

The Role of Leadership Styles in Mitigating Operational Risks: The Case of Coca-Cola Beverages Africa, Ethiopia

By Rediet Kefelegn

A Research Project Work Submitted to Addis Ababa University: School of Commerce in
Partial Fulfillments of the Requirements for the Master of Art in Business Leadership

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Addis Ababa University School of Commerce

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Addis Ababa, Ethiopia

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

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SCHOOL OF COMMERCE

Declaration

I, the undersigned, declare that this project work titled *Exploring the Role of Leadership Styles in Mitigating Operational Risks: The Case of Coca-Cola Beverages Africa, Ethiopia* is my original work and has not been presented for degree requirement in any other university, and all the sources used to support this particular study has been appropriately acknowledged.

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Statement of Certification

This is to certify that the project, entitled: “*Exploring the Role of Leadership Styles in Mitigating Operational Risks: The Case of Coca-Cola Beverages Africa, Ethiopia*” prepared by Rediet Kefelegn was done under the supervision of Zegeye Muluye (PhD) and submitted in partial fulfillment of the requirements for Master of Business Leadership with the regulations of the University and meets the accepted standards with respect to originality and quality.

**ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE**

BUSINESS LEADERSHIP POST-GRADUATE PROGRAM

**EXPLORING THE ROLE OF LEADERSHIP STYLES IN MITIGATING OPERATIONAL
RISKS: THE CASE OF COCA-COLA BEVERAGES AFRICA, ETHIOPIA**

Approved by Board of Examiners

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List of Acronyms/Abbreviations

CCBA Ethiopia	Coca-Cola Beverages Africa, Ethiopia
EABSC	East Africa Bottling Share Company
AMWSC	Ambo Mineral Water Share Company
KRI	Key Risk Indicator

Abstract

The main purpose of the study is to examine the effect of leadership styles on operational risk at Coca-Cola Beverages Africa, Ethiopia. The study attempted to identify the relationship between the two types of leadership styles with the for key risk indicators of operational risk using an explanatory research design. The research gathered data from 102 employees at CCBA Ethiopia using a questionnaire.

Statistics methods such as frequencies, percentages, means, standard deviations, correlational matrix, normality test, and regression analysis are used to collect and analyze quantitative data. In addition, to establish the relationship between the dependent and independent variables, the study uses a multiple regression model.

The research found that all transformational leadership type has a positive impact on successful mitigation of operational risks while transactional leadership type has a negative impact on successful mitigation of operational risks.

Key Words: Leadership, Leadership Styles, Operational Risk

Chapter 1: Introduction

1.1 Chapter Overview

This chapter covers the study's background as well as the study's main concepts, leadership, and operational risk. The research problem, the research objectives, the study's value, and the project's overall scope are all included in this chapter.

1.2 Background of the Study

Businesses today operate in an environment of change. This environment challenges leaders to redirect their organizations from watching returns on investment to watching returns on customers; from emphasizing productivity rates to emphasizing process improvement; and from satisfying short-term financial goals to satisfying employees, shareholders, and stakeholders by providing long-term opportunities. The chaos created by competition, deregulation, technological advances, mergers, acquisitions, the domestic economy, and the global marketplace is exacerbated by change or the need for change within organizations (Stenberg 1985, Hazy et al. 2007).

Leadership is critical in codifying and maintaining an organization's purpose, values, and vision. Leaders must set the example by living the elements of culture, values, behaviors, measures, and actions. Values are meaningless without the other element, such that organizations with clearly codified and enforced cultures enjoy great employee and customer loyalty. Leadership is a process by which a person influences others (his/her followers) to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent (Stenberg 1985). Leaders carry out this process by applying their leadership attributes, such as beliefs, values, ethics, character, knowledge, and skills (Stenberg 1985).

According to complex systems leadership theory, leadership is an emergent phenomenon within complex systems (Hazy et al. 2007), which interacts with elements such as culture, norms, trends, etc.

Operational risk can be defined as “the risk of loss from inadequate or failed internal processes, people, and systems or external events. Operational risk refers to the risk of loss from problems such as human error, systems failures, and risks posed by the external environment” (Robertson, 2016, Loader, 2011).

Operational risk is a novel concept, and methods and strategies for controlling it are still being developed (Robertson, 2016). Operational risks can stem from further classified risks such as operations risk, technology risk, operating risk, malicious risk, legal risk, and regulatory risk among others (Loader, 2011). Bagherzadeh and Jöehrs, 2015 generalize the types of operational risks into four general

categories for easier classification, people risk, process risk, system and technology risk, and external risk.

This project carried out by the researcher sought to understand the relationship between the leadership style utilized by the management and the successful and effective mitigation of the operational risks posed by different risk factors mentioned above.

1.2 Statement of the Problem

Organizations face different business risks in the form of strategic, compliance, operational, and reputational which must be defined through boundaries to avoid overlap in risk management (Birindelli, 2017).

Organizations implement different risk management mechanisms; risk identification, risk impact assessment, risk tracking, risk prioritization analysis, risk mitigation, planning, implementation, and progress monitoring through different tools ([Link](#)). Organizations might require comprehensive technical tools to support and facilitate risk management (Frost et al., 2001). The risks posed to organizations, either internal or external, need to be studied, analyzed, and solved in due time to sustain the performance and existence of the organization.

On the other hand, leadership styles are attributed to affect various organizational success factors including team motivation, employee satisfaction, employee morale, productivity, financial performance (including return on investment and profitability) and organizational culture. The role leadership styles utilized by management play in determining the success of the organization is therefore undeniable according to the various literature found (Khajeh, 2018, Korkmaz, 2007, Quintana, Park & Cabrera, 2015, Rahbi, Khalid, and Khan, 2017).

Of all the operational risks literature available (which is limited on its own), no critical research is devoted to understanding the link between leadership styles and organizational risks. Addressing this gap in the literature, this paper will attempt to provide evidence of the links between leadership styles and mitigation of operational risks in Coca-Cola Beverages Africa Ethiopia, a soft drink bottling company in Ethiopia with five manufacturing plants.

Various organizations, including bottled water manufacturing plants have closed operations in the past year due to various operational challenges (Teshome, 2022); the reasons other organizations survived the challenges and had the ability to proceed with operation as usual can vary, presenting the knowledge gap

what these reasons for continuation are. As such, this project sought to understand what role leadership styles play on the successful mitigation of operational risks in Coca-Cola Beverages Africa Ethiopia, a bottling company with more than 6 decades of operations in Ethiopia.

1.3 Research Questions

The research attempted to answer the following research questions:

- What is the effect of transactional leadership style on people risk?
- What is the effect of transactional leadership style on process risk?
- What is the effect of transactional leadership style on system and technology risk?
- What is the effect of transactional leadership on external risk?
- What is the effect of transformational leadership style on people risk?
- What is the effect of transformational leadership style on process risk?
- What is the effect of transformational leadership style on system and technology risk?
- What is the effect of transformational leadership on external risk?

1.4 Objective of the Study

1.4.1 General Objective

The general objective of the study is to research the “Effect of Leadership Style on mitigating operational challenges and risks”.

1.4.2 Specific Objective

The project work has the following specific objectives:

- To identify the effect of transactional leadership style has on mitigating operational risk.
- To identify the effect of transformational leadership style on mitigating operational risks.

1.5 Significance of the Study

The successful mitigation of operational risks requires various factors and is essential in determining the sustainability of an organization as a profitable business. Although there are various factors that can aid the successful mitigation of operational risks, the role of leadership styles has not been studied to a great degree. Therefore, this research will provide other researchers and the organization with some significance.

First it could be used for further study for future made on the same issue and inspire others to work on it for further use. It can also be used for decision-making regarding the leadership style used. Additionally, it can enhance the practical knowledge of the researcher through creating a link between the theoretical knowledge of performances and competitive advantages and what is going on in business institutes. The other significance is the study can fill at least some knowledge gap that exists in the country regarding the title.

1.6 Scope and Delimitations of the Study

It is known that Coca-Cola products are produced throughout the world. In Ethiopia, Coca-Cola Beverages Africa, Ethiopia (managing East Africa Bottling S.C (EABSC) and Ambo Mineral Water S.C (AMWSC)) is the sole producer of the products as a franchise. The delimitation of this study will be a sample of managers working under each department that are going to be taken from all five branches (Addis Ababa, Sebeta, Dire Dawa, Bahir Dar and Ambo). There are 2538 full time employees, out of which more than 200 are managerial level workers. Of the 200 managers, 81 managers are considered “greater management” making key operational decisions. All the 81 managers have been addressed in this research in addition to other managers and supervisors. The major scope of this study is managers and supervisors due to time and logistical limitations.

1.7 Limitations of the Study

This study, as is with other studies, has limitations and constrains. One limitation is the confinement of this study to the manufacturing industry, namely CCBA Ethiopia. Another limitation of this study is the focus on the response of managers. Given that responses from managers have been used to determine the specific leadership style employed and the successful mitigation of operational risks, it might be open to biased responses from managers.

