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COLLEGE OF BUSINESS AND ECONOMICS

SCHOOL OF COMMERCE

POST GRADUATE PROGRAM

**THE EFFECT OF LEADERSHIP STYLES ON
EMPLOYEE RETENTION: A CASE STUDY OF
TSEDEY BANK**

By: Daniel Alemayehu Bekele

June 2025

Addis Ababa Ethiopia

**THE EFFECT OF LEADERSHIP STYLES ON
EMPLOYEE RETENTION: A CASE STUDY OF
TSEDEY BANK.**

By: Daniel Alemayehu Bekele

**A Project Submitted To Addis Ababa University, School of
Commerce In Fulfilment Of The Requirements For The Degree
Of Master's Of Business Leadership**

Advisor: Dr. Bahran Asrat

June 2025

Addis Ababa, Ethiopia

DECLARATION

I, Daniel Alemayehu Bekele, certify that this thesis, "THE EFFECT OF LEADERSHIP STYLES ON EMPLOYEE RETENTION: A CASE STUDY OF TSEDEY BANK," is my original work, completed under the supervision of Bahran Asrat (Ph.D.). All materials utilized in this thesis are appropriately acknowledged. I further affirm that the thesis has not been submitted in part or in full to any other higher education institution to get a degree.

Daniel Alemayehu Bekele



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Signature

Addis Ababa University, Addis Ababa

June 2025

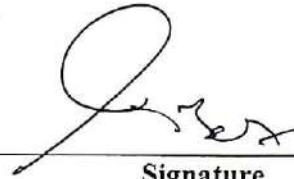
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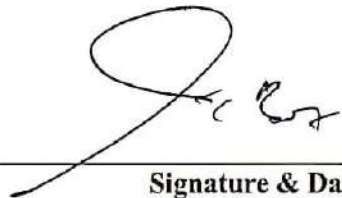
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Abstract

Employee retention is a critical issue for organizations, especially within the competitive banking sector in Ethiopia. This study aims to examine the effect of various leadership styles on employee retention at Tsedey Bank. The research focuses on five leadership styles: transformational, transactional, laissez-faire, democratic, and servant leadership, and their influence on employees' decisions to remain with the organization or not. A structured questionnaire was used to collect data from a total of 246 employees selected through proportionate stratified. The head office and the Addis Ababa District of Tsedey Bank were treated as a separate stratum to ensure fair representation. The collected data were analyzed using descriptive statistics, Pearson correlation, and multiple regression analysis through SPSS V26. The findings reveal that transformational, democratic, and servant leadership styles have a positive and significant effect on employee retention, while laissez-faire leadership has a negative effect. Transactional leadership showed no significant impact. Among the styles, servant leadership had the strongest positive influence on retention. The study concludes that adopting people-focused and participative leadership practices can play a vital role in retaining employees. Based on the results, recommendations are provided to improve leadership development and enhance employee retention at Tsedey Bank. This research adds valuable insights into the role of leadership in staff retention, contributing to both academic understanding and practical human resource strategies in Ethiopia's banking sector.

Keywords: Servant, Laissez Faire, Democratic, Transformational, Transactional, Employee Retention

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Acronym

DEML –Democratic (Participative) Leadership

ER –Employee Retention;

LFL –Laissez faire Leadership

SERL –Servant Leadership

SPSS - Statistical package for the social sciences

TRFL –Transformational Leadership

TRSL –Transactional Leadership

TSB – Tsedey Bank Share Company

CHAPTER 1: INTRODUCTION

This section describes the fundamental aspects of the research, encompassing the background of the study, the problem statement, principal research inquiries, objectives, the importance of the study, and its established scope.

1.1. Background of the Study

A robust banking sector serves as the backbone of national economic progress by efficiently mobilizing capital and directing funds toward growth-oriented investments (Saini & Jyoti, 2014). Within developing economies such as Ethiopia, financial institutions assume particular significance as catalysts for both macroeconomic stability and microeconomic improvement (Tefere, 2013).

These institutions realize their potential for development primarily through productive relationships between employers and employees. The nature of these interpersonal interactions significantly impacts institutional effectiveness, as bank personnel directly influence customer satisfaction, operational integrity, and adherence to regulations (PwC, 2021).

Banking institutions rely on steady, skilled, and motivated personnel to sustain a competitive advantage and successfully service consumers in a changing market (Argaw, 2023). Ethiopia's financial sector has undergone substantial alterations in recent years, owing to macroeconomic reforms, greater competition, and regulatory directions from the National Bank of Ethiopia (NBE). These reforms include changes to minimum capital requirements and the implementation of policies aimed at increasing the competitiveness and inclusivity of the banking system. Such changes have increased competition for talent in the industry, resulting in higher staff turnover (National Bank of Ethiopia, 2024).

The pivotal role of leadership in shaping workforce stability has been extensively documented in organizational research. Contemporary studies demonstrate that management approaches significantly impact three critical workforce dimensions: job satisfaction, organizational commitment, and retention likelihood (Khalid et al., 2018). When executed effectively, leadership behaviors can cultivate strong employee allegiance while successfully

navigating institutional transitions. However, inadequate leadership practices frequently precipitate workforce disengagement and attrition, particularly when managerial approaches diverge from employee needs (Khalid et al., 2018). Empirical investigations have systematically differentiated the effects of various leadership paradigms - notably transformational, transactional, and non-interventionist approaches - on staff motivation and organizational attachment (Bass, 1990; Hassan, 2019).

Tsedey Bank's transition from a microfinance firm to a fully licensed commercial bank in 2022 resulted in both strategic advantages and organizational challenges. While this move has expanded the spectrum of services and market reach, it has also raised severe concerns about employee retention. Internal HR records show a disturbing pattern of attrition: voluntary resignations increased from 207 in 2022 to 227 in 2023, reaching 253 in 2024. This 22.2% increase in attrition over two years offers significant operational concerns during the bank's critical expansion moment, as it now serves over 14.3 million customers through 627 locations, with 13,400 employees.

Due to the organizational changes and the varied professional experiences of its growing workforce, the leadership style has become a crucial factor affecting employee retention (Bhargavi & Yaseen, 2016). Although the impact of leadership on employee retention has been examined in several contexts, there is a scarcity of empirical research focused on newly established or transitioning banks in Ethiopia. The unique challenges encountered by Tsedey Bank, which include issues with cultural integration and gaps in strategic leadership, highlight the necessity for a study tailored to this specific context.

As a result, this study aimed to assess the influence of various leadership styles on staff retention at Tsedey Bank. This study will provide valuable insights into how leadership behaviors affect retention by examining the leadership styles used at the bank's headquarters and Addis Ababa locations.

1.2. Statement of the problem

Leadership significantly shapes employee perceptions, organizational culture, and retention outcomes (Khalid et al., 2018; Yukl, 2010). Recently, the Ethiopian banking sector has

undergone significant transformations due to regulatory changes, technological advancements, and rising customer expectations (Kebede & Lemi, 2020). These shifts have intensified competition for talented employees, creating challenges for financial institutions in retaining their workforce. In this context, effective leadership becomes essential for maintaining workforce stability, particularly in banks experiencing organizational changes.

Although numerous studies have investigated the relationship between leadership styles and outcomes such as organizational performance, satisfaction, change management, and workplace culture (Wasim et al., 2010; Kotter, 2012; Schein, 2011), little attention has been paid to employee retention as a distinct area of study, particularly within Ethiopian financial institutions. As employee turnover remains a chronic concern in the sector, the absence of empirical research on how leadership behaviors influence employee decisions to stay or leave has created a considerable knowledge vacuum.

Tsedey Bank, which formally changed from a microfinance institution to a full-fledged commercial bank in 2022, is now going through significant organizational, structural, and cultural changes. These developments have created new leadership dynamics and HR management problems. According to statistics from the bank's Human Resource Department, staff attrition has consistently increased from 207 in 2022 to 227 in 2023 and 253 in 2024. This increased trend indicates growing worries about personnel attrition, at a time when workforce continuity is critical to maintaining operational performance and service quality.

Although the importance of leadership in influencing employee happiness and organizational loyalty is becoming more widely acknowledged, no study has thoroughly examined how Tsedey Bank's leadership practices affect staff retention. Addressing attrition, boosting employee morale, and bolstering organizational resilience during a time of institutional change all depend on an understanding of this link. Thus, the purpose of this study is to investigate how various leadership philosophies affect Tsedey Bank employee retention, specifically focusing on management and administrative staff in Addis Ababa.

1.3. Research questions

1. What is the effect of transformational leadership on employee retention in Tsedey Bank?
2. What is the effect of transactional leadership on employee retention in Tsedey Bank?
3. What is the effect of laissez-faire leadership on employee retention in Tsedey Bank?
4. What is the effect of democratic (participative) leadership on employee retention in Tsedey Bank?
5. What is the effect of servant leadership on employee retention in Tsedey Bank?

1.4. Research objectives

1.4.1. General Objective

The primary goal of this study is to examine the relationship between leadership styles and employee retention at Tsedey Bank.

1.4.2. Specific Objectives

The specific objective of the study will include;

- To assess the impact of transformational leadership on employee retention in Tsedey Bank.
- To evaluate the effect of transactional leadership on employee retention in Tsedey Bank.
- To analyze the influence of laissez-faire leadership on employee retention in Tsedey Bank.
- To assess the effect of democratic (participative) leadership on employee retention in Tsedey Bank.

- To investigate the effect of servant leadership on employee retention in Tsedey Bank.

1.5. Significance of the study

This study is important for both academic and practical reasons, particularly within the context of Ethiopia's rapidly changing banking sector. While leadership has been widely acknowledged as a key factor in influencing organizational performance and employee outcomes, limited empirical research has been conducted on how different leadership styles affect employee retention within newly established or transforming commercial banks in Ethiopia. By focusing on Tsedey Bank, a financial institution currently navigating structural and operational transitions, this study will contribute valuable evidence to address an existing knowledge gap. The findings enhance the understanding of how leadership practices shape employee decisions to stay or leave, providing insights that are relevant not only to Tsedey Bank but also to other banks and organizations facing similar human resource management challenges.

Practically, the results of this research offer meaningful guidance for Tsedey Bank's leadership and human resource teams in identifying effective leadership approaches for improving employee retention. This will support the development of targeted leadership training, workplace management strategies, and employee engagement initiatives aimed at minimizing turnover, particularly among managerial and clerical staff. Furthermore, the study serves as a useful reference for HR professionals and scholars by providing context-specific data and recommendations that can inform leadership development programs and future research.

1.6. Scope of the study

Conceptually, this study was focused on examining the effect of various leadership styles on employee retention. Specifically, it assesses the influence of transformational, transactional, servant, democratic (participative), and laissez-faire leadership styles on employees' decisions to remain within the organization.

Empirically, the study was based on data collected from managerial and clerical employees working at Tsedey Bank's Head Office and Addis Ababa district branches. Non-clerical personnel such as messengers, security staff, and janitors will be excluded, as their roles are not closely associated with leadership interaction or managerial processes influencing retention.

Methodologically, the research employed a quantitative approach utilizing a structured, self-administered questionnaire to gather primary data. Responses were statistically analyzed to examine the relationship between leadership styles and employee retention. The study will adopt a cross-sectional design, collecting data at a single point in time.

Geographically, the study was limited to Addis Ababa City, where a significant concentration of the bank's leadership activities is situated, making it an appropriate and accessible setting for the research.

