

ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS SCHOOL OF COMMERCE

THE ROLE OF LEADERSHIP STYLE ON EMPLOYEE ENGAGEMENT: THE CASE OF COMMERCIAL BANK OF ETHIOPIA

BY

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Declaration

I declare that this project entitled “The Role of Leadership Style on Employee Engagement: The Case of Commercial Bank of Ethiopia” is a result of my own investigation. I have undertaken the study independently with the guidance and support of my research advisor. Other sources are acknowledged by citations and giving explicit references. A list of references is appended. The project has not previously been accepted for any degree and it is my original work.

Signature: _____

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Approval

This is to approve that Ashebir Endale has done this project work entitled “The Role of Leadership Style on Employee Engagement: The Case of Commercial Bank of Ethiopia” under my supervision. The project work is original and sufficient for submission for partial fulfillment of the requirements for the degree of master’s in Business leadership.

Advisor’s Signature: _____

Ast/Prof Teklegiorgis A.

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Abstract

Leadership is a key element to make an organization successful. To sustain in the volatility of the current business environment leaders need to be proactive and give attention to every activity of the company as well as the external environment. The aim of the study is to investigate the role of leadership style on employee engagement in Commercial Bank of Ethiopia. To investigate the relationship between the leadership style and employee engagement descriptive research design is adopted. In the study, quantitative approach is used. The primary data collected from 76 respondents using self-administered questionnaire. The multifactor leadership questionnaire was used to investigate the leadership style exhibited and Utrecht work engagement was used to examine the engagement level of employees. The collected data was analyzed using SPSS version 26. Descriptive statistics namely, frequencies, percentage, mean and inferential statistics such as correlation and regression analyses were used. The result of the study revealed that transformational and transactional leadership styles have a positive correlation with employee engagement and laissez-faire leadership has a negative correlation with employee engagement. Based on the findings, appropriate recommendations were provided.

Keywords*: leadership, leadership style, engagement, employee engagement*

Table of Contents

List of Tables x

List of Figures xi

List of Acronyms xii

Chapter One ..... - 1 -

Introduction ..... - 1 -

1.1 Background of the Study ..... - 1 -

1.2 Background of the Organization ..... - 2 -

1.3 Statement of the Problem ..... - 3 -

1.4 Research Questions ..... - 5 -

1.5 Research Objectives ..... - 6 -

1.5.1 General Research Objective ..... - 6 -

1.5.2 Specific Research Objective ..... - 6 -

1.6 Definition of Terms ..... - 6 -

1.7 Significance of the Study ..... - 7 -

1.8 Scope of the Study ..... - 7 -

1.9 Limitations ..... - 8 -

1.10 Organization of the Study ..... - 8 -

Chapter Two ..... - 9 -

Literature Review ..... - 9 -

2.1Theoretical Review ..... - 9 -

2.1.1 Definition of Leadership ..... - 9 -

2.1.2 Leadership Theory ..... - 10 -

2.1.2.1 Great-Man Theory ..... - 10 -

2.1.2.2 Traits Theory ..... - 10 -

2.1.2.3 Behavioral Theory ..... - 11 -
2.1.2.4 Contingency Theories ..... - 11 -
2.1.2.5 Path Goal Theory ..... - 11 -
2.1.2.6 Transactional Leadership Theory ..... - 12 -
2.1.2.7 Transformational Theory ..... - 12 -
2.1.3 Leadership Style ..... - 13 -
2.1.3.1 Transactional Leadership Style ..... - 13 -
2.1.3.2. Transformational Leadership Style ..... - 15 -
2.1.3.3 Laissez-faire Leadership Style ..... - 17 -
2.1.4 Engagement ..... - 18 -
2.1.4.1 Definition of Engagement ..... - 18 -
2.1.4.2 Employee Engagement Type ..... - 20 -
2.1.5 Relationship between Leadership Style and Employee Engagement ..... - 22 -
2.2 Empirical Review of Previous Study ..... - 23 -
2.3 Research Hypothesis ..... - 24 -
2.4 Conceptual Framework ..... - 25 -
Chapter Three ..... - 26 -
Research Methodology ..... - 26 -
Introduction ..... - 26 -
3.1 Research Approach ..... - 26 -
3.2 Research Design ..... - 26 -
3.3. Population and Sample ..... - 27 -
3.3.1 Population of the Study ..... - 27 -
3.3.2 Sample Size Determination ..... - 27 -
3.3.3 Sampling Design and Sampling Technique ..... - 28 -

3.4 Source of Data Collection ..... - 28 -
3.5 Data collection method ..... - 28 -
3.6. Data Analysis ..... - 29 -
3.7 Reliability and Validity ..... - 29 -
3.8 Ethical Issues ..... - 30 -
Chapter Four ..... - 31 -
Discussion ..... - 31 -
Introduction ..... - 31 -
4.1 Demographic Characteristics of the Respondents ..... - 31 -
4.2 Descriptive Analysis of Dependent and Independent Variables ..... - 33 -
4.2.1 Descriptive Analysis of Leadership style ..... - 33 -
4.2.2 Descriptive Analysis of Engagement ..... - 39 -
4.2.3 Summary of Responses on Independent and Dependent Variables ..... - 41 -
4.3 Correlation Analysis ..... - 42 -
4.4 Multiple Regression Analysis ..... - 44 -
4.5 Hypothesis Test ..... - 47 -
Chapter Five ..... - 49 -
Conclusions and Recommendations ..... - 49 -
Introduction ..... - 49 -
5.1 Summary of Major Findings ..... - 49 -
5.2 Conclusions ..... - 51 -
5.3 Recommendations ..... - 52 -
5.4 Suggestion for Future Studies ..... - 53 -
Reference ..... - 54 -
Appendix ..... - 60 -