1.8 Organization of the Study

The study is organized into five chapters. The first chapter deals with the background of the study, statements of the problem, the objective of the study, the research questions, and scope and significance of the study, and the limitations of the study. The second chapter presents a review of previous related research done on the area of the topic. The third chapter explains the types and sources of data used for the study, sampling techniques, method of data collection and analysis used. The fourth chapter is focused on data presentation, analysis, and interpretation. Finally, the last chapter deals with the conclusions and recommendations that have been drawn given the data and analysis provided in chapter four.

Chapter 2: Literature review

2.1 Chapter Overview

This chapter presents the theoretical framework of the study, related theoretical literature reviews and empirical literature of the study. Finally, it presents the conceptual framework of the study.

2.2 Theoretical Framework

2.2.1 Leadership style

Leadership is both a research area and a practical skill encompassing the ability of an individual or organization to "lead" or guide other individuals, teams, or entire organizations (Nanjundeswaraswamy and Swamy 2014). A leader can be defined as a person who influences other individuals and groups within organizations to effectively establish and achieve goals; the presence of leaders creates a hierarchy within the organization that will contribute to the establishment and effective achievement of said goals (Nahavandi 2008). As such, it is possible to claim leadership to be a large and complex research area that has significant impact on the performance of organizations.

In today's organizational environment, it is essential to have effective leaders who understand the ever-changing industry in addition to being able to create and maintain working relationships with employees to sustain the organization's development and accomplishment (Nanjundeswaraswamy and Swamy 2014). The presence of effective leaders will ensure, along with organizational success, improved organizational practices, establishment of a pleasant work environment and improved workplace motivation (Robbins and Judge 2013). Consequently, the descriptors of better organizational success not only rest on better performance, but are also affected by organizational culture and turnover, and employee satisfaction.

Robbins and Judge (2013) outlined the two major leadership styles as transactional and transformational leadership based on prior research and literature found. Another leadership style, Laissez-faire, a French word translating to "let them do" or "let it happen" is the most passive of the leadership styles and is considered the least effective leadership style (Hinkin and Schriesheim 2008).

Management by exception – active or passive – is also considered to be an ineffective leadership style as leaders tend to only be available once a problem has been encountered which often proves to be too late (Robbins and Judge (2013)).

Robbins and Judge (2013) also claim that the effectiveness of leaders improves as their leadership style changes from transactional leadership towards transformational leadership as demonstrated on Table 1.

Table 1 Transactional and Transformational Leaders

Transactional Leaders: Leaders who guide or motivate their followers in the direction of established goals by clarifying role and task requirements	Transformational Leaders: Leaders who inspire followers to transcend their own self-interests and who are capable of having a profound and extraordinary effect on followers.
Contingent Reward: Contracts exchange of rewards for effort, promises rewards for good performance, recognizes accomplishments	Idealized Influence: Provides vision and sense of mission, instills pride, gains respect and trust.
Management by Exception (active): Watches and searches for deviations from rules and standards, takes correct action	Inspirational Motivation: Communicates high expectations, uses symbols to focus efforts, and expresses important purposes in simple ways.
Management by Exception (passive): Intervenes only if standards are not met.	Intellectual Stimulation: Promotes intelligence, rationality, and careful problem solving.
Laissez-Faire: Abdicates responsibilities, avoids making decisions.	Individualized Consideration: Gives personal attention, treats each employee individually, coaches, and advises.

Source: Robbins and Judge (2013)

Transactional leadership modeled by exchange between leaders and followers is an essential part of leadership; however, must be accompanied by traits of transformational leadership to effect change on followers or organizational structure or performance (Nahavandi 2008).

In transactional leadership, to guarantee the sustainability of the relationship between the leader and follower, the fulfillments of the terms of the transaction are essential (Dartey-Baah 2015). Considering this, transactional leaders can be considered to prioritize tasks or goals instead of people (Dartey-Baah 2015).

Transformational leadership style is concerned with the development and achievement of the goals of followers while transactional leadership is focused more on the exchange between leaders and followers (Nanjundeswaraswamy and Swamy 2014).

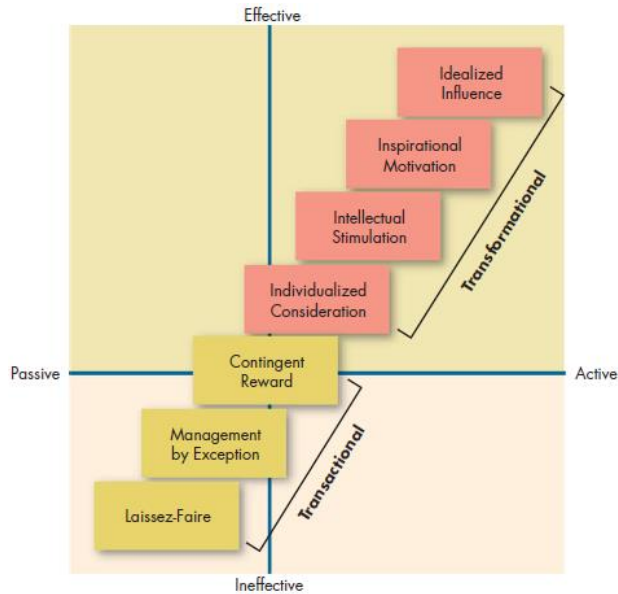


Figure 1 Effectiveness of Leadership Styles

Source: Robbins and Judge (2013)

Unlike transactional approach, transformational leadership style is not based on a "give and take" relationship. Transformational leadership is considered to “adopt an effective combination of holistic and individual approach to meeting the collective goals and ambitions of the group” (Dartey-Baah 2015). This paves way for the consideration that transformational leadership creates an environment where accomplishment of goals is dependent on individuals within the organization (Dartey-Baah 2015). Considering the above literature, it is possible to conclude that transactional leadership allows groups to achieve goals while transformational leadership allows organizations to achieve goals while followers develop their skills personally and achieve new heights of their professional career.

2.2.2 Operational Risk

Risk, the potential to lose or gain something of value can be seen in one of two ways; taking risks through action or inaction (foreseen or unforeseen), or intentionally interacting with uncertainty by taking action or inaction in spite of uncertainty (Cook, 2018). Operational Risk, one of the major business risks organizations must mitigate and manage for successful preservation of the business, can be defined as the

risk of loss due to inadequate or failed internal processes, people, systems, or external events (Frost et al. 2001). Operational risks refer to failure to implement a correct process for business transaction, failures stemming from human error or breakdown in system, human error, or lack of proper procedure and control from the beginning in addition to external risk factors. As the term operational risk is relatively new, methods and strategies to manage it are still in development.



Figure 2 Operational Risk Management

Source: Frost et al. (2001)

Operational risk management seeks to ensure that operational risks organizations face is identified and addressed in an efficient manner to optimize their response; this in turn seeks to maximize shareholder value gains. Operational risk management can be broken down into two main components, operational integrity (the adequacy of operational controls and corporate governance) and operational delivery (the organization’s ability to perform business processes on an ongoing basis. (Frost et. al, 2001)

The key indicators of operational risk, people risk, process risk system and technology risk and external risk are explained briefly below.

People Risk: Blunden and Thirlwell, 2012, claim that as people are the biggest assets of an organization, they also present unavoidable risk, whether at strategic, managerial, or operational levels. People risks can be brought on due to reasons such as incompetency or external pressure. Thus, organizations need to make sure employees have development opportunities, as well as that mana can effectively manage employees,

creating the right environment to retain the best people and that all employees perform to the best of their abilities. These actions will considerably minimize people risks.

Process Risk: Process risk refers to the risk that incorporates all operational processes including administrative and procedural tasks. Ineffective processes challenge the realization of the organization's goals. Process risk can be mitigated through the implementation of standardized operating procedures, documented activities, and a collaborative approach throughout the supply chain of the organization.

System and Technology Risk: Stemming from technology and systems implemented to perform the operations of the organization, systems and technology lessen the burden on employees, lead to an effective use of resources including time, and are tools if used appropriately. As technology dives business, managers should embrace technology and have a vision to develop it during which they will be prepared for the changes and the challenges that come with it (Gewald and Hinz 2004, Loader 2007).

External Risk: External risks are associated with the external environment that could be based on industry, geography, or economic climate. To successfully mitigate external risks, organizations should have contingency planning and drills prepared for when an external risk arises (Robertson 2016, Gewald and Hinz 2004).

The four key risk indicators detailed above are used as the major determinants of the effective and successful mitigation of operational risks at CCBA Ethiopia.

2.3 Empirical Review

Loader, 2011 argues that identifying and managing risks in organizations, especially in areas where the management is not directly responsible for the day-to-day operations, is the responsibility of the front-line workers who have the exposure and while supervisors and managers have the relevant knowledge, experience, and expertise on how to mitigate the presented risk. While statistical modeling and risk measurement techniques could be implemented, no system can overpass the role of employees in identifying and managing risks intentionally or non-intentionally, no system can triumph over experience and human "sense" (Loader, 2011). In organizations where there is even some degree of Operational Risk Management due to employees doing their tasks correctly without active management and leadership, the organizations become vulnerable when performance levels deteriorate inevitable, and the benefits or Operational Risk management become missing (Loader, 2011).