1.7. Organization of the study

This research paper was organized into five chapters. Chapter One presents the introduction of the study, including the background, statement of the problem, research questions, objectives, significance, scope, and potential limitations. Chapter two reviews related literature, covering theoretical perspectives and empirical findings on leadership styles and employee retention. It will also present the conceptual framework that will guide the study.

Chapter three outlines the research methodology to be employed, detailing the research design, study area, population, sampling techniques, data sources, data collection instruments, and methods of data analysis. Chapter four presented the results of the data analysis and provided a discussion of the findings concerning existing literature. Finally, chapter five offers a summary of the major findings, draws conclusions based on the results, and provides practical recommendations for Tsedey Bank and other stakeholders, along with suggestions for future research.

CHAPTER 2: REVIEW OF RELATED LITERATURE

2.1. Introduction

Any financial institution's capacity to retain knowledgeable and experienced staff is crucial to its long-term viability. The culture of the company, job happiness, and employee retention are all significantly impacted by leadership styles. The literature that has already been written about leadership styles and employee retention is reviewed in this chapter, along with theoretical viewpoints, empirical results, research gaps, research hypotheses, and the study's conceptual framework.

2.2. Theoretical Review

2.2.1. Concepts of Leadership

Leadership is still a popular yet challenging topic of study in fields including psychology, sociology, business, and military studies. There is still no one, widely recognized definition despite a great deal of study. Bass (1990), who noted that leadership has been defined in as many ways as there are people who study it, highlights this lack of agreement. However, according to a commonly recognized definition, leadership is the process by which one person persuades others to strive toward shared goals (Northouse, 2016). This concept highlights how leadership is relational and flexible, and how it plays a crucial role in determining organizational results.

Yukl (2010) characterizes leadership as a process that involves convincing others to agree on what actions are necessary, how to carry them out efficiently, and encouraging coordinated efforts to reach shared goals. In a similar vein, Mullins (2004) views a leader as someone who assigns responsibilities and inspires others to achieve defined objectives. These interpretations underscore leadership as a form of social influence that centers on motivating, guiding, and enabling individuals to make meaningful contributions to organizational performance. From this perspective, leadership extends beyond exercising authority; it involves cultivating commitment and aligning group efforts around a unified purpose (Bunmi, 2007).

A more transformational definition of leadership is provided by Burns (1978), who contends that it entails inspiring followers to work toward goals that are consistent with the leader's ideals as well as their own. This strategy goes beyond transactional leadership's fundamental give-and-take and instead focuses on motivating people to achieve better than they typically do. Daft (2015) expands on this idea by defining leadership as a relational process of influence that promotes sincere change motivated by common goals. According to this perspective, leadership is based on deep interactions between leaders and the people they lead, rather than being restricted to positions of formal authority or hierarchy.

2.2.2. Theories of Leadership

The concept of leadership has changed over time, evolving in response to broader shifts in society and organizational life. Strong leadership is often associated with better group performance because leaders help set direction and influence outcomes. While leadership research began mainly in business and management fields, it has since spread across many disciplines, each offering unique perspectives on what makes leadership effective (Powell, 2011). Therefore, this section aims to provide an overview of leadership theory and a timeline of recent developments.

2.2.2.1. *Great Man and Trait Theories*

Leadership researchers have identified many theories over time, starting with Trait Theory. This early theory suggested that good leaders are born with certain key qualities. It grew out of the Great Man theory and focused on pinpointing specific traits that make leaders effective. The idea was that by recognizing these traits, organizations could better select potential leaders (Powell, 2011).

Trait theory, Krekeler (2010) noted that personal characteristics and personality as key qualities that shape an individual's behavior. Kessler adds that a leader's traits are part of their overall personality. Scholars are increasingly interested in understanding a leader's personality type. The Great Man theory suggests that leaders earn their position because of specific, enduring traits that remain consistent across different times and groups. This implies that great leaders, regardless of their era or role, share these common characteristics (ibid).

Personality Trait		
Abilities <ul style="list-style-type: none"> • Administering • Ability • Aptitude • Initiative 	Personal Traits <ul style="list-style-type: none"> • Self-confidence • Definiteness • Manhood 	Motivators <ul style="list-style-type: none"> • Occupational success • Self-actualization • Power over others • Job security

Figure 2.2.1. The Traits Theory, adopted from Burke et al. (2006)

2.2.2.2. Behavior Theories

Behavioral theory shifts the focus from who leaders are to what they do. Researchers observe different patterns of behavior and categorize them into leadership styles like authoritarian, democratic, and laissez-faire (Bold et al., 2003). However, this approach doesn't provide clear guidance on how leaders should act; instead, it describes common behaviors seen in leaders (Northouse, 2007). The theory mainly looks at whether leaders are task-focused (initiating structure), people-focused (consideration), or a mix of both.

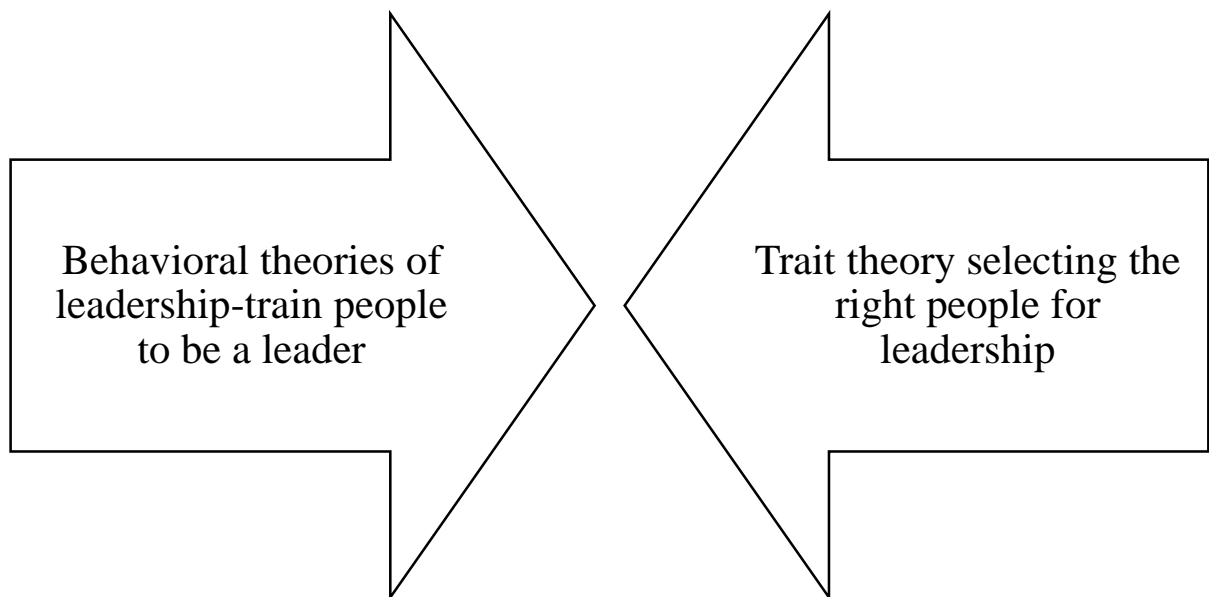


Figure 2.2.2. Relationship between Behavioural and Trait Theories

2.2.2.3. Contingency Theories

Contingency theory suggests that what works in one situation might not work in another. Leaders adjust their style and the level of guidance based on the needs of their followers and the context (Bold et al., 2003). For example, some situations call for an authoritarian approach, while others benefit from a democratic style. This theory highlights that effective leadership balances task direction and support, applying them appropriately depending on the circumstances (Northouse, 2007). Leaders assess their followers' needs and adapt their style accordingly.

2.2.3. Types of leadership style

Oyetunyi (2006) defines leadership style as the way a leader guides and manages others. Some leaders focus more on tasks, while others prioritize relationships with their team. Leadership effectiveness depends more on style than on personal traits, as it shapes how leaders interact and communicate with their organization. Because leadership style impacts group performance, it has been a key area of study for many years. Hassan Elsan (2019) identified several main leadership styles, including transformational, transactional, authoritarian, laissez-faire, servant, and democratic, each with unique characteristics and applications.

2.2.3.1. Transformational leadership style

Transformational leadership was one of the early concepts in leadership studies. James MacGregor Burns explored this idea in his work on political leadership, distinguishing it from transactional leadership (Yukl, 2014). Transformational leadership refers to a style that influences both individuals and the social systems they are part of. Through this approach, followers experience positive changes that can prepare them to become future leaders themselves (Kendrick, 2011). This style also connects with employees' moral values, raising their awareness and motivating them to push for institutional change (Yukl, 2014). When leaders use transformational methods, followers tend to feel trust, admiration, loyalty, and respect, often going beyond what is expected of them.

Transformational leadership is often praised for its ability to ease resistance to change by addressing it on a personal level. Resistance to change can seriously hinder a company's ability to adapt and survive (Hayes, 2007). According to Oreg and Berson (2011), employees are less likely to resist major organizational changes when transformational leadership is involved. The passion of transformational leaders positively influences employees' openness to change, making this style particularly effective during big transitions that require trust and confidence.

Idealized influence, inspirational motivation, intellectual stimulation, and individual consideration are four components of transformational leadership outlined by Bass in the context of organizations (Yukl, 2002).

- A. Idealized influence:** This is where the leader acts as a strong role model, showing high ethical standards and inspiring followers by living up to shared values.
- B. Inspirational Motivation:** Leaders communicate a compelling vision with enthusiasm, encouraging followers to embrace challenges and look forward to a positive future.
- C. Intellectual Stimulation** Leaders encourage creativity by helping followers see how their roles connect to the organization's goals, inspiring them to find innovative solutions.
- D. Individual Consideration** Leaders pay attention to each follower's unique needs, offering support and guidance like a coach or mentor, while truly listening to their concerns.

2.2.3.2. Transactional Leadership style

Transactional leadership focuses on monitoring employee performance and using incentives or penalties to manage it. This type of leader inspires their team by providing rewards for achieving objectives and penalties for not meeting them. Transactional leadership is more about guiding individuals to match their efforts with the goals of the company than transformational leadership, which is more about motivating followers. In a change

management context, for instance, staff members may be rewarded for effectively implementing new changes but disciplined if they fail to do so. By outlining expectations and goals precisely, this strategy aids in preserving order during times of transition (Bono, Hooper & Yoon, 2012).

Transactional leaders recognize that their followers have individual needs and motivations. They communicate how these needs will be met in exchange for the followers' efforts. By outlining the rewards and consequences tied to performance, these leaders motivate people to reach desired goals. Followers agree to cooperate because they expect rewards like money, praise, or resources, or they want to avoid penalties (Bass et al., 2003; Avery, 2004).

2.2.3.3. *Laissez-faire leadership style*

Luthans (2011) describes laissez-faire leadership as a style where leaders avoid responsibility and don't get involved in decision-making. Robbins and Judge (2013) agree, noting that these leaders tend to stay hands-off and uninvolved in their team's work. Because of this, it's hard to justify this style in most organizations. Laissez-faire leaders are often seen as inactive, which can hurt their team's performance (Judge and Piccolo, 2004). Hinkin and Schriesheim (2008) also describe this approach as passive, adding that such leaders tend to keep a distance from their followers.

According to James and Collins (2008), a laissez-faire leader is overly passive and reluctant to guide their team, sometimes even handing over their responsibilities entirely. This level of passivity can be seen as a lack of true leadership. In this style, the leader doesn't supervise the staff closely and often remains unaware of problems as they arise. Without clear direction or goals from the leader, employees end up making decisions on their own (Yahaya et al., 2011). Still, the leader remains ultimately responsible for decisions within the organization.