List of Tables

Table Name	Explanation	Page No.
Table 2.1	Empirical Literature Review	23
Table 3.1	Sample Size Determination Table	27
Table 3.2	Cronbach Alpha	29
Table 4.1	Demographic Profile of the Respondents	31
Table 4.2	Responses on the Level of Transformational Leadership Style	33
Table 4.3	Responses on the Level of Transactional Leadership Style	36
Table 4.4	Responses on the Level of Laissez-faire Leadership Style	38
Table 4.5	Responses on the Level of Employee Engagement	39
Table 4.6	Summary of Responses Independent and Dependent Variables	41
Table 4.7	Interpreting Correlation Coefficient in Social Science Studies	42
Table 4.8	Correlation of variables	43
Table 4.9	Model Summary	45
Table 4.10	ANOVA (Analysis of Variance)	45
Table 4.11	Coefficients	46

List of Figures

Name of Figures	Explanation	Page No.
Figure 2.1	Conceptual Framework	25

List of Acronyms

ATM	Automated Teller Machine
CBE	Commercial Bank of Ethiopia
HR	Human Resources
HSBC	Hongkong and Shanghai Banking Corporation
IS	Information System
MLQ	Multifactor Leadership Questionnaire
SPSS	Statistical Package for the Social Sciences
SWIFT	Society for Worldwide Interbank Financial Telecommunications
UWES	Utrecht Work Engagement Scale

Chapter One

Introduction

In this chapter, the researcher presents background of the study, background of the organization, statement of the problem, research questions, research objectives, definition of terms, and significance of the study. In addition, this chapter discusses scope of the study, and limitations of the study.

1.1 Background of the Study

In any organization, it is known that the human resources are the very most important part of the organization (Ermiyas, 2017). Without effectively utilizing this important part any organizational goal remain dreams. In the contemporary world companies are expect to be agile and adaptable to cope with the ever-changing technological advancement, market fluctuation and changing economy. In this volatile of market, organizations are striving for competitive advantage and sustainable development.

In order to achieve sustainable business success organization has to focus on the human resource aspect of the organization. Since, the company's success or failure is highly dependent on the knowledge, skill and abilities of its employee. Having competent employee is not always guarantee for business success but employee has to be engaged. Effective utilization of talented and potential employees and retain them is the biggest challenge of the organization.

Employee engagement is characterize by the presence of workers at workplace and fulfill their responsibility. Employee engagement is an involvement and commitment of an employee to

achieve organizational objectives. An engaged employee work cooperatively with others team member for the benefit of the company and have strong connection with the company that employs them, which results high performance and retention with low absenteeism (Kazimoto, 2016).

As stated by Xu and Wang (2008), the role of leadership in an organization is critical in developing a vision, mission, and establishment of objectives, designing strategies and methods to achieve the organizational objectives effectively and efficiently along with directing and organizing efforts and organizational activities. Many businesses are facing issues related to high employee turnover, weak financial performance, unethical activities, etc. this may be because of a lack of strong leadership.

Kamil & Ahmet (2017) revealed that there is a close relationship of leader behavior and employee engagement and increasing leader's skill would increase employee's engagement. Lydia (2019) found that the presence of toxic leadership reduces employee engagement and results in the intention of employees to leave. Transformational and transactional leadership styles have positive relationship with employee engagement (Ermiyas, 2017).

1.2 Background of the Organization

Commercial Bank of Ethiopia (CBE) is established in 1942 and named as a state bank of Ethiopia. Later CBE established as a share company in 1963. In 1974, CBE merged with the privately owned Addis Ababa Bank. Since then, it has been playing significant roles in the development of the country. CBE has more than 1587 branches all over the country and playing as a catalyst for the major economic development of the country. CBE has opened four branches

in South Sudan and has been in the business since June 2009 and the vision is to become world-class commercial bank by the year 2025. The mission of the organization is to support national development priorities by deploying state of the art technology as well as skilled employees.

Pioneer to introduce modern banking to the country by using state of the art technology. The first bank in Ethiopia to introduce electronic card banking service for local customers. Currently CBE has more than 25 million account holders and the number of ATM, Mobile and Internet Banking users increase rapidly.

CBE Birr is one of the digital service provided by the Bank. Customers are using CBE Birr to pay bills (water service, electric power and Ethio-telecom service. etc.). This kind of payment increase digital usage of the customer and this kind of practice will lead us to cashless society. In this regard, the bank is investing a lot on its digital expansion.

It has strong correspondent relationship with more than 50 renowned foreign banks like Commerzbank A.G., Royal Bank of Canada, City Bank, HSBC Bank... CBE has a Society for Worldwide Interbank Financial Telecommunications (SWIFT) bilateral arrangement with more than 700 others banks across the world (source commercial bank of Ethiopia portal and website).