Recommended as the best practice strategy for global supply chain risk management by Cook, 2018, is assigning a point person, an accountable individual, with experience/knowledge in risk management with skill sets including communications, project management, collaboration, negotiation traits and organizational prowess that can all be attributed to the transformational leader.

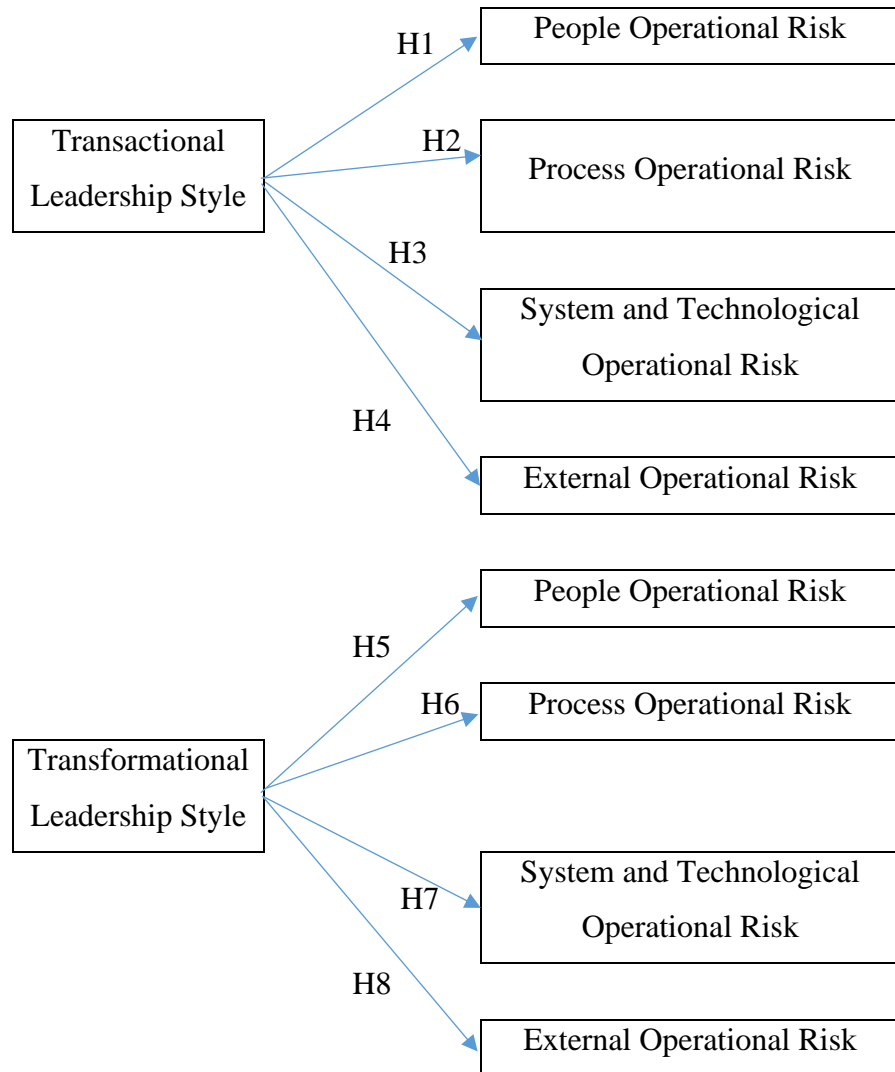
From a strategic risk management perspective, the organization's vision, leadership, strategy, human resources management system, marketing, corporate communication, and customer service all directly influence how are fundamental parts of risk management activities (Larkin, 2003).

Frost et. al, 2001, concludes that organizations embracing operational risk management will enjoy positive benefits, however, to embrace operational risk management, the organization, especially management needs to have strong leadership and have confidence in the organizations operational risk control. In addition to embracing operational risk management, communications, trainings, and leadership action can be implemented to clarify new strategies and values, all of which combine to reinforce the operational risk management actions. Factors such as employee motivation, morale, attitude, aspirations, management and leadership style, and approaches to problem solving and decision making are difficult to quantify, however play a key role on how effectively risk is managed.

A leadership that doesn't manage risk doesn't manage anything; every decision organization's make, every small or the biggest decision within an organization, must be based on risk analysis. Every decision made must either counter a threat or exploit an opportunity. Risk management creates the difference between success and failure. A leadership that can identify and manage risks will have the higher opportunity to grow and create a successful organization (Lazar, 2019).

The research available explicitly studying the relationship between leadership styles and operational risks mitigation is lacking as the references found by the researcher linking operational risk mitigation to leadership styles is quite limited in number and depth. However, the available research certainly highlights the importance of effective leadership to identify and mitigate operational risks. Transformational and transactional leaders, as successful as they are in leading employees and organizations have a responsibility to manage and mitigate risks to affirm the perseverance of the organization. Although not explicitly stated in any of the references covered, it can be inferred that effective leadership styles play a role in successfully mitigating operational challenges. As such, the below conceptual framework and hypothesis have been developed.

2.3 Conceptual Framework



The hypothesis of this research is therefore based on the literature and prior empirical findings that there is a meaningful relationship between leadership types and operational risks and is formed as follows.

H1. There is a significant and positive relationship between transactional leadership style and successful mitigation of people operational risk.

H2. There is a significant and positive relationship between transactional leadership style and successful mitigation of process operational risk.

H3. There is a significant and positive relationship between transactional leadership style and successful mitigation of system and technologies operational risk.

H4. There is a significant and positive relationship between transactional leadership style and successful mitigation of external operational risk.

H5. There is a significant and positive relationship between transformational leadership style and successful mitigation of people operational risk.

H6. There is a significant and positive relationship between transformational leadership style and successful mitigation of process operational risk.

H7. There is a significant and positive relationship between transformational leadership style and successful mitigation of system and technologies operational risk.

H8. There is a significant and positive relationship between transformational leadership style and successful mitigation of external operational risk.

Chapter 3: Research Methodology

3.1 Chapter Overview

This section presents the methodology followed to achieve the research objectives. It highlights the research approach, research design, and source of data for the study, data sampling technique, and descriptions of data collection tools. Finally, the methods used to analyze the data are discussed.

3.2 Research Approach

The researcher used quantitative method to address the research questions. Operational Risk Assessment Tool and Multifactor Leadership Questionnaire (MLQ) have been employed to determine the construct of operational risk and the leadership style. Both instruments necessitate use of quantitative methods as they employ a standard questionnaire proven for their validity and reliability.

3.3 Research Design

The researcher has employed correlational research design to understand the relationship between the independent variable (leadership style) and the dependent variable (operational risk).

The researcher used MLQ model to determine the nature of leadership style. The casual links between each leadership type construct has been evaluated against the constructs of organizational risk to determine which leadership style influences the successful mitigation of operational risks. Similarly, the Operational Risk Assessment Tool was used to diagnose the risks present and mitigations deployed by the leadership of CCBA Ethiopia.

3.4 Population and Sampling

Coca-Cola Beverages Africa (CCBA) Ethiopia has 2538 full time employees. Almost a tenth of (240) of them are permanent full-time managerial employees while 81 of them are considered Greater Management. With a confidence level of 90% and 10% margin of error. Using Solvin's formula,

$$n = \frac{N}{1+Ne^2} = \frac{2538}{1+(2538)(0.1^2)}$$

Where n is the number of samples,

N is total population and

e is margin of error.

Using the above formula, a sample number of 96 people were achieved. The questionnaire was administered to 115 employees, 80 greater management and 35 middle and lower management employees.

3.5 Information Type and Source

Primary data has been collected using operational risk assessment tool and MLQ questionnaire, 115 managers of CCBA Ethiopia were asked to complete the questionnaire. The MLQ questionnaire provides a description of leadership styles. It has forty-five descriptive statements that allows leaders to judge how frequently each statement fits them and provides scales ranging from 0 to 5 to explain the intensity of the description under consideration, the question has been adopted to contain thirty-seven-seven descriptive statements. On the other hand, the operational risk assessment tool consists of twenty-five statements, asking leaders how strongly they agree or disagree with each statement describing an operational risk mitigation activity.

3.6 Data Collection Methods

Operational risk assessment tool and MLQ have been employed to measure the operational risks and leadership styles present within CCBA Ethiopia. A soft copy of the questionnaire was sent to 60 employees while the rest of the questionnaire were distributed in hard copy.

3.7 Data Analysis Methods

Summary of age, gender, managerial position, and other demographic data has been presented. Mean values from the dimensions Operational Risk Assessment Tool completed by managers have been summarized using SPSS. The most significantly mitigated risk of CCBA Ethiopia has been inferred based on the summary of the value of the attributes. The operational risk has been summarized using tables and graphs for the risk dimensions. Similar procedures have been followed to identify the leadership style of managers. Once the mean values of organizational risk and leadership style of each greater manages were measured a regression analysis was carried out to see the casual links between leadership style and operational risk.