2.2.3.4. *Democratic (participative) Leadership Style*

Lewin's study showed that participative, or democratic, leadership is usually the most effective style. Democratic leaders guide their group but also take part in themselves and welcome input from others. Although children in this group were less productive than those

under authoritarian leaders, their work was of much higher quality. Similarly, McGregor described this style as caring and inclusive, linking it to Theory Y managers who trust and believe in their people. This approach tends to boost productivity, satisfaction, involvement, and commitment (Hackman, Johnson, & Choi, 2007).

Democratic leadership is exactly what it sounds like an open style where decision-making is shared among members of the organization. Everyone's input is valued, and people are encouraged to contribute to shaping the organization's vision (Hassan, 2019).

2.2.3.5. *Servant Leadership style*

Servant leadership is a style where leaders focus on serving others to gain influence, not power, whether they are managers or peers. According to Greenleaf, 1977, as cited in Greenberg, 2013), leaders should prioritize meeting the needs of their employees. Instead of seeing team members as serving the leader, this approach views leaders as there to support and help their team thrive.

2.2.4. The concept of employee retention

Mita, Aarti, and Ravneeta (2014) describe it as an intentional approach aimed at maintaining a stable and effective employee base that aligns with organizational goals. According to Johnson (2018), retention encompasses processes that motivate employees to remain within the organization through to the completion of strategic projects. Bhattacharya and Sharma (2020) emphasize the importance of cultivating a supportive and inclusive work environment that addresses the diverse needs of employees, thereby enhancing their commitment. Similarly, Mwiti et al. (2019) argue that the absence of effective human resource policies is a primary contributor to high employee turnover. Consequently, understanding the multifaceted nature of employee retention and implementing evidence-based strategies is critical for ensuring continuity, organizational learning, and competitive advantage.

2.2.4.1. *The importance of employee retention*

Effective employee retention is vital for maintaining organizational knowledge, productivity, and competitive performance. The departure of skilled employees often results

in the loss of experience, institutional memory, and job-specific expertise, which can adversely affect operational efficiency and service quality. Muchinsky and Morrow (1980) argue that high turnover not only increases recruitment and training costs but also disrupts team dynamics, reduces morale, and weakens workplace relationships. Edward (2011) further highlights the importance of knowledge transfer practices, which help preserve essential skills and information within the organization, while also fostering opportunities for internal growth and development. In competitive labor markets, dissatisfaction with job roles, management, or organizational support can prompt employees to explore alternative employment options (Fombrun & Shanley, 1990). To counteract this trend, Jiang (2012) underscores the critical role of human resource departments in designing policies that enhance job satisfaction and organizational commitment, thereby reducing turnover and securing long-term talent retention.

2.3. Empirical Review

Jumbo et al. (2024) examined the effect of leadership styles on employee turnover in Nigeria's agro-industry, a crucial yet high-turnover sector. The study examined the impact of transactional and transformational leadership styles on turnover intentions. Data was gathered quantitatively from 200 workers in Nigerian agro-companies using standardized questionnaires. While transactional leadership raised turnover rates, transformational leadership dramatically decreased turnover intentions, according to multiple regression analysis. The results underline that transformative leadership improves engagement and retention, which is consistent with Social Exchange Theory. To increase retention in the agro-industry, the study suggests leadership development programs and a well-rounded leadership strategy.

The function of employee engagement as a mediator between transformational (TFL) and transactional (TSL) leadership and their impacts on employee retention was investigated in a study by Ali et al. (2024). Using a judgmental sample technique, data was gathered from 650 workers in Bangladesh's pharmaceutical sector, and structural equation modeling (SEM) was used for analysis. The results showed that while both TFL and TSL have a major impact on retention, TFL greatly increases employee engagement. The results of the

mediation study showed that while engagement fully mediates the link between TFL and retention, it has a negligible impact on the relationship between TSL and retention. The study emphasizes how crucial TFL is for increasing engagement and promoting long-term retention, and it provides insightful information for leadership tactics in high-turnover businesses.

Snippe (2022) studied how leadership affects employee retention by asking, "How does leadership impact retention?" The research also looked into which leadership styles work best and why retention matters to organizations. Using a mix of surveys for both leaders and employees, with 66 participants in total, the study gathered firsthand insights on how leadership influences turnover. Secondary sources like books and articles were also used to support the findings. The results showed that poor leadership is a major cause of employees leaving, while good leadership helps keep them loyal. Overall, the study highlights how important strong leadership is for maintaining employee commitment and organizational stability.

Meas et al. (2024) looked at how democratic, transformational, and laissez-faire leadership styles affect employee retention in Cambodian public organizations. They surveyed 261 civil servants from ministries, universities, and high schools in Battambang Province using a quantitative method. The study found three main points: first, both democratic ($\beta = .247$, $p = .022$) and transformational leadership ($\beta = .901$, $p < .001$) had a positive impact on keeping employees; second, laissez-faire leadership ($\beta = .165$, $p = .014$) actually lowered retention; and third, there were no significant differences between how men and women viewed these leadership styles. The researchers suggest public institutions focus on encouraging democratic and transformational leadership through training while reducing laissez-faire practices to keep employees longer. This study adds to leadership research by confirming how different styles work specifically in Cambodia's public sector.

The impact of various leadership philosophies on staff retention in small and medium-sized businesses (SMEs) was investigated by Kanungo (2024). Through elements including work satisfaction, motivation, and organizational commitment, the study examined transformational, transactional, and servant leadership styles and their effects on retention.

Since SMEs frequently have strong teams and few resources, leadership is particularly crucial to employee retention. The results demonstrate that the best leadership strategies for increasing employee retention in SMEs are those that emphasize fostering trust, encouraging professional development, and praising staff members. In order to lower employee turnover and improve overall performance, Kanungo also provides SME managers with helpful guidance on how to modify their leadership style to suit the demands of their workforce.

Manga (2024) examined how different leadership styles affect employee retention in Senegal by reviewing existing literature and reports. The study found that transformational leadership marked by inspiration, motivation, and open communication boosts job satisfaction and lowers turnover by creating a supportive work environment. On the other hand, authoritarian leadership was linked to higher stress levels and increased turnover because of its strict control and limited employee freedom. The research also emphasized the role of professional development, recognition, and empathetic leadership in strengthening employee commitment. These findings support theories like Social Exchange, Self-Determination, and Path-Goal, showing that leadership styles influence retention through psychological and motivational factors. Manga recommends leadership training programs focused on developing transformational leadership to improve retention strategies in Senegalese organizations.

Lopez (2024) looked at how transformational leadership affects employee retention in public sector organizations, focusing on the Glendale Police Department. The study filled a gap in retention research by exploring how transformational leadership impacts three important factors: employee satisfaction, engagement, and relationships with supervisors. Using a quantitative approach, the research tested whether these factors, combined with transformational leadership, help reduce turnover in public service settings. The findings offer practical insights for shaping policies and leadership training programs aimed at boosting retention through transformational leadership. This study helps deepen our understanding of how to tackle employee turnover challenges in the public sector.

2.4. Research Hypothesis

The study hypotheses were as follows:

- H₁:** Transformational leadership has a positive and significant effect on employee retention in Tsedey Bank.
- H₂:** Transactional leadership has a positive and significant effect on employee retention in Tsedey Bank.
- H₃:** Laissez-faire leadership has a positive and significant effect on employee retention in Tsedey Bank.
- H₄:** Democratic (participative) leadership has a positive and significant effect on employee retention in Tsedey Bank.
- H₅:** Servant leadership has a positive and significant effect on employee retention in Tsedey Bank.

2.5. Conceptual framework

According to Moskal and Leydens (2000), a conceptual framework is a written or visual explanation that presents ideas either graphically or through narrative. Leadership plays a key role in influencing employee retention within organizations. While many leadership styles exist, this study focuses on five: transformational, transactional, servant, democratic, and laissez-faire leadership. These styles were chosen because they have a well-established impact on the workplace environment, which directly affects employee retention.

In this framework, employee retention is the main outcome of interest (dependent variable), while the five leadership styles serve as the key factors (independent variables) that help explain variations in retention.

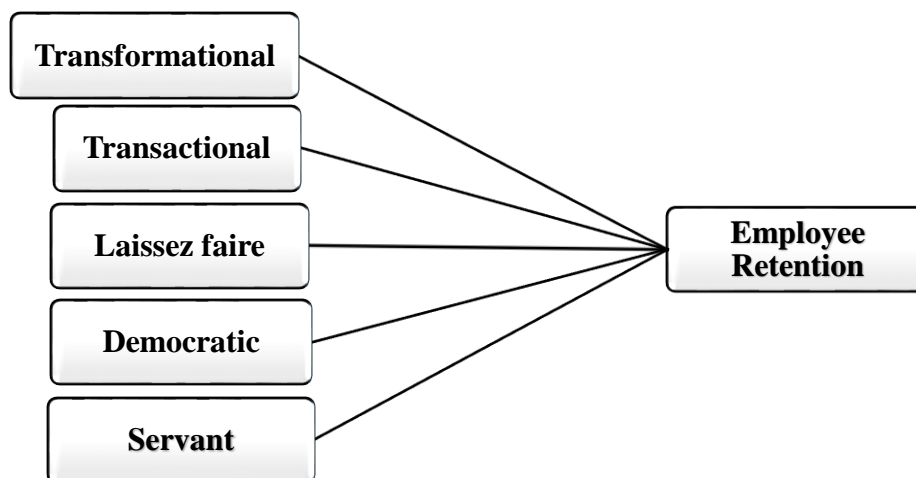


Figure 2.5.1. Conceptual Framework of Study

Source: Adapted from Avolio and Bass (1992)

CHAPTER 3: RESEARCH METHODOLOGIES

3.1. Introduction

The research approach and design, sample size, sampling methodologies, data sources, data collecting instruments, validity and reliability testing, and data analysis techniques are all covered in this chapter.

3.2. Research approach

Qualitative, quantitative, and mixed approaches are the three primary categories of research methodology. When you want to comprehend cause-and-effect linkages, the quantitative method which is predicated on the notion that research should be objective and measurable works effectively. It assists researchers in drawing findings that are applicable beyond the sample they examine by using organized instruments such as surveys and statistics to gather data and evaluate hypotheses (Creswell, 2003).

For this study, which looks at how different leadership styles influence employee retention at Tsedey Bank, the quantitative method was the right choice. It lets us measure leadership behaviors and retention factors clearly and test how they relate to each other. Using standard surveys and statistical analysis also makes the results more reliable and easier to apply to a larger group of employees (Zikmund et al., 2010).

3.3. Research design

A research design acts like a roadmap for a study, guiding everything from how data is collected to how it's analyzed. According to Kothari (2004), there are three main types: exploratory, descriptive, and explanatory, each serving different research goals. For this study, a mix of descriptive and explanatory designs was used to both describe the participants and explore cause-and-effect relationships.

The descriptive part helped to paint a clear picture of the respondents their demographics and other relevant background information which sets the stage for deeper analysis (Kothari, 2004). At the same time, the explanatory design focused on how leadership styles (the independent variables) influence employee retention (the dependent variable). As Kumar (2011) points out, explanatory research looks at how one factor affects another. To do this,

the study used a cross-sectional survey, gathering data at one specific time to capture the current views and trends related to these relationships.