1.3 Statement of the Problem

Employee Engagement has been a hot research topic among positive psychologists, human resource researchers and management practitioners in recent years (Li Sun, 2019). There are different definitions of employee engagement among different scholars. According to Kahn (1990), employee engagement is “the harnessing of organization members’ selves to their work

roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances".

According to Li Sun, (2019), due to the needs of business practice, many consulting organizations are conducting continuous research on employee engagement by surveying employers and employees. Despite an excess of research on employee engagement, there is a lack of the consistency in its definitions, measures, antecedents and outcomes. Besides, due to cultural differences, the same engagement techniques do not necessarily work for employees in all countries.

As stated by Ermiyas (2017), employee engagement more weighs than customer satisfaction and cash flow. An engaged employee strive to realize the organization's objective and can go further to enhance services or product. Therefore, continuous attentions to increase and develop employee engagement deliver customer satisfaction and increase organizational productivity.

According to Gallup (2013), currently, 13% of employees across 142 countries worldwide are engaged in their jobs, they are emotionally invested in and focused on creating value for their organizations every day. While 63% are not engaged and 24% are actively disengaged. However, these results vary substantially among different global regions. According to Gallup's findings, 87% of workers are not engaged or actively disengaged and are emotionally disconnected from their workplaces and less likely to be productive.

According to Ermiyas (2017), there is high relationship between employee engagement and leadership style. Leadership style is considered as one of the determinant factor of employee engagement. However, there is still a gap in accepting the effect of leadership style on employee

engagement and which leaders behaviors is suitable for engaging employee in different business context.

To realize the banks' vision to become world-class bank in 2025 and to make this dream to come true the role of the leader has the bigger part. CBE is the biggest bank in Ethiopia with 25 million account holders. Employee engagement of CBE can influence the growth of the country economy. In this big company, there is no continual employee engagement survey and there is no data, which show employee engagement increased or decreased after organizational structure change. As the researcher observes, most leaders resigned and replaced, frontline manager is changed, and new department is created. There were high turnover for the last two years, because of the assigned new management and deployment of new structure. High turnover is one of the indication of disengaged employee and unfavorable relation of leaders with employee. However, the engagement of employee can ultimately decreases the turnover intention (Geeta & Halimah, 2018)

The researcher aim to focus on the relation of leadership style and employee engagement. In the study, the researcher try to identify if there is any relation of leadership style and employee engagement and show if there is correlation between them. Using existing theoretical literature and the survey result from CBE employee.

1.4 Research Questions

Based on the research problems, the study address the following research questions:

1 What leadership style is exhibited in CBE?

2 What level is the overall engagement of employee in CBE?

3 Which leadership style create employee engagement in CBE?

1.5 Research Objectives

The objectives of this study presented as general and specific objectives as follows.

1.5.1 General Research Objective

The general objective of the study is to investigate the effect of leadership style on employee engagement in commercial bank of Ethiopia information system division. In addition, recommend action items for management intervention to enhance engagement.

1.5.2 Specific Research Objective

The following is specific objectives of the study. In order to achieve the general objective, the specific objectives to be accomplished during this study are the following:

- To assess the type of leadership style practice at CBE
- To assess the engagement level of employee at CBE
- To investigate the relationship of leadership style and employee engagement at CBE

1.6 Definition of Terms

Leadership: is a practice of an individual influencing others to work toward the organization's objectives and achieve the shared goal (Northouse, G. 2007).

Leadership Style: it is the way in which the functions of leadership are carried out, the way in which the manager typically behaves towards members of the group (Mullins, L., 2005).

Role: is a position that is defined by a set of expectations about behavior of any job incumbent. Each role has a set of tasks and responsibilities (Manoj K et al, 2013)

Employee Engagement: it refers to employees' physical, cognitive and emotional input in the work (Li Sun, 2019,).

1.7 Significance of the Study

The success and failure of the business highly depend on the role of leadership in the organization. This critical part of the organization need to be carefully investigated in order to gain sustainable development in business. Thus, analyzing the existing leadership style and employee engagement level as well propose some recommendations will benefits CBE. Further, the study will add literature in the domain of leadership style and employee engagement. In addition, the study can be further reference for similar study in the future. Similar company can use the study to identify which leadership style is more suitable to employee engagement and increase productivity.

1.8 Scope of the Study

The study is limited to examine the role of leadership style on employee engagement by assessing evidence from commercial bank of Ethiopia information system division. The reason for choosing this part of the organization is that the banking sector in Ethiopia is become highly dependent on the use of information technology to gain competitive advantage and retain customer, specifically CBE is investing a lot on technology and the leader of this technology and employee engagement need careful investigation in order to achieve sustainable development. The study focus only on CBE head office employee who are involved in information system

division, which comprises Application management, Infrastructure management, IS operation support management, and IS Security management.

The study examine the role of leadership styles on employee engagement using Bass and Avolio (1994), Full Range Leadership Model (Transformational, Transactional and Laissez-faire leadership). The Study examines scope of transformational, transactional and laissez faire leadership styles as independent variables to examine their relationship with dependent variable that is employee engagement.