The following regression model, SPSS, has been used to test the effect of leadership style on operational risk.

$$(OR)_i = \beta_0 + \beta_1 S_1 + \beta_2 S_2 + \beta_3 S_3 + \varepsilon \dots \dots \dots I$$

Where:

$OR = \text{Organizational Risk for the } i^{\text{th}} \text{ department } (i=1, 2, 3 \dots n^{\text{th}})$

$S_1 = \text{Transformational Leadership Style for } i^{\text{th}} \text{ department } (i=1, 2, 3 \dots n^{\text{th}})$

$S_2 = \text{Transactional Leadership Style for the } i^{\text{th}} \text{ department } (i=1, 2, 3 \dots n^{\text{th}})$

$\beta_0, \beta_1, \beta_2, \beta_3 \dots$ are regression constants

$\varepsilon \dots$ Standard error

To enhance clarity of the results, tables, and graphs were used to present the data analysis each accompanied by descriptive narratives. This model was deemed appropriate due to the quantitative nature of the study.

3.8 Reliability and Validity

Reliability and validity assessments demonstrate the quality of the methods used and the data gathered while carrying out this research. Reliability is the measure of the consistency, stability, and dependability of a set of data. A reliable data is a data that consistently presents the same results repeatedly, thus an inconsistent result leads to an unreliable data. Reliability of data can be measured using Cronbach's Alpha, a coefficient that demonstrates whether the gathered data is reliable and internally consistent.

The extent to which an instrument measures what it is meant to measure is referred to as validity. Data need not only to be reliable but also true and accurate. If a measurement is valid, it is also reliable. The content of validity of the data collection instrument is determined through discussing the study instrument with the experts in the field of study, in this case the research advisor. The valuable comments and suggestions, given by the advisor assisted the validation of the instrument. Before issuing the questionnaire to respondents, comments and suggestions given by the advisor have been applied accordingly.

A Cronbach's Alpha value of 0.961 was acquired for measures of operational risk while leadership styles yielded a 0.674 score. While the value for operational risk is highly reliable, the value for leadership styles is moderately reliable. As the overall reliability of the scale was found to be 0.865 demonstrated in the table below, it indicates the reliability of the overall assessment.

Table 2 Reliability Measure of Instrument

Item-Total Statistics	
	Cronbach's Alpha
Operational Risks	0.961
Leadership Styles	0.674
Overall Score	0.865

3.9 Ethical Considerations

Each discipline has its own ethical guidelines regarding the treatment of human participants during the study. Ethical considerations deal with how the researcher treats those who participated in the study and how the participants are treated after the data collection. For this particular research, the privacy and anonymity of the participants were kept, and all information has been received confidentially.

Accordingly, the questionnaire has been distributed to voluntary participants and had a clear introduction and instruction parts regarding the purpose of the study.

Chapter 4: Data presentation, Analysis, and Discussion

4.1 Chapter Overview

The primary goal of this research is to look at the role leadership styles play in successfully mitigating operational risks. This chapter will present and analyze the data collected from various respondents at Coca-Cola Beverages Africa Ethiopia including response rate, respondent profile, and descriptive and inferential statistical analysis.

4.2 Data Overview

The soft and hard copy of the questionnaire was distributed to 115 employees of CCBA-Ethiopia. From the 115 questionnaires, 102 were completed, 4 incomplete and 9 were not returned, with a response rate of 89%, which is acceptable.

Table 3 Response Rate

Response Rate	
	Percent
Returned	89%
Incomplete	3%
Not Returned	8%

4.3 Descriptive Statistics

Demographic data of gender, age, years served at CCBA Ethiopia, and working position (managerial, non-managerial) were collected as summarized in the table below.

75.6% of the respondents were male while 23.5% were female; CCBA Ethiopia’s employee data demonstrates that close to 20% of the employees are female, supporting the respondents’ demographic data.

60.8% of the respondents’ work in managerial positions while 39.2% work in non-managerial positions which include supervisory positions, placing them in some way at decision making roles. A majority of the respondents are in the 26-35 years age group at 74% of total respondents, while age group 36-50 follows at 15.60.8% of 7%.

Table 4 Demographic Data Summary

		Demographics			
		Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	78	76.5	76.5	76.5
	Female	24	23.5	23.5	100.0
Position	Non-Management	40	39.2	39.2	39.2
	Management	62	60.8	60.8	100.0
Age	20 - 25	8	7.8	7.8	7.8
	26 - 35	76	74.5	74.5	82.4
	36 - 50	16	15.7	15.7	98.0
	Above 51	2	2.0	2.0	100.0
Years of Service	Under 5 Years	46	45.1	45.1	45.1
	5 - 10 Years	40	39.2	39.2	84.3
	10 - 15 Years	12	11.8	11.8	96.1
	15 - 20 Years	4	3.9	3.9	100.0

45.1% of employees have worked at CCBA Ethiopia under 5 years while 39.2% have worked between 5-10 years, demonstrating that the work force is dominated by young employees further followed by employees with vast experiences within CCBA Ethiopia.

4.4 Descriptive Analysis of the Results

This study uses descriptive statistics to provide an analysis to each inquiry from the questionnaire and give an explanation to the response that the respondent gave on the five-point Likert scale. The results derived from the questionnaire have been summarized in graphs and tables, providing an opportunity to explain in simple terms what leadership styles leaders follow and the role the leadership style plays in mitigating operational risks.

4.3.1 Leadership Styles

Leaders were asked to assess how frequently they practice the leadership styles of transactional leadership and transformational leadership. From the 102 respondents, a clear preference for transformational leadership is visible as presented on the two graphs below.

Transactional leadership, a leadership type rooted on rewarding achievement and monitoring deviations and mistakes is present within CCBA Ethiopia’s leadership, however not to a great extent. For instance, a majority of the respondents selected often for questions regarding rewarding achievement while choosing sometimes or rarely for questions relating to monitoring irregularities and mistakes.

On the other hand, majority of respondents selected often for all five measures of transformational leadership with very low responses with rarely or never.

