score and standard deviation. Thus, the mean indicated to what extent the sample group averagely rated the different statements or not. The lower the mean, the more the respondents disagreed with the statements. The higher the mean, the more the respondents agreed with the statement. On the other hand, standard deviation shows the variability of an observed response from a single sample Marczyk, Dematteo and Festinger (2005). The mean values are presented in table 10, together with standard deviation values for each variable.

**Table 12: Descriptive Statistics of Variables**

Descriptive Statistics	N	Mean	Std. Deviation
Contingent financial reward	234	3.26	0.986
Contingent non-financial reward	234	3.39	0.764
Bank performance	234	3.51	0.682

*Source: own survey, 2022*

The result of the study implied that contingent financial reward & contingent non-financial reward shows a mean score and SD of (3.26 & 0.986) and (3.39 & 0.764)

respectively. The mean score for bank performance was (3.51) and SD(0.682). The result implied the bank exhibited a high level of organizational performance.

According to Moidunny, (2009) the mean score 1.81 up to 2.60 was categorized as low, the mean score from 2.61 up to 3.20 was considered as moderate/medium and mean score 3.21 to 4.20 was considered as high as illustrated below.

**Table 13: Comparison Bases of Mean of Score of Five Point Scale Instruments**

Mean Score	Interpretations (Levels)
1.81 - 2.60	Low
2.61 - 3.20	Moderate/Medium
3.21 - 4.20	High

*Source: Adapted from Moidunny, (2009)*

From Table-13 above, According to Moidunny, (2009) all the mean scores of the independent variables and dependent variable were found to be high levels (3.21<Mean<4.20).

#### 4.5. Correlation Analysis

The relationship between CR leadership and the bank performance was tested through Spearman correlation analysis. According to Alwadael (2010) if correlation (r) is 0.000 it is said to be no correlation, if it is between 0.01-0.09 it is very weak, if it is 0.10-0.29 the correlation is weak, if it is between 0.30-0.59 the correlation is moderate if it is between 0.60-0.79 the correlation is strong and if it is between 0.80-1.0 the correlation is very strong. Therefore, the correlation is based on Alwadael (2010) rule.

**Table 14: Correlations Analysis**

		Bank performance
Contingent financial reward	Spearman's Correlation	0.476**
	Sig. (2-tailed)	0.000
	N	234
Contingent non-financial reward	Spearman's Correlation	0.484**
	Sig. (2-tailed)	0.000
	N	234
** Correlation is significant at the 0.01 level (2-tailed).		

Correlation between CR leadership and bank performance has been demonstrated in table 14. Accordingly, contingent financial reward has significant, positive correlation with bank performance at( $r=0.476$ ,  $P<0.01$ ). Correlation between contingent non-financial reward has significant positive relationship with bank performance at ( $r=0.484$ ,  $P<0.01$ ).

#### 4.6. Multiple Regression Analysis

Spearman’s correlation analysis's fundamental flaw was that it did not show the impact of independent variables (Contingent financial reward and contingent non-financial reward) on dependent variable (bank performance). The main purpose of conducting multiple regression analysis was to show the effects of independent variables(contingent financial reward and contingent non-financial reward) on dependent variable (bank performance).

**Table 15: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.465 <sup>a</sup>	0.216	0.209	0.607

a. *Predictors: (Constant), Contingent non-financial reward, Contingent financial reward.*

The findings of the study from The R or the coefficient of correlation showed that there was a positive correlation between independent and dependent variables. This means there was a positive relationship between CR leadership (including financial and non-financial contingent reward) and bank performance. It shows that the bank perform well when leaders exercised CR leadership appropriately. Table-15 above shows that there is 46.5% correlation between CR leadership (contingent financial and non-financial reward) and the bank’s performance. In essence, the independent and dependent variables goes hand in hand.

On the other hand, the findings of the study from the R square or coefficient of determination implied that 21.6% of bank performance was determined by CR(both

financial and non-financial). That means 78.4% of the bank’s performance is determined or explained by other factors not covered in this study.