1.9 Limitations

In conducting the study, the researcher believes there are some constraints. Some of the constraints are the time and cost to conduct the research by including CBE district level information system employee which exists outside Addis Ababa.

1.10 Organization of the Study

The research paper is organized as follows. Chapter one cover the background of the study and organization, statement of the problem, research question, research objectives, significance of the study, and scope of the study. Chapter two address relevant literature review and examine the major concept. Chapter three explains the research methodology, research design, data collection, research population and sample. Chapter four discusses data analysis, statistical methods, and presents the study findings, and the results. Chapter five is about conclusions and recommendations, and future studies.

Chapter Two

Literature Review

This chapter describes and investigate most relevant literature and supporting theories of the research problem. In this literature review, the concepts of employee engagement and leadership style reviewed. From empirical literature review the relationship between the leadership style and employee engagement concepts will be summarized and develop conceptual framework of the research.

2.1Theoretical Review

2.1.1 Definition of Leadership

Leaders are the individuals in the organization who set the tone and culture. Leadership as a process whereby one individual influences a group of individuals to achieve a common goal. An effective leader is able to influence his or her followers to reach the goals of the organization (Northouse, 2004). Leadership is a set of processes that creates organizations in the first place or adapts them to significantly changing circumstances. Leadership defines what the future should look like, aligns people with that vision, and inspires them to make it happen despite the obstacles (Kotter, 2012).

Leadership is all about taking ownership and accountability aimed at achieving the end objective by applying the available resources and ensuring a cohesive organization where an individual influences a group to achieve the common objective (Amanchukwu, & Ololube, 2015). Leadership is a dynamic process, where leaders mobilize others to get extraordinary things done.

Leaders engage five practices: model the way, inspire a shared vision, challenge the process, enable others to act, and encourage the heart. (Kouzes and Posner, 2007). Leadership is a process whereby an individual influences a group of individuals to achieve a common goal (Northouse's, 2007). In general, leadership is a process of influencing, motivating, inspiring, directing a group of individual to achieve a shared goal.

2.1.2 Leadership Theory

2.1.2.1 Great-Man Theory

Carlyle (1841), claimed in his “great man theory” that leaders are born and that only those men who are endowed with heroic potentials could ever become the leaders. He opined that great men were born, not made.

2.1.2.2 Traits Theory

Traits theory talks about how leaders are distinct from their followers because of their physical features, confidence, personality attributes and social characteristics. Trait theory ignored fact whether leadership traits are genetic or acquired (Sunil, 2018). Individuals born with certain traits such as confidence, intelligence, idealism, a determination has the inclination of becoming a leader. Trait theory failed since it was difficult to detect the common traits of every effective leader, so it failed to produce consistency in the finding and sometimes degenerated into illogical speculation (Khan, et, al 2016).

2.1.2.3 Behavioral Theory

Failure of the trait theory led to further research that focused on behavioral styles of leadership. Behavioral leadership proposed that behavior of the leader impact work and follower effectiveness. Michigan research center has contributed a lot to leadership behavior (job centered and employee -centered). The leader who displays job-centered behavior pays attention to the activities of followers by focusing mainly on performance and ensures they follow procedures and practices, whereas the leader who engages on employee centered behavior focuses at developing a cohesive work group towards employee satisfaction (Sunil, 2018).

2.1.2.4 Contingency Theories

Contingency theories of leadership focus on particular variables related to the environment that might determine which style of leadership is best suited for a particular work situation. According to this theory, no single leadership style is appropriate in all situations. Success depends upon a number of variables, including leadership style, qualities of followers and situational features (Charry, 2012).

2.1.2.5 Path Goal Theory

In path-goal theory, the leader show the path to their followers to move forward from their current position towards achieving the work goals. In this process, the leaders reduces the roadblock that occurs in the path of the followers, and make their journey easier. Therefore, the essence of path goal theory is that, it is the leaders' job to provide the followers with the information, support and other resources, necessary for them to attain their goals (Robbins, et.al,. 2007).

2.1.2.6 Transactional Leadership Theory

The transactional leadership described as that in which leader-follower associations grounded upon a series of agreements between followers and leaders (House & Shamir, 1993). Bass and Avolio (1994) observed transactional leadership as a type of contingent reward leadership that had active and positive exchange between leaders and followers whereby followers rewarded or recognized for accomplishing agreed upon objectives. From the leader, these rewards might implicate gratitude for merit increases, bonuses and work achievement.

Transactional theories, also known as management theories, focus on the role of supervision, organization and group performance and the exchanges that take place between leaders and followers. These theories base leadership on a system of rewards and punishments (Charry, 2012). In other words, on the notion that a leader's job is to create structures that make it abundantly clear what is expected of followers and the consequences (rewards and punishments) associated with meeting or not meeting expectations.

2.1.2.7 Transformational Theory

The transformational leaders are considered by their capability to identify the need for change, gain the agreement and commitment of others, create a vision that guides change and embed the change. These types of leaders treat subordinates individually and pursue to develop their consciousness, morals and skills by providing significance to their work and challenge. These leaders produce an appearance of convincing and encouraged vision of the future. They are "visionary leaders who seek to appeal to their followers‟ better nature and move them toward higher and more universal needs and purposes" (Ahmed, et. al., 2016).