3.4. Description of study variables

The independent and dependent variables were the main focus of this investigation. The five primary leadership styles transformational, transactional, laissez-faire, democratic, and servant leadership were the independent variables. Based on their implementation at Tsedey Bank and how staff members view their influence on the workplace, these styles were investigated.

Employee retention was the dependent variable, and it was assessed using a number of metrics to demonstrate how various leadership philosophies may influence workers' choices to remain with the company. In order to provide data-driven insights into the relationships between these factors, the study sought to determine if specific leadership behaviors have a good or negative impact on retention.

3.5. Description of study area and target population

The research was conducted in Addis Ababa, the capital of Ethiopia, where the Head Office of Tsedey Bank S.C., the Addis Ababa District Office, and numerous branches are located. Addis Ababa was selected due to its administrative significance and the convenient access it provides to employees, making it an ideal location to investigate the relationship between leadership styles and employee retention.

In research, the population encompasses all individuals who possess the traits being examined. The unit of analysis can consist of any entity the researcher aims to investigate, including individuals, groups, or organizations (Kelley et al., 2003). For this particular study, the focus population comprised managerial and clerical personnel employed at the Head Office, the Addis Ababa District Office, and the branches within this district. Tsedey Bank's human resources records indicate that there are 727 employees in these positions in Addis Ababa.

Employees in non-clerical roles, such as janitors, security personnel, and messengers, were not included as they generally do not participate in administrative tasks, decision-making, or leadership activities that pertain to this study.

3.6. Sampling technique/methods and sample size

The research employed stratified random sampling to guarantee fair representation of employees according to their job positions and work sites. Stratification is effective when the population can be categorized into significant subgroups (Kothari, 2004). In this instance, the emphasis was on both managerial and clerical personnel based at the Head Office and within the Tsedey Bank's Addis Ababa district.

The study's total population comprised around 727 employees, made up of 212 in managerial roles and 515 in clerical positions. Employees outside of clerical duties, including janitors, messengers, and security staff, were not included, as their positions generally do not entail leadership or administrative functions pertinent to the focus of this study. Data from the Human Capital Department indicates that there were 92 managers and 221 clerks at the Head Office, while 120 managers and 294 clerks were employed in branch locations throughout the Addis Ababa district.

Using Yamane's formula (1967) for sample size calculation at a 5% margin of error:

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

Where:

n = sample size (number of employees selected as respondents)

N: Sample frame or size of population, which indicates the total number of employees working at Tsedey Bank

e= margin of error term, and its value is equal to 0.05

Accordingly,

$$n = \frac{727}{1 + 727(0.05)^2} = 258.0301 \approx 258$$

This sample of **258 respondents** was proportionally allocated across the two identified strata as shown:

Sample distribution

Total Workforce and Sample Allocation

- **Total Employees:** 727 (313 at Head Office, 414 at Addis Ababa District).
- **Sample Size:** 258

Location	Total Employees	Sample Allocation
Head Office	313	111
Addis Ababa District	414	147
Total	727	258

- **Head Office:** $(313/727) \times 258 \approx 111$
- **Addis Ababa District:** $(414/727) \times 258 \approx 147$

Splitting the Sample by Job Category

Within each location, the sample is divided into Managerial and Clerical employees based on their proportions in the workforce.

Location	Managerial	Clerical	Sample (Managerial)	Sample (Clerical)
Head Office	92	221	33	78
Addis Ababa District	120	294	43	104
Total	212	515	76	182

Head Office:

- Managerial: $(92/313) \times 111 \approx 33$
- Clerical: $(221/313) \times 111 \approx 78$

Addis Ababa District:

- Managerial: $(120/414) \times 147 \approx 43$
- Clerical: $(294/414) \times 147 \approx 104$

Finally, simple random sampling was applied within each subgroup to select participants. This technique ensures that every employee/participant within their respective stratum has an equal chance of selection, thereby enhancing the reliability and representativeness of the findings (Creswell, 2012).

3.7. Data Sources and Types

This study drew on both primary and secondary data sources to gain a well-rounded understanding of the research topic. Primary data were collected directly from managerial and clerical employees of Tsedey Bank S.C. through structured questionnaires administered at the Head Office and branches within the Addis Ababa district. Secondary data were obtained from books, peer-reviewed journal articles, previous research, and internal reports from Tsedey Bank. These materials helped provide context for the findings, support the research framework, and reinforce the analysis with theoretical and empirical evidence (Kothari, 2004; Kelley et al., 2003).

3.8. Data Collection Instrument and Procedure

To collect primary data, the study employed a self-administered questionnaire as the principal data collection instrument. According to Saunders et al. (2007), a questionnaire is a structured research tool composed of a set of standardized questions designed to elicit consistent and quantifiable responses from participants. The questionnaire was developed in alignment with the study's objectives and organized into three main sections.

The first section gathered demographic and general information about the respondents and their work locations. The second section focused on evaluating the different leadership styles practiced within Tsedey Bank. The third section examined aspects of employee retention, aiming to understand factors influencing employees' decisions to stay with the organization.

The independent variables of this study were five leadership styles these are Transformational, Transactional, Laissez-faire, Democratic, and Servant leadership styles. To measure these leadership styles, the researcher is convinced that the measurement adopted would represent most of the characteristics of the leaders at Tsedey Bank. The questions are a point Likert scale rated from (1- strongly disagree to 5- strongly agree. This

scaling approach facilitated ease of response for participants and allowed for robust statistical analysis of the collected data.

According to Sekaran and Bougie (2009), the purpose of the pre-test activity was to ensure that the questionnaires were meaningful, and easily understood, and to achieve face validity. The authors also pointed out that the minimum number for a pilot study was 15-30. To determine the degree of validity and reliability of the instrument, a pilot survey was conducted with 15 respondents. Therefore, the researcher had the opportunity to learn about the various weaknesses of the questions and correct them before the questionnaire was distributed.

Furthermore, the study performed data coding, entry, editing, and cleaning activities. Then, the statistical package for the social sciences (SPSS) version 26 was applied for processing and analyzing the results. Finally, various empirical evidences were triangulated to support the primary data results.

3.9. Data analysis

The study employed both descriptive and inferential statistical techniques to analyze the collected data and test the research hypotheses. The study employed descriptive statistics to analyze the collected data. This approach utilized measures like percentages, frequencies, means, and standard deviations to gain a clear understanding of the subject matters and to analyze the demographic information gathered through the questionnaires, a mean score interpretations followed established conventions where scores above 3.80 indicate strong agreement, scores between 3.40 - 3.79 represent moderate agreement, and scores below 3.39 reflect weak agreement (Zaidatol & Bagheri, 2009).

Inferential statistical analyses were conducted to examine the relationships between variables. Pearson correlation analysis will measure the strength and direction of associations between each leadership style (transformational, transactional, laissez-faire, democratic, and servant) and employee retention outcomes. Multiple regression analysis was performed to determine the combined predictive power of the various leadership styles on retention rates at Tse dey Bank.

Before conducting regression analyses, key statistical assumptions were verified to ensure the validity of the results. The normality of data distribution was assessed using probability-probability (P-P) plots, while scatterplots were examined for potential heteroskedasticity issues. Multicollinearity among independent variables was evaluated using variance inflation factors (VIF), with values exceeding 10 indicating problematic correlations that could distort regression results (Hair et al., 2010). These diagnostic tests were used to confirm whether the classical linear regression model assumptions were satisfied before proceeding with hypothesis testing.

The statistical analyses were performed using the appropriate software, SPSS V26, to ensure accurate computation of results. All findings were presented with corresponding significance levels (p-values) and effect sizes to facilitate proper interpretation of the relationships between leadership styles and employee retention at Tsedey Bank.

3.10. Model Specification

Multiple regressions are an extension of simple linear regression. It is used to predict the value of a variable based on the value of two or more other variables. The goal of multiple regressions is to find the equation that can predict the dependent variable as a function of several independent variables (Cohelho-Barros et al., 2008).

In general, the multiple regression equation models of this study, $Y = X_1, X_2 \dots X_k$ is given by:

$$ER = \alpha + \beta_1 (TRFL) + \beta_2 (TRSL) + \beta_3 (LFL) + \beta_4 (DEML) + \beta_5 (SERL) + \epsilon$$

Where: - ER= Employee Retention;

TRFL = Transformational Leadership

TRSL = Transactional Leadership

LFL = Laissez faire Leadership

DEML = Democratic (Participative) Leadership

SERL = Servant Leadership

β_1, \dots, β_6 = Coefficients/Slops of independent variable.

α : Intercept, where the regression line crosses the y-axis

e_x : Error term

3.11. Reliability and validity analysis

To guarantee the quality of the data gathered, the measuring tools' validity and reliability were thoroughly assessed (Hair et al., 2010). By analyzing the relationship between questionnaire items and theoretical constructs through a thorough examination of leadership literature, content validity was confirmed (Bass & Avolo, 2004). The thesis adviser conducted a thorough assessment of the research tool to confirm that it can measure the desired variables. Before the final administration, a pilot test with a chosen sample of respondents was carried out to evaluate the clarity of the questions and find any unclear ones.

Cronbach's alpha coefficient was used in a reliability study to assess the internal consistency of measurement scales (Zekmund et al., 2010). Scales with coefficient values between 0.70 and 0.95 were deemed trustworthy according to accepted psychometric criteria, whereas those with values less than 0.60 would need to be revised (ibid). Accordingly, for overall reliability test is 0.845, which is higher than the cut-off point. This indicates that the items have a high degree of internal consistency.

Table 3.11.1. Reliability Test Results

Measurement	Number of items	Cronbach's alpha
Transformational	6	.747
Transactional	6	.895
Laissez-faire	6	.761
Democratic	6	.742
Servant	6	.722
Employee Retention	6	.847
	36	.845

Source: Own Survey, 2025

3.12. Research Ethics

This study adhered strictly to the research ethics guidelines established by Addis Ababa University and the College of Business and Economics. The research process maintained the highest standards of academic integrity and ethical conduct throughout all stages of the investigation.

The researcher obtained formal approval from both Tsedey Bank management and Addis Ababa University before commencing data collection. All participants provided informed consent after receiving clear explanations about the study's purpose, procedures, and their rights as research subjects. Confidentiality was ensured through anonymization of responses and secure data storage procedures.

CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION

In this chapter, the data analysis and interpretation of the research findings are discussed. The questionnaire survey is described in detail. The statistical package for social science (SPSS v. 26.0) was utilized to conduct the data analysis. Moreover, the questionnaire focused on a quantitative approach, presenting outcomes in the form of frequency, correlation, and regression, followed by an examination of the possible consequences of the results for the research topic.

4.1. Response Rate

According to Mugenda & Mugenda (2003), the response rate must be representative to proceed to the data analysis phase; a response rate of 50% is satisfactory, 60% is good, and 70% and above is great. As a result, two hundred fifty-eight questionnaires were distributed across the bank for this study, and the analysis was based on 246 responses.

4.2. Socio-Demographic Characteristics of Respondents

Before digging into data analysis, it is beneficial to provide relevant demographic information to enhance the significance of the findings for the audience. In this particular research, a supplementary questionnaire survey was conducted, and the data were categorized to create various samples. The objective of the demographic analysis is to define the sample's attributes, including the total number of participants, the gender distribution, age range, and educational qualifications, which are elaborated further below.