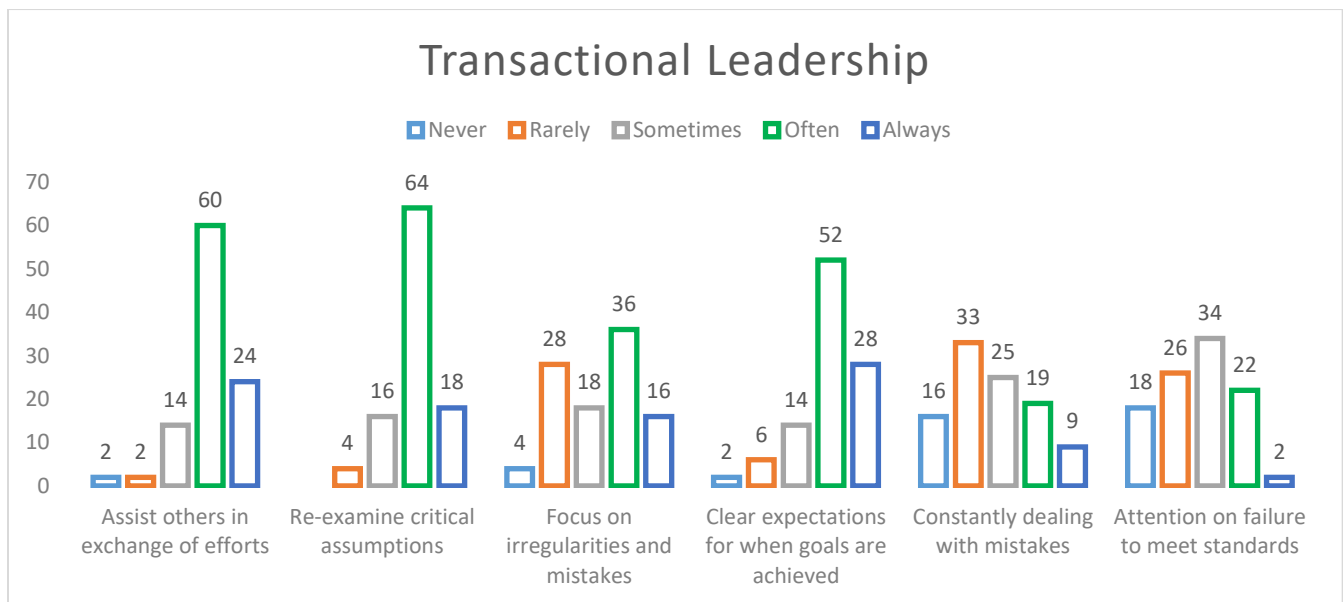


Figure 3 Transactional Leadership Indicators

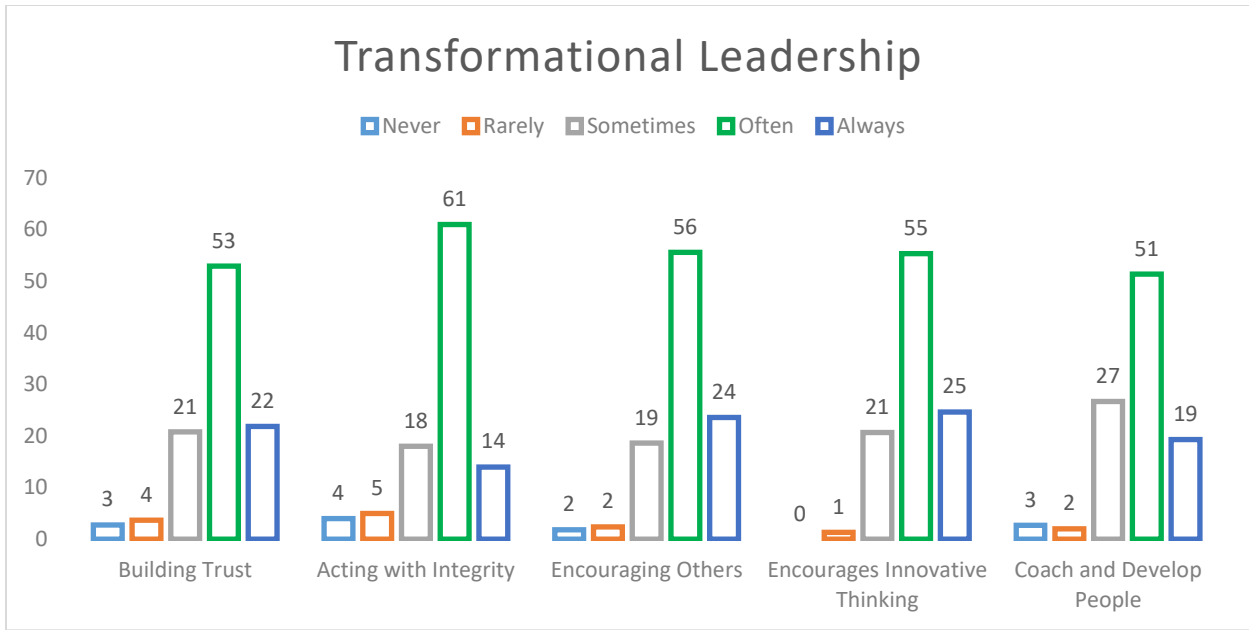


Figure 4 Transformational Leadership Indicators

Considering the mean and standard deviation for leadership styles implemented, transformational leadership indicators earned a mean value of 3.89 while transactional leadership styles yielded 3.33 mean value; transformational leadership styles have a slight increase in mean value as compared to transactional leadership, signifying a slight preference and application of transformational leadership practices within CCBA Ethiopia.

Table 5 Mean Values of Leadership Styles

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Transactional Leadership	102	1.86	4.57	3.3305	.53640
Transformational Leadership	102	1.63	4.70	3.8902	.51127
Valid N (listwise)	102				

4.3.2 Operational Risks

Operational risks were measured based on four risk areas and how strongly the leadership mitigated or had practices in place to mitigate the risk factors. Respondents were asked to rate how strongly they agreed or disagreed with the statements describing the measures already in place to mitigate risk or the systems they have in place for the gathering potential risks.

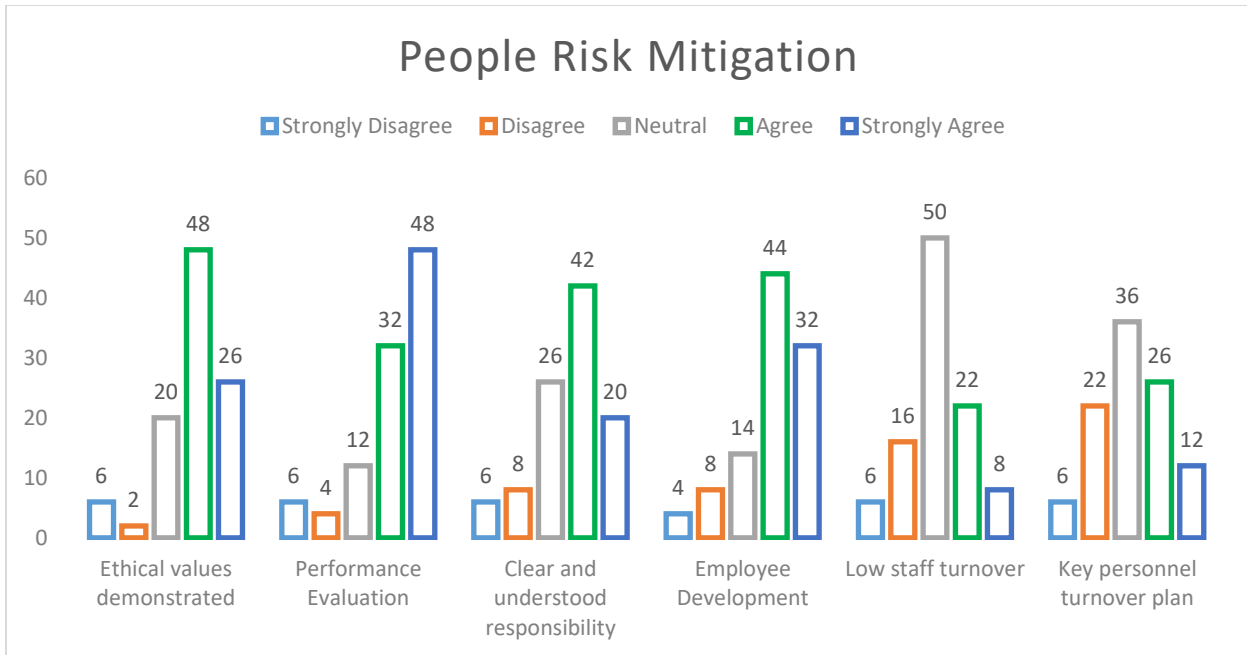


Figure 5 Effective Mitigation of People Risk

Demonstrated on the figure above, the descriptors for people risk mitigating summarized lean to the positive mitigation of people risks except for two points, the existence of high turnover within the organization and the inexistence of a contingency plan in the case of critical personnel turnover. Apart from the two risk factors, respondents agreed or strongly agreed of the other measures of risk mitigation.

On the other hand, process risk, the second risk area is demonstrated in the graph below, shows that the agreement of the respondent with the statements outlining the measures set in place to identify, assess, and mitigate process risks that may arise. Majority of respondents agreed to some extent about the existence of process risk mitigation measures, however, in areas such as the existence of a plan in case critical tasks are interrupted, there is doubt in the respondents with the second largest responders marking neutral.

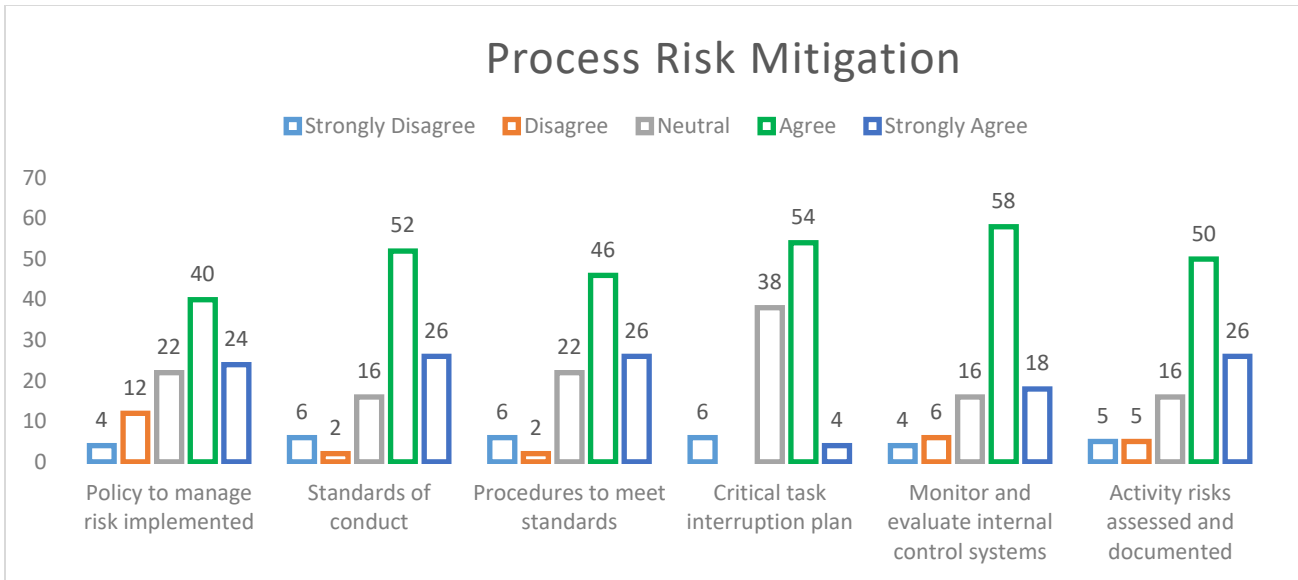


Figure 6 Effective Mitigation of Process Risk

System risks, risks arising from potentially failed internal systems and technology, are demonstrated to a slightly higher preparedness as the visibly high response of agree as seen from the graph below. System risks are mitigated as per the responses through various measures such as having a system in place for feedback from stakeholders, a system for reporting and information flow and an information storage and access system.