**Table 16: ANOVA**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	23.425	2	11.712	31.808	.000 <sup>b</sup>
	Residual	85.058	231	0.368		
	Total	108.483	233			

a. *Dependent Variable: Bank Performance*

b. *Predictors: (Constant), Contingent non-financial reward, Contingent financial reward*

The F change value evaluates the null hypothesis that coefficients on all x variables in the model equal zero (Lawrence, 2009). As a result, the F-value =31.808 with 2 and 231 degrees of freedom, leads easily to the rejection of the null hypothesis (P = 0.000). For that reason, at the 5 percent level of significance, the F-statistics show that the model is useful in determining if any significant relationship exists between CR leadership(financial and non-financial) and the bank’s performance. Therefore the F change value of 31.808 is significant at 0.000 levels.

**Table 17: Coefficients**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.139	0.182		11.775	0.000
	Contingent financial reward	0.146	0.055	0.210	2.646	0.009
	Contingent non-financial reward	0.264	0.071	0.295	3.712	0.000

a. Dependent Variable: Bank performance

The regression results are interpreted with respect to coefficients of beta ( $\beta$ ), t and other parameters in the regression model as follows: As could be seen in Table-17, the values of the regression coefficients show their relative weights in the prediction of the dependent variable (bank performance).

In the same vein, regression coefficient for contingent non-financial reward represented by  $\beta_1$  in the model is 0.295. Which means that 29.5% of the bank

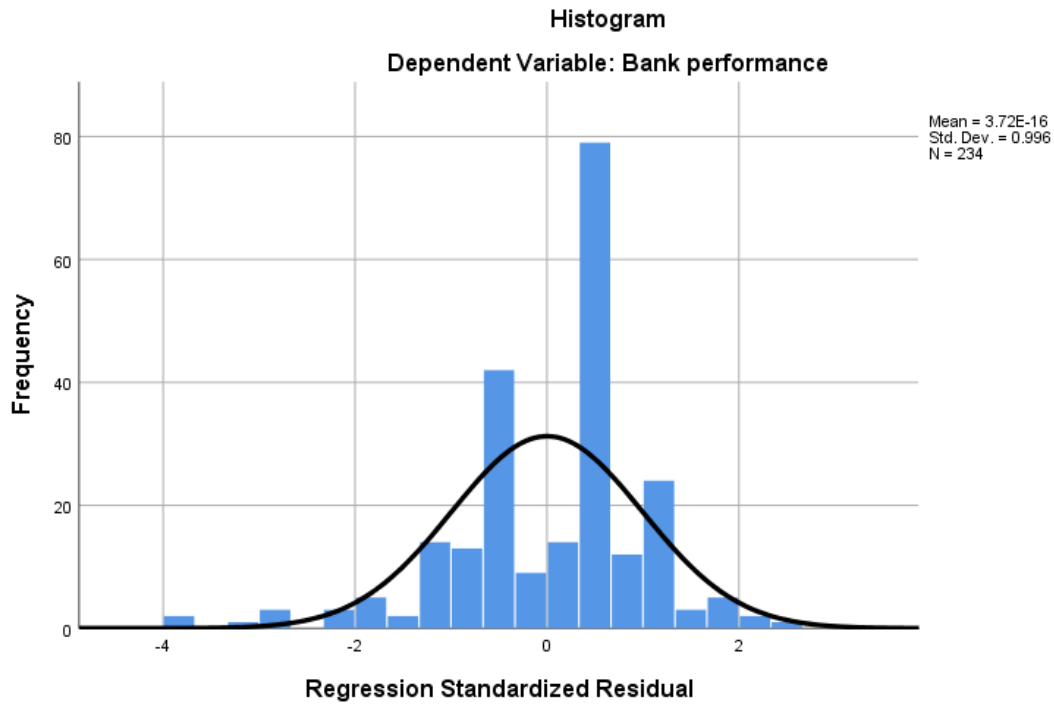
performance is explained by contingent non-financial reward if other variables are remained constant. Similarly, the t-value 3.712 shows that the result is significant because, 0.000 is less than 0.05. Therefore, given the weight of evidence against the null hypothesis, it was rejected while the alternative which suggests contingent non-financial reward positively affects bank performance significantly was accepted.