Table 4.2.1. Respondents Profile

Profile of Respondents	Category	Frequency	Percentage
Gender	Male	163	66.3%
	Female	83	33.7%
	Total	246	100%
Age Group	18-30	159	64.6%
	31-40	83	33.7%
	41-50	4	1.6%
	>50	-	-
	Total	246	100%
Education Level	Diploma	29	11.8%
	First Degree	146	59.3%

	Master's Degree and above	71	28.9%
	Total	246	100%
For how long have you been working for the bank?	<1 Year	20	8.1%
	1-3 Years	97	39.4%
	3-6 Years	84	34.1%
	>6 Years	45	18.3%
	Total	246	100%
Occupation Status	Managerial	72	29.3%
	Clerical	174	70.7%
	Total	246	100%
Location	Head office	109	44.3%
	Addis Ababa District	137	55.7%
	Total	246	100%

Source: Own Survey, 2025

Table 4.2.1 presents the demographic characteristics of the respondents involved in the study of leadership styles on employee retention at Tsehey Bank. Out of 246 respondents, 163 were male, making up 66.3%, while 83 were female, representing 33.7%. This shows that the majority of the participants were male.

In terms of age, the largest group of respondents, 159 individuals (64.6%), were between 18 and 30 years old. Those aged 31 to 40 made up 33.7%, while only 1.6% were between 41 and 50 years. There were no respondents above 50. This indicates that most of the bank's workforce is young.

Regarding education level, 29 respondents (11.8%) had a diploma, 146 (59.3%) held a first degree, and 71 (28.9%) had a master's degree or higher. This shows that the majority of employees are degree holders, with a significant portion also having advanced education.

When looking at work experience, 20 respondents (8.1%) had worked at the bank for less than one year, 97 (39.4%) for 1–3 years, 84 (34.1%) for 3–6 years, and 45 (18.3%) for more than 6 years. This reflects a mix of both new and experienced staff.

For occupation status, 72 participants (29.3%) held managerial positions, while 174 (70.7%) were in clerical roles. This indicates that most of the respondents were clerical employees.

In terms of location, 109 respondents (44.3%) were from the head office, and 137 (55.7%) were from the Addis Ababa district. This shows a slightly higher representation from the district offices.

4.3. Descriptive statistics of study variables

4.3.1. Transformational Dimension

Table 4.3.1 Transformational Items

No	Items	SD	D	N	A	SA	Total
1	My supervisor articulates a clear and inspiring vision for our team.	0	4	36	206	0	246
		0.0%	1.6%	14.6%	83.7%	0.0%	100%
2	My supervisor leads by example, demonstrating high ethical standards.	0	4	64	169	9	246
		0.0%	1.6%	26.0%	68.7%	3.7%	100%
3	My supervisor encourages innovative solutions to workplace challenges.	0	4	20	212	10	246
		0.0%	1.6%	8.1%	86.2%	4.1%	100%
4	My supervisor helps me connect my work to a larger purpose.	0	4	35	207	0	246
		0.0%	1.6%	14.2%	84.1%	0.0%	100%
5	My supervisor mentors me to develop my professional skills.	0	4	40	187	15	246
		0.0%	1.6%	16.3%	76.0%	6.1%	100%
6	My supervisor recognizes and respects my unique contributions.	0	0	40	206	0	246
		0.0%	0.0%	16.3%	83.7%	0.0%	100%

Source: Own Survey, 2025

Table 4.3.1 shows employees' responses to statements measuring transformational leadership at Tsedey Bank.

For the first item, “*My supervisor articulates a clear and inspiring vision for our team,*” 83.7% agreed, 14.6% were neutral, and only 1.6% disagreed. This shows that most employees believe their supervisor provides a clear and motivating vision.

On the second item, “*My supervisor leads by example, demonstrating high ethical standards,*” 68.7% agreed 3.7% strongly agreed, and 26.0% were neutral. This indicates a generally positive view of ethical leadership, though a notable proportion remained neutral.

The third item, “*My supervisor encourages innovative solutions to workplace challenges,*” received strong support, with 86.2% agreeing and 4.1% strongly agreeing. This suggests that innovation is encouraged in the workplace.

Regarding the statement, “*My supervisor helps me connect my work to a larger purpose,*” 84.1% of respondents agreed, and 14.2% were neutral, indicating that many employees find meaning in their work through leadership support.

For the fifth item, “*My supervisor mentors me to develop my professional skills,*” 76.0% agreed 6.1% strongly agreed, and 16.3% were neutral. This reflects that most supervisors support professional growth.

In response to “*My supervisor recognizes and respects my unique contributions,*” 83.7% agreed and 16.3% were neutral. No respondents disagreed, showing a high level of perceived recognition.

4.3.2. Transactional Leadership Style Dimension

Table 4.3.2. Transactional Items

No	Items	SD	D	N	A	SA	Total
1	My supervisor links rewards (e.g., recognition, promotions) to performance.	15	25	49	70	87	246
		6.1%	10.2%	19.9%	28.5%	35.4%	100%
2	My supervisor monitors our work to ensure compliance with standards.	20	5	44	90	87	246
		8.1%	2.0%	17.9%	36.6%	35.4%	100%
3	My supervisor intervenes quickly when tasks deviate from expectations.	15	10	54	94	73	246
		6.1%	4.1%	22.0%	38.2%	29.7%	100%
4	My supervisor sets specific goals and clarifies how to achieve them.	10	15	50	103	68	246
		4.1%	6.1%	20.3%	41.9%	27.6%	100%
5	My supervisor provides feedback based on measurable outcomes.	10	20	55	94	67	246
		4.1%	8.1%	22.4%	38.2%	27.2%	100%
6	My supervisor emphasizes meeting deadlines and targets.	5	5	34	104	98	246
		2.0%	2.0%	13.8%	42.3%	39.8%	100%

Source: Own Survey, 2025

Table 4.3.2 shows the responses of employees regarding the transactional leadership style practiced at Tsedey Bank.

Concerning the first item, “*My supervisor links rewards (e.g., recognition, promotions) to performance,*” 87 respondents (35.4%) strongly agreed, 70 respondents (28.5%) agreed, 49 respondents (19.9%) neither agreed nor disagreed, 25 respondents (10.2%) disagreed, and 15 respondents (6.1%) strongly disagreed. This suggests that the majority of employees believe there is a clear link between performance and rewards.

For the second item, “*My supervisor monitors our work to ensure compliance with standards,*” 87 respondents (35.4%) strongly agreed, 90 respondents (36.6%) agreed, 44

respondents (17.9%) neither agreed nor disagreed, 5 respondents (2.0%) disagreed, and 20 respondents (8.1%) strongly disagreed. This shows that most respondents feel supervisors are monitoring work effectively.

For the third item, “My supervisor intervenes quickly when tasks deviate from expectations,” 73 respondents (29.7%) strongly agreed, 94 respondents (38.2%) agreed, 54 respondents (22.0%) neither agreed nor disagreed, 10 respondents (4.1%) disagreed, and 15 respondents (6.1%) strongly disagreed. This indicates that a large number of employees observe timely intervention from their supervisors.

Regarding the fourth item, “My supervisor sets specific goals and clarifies how to achieve them,” 68 respondents (27.6%) strongly agreed, 103 respondents (41.9%) agreed, 50 respondents (20.3%) neither agreed nor disagreed, 15 respondents (6.1%) disagreed, and 10 respondents (4.1%) strongly disagreed. This implies that most employees find that goal-setting and guidance are clear.

On the fifth item, “My supervisor provides feedback based on measurable outcomes,” 67 respondents (27.2%) strongly agreed, 94 respondents (38.2%) agreed, 55 respondents (22.4%) neither agreed nor disagreed, 20 respondents (8.1%) disagreed, and 10 respondents (4.1%) strongly disagreed. This suggests that feedback based on results is commonly given.

Finally, for the sixth item, “My supervisor emphasizes meeting deadlines and targets,” 98 respondents (39.8%) strongly agreed, 104 respondents (42.3%) agreed, 34 respondents (13.8%) neither agreed nor disagreed, 5 respondents (2.0%) disagreed, and 5 respondents (2.0%) strongly disagreed. This shows that the majority of employees feel their supervisors place high importance on deadlines and targets.

4.3.3. Laissez-faire Leadership Style Dimension

Table 4.3.3. Laissez-faire Items

No	Items	SD	D	N	A	SA	Total
1	My supervisor avoids making decisions until problems become urgent.	5	5	54	124	58	246
		2.0%	2.0%	22.0%	50.4%	23.6%	100%
2	My supervisor provides little guidance on how to complete tasks.	20	9	40	85	92	246
		8.1%	3.7%	16.3%	34.6%	37.4%	100%

3	My supervisor delegates responsibilities without follow-up.	30	14	35	75	92	246
		12.2%	5.7%	14.2%	30.5%	37.4%	100%
4	My supervisor rarely communicates expectations.	35	25	30	64	92	246
		14.2%	10.2%	12.2%	26.0%	37.4%	100%
5	My supervisor stays uninvolved in day-to-day operations.	20	20	39	50	117	246
		8.1%	8.1%	15.9%	20.3%	47.6%	100%
6	My supervisor allows team members to resolve conflicts on their own.	0	13	25	108	100	246
		0.0%	5.3%	10.2%	43.9%	40.7%	100%

Source: Own Survey, 2025

As indicated in Table 4.3.3, the responses reflect employees' views on the laissez-faire leadership style practiced in Tsedey Bank.

In the first item, it is shown that 23.6% of respondents strongly agree and 50.4% agree that their supervisor avoids making decisions until problems become urgent. This suggests that a large number of employees perceive their supervisor as reactive rather than proactive in addressing issues.

For the second item, 37.4% strongly agree and 34.6% agree that their supervisor provides little guidance on how to complete tasks. This indicates that many employees feel they are left without enough direction when handling their responsibilities.

The third item shows that 37.4% strongly agree and 30.5% agree that their supervisor delegates responsibilities without follow-up. This implies that a significant number of respondents believe there is a lack of supervision or monitoring after tasks are assigned.

Regarding the fourth item, 37.4% strongly agree and 26.0% agree that their supervisor rarely communicates expectations. This means that most employees feel unclear about what is expected of them due to limited communication.

In the fifth item, 47.6% strongly agree and 20.3% agree that their supervisor stays uninvolved in day-to-day operations. This indicates that many respondents believe their supervisor does not actively engage with the team's routine activities.

Finally, in the sixth item, 40.7% strongly agree and 43.9% agree that their supervisor allows team members to resolve conflicts on their own. This suggests that the majority of employees feel unsupported when conflicts arise, as they are expected to handle such situations independently.

4.3.4. Democratic Leadership Style Dimension

Table 4.3.4. Democratic Items

No	Items	SD	D	N	A	SA	Total
1	My supervisor seeks team input before finalizing decisions.	0	5	67	169	5	246
		0.0%	2.0%	27.2%	68.7%	2.0%	100%
2	My supervisor encourages open discussions during meetings.	0	5	44	177	20	246
		0.0%	2.0%	17.9%	72.0%	8.1%	100%
3	My supervisor values consensus over unilateral decisions.	0	5	55	162	24	246
		0.0%	2.0%	22.4%	65.9%	9.8%	100%
4	My supervisor delegates authority to empower the team.	0	5	66	161	14	246
		0.0%	2.0%	26.8%	65.4%	5.7%	100%
5	My supervisor fosters a culture of shared responsibility.	0	5	50	176	15	246
		0.0%	2.0%	20.3%	71.5%	6.1%	100%
6	My supervisor encourages diverse opinions when making decisions.	0	5	74	162	5	246
		0.0%	2.0%	30.1%	65.9%	2.0%	100%

Source: Own Survey, 2025

As shown in Table 4.3.4, the responses of the employees regarding the democratic leadership style at Tsedey Bank are presented.