2.1.3 Leadership Style

Leadership style is the way in which the functions of leadership are carried out, the way in which the manager typically behaves towards members of the group (Mullins, L., 2005).

Bass and Avolio (2004) Full Range Leadership (FRL) model summarizes leadership factors to include idealized influence, individualized consideration, inspirational motivation, intellectual stimulation, management-by-exception (active), contingent reward, management-by-exception (passive) and laissez-faire. Theoretically, these factors identify three broad leadership types: transformational leadership, which includes idealized influence, individualized consideration, intellectual stimulation and inspirational motivation. The transactional leadership comprises, management-by-exception (active), contingent reward, and management-by-exception (passive); and laissez-faire leadership

2.1.3.1 Transactional Leadership Style

Transactional leadership style comprises three components; contingent reward, management-by-exception (active) and management-by-exception (passive). A transactional leader follows the scheme of contingent rewards to explain performance expectation to the followers and appreciates good performance. Transactional leaders believe in contractual agreements as principal motivators (Bass, 1985) and use extrinsic rewards toward enhancing followers' motivation.

Contingent Reward: Contingent reward leadership focuses on achieving results. As humans appreciate concrete, tangible, material rewards in exchange of their efforts, thus, this behavior surfaced. “Where transformational leadership acknowledges individual talents and builds

enthusiasm through emotional appeals, values, and belief systems, transactional leadership engenders compliance by appealing to the wants and needs of individuals" (Bass & Avolio, 2004). Manager leaders who use contingent reward are expected to show direction to the employees so the job gets done. In nutshell, key indicators of contingent reward encompass performance based material rewards, direction- setting, reciprocity, and confidence building in the team.

Management by Exception (Active): Management by exception (active) is not the relinquishment of leadership, characterized by a laissez-faire leadership. Leaders who follow management by exception (active) have an inherent trust in their workers to end the job to a satisfactory standard, and avoid rocking the boat. "This type of leadership does not inspire workers to achieve beyond expected outcomes, however, if target is achieved, that means the system has worked, everyone is satisfied, and the business continues as usual," (Bass & Avolio, 2004). There is a little sense of adventure or risk-taking, new perspectives, or white water strategies in case of management by exception leaders. It correspond need-driven change culture. To sum it up, management by exception (active) includes trust in workers, poor communication, maintenance of the status quo, and lack of confidence.

Management by Exception (Passive): "It is the style of transactional Leadership in which the leaders avoid specifying agreement, and fail to provide goals and standards to be achieved by staff. Sometimes, a leader waits for things to go wrong before taking action" (Bass & Avolio, 2004).

2.1.3.2. Transformational Leadership Style

Transformational leadership links with positive outcomes on individual as well as organizational levels. Transformational leaders encourages followers to attain higher order needs like self-actualization, self-esteem (Bass, 1985), and are influential in moving followers' motivation in the direction of "self-sacrifice and achievement of organizational goals over personal interests (Bass, 1995). Inspirational Motivation affords a cradle of encouragement and challenges followers to achieve the set goals, whereas, Intellectual Stimulation inspires followers to be more creative and innovative in their problem solving skills. Cummings et al., (2010) observed that regardless of style, "leaders who practiced relational and transformational styles had better quality outcomes than those who demonstrated autocracy".

Idealized Influence: It is the attribute of a leader which inspires followers to take their leader as a role model. Charisma is an alternate term which replaces idealized influence. Idealized influence creates values that inspire, establish sense, and engender a sense of purpose amongst people. Idealized influence is inspirational in nature. It builds attitudes about what is significant in life. Idealized influence is related with charismatic leadership (Shamir et al., 1993). Charismatic leaders instill self-confidence into others. It is their demonstration of confidence in a follower's preparedness to make self-sacrifices and an aptitude to undertake exceptional goals, which is an influential rousing force of idealized influence and role-modeling behavior (Shamir et al., 1993). Leaders with confidence in their employees can secure great accomplishments.

Shamir (1993) showed that maintaining self-esteem is a powerful and pervasive social need. These leaders are high in the conviction, transform their followers through regular communication, presenting themselves as role model, and encouraging them toward "achieving

the mission and goals of the company". They have requisite degree of emotional stability and control. Transformational leaders are learning leaders. In short, fundamental pointers of idealized influence are role modeling, articulation and values-creation, providing sense of purpose, meaning, self-esteem, self-determination, emotional control and confidence in followers.

Inspirational Motivation: Developing the consciousness of followers, aligning them towards the organizational mission and vision, and motivating others in understanding and pledging to the vision is a key dimension of the transformational leadership style of inspirational motivation. "Inspirational motivation targets at the principle of organizational existence, instead of personality of the leader" (Bass & Avolio, 2004). Instead of suffocating employees, a leader with this style, encourages the employees in the organizational pursuit drawing best out of them. Leaders equipped with this style encourage the employees rendering them more autonomy to make decisions without supervision and providing them the tools to make these decisions. The leaders using this behavior set high standard for followers besides communicating their vision in unambiguous ways, and encouraging them to develop beyond the normal situations for their own and organizational growth (Shamir et al., 1993). In general, leaders with inspirational motivation behavior create vision, establish communication and manage challenging workers by encouraging, working with them and giving them autonomy.