Contingent financial reward represented by  $\beta_2$  in the model has a coefficient of 0.210 which means that 21.0% of the bank's performance is explained by contingent financial reward when other variables are held constant. The t-value is 2.646 and it is significant at 0.009. Consequently, the null hypothesis was rejected while the alternative which suggests that contingent financial reward has significant positive effect on bank performance was accepted.

#### **4.6.1 Test of standardized errors for normality**

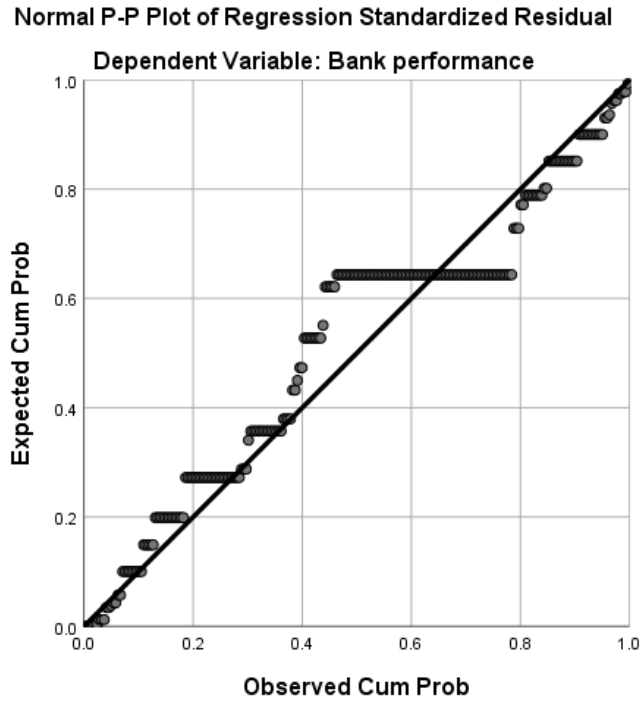
To reduce the impact of potential violations, the regression assumptions (normality, linearity, and homoscedasticity) are tested by examining the normal probability plot (P-P) of the regression standardized residual and the scatter plot of the standardized residuals for all variables. There was no serious violation of the normality assumption for the bank performance model.

**Normality:** When a histogram of the residuals is drawn, they are regularly distributed. Even though the distribution is somewhat skewed, it is not significantly deviated from being a normal distribution, hence it meets the normality requirement. Because the histogram residuals assumption is not skewed, the assumption is met.



**Figure 2: A histogram Normality Assumption Measure**

**Linearity:** The scatter plot of the dependent variable to that of the standardized predicted shows that the connection between the dependent and independent variables is linear in terms of their parameters. The graph depicts a roughly linear relationship between bank performance and the collection of predictor factors represented by standardized projected value, as seen below.



*Figure 3: Linearity Assumption*

**Constant variance (Homoscedasticity):** The third premise of multiple linear regressions is that error terms should have a constant variance; if this assumption is broken, there is an issue of homoscedasticity, which is a data problem that must be addressed before analysis. This may be verified by creating a scatter plot of the standardize residual vs the standardize predicted value. This assumption requires that the distribution or scatteredness of the points on the graph be random. As seen below, the distribution of points exhibits no random pattern; hence, the requirement of constant variance was met.