In terms of supervisors seeking team input before finalizing decisions, 68.7% of the respondents agreed, while 2.0% strongly agreed. This suggests that most employees feel involved in the decision-making process.

Regarding encouragement of open discussions during meetings, 72.0% agreed, and 8.1% strongly agreed. This indicates that supervisors promote open communication among team members.

For valuing consensus over unilateral decisions, 65.9% of respondents agreed, with 9.8% strongly agreeing. This implies that supervisors tend to prioritize group agreement in their leadership approach.

When asked about delegating authority to empower the team, 65.4% agreed, and 5.7% strongly agreed. This shows that supervisors share decision-making power with employees to encourage empowerment.

Concerning fostering a culture of shared responsibility, 71.5% agreed, and 6.1% strongly agreed. This suggests that supervisors encourage collective ownership of tasks and responsibilities.

Regarding encouraging diverse opinions in decision-making, 65.9% of the respondents agreed, while 2.0% strongly agreed. This indicates that supervisors generally value different perspectives when making decisions.

4.3.5. Servant Leadership Style Dimension

Table 4.3.5. Servant Items

No	Items	SD	D	N	A	SA	Total
1	My supervisor prioritizes team well-being over personal goals.	0	0	34	197	15	246
		0.0%	0.0%	13.8%	80.1%	6.1%	100%
2	My supervisor actively listens to employees' concerns.	0	0	46	170	30	246
		0.0%	0.0%	18.7%	69.1%	12.2%	100%
3	My supervisor encourages us to support each other's growth.	0	0	58	178	10	246
		0.0%	0.0%	23.6%	72.4%	4.1%	100%
4	My supervisor leads by serving the needs of the team.	0	0	51	180	15	246
		0.0%	0.0%	20.7%	73.2%	6.1%	100%
5	My supervisor helps employees balance work and personal life.	0	0	45	173	28	246
		0.0%	0.0%	18.3%	70.3%	11.4%	100%
6	My supervisor builds a sense of community within the workplace.	0	0	38	193	15	246
		0.0%	0.0%	15.4%	78.5%	6.1%	100%

Source: Own Survey, 2025

As shown in Table 4.3.5, the responses of the employees regarding the servant leadership style at Tsedey Bank are presented.

Regarding supervisors prioritizing team well-being over personal goals, 80.1% of respondents agreed, while 6.1% strongly agreed. This indicates that most employees perceive their supervisors as placing the team's needs first.

In terms of supervisors actively listening to employees' concerns, 69.1% agreed, and 12.2% strongly agreed. This suggests that supervisors are attentive and responsive to their team members' issues.

For encouraging mutual support for growth among employees, 72.4% of respondents agreed, while 4.1% strongly agreed. This implies that supervisors promote a culture of collaboration and shared development.

When asked if supervisors lead by serving the needs of the team, 73.2% agreed and 6.1% strongly agreed, indicating that supervisors emphasize service-oriented leadership.

Regarding helping employees balance work and personal life, 70.3% agreed, with 11.4% strongly agreeing. This shows that supervisors support their teams in managing work-life balance.

Finally, on building a sense of community within the workplace, 78.5% of respondents agreed, and 6.1% strongly agreed. This reveals that supervisors foster a cohesive and supportive work environment.

4.3.6. Employee Retention Dimension

Table 4.3.6. Employee Retention Items

No	Items	SD	D	N	A	SA	Total
1	I plan to continue working at this bank for the long term.	0	0	23	213	10	246
		0.0%	0.0%	9.3%	86.6%	4.1%	100%
2	I rarely think about leaving this bank.	0	0	15	211	20	246
		0.0%	0.0%	6.1%	85.8%	8.1%	100%
3	My work here gives me a sense of accomplishment.	0	0	24	202	20	246
		0.0%	0.0%	9.8%	82.1%	8.1%	100%
4	I feel a strong sense of loyalty to this bank.	0	0	15	206	25	246
		0.0%	0.0%	6.1%	83.7%	10.2%	100%
5	I feel secure about the future of my job at this bank.	0	0	20	202	24	246
		0.0%	0.0%	8.1%	82.1%	9.8%	100%
6	I would recommend this bank as a great place to work.	0	0	5	207	34	246
		0.0%	0.0%	2.0%	84.1%	13.8%	100%

Source: Own Survey, 2025

Table 4.3.6. shows, that for the statement “I plan to continue working at this bank for the long term,” 10 respondents (4.1%) strongly agreed, 213 (86.6%) agreed, 23 (9.3%) were neutral, and none disagreed or strongly disagreed. This implies that a large majority of employees intend to stay with the bank for the foreseeable future.

Regarding the statement “I rarely think about leaving this bank,” 20 respondents (8.1%) strongly agreed, 211 (85.8%) agreed, 15 (6.1%) were neutral, and none disagreed or strongly disagreed. This suggests that most employees have low intentions of leaving the organization.

For the statement “My work here gives me a sense of accomplishment,” 20 respondents (8.1%) strongly agreed, 202 (82.1%) agreed, and 24 (9.8%) were neutral, with no disagreement reported. This indicates that employees generally feel their work is meaningful.

When asked if they “feel a strong sense of loyalty to this bank,” 25 respondents (10.2%) strongly agreed, 206 (83.7%) agreed, and 15 (6.1%) were neutral. No disagreements were recorded, suggesting a strong emotional connection to the bank.

Regarding job security, for the statement “I feel secure about the future of my job at this bank,” 24 respondents (9.8%) strongly agreed, 202 (82.1%) agreed, and 20 (8.1%) were neutral. This reflects a general sense of job stability among employees.

For the statement “I would recommend this bank as a great place to work,” 34 respondents (13.8%) strongly agreed, 207 (84.1%) agreed, and 5 (2.0%) were neutral, with no disagreement reported. This indicates high employee endorsement of the bank as a workplace.

Table 4.3.7: Overall Descriptive Statistics

Descriptive Statistics			
	N	Mean	Std. Deviation
	Statistic	Statistic	Statistic
Transformational	246	3.8365	.30233
Transactional	246	3.8704	.87234
Laissez-faire	246	3.8818	.79498
Democratic	246	3.7748	.37618
Servant	246	3.8930	.32196
Employee Retention	246	4.0210	.29858

Source: Own Survey, 2025

The study aimed to examine leadership styles and their effect on employee retention at Tsedey Bank. Data were collected from 246 employees to assess their perceptions across

five leadership dimensions: transformational, transactional, laissez-faire, democratic, and servant leadership, as well as overall employee retention. The interpretation of the mean scores followed established conventions, where scores above 3.80 indicate strong agreement, scores between 3.40 and 3.79 represent moderate agreement, and scores below 3.39 reflect weak agreement.

The results showed that transformational leadership had a mean score of 3.84 with a standard deviation of 0.30, indicating strong agreement among employees regarding its presence. Transactional leadership scored a mean of 3.87 with a standard deviation of 0.87, also reflecting strong agreement. Similarly, laissez-faire leadership had a mean of 3.88 and a standard deviation of 0.79, suggesting strong agreement on the influence of this style. Democratic leadership recorded a mean score of 3.77 with a standard deviation of 0.38, representing moderate agreement from respondents. Servant leadership received the highest mean of 3.89 with a standard deviation of 0.32, indicating strong agreement and a favorable perception of this style among employees. Employee retention scored a mean of 4.02 with a standard deviation of 0.30, showing strong agreement and positive attitudes toward retention within the organization.

4.4. Correlation Analysis

Pearson's correlation coefficient (r) was used in this study to determine the degree and direction of the linear relationship between the independent and dependent variables. The correlation coefficient runs from -1 to +1, with the sign representing the direction (positive or negative) and the absolute value reflecting the strength of the link. A value of 0 indicates the absence of a linear relationship. A coefficient of -1 implies a complete negative correlation, while +1 indicates a perfect positive correlation.

To interpret the strength of the relationships between variables, the researcher followed the classification guidelines proposed by Taylor (1999). According to this framework, a correlation coefficient (r) between 0.10 and 0.29 is considered weak, 0.30 to 0.49 is interpreted as moderate, and values of 0.50 or above indicate a strong relationship.

Table 4.4.1. Pearson Correlation Analysis

		Transformational	Transactional	Laissez-faire	Democratic	Servant	Retention
Transformational	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	246					
Transactional	Pearson Correlation	-.024	1				
	Sig. (2-tailed)	.705					
	N	246	246				
Laissez Faire	Pearson Correlation	-.134*	.811**	1			
	Sig. (2-tailed)	.035	.000				
	N	246	246	246			
Democratic	Pearson Correlation	.423**	.056	-.037	1		
	Sig. (2-tailed)	.000	.383	.566			
	N	246	246	246	246		
Servant	Pearson Correlation	.316**	.064	-.019	.299**	1	
	Sig. (2-tailed)	.000	.317	.768	.000		
	N	246	246	246	246	246	
Retention	Pearson Correlation	.443**	-.120	-.227**	.499**	.526**	1
	Sig. (2-tailed)	.000	.060	.000	.000	.000	
	N	246	246	246	246	246	246
*. Correlation is significant at the 0.05 level (2-tailed).							
**. Correlation is significant at the 0.01 level (2-tailed).							

Source: SPSS Output, 2025

The analysis shows that transformational leadership has a correlation coefficient of 0.443 with employee retention at a significance level of 0.000. This indicates a moderate and positive relationship, suggesting that when transformational leadership practices are applied, employee retention tends to increase. Transactional leadership, on the other hand, has a negative correlation coefficient of -0.120 with employee retention, which is weak and not

statistically significant ($p = 0.060$). This implies that transactional leadership is not strongly associated with retention in this context.

Laissez-faire leadership style has a negative correlation of -0.227 with employee retention, which falls within the weak category but is statistically significant ($p = 0.000$). This shows that as the laissez-faire leadership style becomes more dominant, employee retention tends to decrease. Democratic leadership style, however, has a correlation of 0.499 with retention at a significance level of 0.000 . This suggests a strong positive relationship, indicating that involving employees in decision-making and fostering shared responsibility supports higher retention levels.

Servant leadership showed the highest correlation with employee retention among all styles, with a coefficient of 0.526 and a significance level of 0.000 . This reflects a strong and positive association, highlighting that leaders who prioritize the needs and well-being of their teams are more likely to retain employees.

4.5. Assumption tests

Before utilizing the model, it is important to evaluate its ability to analyze the relationship between several independent or predictor variables and one dependent or criterion variable. The assumptions to consider are as follows.:

4.5.1. Normality Assumption

Normality was evaluated using graphical techniques, particularly by analyzing a histogram. According to Brooks (2008), when residuals follow a normal distribution, the histogram should display a bell-shaped form. As shown in Figure 4.5.1, the residual distribution seems to be roughly symmetrical and bell-shaped. Consequently, the findings indicate that there is no substantial breach of the normality assumption.