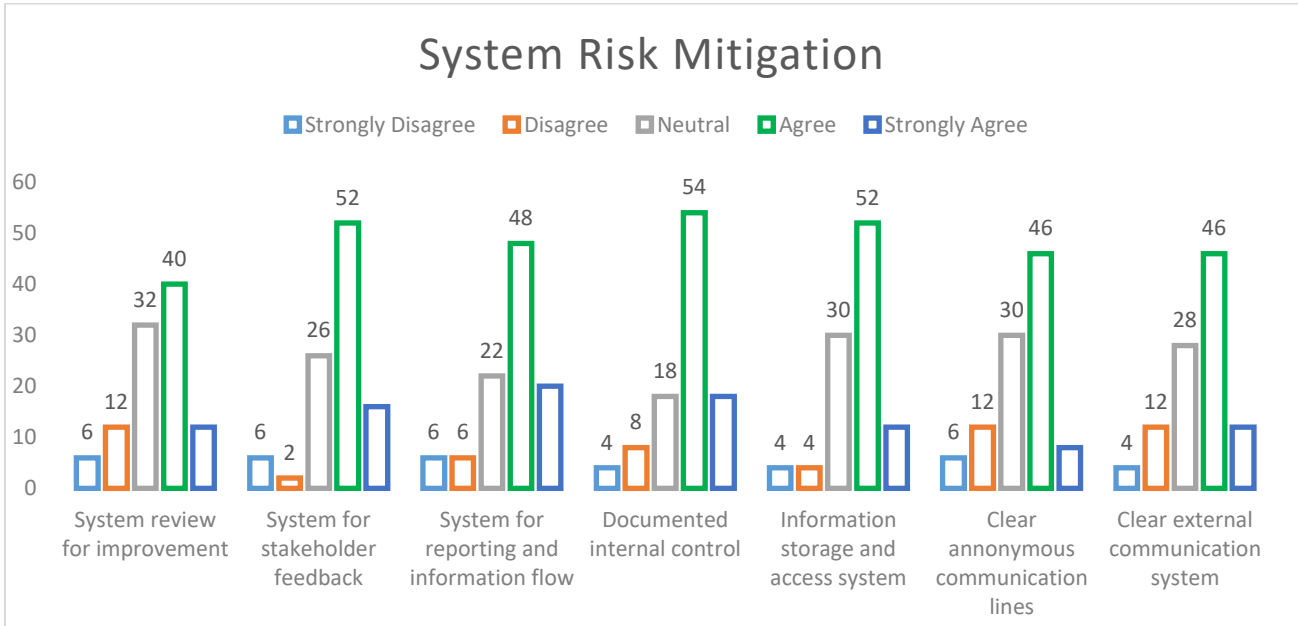


Figure 7 Effective Mitigation of System Risk

Finally, the measures of external risk mitigation are displayed on the graph below. Similar to the results demonstrated above for other risk areas, majority of respondents seem to agree with the statements describing external risk mitigation, apart for one risk factor, the applicability of external regulations. The risk factor, the organization’s subjectability to external laws, regulations, contracts and reporting requirements to outside entities, has majority responses of neutral, with approximately equal disagree and agree responses, raising the doubt on whether the question was ambiguous, or the respondents lack the proper knowledge regarding this question. Apart from this one question however, the responses below all demonstrate the slightly high level of agreement with measures taken to identify and address external risks.

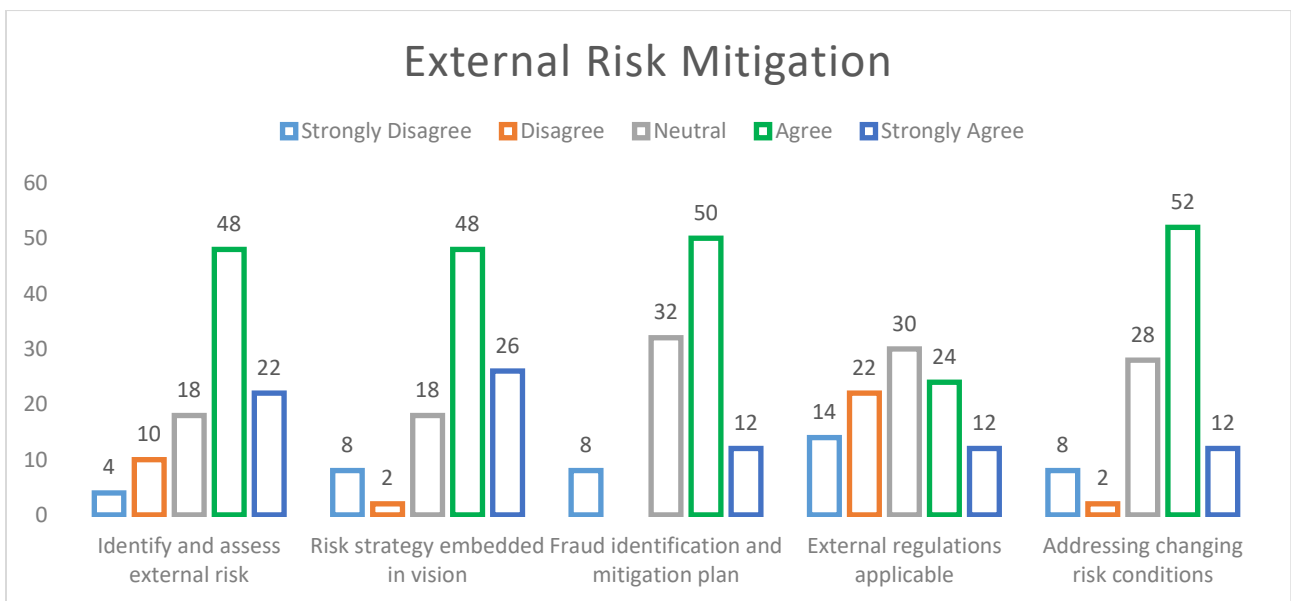


Figure 8 Effective Mitigation of External Risk

The mean values calculated for each risk type further support the data graphed above as the mean values of each risk factor lies between 3.5 and 3.8, the higher range of the agree spectrum. As such, it can be claimed that the four risk areas of people risk, process risk, system risk and external risk are agreed to be effectively mitigated by the leadership of CCBA Ethiopia. Considering the different risk factors presented in the table below and corresponding mean values, it can effectively be argued that process risk is agreed to be most effectively mitigated with a mean value of 3.758 while external risk is agreed to be least effectively mitigated with a mean value of 3.529.

Table 6 Mean Values of Risks

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
People Risk	102	1.00	4.67	3.6176	.81804
Process Risk	102	1.00	5.00	3.7582	.83338
System Risk	102	1.00	5.00	3.5686	.81682
External Risk	102	1.00	4.60	3.5294	.76126
Valid N (listwise)	102				

4.5 Correlation Analysis

Correlation analysis is a statistical analysis method used to measure the strength of the relationship between two variables; as such it is used here to measure the strength of the relationship between leadership styles and risk mitigation at CCBA Ethiopia. This research sought to investigate the relationship between the independent variable, leadership styles, and the dependent variable, the successful mitigation of operational risks. This relationship was investigated using a correlation matrix by studying the effect of leadership styles on the mitigation of operational challenges.

Pearson’s correlation factor, denoted by r and found within the range $[-1,1]$ explains the strength of relationship between the two coefficients. A correlation factor of $0.5 < |r|$ demonstrates a strong correlation, whereas $0.3 < |r| < 0.5$ signifies a moderate relationship and $0.1 < |r| < 0.3$ is a weak correlation. A negative r value signifies a negative relationship (an increase in one variable leads to a decrease in the other variable or vice-versa), on the other hand, a positive r value signifies a positive relationship (an increase in one variable leads to an increase in the other variable).

Table 7 Pearson's Correlation Factor

		People Risk	Process Risk	System Risk	External Risk
Transformational Leadership	Pearson Correlation	.272**	.251*	0.191	.223*
	Sig. (2-tailed)	0.006	0.011	0.054	0.024
Transactional Leadership	Pearson Correlation	0.102	0.097	0.099	0.125
	Sig. (2-tailed)	0.309	0.331	0.325	0.211

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

* . Correlation is significant at the 0.05 level (2-tailed).

With considerations of Pearson's correlation factor demonstrated on the above table, the significant relationship between leadership styles and the different operational risks can be understood.

A moderate relationship exists between transformational leadership and successful mitigation of people risk at a correlation coefficient of 0.272 while transformational leadership and process risk yield a Pearson's correlation of 0.251, which is also moderately strong. Additionally, transformation leadership relates with external risk mitigation with a correlation factor of 0.223. As all three correlation factors are below 0.3, all three relationships can be deemed weak correlations while the relationship between transformational leadership and system risk can be deemed insignificant at a Pearson's correlation of 0.191.

On the other hand, at the chosen alpha (α) level of 0.1, a 2-tailed significance value (p) 0.006 for the relationship between transformational leadership and people risk, 0.011 for the relationship between transformational leadership and process risk, and 0.024 between transformational leadership and external risk, implying a high significance. Transformational leadership and system risk, at a p level of 0.054 implies moderate significance.