Intellectual Stimulation: Leaders with characteristics of intellectual stimulation are those who intellectually stimulate followers, engender creativity and accept challenges as part of their job. They maintain their emotional balance, and rationally deal with complex problems. They cultivate the similar skills in their workers as well. They develop problem-solving techniques in the followers for making complex decisions, reflecting a mutual consensus between leaders and

employees (Shamir et al., 1993). The key indicators of the intellectual stimulation are rationality, creativity, consensus decision-making, coaching, supporting, challenging, and involvement.

Individualized Consideration: Individualized consideration is concerned with the basic transformational leadership behaviors of regarding individuals as fundamental contributors to the work place. Such leaders display concern for their workers' needs, and are equipped to boost and coach the development of desired workplace behavior. In general, fundamental elements of individualized consideration consist of reassurance, caring for and coaching of individuals and an open and consultative approach.

In general, the application of both styles varies from situation to situation and context to context. The situations entailing high degree of precision, technical expertise, time-constraints, particularly in technological intensive environment, we shall prefer transactional leadership whereas, in human-intensive environment, where focus is on influencing the followers through motivation and respecting their emotions on the basis of common goals, beliefs and values, preferable option is transformational leadership style (Ahmed, et. al., 2016).

2.1.3.3 Laissez-faire Leadership Style

Laissez-faire leaders demonstrate limited participation in vital organizational matters and incline to delay their response to critical issues. Researches highlight that laissez-faire leaders are least attentive to the completion of duties and productivity (Anderson & McColl-Kennedy, 2005). The avoidance of involvement is a fundamental characteristic of the laissez-faire leadership style. This avoidance behavior leads to excessive frustration among followers and low level of followers' self-esteem. Laissez-faire leaders show very little care for followers' actions and their

consequent impact on organizational outcome. Laissez-faire leadership style reflects a lack of leadership that manifests itself as non-leadership behavior, having a tendency of escaping responsibilities

2.1.4 Engagement

Human Resources (HR) is a major element within a company. In order to achieve its objectives organization needs human resources. This make human resource management one of the main indicators of achieving organizational goals effectively and efficiently (Kertiriasih, 2018). Organizations are striving for competitive advantage to sustain in the dynamic world of market instabilities, technological advancements and changing economy. Organizations are trying to adapt to the changes and focus on intellectual capital instead of materialistic capital for sustainable business success (Tejaswi & Raya, 2014).

Employee Engagement has been a hot research topic among positive psychologists, human resource researchers and management practitioners in recent years (Li Sun, 2019).

2.1.4.1 Definition of Engagement

There are different definitions of employee engagement among different scholars. According to Kahn (1990), defines employee engagement as “the harnessing of organization members’ selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances”.

The emotional aspect concerns how employees feel about each of those three factors and whether they have positive or negative attitudes toward the organization and its leaders. The cognitive

aspect of employee engagement concerns employees' beliefs about the organization, its leaders and working conditions. The physical aspect of employee engagement concerns the physical energies exerted by individuals to accomplish their roles. Thus, according to Kahn (1990), engagement means to be psychologically as well as physically present when occupying and performing an organizational role.

According to Li Sun, (2019), employee engagement refers to employees' physical, cognitive and emotional input in the work. Past researches showed that the influencing factors of employee engagement could be summarized as three categories: organizational factors (leadership, superior support, job resources, fairness, etc.), job factors (work environment, job participation, job enrichment, etc.) and individual factors (extraversion, resilience, self-consciousness, etc.). The research on consequences of employee engagement mainly focus on two aspects—the influence of employee engagement on individual performance (enthusiasm, excellence, satisfaction, devotion, etc.) and on organizational performance (productivity, profitability, customer loyalty, etc.)

As stated by Robinson (2004), engagement is positive attitude held by the employee towards the organization and its values. An engaged employee is aware of business context and works with colleagues to improve performance within the job for the benefit of the organization. The organization must work to develop and nurture engagement, which requires a two-way relationship between employer and employee. Organizations with an engaged workforce have higher levels of customer satisfaction; also they are more productive and have higher profits than companies with less engaged personnel (Harter et al., 2002).

According to Baumruk (2004), Employee engagement is a concept that comprehends the value of understanding and improvement of individual and organizational performance that can be influenced by the leader.

There is a confusion with the definitions of employee engagement with employee job satisfaction. Employee engagement is something that occurs when workers are committed to helping their companies achieve all of their goals. Engaged employees are motivated to show up to work every day and do everything within their power to help their companies' succeed. Unlike employee engagement, employee satisfaction is the state of a worker enjoying their job but not necessarily being engaged with it (Ermiyas, 2017)

2.1.4.2 Employee Engagement Type

According to Gallup (2013), employee engagement categories, there are three type of employee: engaged, not engaged, and actively disengaged.

Not engaged: workers can be difficult to spot. They are not hostile or disruptive. They show up and kill time with little or no concern about customers, productivity, profitability, waste, safety, mission and purpose of the teams, or developing customers. They are thinking about lunch or their next break. Surprisingly, these people are not only a part of your support staff or sales team, but they are also sitting on your executive committee.