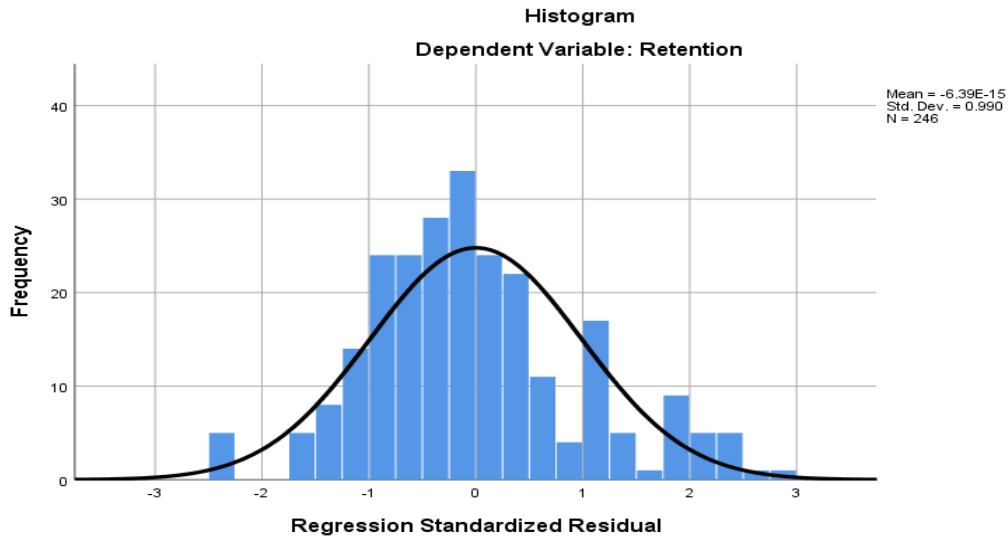


Figure 4.5.1. Normality-Histogram Graph

Source: SPSS Output, 2025

4.5.2. Linearity

Waters and Osborne (2002) point out that the validity of standard multiple regression analysis relies on the existence of a linear relationship between the predictor and outcome variables. The study evaluated this assumption by analyzing both the scatterplot and the normal probability plot (P-P plot). The visual patterns seen in Figure 4.5.2 indicate a fairly linear correlation, suggesting that the assumption of linearity was sufficiently met.

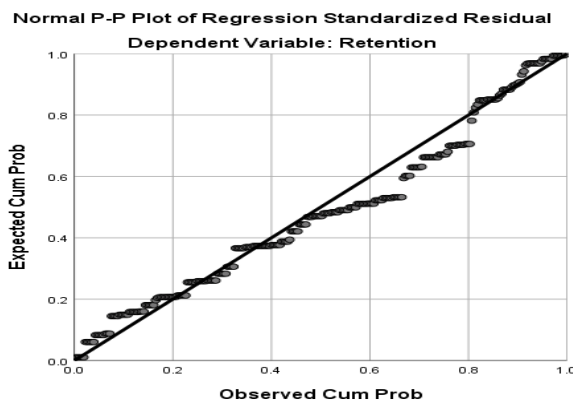


Figure 4.5.2. p-p plot

Source: SPSS Output, 2025

4.5.3. Homoscedasticity

Homoscedasticity, which refers to the assumption of consistent variance across the spectrum of predictor variables, is an essential criterion in multiple regression analysis (Hair, Anderson, & Tatham, 1996). To assess this assumption, scatterplots were created that compare the standardized residuals (ZRESID) with the standardized predicted values (ZPRED). As illustrated in Figure 4.5.3, the scatterplot exhibits a roughly rectangular shape without noticeable clustering or identifiable patterns. This visual representation indicates that the homoscedasticity assumption is adequately satisfied.

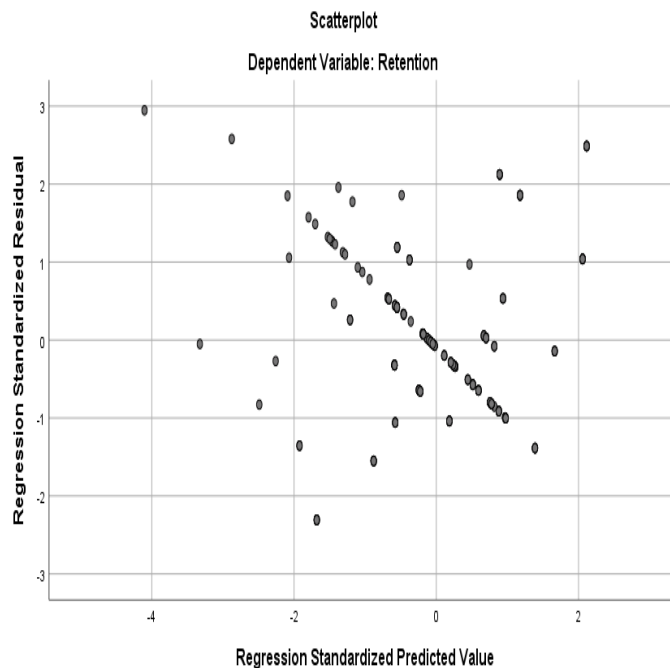


Figure 4.5.3. scatter plot

Source: SPSS Output, 2025

4.5.4. Multicollinearity Test

The Variance Inflation Factor (VIF) was utilized to evaluate multicollinearity, a standard diagnostic method used in regression analysis. As noted by Hill and Adkins (2003), a VIF score of 10 or above suggests a possible multicollinearity problem in the model. It is preferable to have lower VIF scores since higher values could undermine the stability and clarity of the regression coefficients.

Table 4.5.4. Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
Transformational	.764	1.310
Transactional	.330	3.030
Laissez Faire	.327	3.058
Democratic	.786	1.272
Servant	.861	1.161

Source: Source: SPSS Output, 2025

According to the data shown in Table 4.5.4, the Variance Inflation Factor (VIF) values remain below 10, and the tolerance values are greater than 0.1. These findings suggest that multicollinearity is not a significant issue among the independent variables, permitting the inclusion of all of them in the regression model.

4.6. Multiple Regression Analysis

This research utilized a multiple regression model to examine how different leadership styles influence employee retention at Tsedey Bank. The independent variables encompassed Servant, Laissez-Faire, Democratic, Transformational, and Transactional leadership styles, with employee retention acting as the dependent variable. A significance threshold of 0.05 was used to assess statistical significance.

Table 4.6.1. Model Summary

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.685a	.469	.458	.21983
a. Predictors: (Constant), Servant, Laissez Faire, Democratic, Transformational, Transactional				
b. Dependent Variable: Employee Retention				

Source: SPSS Output, 2025

The R² value (0.469) in Table 4.6.1 indicates that approximately 46.9% of employee retention variability at Tsedey Bank is attributable to the five leadership styles examined Servant, Laissez-Faire, Democratic, Transformational, and Transactional. The remaining 53.1% likely stems from unmeasured variables not included in this model.

Table 4.6.2. ANOVA analysis

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.244	5	2.049	42.396	.000b
	Residual	11.598	240	.048		
	Total	21.841	245			
a. Dependent Variable: ER						
b. Predictors: (Constant), Servant, Laissez Faire, Democratic, Transformational, Transactional						

Source: SPSS Output, 2025

As presented in Table 4.6.2, the ANOVA results demonstrate the model's overall significance. The F-statistic of 42.396 ($p < 0.001$) rejects the null hypothesis that all regression coefficients equal zero. Since the p-value (0.000) falls below the 0.05 threshold, conclude that the combined effect of the independent variables significantly predicts employee retention at Tse dey Bank ($F = 42.396, p < 0.001$).

Table 4.6.3. Estimated Regression Coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.358	.240		5.650	.000
	Transformational	.168	.053	.170	3.164	.002
	Transactional	-.007	.028	-.021	-.261	.794
	Laissez Faire	-.063	.031	-.168	-2.041	.042
	Democratic	.245	.042	.309	5.815	.000
	Servant	.351	.047	.378	7.464	.000

a. Dependent Variable: Employee Retention

Source: SPSS Output, 2025

The researcher conducted multiple regression analyses to determine the extent to which the leadership style affects employee retention. Based on the above table, the equation becomes:

$$ER = \alpha + 0.168 (TRFL) - 0.007 (TRSL) - 0.063 (LFL) + 0.245 (DEML) + 0.351 (SERL) + \epsilon$$

Where: - Independent Variable: ER= Employee Retention;

Dependent Variable: TRFL = Transformational Leadership, TRSL = Transactional Leadership, LFL = Laissez-faire Leadership, DEML = Democratic (Participative) Leadership, and SERL = Servant Leadership

4.7. Regression Analysis and Validating the Proposed Hypotheses

H1: Transformational leadership has a positive and significant effect on employee retention in Tsedey Bank

Transformational Leadership Style demonstrates a positive and significant impact, with a coefficient of 0.168 ($p = 0.002$), indicating that inspirational and visionary leadership can increase retention by 16.8%. This is consistent with findings by Jumbo et al. (2024) in Nigeria and Lopez (2024) in the public sector, both of which revealed that transformational leadership significantly reduces turnover and strengthens engagement. Ali et al. (2024) further support this, noting that transformational leadership boosts employee retention by enhancing engagement, which serves as a mediator.

H2: Transactional leadership has a positive and significant effect on employee retention in Tsedey Bank.

Transactional Leadership Style shows an insignificant and slightly negative coefficient of -0.007 ($p = 0.794$), indicating no meaningful relationship between transactional leadership and employee retention at Tsedey Bank. While Jumbo et al. (2024) reported that transactional leadership increased turnover in Nigeria's agro-industry, Ali et al. (2024) noted that it has a limited direct impact on retention unless mediated by other factors like engagement.

H3: Laissez-faire leadership has a positive and significant effect on employee retention in Tsedey Bank.

Laissez-faire Leadership Style has a negative and significant effect on retention, with a coefficient of -0.063 ($p = 0.042$). This means that when supervisors avoid involvement or decision-making, it results in a 6.3% decline in employee retention. This finding is echoed in Meas et al. (2024), where laissez-faire leadership was found to negatively influence employee retention in Cambodian public organizations. The absence of active leadership leads to confusion, dissatisfaction, and eventually turnover.

H4: Democratic (participative) leadership has a positive and significant effect on employee retention in Tsedey Bank.

Democratic Leadership Style also shows a statistically significant and positive relationship with employee retention, with a coefficient of 0.245 ($p < 0.001$). This implies that participatory decision-making and fostering shared responsibility contribute to a 24.5% improvement in employee retention. Meas et al. (2024) similarly found that democratic leadership positively influences retention in public institutions by promoting involvement and empowerment.

H5: Servant leadership has a positive and significant effect on employee retention in Tsedey Bank.

The Servant Leadership Style emerged as the most influential, with a significant positive coefficient of 0.351 ($p < 0.001$). This suggests that a 1-unit increase in servant leadership practices leads to a 35.1% increase in employee retention, holding other factors constant. This finding aligns with Kanungo (2024), who highlighted that servant leadership enhances retention through trust, professional development, and employee recognition, particularly in environments with close-knit teams. Manga (2024) also supports this, emphasizing the role of empathetic leadership in fostering commitment and reducing turnover.

Table 4.7.1. Summary of the Research Hypothesis Result

Hypothesis	Findings		Result
H1: Transformational leadership has a positive and significant effect on employee retention in Tsedey Bank.	$\beta = .168$; $p < .05$	Positive and Significant	Supported
H2: Transactional leadership has a positive and significant effect on employee retention in Tsedey Bank.	$\beta = -.007$; $p = .794$	Negative and Not Significant	Not Supported
H3: Laissez-faire leadership has a positive and significant effect on employee retention in Tsedey Bank.	$\beta = -.063$; $p < .05$	Negative and Significant	Not Supported
H4: Democratic (participative) leadership has a positive and significant effect on employee retention in Tsedey Bank.	$\beta = .245$; $p < .001$	Positive and Significant	Supported
H5: Servant leadership has a positive and significant effect on employee retention in Tsedey Bank.	$\beta = .351$; $p < .001$	Positive and Significant	Supported

Source: Own Survey, 2025

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

This section synthesizes the study's principal findings, derives evidence-based conclusions, and proposes practical recommendations for improving employee retention. The discussion concludes by identifying research limitations and suggesting avenues for future investigation.