On the other hand, transactional leadership presents p levels of 0.309 with people risk, 0.331 with process risk, 0.325 with system risk and 0.211 with external risk implying insignificant relationship.

Therefore, in reference to the hypothesis, the below statements can be derived considering the Pearson correlation and 2-tailed significance values.

There is a moderately strong and significant relationship between transformational leadership and people risk while there is a weak but significant relationship between transformational leadership, process risk and external risk. The relationship between transactional leadership and the four risk areas area is very weak and insignificant.

4.6 Model Diagnosis Tests

4.6.1 Normality Test

Normality tests are used to determine if a data set is modelled by a normal distribution. In this research, the Kolmogorov-Smirnov and Shapiro-Wilks's normality tests are used to determine the statistical normality of a variable's distribution. For both tests, a significance value less than alpha ($\alpha=0.1$) rejects the null hypothesis and deems the data not normally distributed while a significance value greater than α accepts the null hypothesis and supposes the data normally distributed. The Shapiro-Wilk normality test

is a specific test for normality, whereas the Kolmogorov-Smirnov test is more general, making it less powerful. Thus, Kolmogorov-Smirnov's test correctly rejects the null hypothesis of normality less often.

Table 8 Normality Test Results

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
People Risk	0.173	102	0.000	0.847	102	0.000
Process Risk	0.163	102	0.000	0.845	102	0.000
System Risk	0.164	102	0.000	0.862	102	0.000
External Risk	0.195	102	0.000	0.841	102	0.000

a. Lilliefors Significance Correction

For all four risk areas, significance levels of less than 0.01 are demonstrated asserting that the data is not normally distributed, and the null hypotheses are rejected.

4.6.2 Multicollinearity Test

Multicollinearity is a statistical concept where several independent variables in a model are correlated. Two variables are perfectly collinear if their correlation coefficient is +/- 1.0. Multicollinearity test is used to estimate the coefficients stability and see whether the standard errors of the coefficient are high or low.

A variance inflation factor (VIF) detects multicollinearity in regression analysis. Multicollinearity is when there is correlation between independent variables, its presence can adversely affect regression results. VIF estimates how much the variance of a regression coefficient is inflated due to multicollinearity in the model. A VIF value of 1 means not correlated, between 1 and 5 means moderately correlated, and greater than 5 means highly correlated. The higher the VIF value goes, the less reliable the regression results will be, indicating a VIF value higher than 10 could be cause for concern.

Table 9 VIF Values

		Coefficients^a	
		Tolerance	VIF
1	Transactional Leadership	0.741	1.349
	Transformational Leadership	0.741	1.349

a. Dependent Variable: People Risk, Process Risk, System Risk, External Risk

As demonstrated on the tables above, VIF values of 1.349 is found, demonstrating a moderate correlation between the independent variables.

4.7 Effect of Leadership Styles on Mitigating Operational Risks

To address the research questions, the study aimed to determine the relationship between independent factors (transformational leadership style and transactional leadership styles) and dependent variable (mitigation of operational risks).

As a result, the following model was used to perform multiple linear regression:

$$(OR)_i = \beta_0 + \beta_1 Tr + \beta_2 Tx + \varepsilon \dots\dots\dots$$

Where:

$OR =$ Organizational Risk for the i^{th} department ($i=1, 2, 3 \dots\dots\dots n^{th}$)

$Tr =$ Transformational Leadership Style for i^{th} department ($i=1, 2, 3 \dots\dots\dots n^{th}$)

$Tx =$ Transactional Leadership Style for the i^{th} department ($i=1, 2, 3 \dots\dots\dots n^{th}$)

$\beta_0, \beta_1, \beta_2 \dots\dots\dots$ regression constants

$\varepsilon \dots\dots\dots$ Standard error

Table 10 Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.214	0.606		3.654	0.000
Transactional Leadership	-0.029	0.161	-0.020	-0.177	0.860
Transformational Leadership	0.386	0.169	0.258	2.280	0.025

Regression analysis yielded the Standardized coefficients beta (β) of 0.258 for transformational leadership and -0.020 for transactional leadership.

$$(OR)_i = 0.258 Tr - 0.02 Tx + \varepsilon$$

Due to the positive β value for transformational leadership, there is a positive relationship between transformational leadership and successful mitigation of operational risks. On the other hand, the negative

β coefficient for transactional leadership is associated with a negative relationship between transactional leadership and successful mitigation of operational risk.

With consideration of the significance level correlating the dependent and independent variables, the hypothesis from chapter two has been accepted and rejected as demonstrated below.

H1, which hypothesized that there is a significant and positive relationship between transactional leadership style and the successful mitigation of people operational risks has been rejected due to the significance level of 0.661 which is more than 0.05, leading the hypothesis to be refuted.

On the other hand, H5, which claimed that there is a significant and positive relationship between transformational leadership style and the successful mitigation of people operational risks has been proved to be correct with a significance level of 0.009, which is significantly lower than 0.05.

Table 11 Leadership Styles vs People Risks

Coefficients^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.019	0.643		3.138	0.002
Transactional Leadership	-0.075	0.171	-0.049	-0.440	0.661
Transformational Leadership	0.475	0.180	0.297	2.648	0.009

a. Dependent Variable: People Risk

H2, which hypothesized that there is a significant and positive relationship between transactional leadership style and the successful mitigation of process operational risks has been rejected due to the significance level of 0.719 which is more than 0.05, leading the hypothesis to be debunked.

On the other hand, H6, which claimed that there is a significant and positive relationship between transformational leadership style and the successful mitigation of process operational risks has been proved to be correct with a significance level of 0.018, which is significantly lower than 0.05.

Table 12 Leadership Style Vs Process Risk

		Coefficients^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.249	0.660		3.410	0.001
	Transactional Leadership	-0.063	0.175	-0.041	-0.361	0.719
	Transformational Leadership	0.442	0.184	0.271	2.401	0.018

a. Dependent Variable: Process Risk

H3, which hypothesized that there is a significant and positive relationship between transactional leadership style and the successful mitigation of system and technology operational risks has been rejected due to the significance level of 0.989 which is more than 0.05, leading the hypothesis to be disproved.

On the other hand, H7, which claimed that there is a significant and positive relationship between transformational leadership style and the successful mitigation of system and technology operational risks has also been rejected as the significance level of 0.1 is higher than 0.05.

Table 13 Leadership Style Vs System Risk

		Coefficients^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.377	0.656		3.623	0.000
	Transactional Leadership	0.002	0.174	0.002	0.014	0.989
	Transformational Leadership	0.304	0.183	0.190	1.662	0.100

a. Dependent Variable: System Risk

H4, which hypothesized that there is a significant and positive relationship between transactional leadership style and the successful mitigation of external operational risks has been rejected due to the significance level of 0.893 which is significantly higher than 0.05, leading the hypothesis to be discredited.

On the other hand, H8, which claimed that there is a significant and positive relationship between transformational leadership style and the successful mitigation of external operational risks has been rejected as the significance level is 0.061 which is slightly higher than 0.05.

Table 14 Leadership Style vs External Risk

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.210	0.607		3.640	0.000
Transactional Leadership	0.022	0.161	0.015	0.135	0.893
Transformational Leadership	0.321	0.169	0.215	1.892	0.061

a. Dependent Variable: External Risk

Chapter 5: Conclusion and Recommendation

5.1 Chapter Overview

This chapter summarizes the major findings of the study, conclusions derived from findings and recommendations for the organization and further studies.

5.2 Summary of Major Findings

This research, carried out to assess the role of leadership styles in mitigating operational risks, has yielded some interesting findings that can lead to further research across other industries and within CCBA Ethiopia.

With a target population of 96 employees, the questionnaire was distributed to 115 employees where 102 employees completed and returned the questionnaire, with an 89% return rate, which is more than expected. Data was collected through a questionnaire which was then analyzed with quantitative, descriptive and regression analysis tools using SPSS software.

The descriptive analysis revealed that within CCBA Ethiopia's internal leadership, transformational leadership is slightly more apparent than transactional leadership with a mean value of 3.89 as opposed to 3.33 according to Table 7, Mean values of leadership styles.

Contrarily, the questionnaire revealed that employees believe process risks (mean value of 3.7582) are mitigated slightly better than people risk, and system risk, with external risk receiving the lowest mean value of 3.5, which is still a significant agreement to the successful mitigation of operational risks.

Considering the correlation between leadership styles and mitigation of operational risks, the weak but significant relationship between transformational leadership and people risk, process risk, and external risk has been witnessed due to the relatively moderate Pearson's correlation factor and the highly significant 2-tailed significance values. The relationship between transformational leadership and system risk is very weak and insignificant. Similarly, the relationship between transactional leadership and the four areas of operational risk is very weak and insignificant due to the very low Pearson's correlation factors and insignificant 2-tailed significance values.