Actively disengaged: employees are more or less out to damage their company. They monopolize managers' time; have more on-the-job accidents; account for more quality defects; miss more days; and quit at a higher rate than engaged employees do. Whatever the engaged do,

such as solving problems, innovating, and creating new customers, the actively disengaged try to undo.

Engaged: On the other hand, engaged employees are the best colleagues. They cooperate to build an organization, institution, or agency, and they are behind everything good that happens there. These employees are involved in, enthusiastic about, and committed to their work. They know the scope of their jobs and look for new and better ways to achieve outcomes. They are psychologically committed to their work. In addition, they are the only people in an organization who create new customers.

Schaufeli (2006) considers work engagement as an independent and different construction, positive, satisfying, mind-related work that is characterized by enthusiasm, dedication, and absorption. The vigor can be felt from the high level of energy and endurance of the mind while working, the willingness to give the best in a job, and perseverance when facing a problem (Schaufeli, 2017).

Vigor

The enthusiasm can be felt from the high level of energy and endurance of the mind while working, the willingness to give the best in a job, and perseverance when facing a problem.

Dedication

Dedication refers to the strength of engage in a job and experiencing a sense of significance, enthusiasm, inspiration, pride, and challenges.

Absorption

It is characterized by full concentration and happily doing the work. Employees are engaged to

have an energetic and effective relationship with their work activities, and they see themselves able to deal well with the demands of their work.

2.1.5 Relationship between Leadership Style and Employee Engagement

Leaders influence organizational effectiveness through their followers. Leadership can have a great impact on engaging employees within the organization. However, transactional leadership limits the leader to using reward-based behaviors in order to achieve higher performance from employees, which only have short-term effects (Batista T. et.al, 2009).

Transformational leadership emerges as a style that fosters the development of employee engagement. Bakker and Schaufeli (2008) found that employees who have positive interactions with their managers have increased levels of engagement. Additionally, Transformational leaders are not viewed as a power figure but as mutual support for a common purpose, the collective good of an organization. From this perspective, transformational leaders have the capacity to direct influence the engagement levels of their employees (Nohria, et.al, 2008)

Leadership is a key antecedent of engagement. Leadership research shows that certain leadership behaviors have clear association with engagement constructs such as motivation, job satisfaction, organizational commitment, proactive behaviors and organizational citizenship behavior. Trust in leader, support from the leader, and creating a blame-free environment are considered as components of psychological safety, a condition proposed by Kahn, which leads to employee engagement (Maya & Kavitha, 2017).

2.2 Empirical Review of Previous Study

Table 2.1 Empirical Literature Review

Author	Title	Research Objective	Findings
Kamil Zahid, Ahmet Özyapar (2017)	Leadership and Employee Engagement in organizations: an analysis on correlation	The purpose is to strengthen the literature that relates leadership to organizational success by leadership positively effecting employee engagement.	The result show close relationship of leader behavior and employee engagement. Focusing on increasing leaders skills would increase employee's engagement.
Elizabeth K. Ndethiu, (2014)	The effects of leadership styles on employee engagement in an International bank with substantial operations in Kenya	The purpose of this study was to determine the effects of leadership styles on employee engagement within an international bank with substantial operations in Kenya.	Transformational leadership and authentic leadership styles, which, from research, have been found to be the most engagement friendly leadership styles.
Wendy Oliver, (2012)	The impact of leadership styles on employee engagement in a large retail organization in the western cape	To investigate the impact of leadership styles, particularly the impact of transformational and transactional leadership on employee engagement.	Results indicate that there is a statistically significant relationship between both leadership styles and the overall dimensions of employee engagement (namely, vigor, dedication and absorption).
Ermiyas Zeberga, (2017)	The Relationship between Leadership Styles and Employees Engagement in Ethiopian Airlines	To investigate the relationship between Leadership styles and employees' engagement at Ethiopian Airlines	Results show that Transactional & Transformational leadership styles have positive relationship with employee

			engagement. Transformative leadership has strong relationship with employees' engagement
Datche, A. Evelyn and Mukulu, Elegwa, (2015)	The effects of transformational leadership on employee engagement: A survey of civil service in Kenya	study aimed at establishing the effects of Transformational leadership; a leadership approach believed to cause changes in individuals and organizations, on employee engagement	The findings revealed that transformational leadership though positively related to employee engagement in general
Lydia Ndapandula Amutenya, (2019)	The relationship between toxic leadership, employee engagement and the intention to leave	To assess the relationship between toxic leadership, employee engagement and intention to leave.	The result show the presence of toxic leadership reduces employee engagement and results in the intention of employees to leave.

2.3 Research Hypothesis

In order to answer the research questions and accomplish the objectives of the study, the following hypothesis was developed based on the above empirical literature review and tested in the study.

H1: Transformational leadership has a positive significant relationship with employee engagement

H2: Transactional leadership has a positive significant relationship with employee engagement

H3: Laissez-faire leadership has a negative significant relationship with employee engagement

2.4 Conceptual Framework

The conceptual framework is developed based on the above empirical review and Full Range Leadership (Avolio and Bass, 2004).