5.1. Summary of findings

- The primary objective of this study was to examine the influence of different leadership styles on employee retention at Tsedey Bank. Based on the data collected and analyzed, the following are the major findings of the research.
- To address the research questions, five leadership styles were considered as predictor variables: Transformational, Transactional, Laissez-faire, Democratic, and Servant Leadership.
- The mean score for Transformational Leadership was 3.8365 with a standard deviation of 0.30233, indicating that employees strongly agree that this leadership style is practiced at Tsedey Bank.
- The mean score for Transactional Leadership was 3.8704 with a standard deviation of 0.87234, suggesting to high level of agreement among employees regarding the presence of transactional leadership characteristics.
- The mean score for Laissez-faire Leadership was 3.8818 with a standard deviation of 0.79498, reflecting a high level of agreement on the existence of laissez-faire behavior among supervisors.
- The mean score for Democratic Leadership was 3.7748 with a standard deviation of 0.37618, indicating moderate agreement that democratic leadership is practiced in the bank.
- The mean score for Servant Leadership was 3.8930 with a standard deviation of 0.32196, showing strong agreement from employees about the presence of servant leadership traits.

- The mean score for Employee Retention was 4.0210 with a standard deviation of 0.29858, suggesting that employee retention levels at Tsedey Bank are generally high.

In terms of the Pearson correlation analysis:

- Transformational leadership ($r = 0.443$), Democratic leadership ($r = 0.499$), and Servant leadership ($r = 0.526$) showed a moderate to strong positive correlation with employee retention.
- Laissez-faire leadership showed a negative and significant correlation ($r = -0.227$) with employee retention.
- Transactional leadership was not significantly correlated with employee retention ($r = -0.120$; $p > 0.05$).

Regarding the multiple regression analysis:

- Transformational Leadership had a positive and statistically significant effect on employee retention with a coefficient value of $\beta = 0.168$ ($p < .05$).
- Transactional Leadership showed no significant effect on retention with a coefficient of $\beta = -0.007$ ($p > .05$).
- Laissez-faire Leadership had a negative and statistically significant effect with a coefficient of $\beta = -0.063$ ($p < .05$), indicating that this style reduces employee retention.
- Democratic Leadership had a positive and significant influence on employee retention with a coefficient value of $\beta = 0.245$ ($p < .001$).
- Servant Leadership was the most influential factor, with a coefficient of $\beta = 0.351$ ($p < .001$), indicating a strong positive effect on employee retention.

5.2. Conclusion

The current research analyzed how different management approaches influence workforce stability at Tsedey Bank. Specifically, the study evaluated five distinct leadership frameworks: the inspirational approach (transformational leadership), the reward-focused method (transactional leadership), the non-directive style (laissez-faire leadership), the collective decision-making model (democratic leadership), and the employee-first philosophy (servant leadership). These variables were examined through comprehensive survey data collected from bank employees.

Analysis of the survey responses revealed consistent patterns in how employees perceive their managers' leadership styles. The inspirational approach received an average rating of 3.84, indicating strong employee recognition of this style. Reward-based management scored slightly higher at 3.87, while the non-directive approach was perceived as most prevalent with a 3.88 average score. The collective decision-making style showed a moderately strong presence at 3.77, and the employee-first philosophy earned the highest average rating of 3.89 among all leadership styles measured.

The statistical relationship assessment revealed three leadership approaches that meaningfully contribute to keeping employees at Tsedey Bank. Managers who focus on staff development (servant leadership), involve teams in decisions (democratic leadership) and inspire through vision (transformational leadership) all positively impact retention, with staff-focused leadership making the strongest difference. However, managers who frequently delegate without support may drive employees away, while performance-based reward systems appear neutral in their retention effects.

The predictive analysis quantified these relationships, showing that for every unit increase in servant leadership practice, retention improves by 0.351 standard units nearly double the impact of democratic leadership (0.245) and more than twice that of transformational approaches (0.168). The small but statistically confirmed negative effect of laissez-faire leadership (-0.063) suggests that even occasional withdrawal of management support can gradually erode retention. Interestingly, the complete lack of impact from transactional leadership indicates that bonus systems and performance rewards neither help nor harm retention when examined alongside other leadership factors.

5.3. Recommendation

Based on the results of this study, the following recommendations are provided to help Tsedey Bank improve its employee retention through effective leadership practices:

- Since servant and democratic leadership styles showed the strongest positive effects on employee retention, it is recommended that the bank promote these styles across all management levels. Managers should prioritize team well-being, listen to employee concerns, foster open communication, and empower team members through shared decision-making and participation.
- The study revealed that laissez-faire leadership negatively affects employee retention. It is advised that the bank provide leadership training to discourage passive leadership behaviors such as avoiding decision-making, a lack of guidance, or low involvement in team activities. Managers should be encouraged to take active roles in supporting their teams and providing clear expectations.
- To build and sustain effective leadership across departments, Tsedey Bank should implement structured training programs focused on transformational, servant, and democratic leadership principles. These programs can include workshops, mentoring, and coaching sessions aimed at improving communication, ethical conduct, motivation techniques, and conflict resolution.
- Employees are more likely to remain in organizations where their efforts are acknowledged. The bank should ensure that supervisors regularly provide constructive feedback and link performance with recognition and rewards, as supported by the positive but weaker relationship of transactional leadership with retention.
- Building a sense of community, fairness, and support within the workplace increases employee loyalty. The bank should continue to create an environment where employees feel safe, respected, and part of a collective mission. Promoting inclusiveness and encouraging diverse opinions are key aspects of democratic leadership that should be emphasized.
- The bank should establish regular evaluations of leadership effectiveness and its impact on staff motivation and retention. Employee feedback surveys, exit

interviews, and performance metrics can provide useful insights for management to adjust their leadership strategies accordingly.

5.4. Future research direction

Future investigations into the relationship between leadership styles and employee retention could benefit from expanding the scope of analysis to include additional influencing factors. While this study focused on five leadership styles, incorporating mediating constructs such as job satisfaction, organizational commitment, or employee engagement may provide a more detailed understanding of how leadership behaviors translate into retention outcomes. Likewise, examining moderating variables such as organizational culture, demographic characteristics of employees, or workplace conditions could help identify the circumstances under which certain leadership styles are more impactful.

Extending the study beyond a single institution is also encouraged. Since the current analysis was limited to Tsedey Bank, conducting parallel research across various public and private banking institutions in Ethiopia could improve the applicability of the findings. A broader sample would allow for comparison across different organizational settings and may uncover trends unique to specific sectors within the banking industry.

In addition, employing a combination of qualitative and quantitative methods in future studies may yield more comprehensive insights. Techniques such as in-depth interviews or focus group discussions could offer valuable perspectives on employee experiences that are not fully captured through survey data alone. Integrating these approaches would enrich the analysis and contribute meaningfully to the body of knowledge on leadership and workforce retention, while also offering practical guidance for leadership development within the sector.

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Appendices

Research Instrument

ADDIS ABABA UNIVERSITY

To be filled by the Employee

Dear Respondents,

Thank you for taking the time to participate in this important research study. My name is Daniel Alemayehu, a graduate student at Addis Ababa University, and I am conducting academic research on leadership practices in the banking sector.

This questionnaire forms part of my thesis investigating how different leadership styles affect employee retention at Tsedey Bank. Your valuable insights will contribute significantly to understanding workplace dynamics in your financial institutions.

Stay safe, and thank you

For further inquiry, use the following contact information

Daniel Alemayehu

0913-231788

Put a \surd or \times sign mark in the appropriate box

Part One: General Information

1. Gender: Male Female
2. Age: 18-30 31-40 41-50 >50
3. Educational Level: Diploma First Degree Master 's Degree, and above

4. For how long have you been working for the bank? <1 Year 1-3 Years
 3-6 Years >6 Years
5. Occupation Status: Managerial Clerical
6. Location: Head Office Addis Ababa District

Part Two: Leadership Styles-Related Questions

Directions: Please circle the number and the word that expresses your opinion towards Tsedey Bank. The numbers indicate the following statement.

Where, 1=Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree 5= Strongly Agree

Transformational leadership		Rate				
1	My supervisor articulates a clear and inspiring vision for our team.	1	2	3	4	5
2	My supervisor leads by example, demonstrating high ethical standards.	1	2	3	4	5
3	My supervisor encourages innovative solutions to workplace challenges.	1	2	3	4	5
4	My supervisor helps me connect my work to a larger purpose.	1	2	3	4	5
5	My supervisor mentors me to develop my professional skills.	1	2	3	4	5
6	My supervisor recognizes and respects my unique contributions.	1	2	3	4	5
Transactional leadership		Rate				
1	My supervisor links rewards (e.g., recognition, promotions) to performance.	1	2	3	4	5
2	My supervisor monitors our work to ensure compliance with standards.	1	2	3	4	5
3	My supervisor intervenes quickly when tasks deviate from expectations.	1	2	3	4	5
4	My supervisor sets specific goals and clarifies how to achieve them.	1	2	3	4	5
5	My supervisor provides feedback based on measurable outcomes.	1	2	3	4	5
6	My supervisor emphasizes meeting deadlines and targets.	1	2	3	4	5
Laissez faire leadership		Rate				
1	My supervisor avoids making decisions until problems become urgent.	1	2	3	4	5
2	My supervisor provides little guidance on how to complete tasks.	1	2	3	4	5
3	My supervisor delegates responsibilities without follow-up.	1	2	3	4	5
4	My supervisor rarely communicates expectations.	1	2	3	4	5
5	My supervisor stays uninvolved in day-to-day operations.	1	2	3	4	5
6	My supervisor allows team members to resolve conflicts on their own.	1	2	3	4	5
Democrat (Participative)		Rate				
1	My supervisor seeks team input before finalizing decisions.	1	2	3	4	5
2	My supervisor encourages open discussions during meetings.	1	2	3	4	5
3	My supervisor values consensus over unilateral decisions.	1	2	3	4	5
4	My supervisor delegates authority to empower the team.	1	2	3	4	5
5	My supervisor fosters a culture of shared responsibility.	1	2	3	4	5
6	My supervisor encourages diverse opinions when making decisions.	1	2	3	4	5
Servant leadership		Rate				

1	My supervisor prioritizes team well-being over personal goals.	1	2	3	4	5
2	My supervisor actively listens to employees' concerns.	1	2	3	4	5
3	My supervisor encourages us to support each other's growth.	1	2	3	4	5
4	My supervisor leads by serving the needs of the team.	1	2	3	4	5
5	My supervisor helps employees balance work and personal life.	1	2	3	4	5
6	My supervisor builds a sense of community within the workplace.	1	2	3	4	5

Part Three: Employee Retention

Directions: Please circle the number and the word that expresses your opinion towards Tsedey Bank. The numbers indicate the following statement.

Where, 1=Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree 5= Strongly Agree

Employee Retention		Rate				
1	I plan to continue working at this bank for the long term.	1	2	3	4	5
2	I rarely think about leaving this bank.	1	2	3	4	5
3	My work here gives me a sense of accomplishment.	1	2	3	4	5
4	I feel a strong sense of loyalty to this bank.	1	2	3	4	5
5	I feel secure about the future of my job at this bank.	1	2	3	4	5
6	I would recommend this bank as a great place to work.	1	2	3	4	5