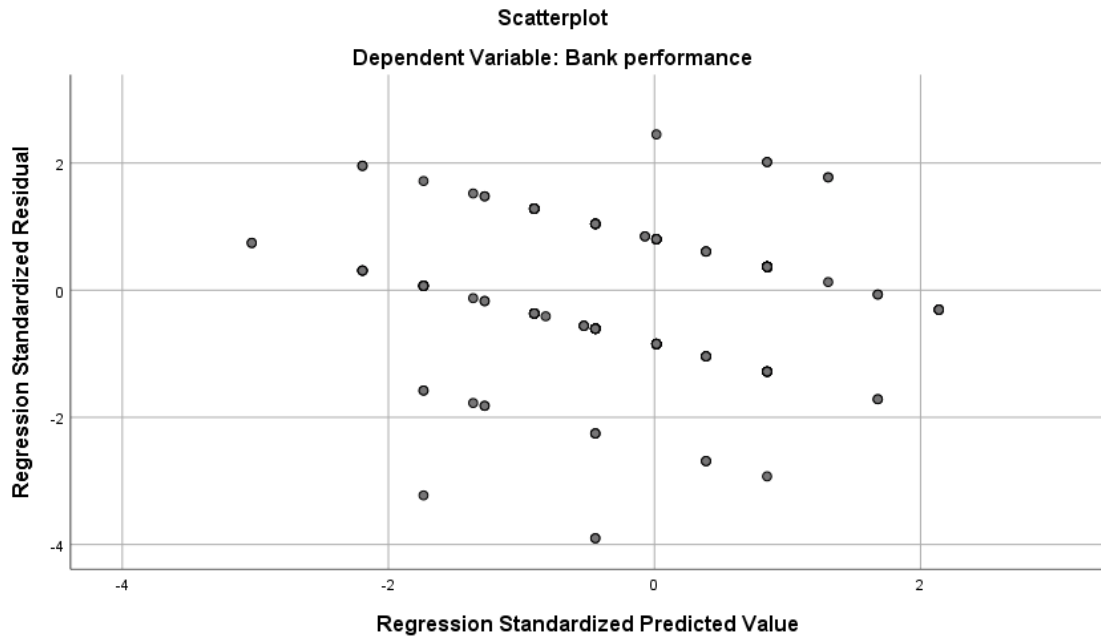


Figure 4: Constant Variance (Homoscedasticity)

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter summarized the study's results, conclusions, and recommendations. The researcher presented the following points using descriptive statistics, Spearman's correlation, and multiple regression analysis based on the research questions raised in chapter one.

#### 5.1. Summary of Findings of the Study

The study's findings were presented based on the research questions addressed in chapter one.

**Research Questions:** What is the relationship between CR leadership (financial & non-financial) and bank performance, in the case of Hibret bank sc.?

The findings of the study revealed that CR leadership (financial and non-financial) have significant and positive correlation with banks performance. This is supported by there is 46.5% correlation between CR and Bank performance. Additionally, contingent financial reward and contingent non-financial reward has significant positive effect on bank performance with sig value of 0.009 and 0.000 respectively. This is supported by the findings of the study from the R square or coefficient of determination, which implied that 21.6% of the bank's performance is explained by CR leadership including the financial and non-financial contingent reward elements. The effect of contingent financial reward and contingent non-financial reward on bank's performance is 29.1% & 21.0% respectively. That is 29.1% of the bank's performance is attributed to contingent non-financial reward. Similarly, 21% of the bank's performance can be explained by the contingent financial reward. That means 77.8% of the bank's performance is determined or explained by other factors not covered in this study.

#### 5.2. Conclusions

The main aim of this study was to investigate the role of CR leadership on bank's performance; in the case of Hibret Bank sc. Two hundred thirty four participants out of

targeted participants were involved in the study. Most of the participants were degree holders in their level of education. The study aimed at finding answers to objectives prescribed in chapter one. Two specific objectives were developed to support the general objective; the first objective was investigating the effect of contingent financial reward on bank's performance and the second objective was examining the effect of contingent non-financial reward on the bank performance.

The findings demonstrates that constructive transactional leadership, in which a reward is often related to employee performance and leaders seek to address the demands of subordinates by dealing and exchanging, has a favorable influence on performance. As a result, it is possible to infer that CR leadership style has a favorable and substantial influence on the bank's performance.

The result of the study implied that constructive component of transactional leadership style i.e. contingent reward(both financial and non-financial) was exercised in Hibret bank sc. Transactional leadership clarifies everyone's role and responsibility and judgments team member on performance. This leadership style often works well in situations where followers are ambitious or motivated by external rewards including compensation. Transactional leaders engage in transactional leadership in which follower's needs can be met if their performance is as contracted with their leader. This kind of manager may use disciplinary threats to bring group's performance up to standard: However, whether the promise of rewards or the avoidance of penalties motivates the employees depending on whether the leader has control of the rewards or penalties, and on whether the employees want the reward or fear the penalties (Bass, 2000).

### **5.3. Recommendations**

Based on the study's findings, the researcher issued the following recommendations to both the firm and future researchers.