Multiple regression analysis yielded the below relationship between the mean values of operational risks and transformational and transactional leadership styles, signifying the positive relationship between the

successful mitigation of operational risks and transformational leadership style, while there is a negative relationship between transactional leadership style and successful mitigation of operational risks.

$$(OR)_i = 0.258 Tr - 0.02 Tx + \varepsilon$$

5.3 Conclusion

Leadership styles and operational risks cover a wide range of topics and are difficult to sum up in one research. This project sought to investigate the relationship between leadership styles and factors of operational risks with the aim of contributing to the existing empirical and conceptual data in the field. With the aim of studying the relationship between leadership styles and operational risks, eight hypotheses were put forth based on empirical data. Of these eight hypotheses, only two were proven to be correct using multiple regression analysis while the other six were rejected. The two hypotheses that were proved to be correct, H5: The positive and significant relationship between transformational leadership and successful mitigation of people risks and H6: The positive and significant relationship between transformational leadership and successful mitigation of process risks demonstrate that the hypotheses were partially founded.

It is understood that leaders have a role to guide their employees as well as organizations to a better future with a shared vision. One of the major tasks of leaders, therefore, is to identify, assess, analyze, and mitigate all operational risks that may arise from the internal or external environment. The successful mitigation of operational risks prolongs the organization's life, aids the profitability of organization, and contributes to the satisfaction of employees. However, when we say leaders have the responsibility to identify, assess, analyze, and mitigate operational risks, this also includes having a system in place for feedback from stakeholders, internal and external, about potential risks that might have gone unnoticed by the leadership due to lack of exposure or opportunity to encounter the risk. For such matters, leadership needs to have a system in place where employees and stakeholders can bring to light the operational risks they might face or the risks they have identified.

As much as leadership focuses on getting the job done and bringing about organizational change and success, developing employees is also a strong area of focus, if not the most important one. Therefore, it is highly essential that employees have the platform and opportunity to raise concerning risk to management without fear of reprimand, repercussions, or unfair treatment.

In conclusions, leaders need to have a proper system in place to identify, assess and mitigate risks on their own as well as implement a system where employees and stakeholders can communicate the risks they have identified.

5.4 Recommendations

Based on the results discussed in the previous chapter and subchapters, the below recommendations can be made to the leadership of CCBA Ethiopia.

Leadership should focus on the successful mitigation of external and system risks as the two risk factors are not mitigated as effectively and successfully as people and process risks. An internal assessment of system risks can be carried out to investigate the gaps observed and corrective action can be taken following the assessment.

On the other hand, the leadership style of leaders needs further development as some leaders have development area to improve their leadership style and effectiveness.

People operational risks, especially concerning causes for high staff turnover and contingency plans in the event of a critical employee turnover have not been mitigated as effectively as other people risk indicators, which is a cause for concern. It is recommended that CCBA Ethiopia look closely at the reason for high staff turnover and develop a contingency plan in the event of the turnover of critical employees.

Considering external operational risks, there seems to be a lack of understanding or knowledge about the various external regulations and laws CCBA Ethiopia has to follow, which demonstrates a gap in the knowledge of employees. It is recommended that CCBA Ethiopia implement various interventions where inter-department knowledge can be shared, improving the overall understanding of operations and operational risks by all employees, regardless of their work position or department.

The successful mitigation of operational risks through the utilization and implementation of transformational leadership has been proven in comparison with transactional leadership, thus CCBA Ethiopia leaders should make the conscious decision to implement transformational leadership styles to better mitigate operational risks, The Human Resources Department can also provide leadership training for leaders to develop their transformational leadership techniques.

5.5 Further Research

The topic of leadership styles and operational risks has been an informative and interesting one. Further research can be carried out using quantitative research to investigate the specific operational risks identified and mitigated due to the leadership styles at CCBA Ethiopia, focusing on the risk and compliance department. Additionally, further research can be carried out in cross-sectional industry for larger sample size and to further investigate the relationship between leadership style and successful mitigation of operational risks in other organizations and industries.

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Appendix 1: Questionnaire

Dear Respondent

This questionnaire intends to gather information for a project work to be commenced concerning leadership styles and operational risks in the case of Coca-Cola Beverages Africa, Ethiopia in partial fulfilment of the requirements for the Master of Art in Business Leadership degree and to be submitted to Addis Ababa University School of Commerce. Therefore, I humbly request you to consider your participation in responding to the questionnaire is of high importance to give the research a great deal of clarity about the issue. The information to be collected from you is solely for academic purposes and will be treated with strict confidentiality.

22	I consider an individual as having different needs, abilities and aspirations from others.	1	2	3	4	5
23	I get others to look at problems from many different angles.	1	2	3	4	5
24	I help others to develop their strengths.	1	2	3	4	5
25	I suggest new ways of looking at how to complete assignments.	1	2	3	4	5
26	I emphasize the importance of having a collective sense of mission.	1	2	3	4	5
27	I express satisfaction when others meet expectations.	1	2	3	4	5
28	I express confidence that goals will be achieved.	1	2	3	4	5
29	I am effective in meeting others' job-related needs	1	2	3	4	5
30	I use methods of leadership that are satisfying.	1	2	3	4	5
31	I get others to do more than they expected to do.	1	2	3	4	5
32	I am effective in representing others to higher authority	1	2	3	4	5
33	I work with others in a satisfactory way	1	2	3	4	5
34	The organization's top management identify, assess, decide, implement, audit, and supervise the operational risks.	1	2	3	4	5
35	I am effective in meeting organizational requirements.	1	2	3	4	5
36	Successfully executed risk strategy often results in risk being firmly embedded in the vision, strategies, tools, and tactics of the organization	1	2	3	4	5
37	I lead a group that is effective.	1	2	3	4	5

Operational Risks

Key

	1	2	3	4	5				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree				
1	The organization's top management identify, assess, decide, implement, audit, and supervise the operational risks.				1	2	3	4	5
2	Successfully executed risk strategy often results in risk being firmly embedded in the vision, strategies, tools, and tactics of the organization				1	2	3	4	5
3	There is a strategic policy at the board level to focus on managing risk at all levels and conscious efforts are made to ensure that these policies are communicated at all levels and across the entire value chain.				1	2	3	4	5
4	The oversight body and/or management demonstrate the importance of ethical values and integrity through their directives, attitudes, and behaviour.				1	2	3	4	5
5	Management has established standards of conduct and has clearly communicated those expectations at all levels throughout the organization.				1	2	3	4	5
6	Performance of individuals and teams/units/departments are evaluated at least annually to ensure adherence to the organization's standards of conduct.				1	2	3	4	5
7	Management takes seriously deviations from standards and has implemented clear policies and procedures to ensure that these types of behaviours are dealt with consistently and timely.				1	2	3	4	5
8	The oversight body routinely reviews and provides input for deficiencies related to the design, implementation, and maintenance of the organization's system of internal controls taking into account the potential for fraud.				1	2	3	4	5
9	The organization has a system in place to communicate and receive input from stakeholders' and further evaluate the potential impact on achieving its objectives.				1	2	3	4	5

10	Management has established, and evaluates periodically, lines of reporting to enable execution of authorities and responsibilities and the flow of information to manage the activities of the organization.	1	2	3	4	5
11	Responsibilities and delegation of authority have been appropriately assigned and appear to be clearly understood and observed by employees throughout the organization.	1	2	3	4	5
12	Written documentation exists covering the organization's internal control structure and for all significant transactions and events. They are readily available for its intended user.	1	2	3	4	5
13	Training opportunities are available and encouraged for both new and existing employees to develop the knowledge and skills required to perform their duties.	1	2	3	4	5
14	There is rarely turnover in key management or staff.	1	2	3	4	5
15	The organization has identified critical employees and their associated roles and responsibilities and has developed a contingency plan for the departure of such an employee.	1	2	3	4	5
16	The organization has procedures in place to identify and address potential interruptions of critical tasks.	1	2	3	4	5
17	The organization has documented its consideration of the various types of fraud and misconduct that can occur including the incentives and pressures, opportunities and rationalizations that could potentially promote fraud as well as its response to mitigate such risks.	1	2	3	4	5
18	The organization is subject to external laws, regulations, contractual, or reporting requirements of outside entities.	1	2	3	4	5
19	Management has procedures in place to address changing conditions that may prompt new risks or changes to existing risks that could significantly impact its system of internal controls.	1	2	3	4	5
20	Management has procedures in place to identify information requirements; capture relevant information from reliable sources, and process that data into information that is appropriate, current, complete, accurate, and accessible.	1	2	3	4	5
21	There are established clear lines of communication occurring in all directions within the organization including hotlines and whistle-blower programs of which employees have been made aware.	1	2	3	4	5
22	Management has established lines of open communication for the exchange of relevant and timely information to external parties to maintain relationships as well as from external parties to stay informed of and address changes that may impact operations and/or internal controls.	1	2	3	4	5
23	Management has procedures in place for monitoring and evaluating the results of internal controls to determine whether controls are operating effectively and as intended.	1	2	3	4	5
24	Management has procedures in place for evaluating and documenting internal control issues and for communicating them to all parties responsible for taking corrective action.	1	2	3	4	5
25	Documented procedures are in place to assess risks related to the implementation of Lean activities and to mitigate the likelihood that they will have a significant impact on key internal controls.	1	2	3	4	5