#### **5.3.1. Recommendations for the company**

Nowadays, the banking business in Ethiopia is significantly growing. Some of them have successfully entered the market and gained a significant market share, while others are considering doing so. As a result, they compete fiercely for competent

manpower, potential consumers, and the adoption of innovative working methods with technology to gain a competitive edge. The findings of the study revealed that CR leadership style was exercised in the company in the form of contingent financial and contingent non-financial reward. Therefore, this study suggests the formulation and implementation of effective contingent reward and recognition systems where employees are clearly informed what is expected from them, staffs are assisted to develop themselves and recognized for achievement to encourage the performance improvement for employee and the bank as well.

### **5.3.2. Recommendations for future researchers**

From the study's findings, the coefficient of determination implied that contingent reward explains 21.6 percent of the bank's performance, which suggests that other factors not included in this analysis determine or explain 78.4 percent of the bank's performance. As a result, it is preferable for future studies to identify other elements that improve commercial bank's performance. Additional research should be conducted by incorporating other banks collectively as an industry or financial sector.

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## APPENDICES

### Questionnaires

Dear respondent,

I am working on a Master's Research Project titled "The Role of Contingent Reward Leadership on Bank Performance: the case of Hibret Bank SC". I'd want you to complete the questionnaire since you have practical experience in the bank. I feel that your candid reaction will help this research succeed. I promise you any information you supply will be kept strictly secret and used for academic purposes exclusively.

#### Part I: Demographic and General Information

Please put the tick "√" mark under the choice.

1. Gender:

Male

Female

2. Age:

18-25

36-45

26-35

above 45

3. Highest level of education:

Certificate

Master's Degree

Diploma

Above Master's degree

Bachelor Degree

4. Salary level:

Below 12,000

36,001-48,000

12,001-24,000

Above 48,000

24,001-36,000

5. Work experience at Hibret Bank:

1-5 Years

11-15 Years

6-10 Years

Over 15 Years

6. Current position in the Bank:

Clerical

Managerial

7. Your district name

- |                                      |                                  |
|--------------------------------------|----------------------------------|
| <input type="checkbox"/> Head office | <input type="checkbox"/> West AA |
| <input type="checkbox"/> North AA    | <input type="checkbox"/> SouthAA |
| <input type="checkbox"/> East AA     |                                  |

**Part 2: Contingent reward leadership observation**

This questionnaire is intended to describe contingent reward leadership style of your bank (or the person to whom you report) as you perceive/observe it. The word “others” may mean your followers, supervisor or peer members. Please complete all of the questions on this sheet. Please respond to these questions anonymously. The following page contains a list of descriptive statements. Assess how frequently each statement applies to you or the person you are describing. Choose the following rating scale with your preferred rating option.

KEY: 0 = Not at all, 1 = Once in a while, 2 = Sometimes, 3 = Fairly often, 4 = Frequently, if not always

**Contingent financial reward**

- |   |           |
|---|-----------|
| 1. The bank’s bonus practice considers my performance                     | 0 1 2 3 4 |
| 2. Salary increments are made based on the performance results of workers | 0 1 2 3 4 |
| 3. Those who do well on the job have a fair chance of being promoted      | 0 1 2 3 4 |

**Contingent non-financial reward**

- |   |           |
|---|-----------|
| 4. The leader expresses satisfaction when others meet expectations    | 0 1 2 3 4 |
| 5. There is a practice of appreciating or recognizing good performers | 0 1 2 3 4 |
| 6. I receive constructive feedback for making progress                | 0 1 2 3 4 |

### Part 3: Perceived estimate of Hibret Bank SC's performance

Please indicate your best estimate of the performance of Hibret Bank sc. with respect to the following dimensions?

Key: 1=Very Low, 2=Low, 3=Medium, 4=High & 5=Very High

- |   |   |   |   |   |   |
|---|---|---|---|---|---|
| 7. Market Share of the bank                         | 1 | 2 | 3 | 4 | 5 |
| 8. Quality products & services rendered by the bank | 1 | 2 | 3 | 4 | 5 |
| 9. Competitive advantage or position of the bank    | 1 | 2 | 3 | 4 | 5 |
| 10. Employee satisfaction at the bank               | 1 | 2 | 3 | 4 | 5 |
| 11. Public image of the bank                        | 1 | 2 | 3 | 4 | 5 |

Thank You!