Independent Variable **Dependent Variable**

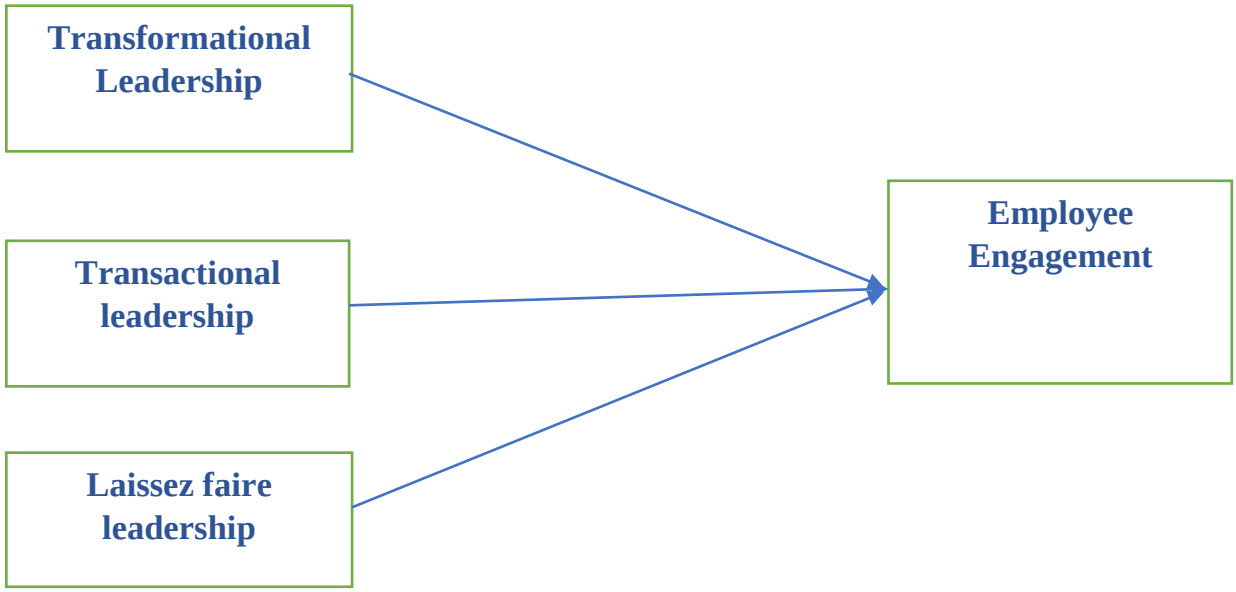


Figure 2.1: Conceptual Framework

Source: Developed by researcher based on literature review, 2020

Chapter Three

Research Methodology

Introduction

In this chapter the researcher, present the research design and methodologies that include the type of the research, population and sampling technique, the data collection techniques, the source of data, and method of data analysis. In addition, this chapter discusses reliability and validity of research instrument and ethical issue.

3.1 Research Approach

As stated by Creswell (2009), quantitative research is an approach for testing objective theories by examining the relationship among variables. These variables can be measured and analyzed using statistical procedures. The study examined the relationship between the three leadership styles (transformational, transactional and laissez faire) as an independent variables and employee engagement as a dependent variable. For this reason, the researcher used quantitative approach.

3.2 Research Design

The selection of the research design depend on its objectives of the study, the available data sources, the cost and availability of obtaining the data and have enough time to complete the research. The study examined and described the type of leadership style followed in Commercial Bank of Ethiopia. Thus, descriptive research design was used to examine the relationship of

employee engagement with respect to different leadership style (Transformational, Transaction and laissez faire) exhibited in Commercial Bank of Ethiopia.

3.3. Population and Sample

3.3.1 Population of the Study

The target population of the study was employee of Commercial Bank of Ethiopia including different departments of the information system division. According to the data from the human resource department of CBE, the total number of IS division employees were 373. The number show only the head office staffs. As mentioned in the scope of the study and limitation, due to cost and time constraint, the bank's district level IS employee was not included in the study.

3.3.2 Sample Size Determination

To determine the sample size, the researcher used the following sample size determination table.

Table 3.1 Sample Size Determination Table

Population	Sample Size		
	Low	Medium	High
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1,200	32	80	125
1,201-3,200	50	125	200
3,201-10,000	80	200	315
10,001-35,000	125	315	500
35,001-150,000	200	500	800

Source: J Carvalho, “Archival application of mathematical sampling techniques”, Records Management Quarterly 18:63 (1984) as cited on Endale, 2018 & Lydia, 2019.

Based on the table above the population falls in the 281-500 range category. Thus, the size of the sample was 80, the highest recommended size in the range.

3.3.3 Sampling Design and Sampling Technique

Sampling is used for simplifying and managing the population to make a good representative of the total population. Time and resource constraints can be avoided through applying appropriate sample selection technique.

The study used non-probably sampling technique. To avoid the time limitation and to get fast response convenience sampling was used.

3.4 Source of Data Collection

The study used both primary and secondary data. Primary data was collected from the employee of CBE using questionnaires. Literatures, articles, journals, and books were used as a secondary data.

3.5 Data collection method

Data collection is a process of collecting information from all the relevant sources to find answers to the research problem, test the hypothesis and evaluate the outcomes. The primary data will be collected using self-administer questionnaire.

3.6. Data Analysis

In the analysis part, the data gathered analyzed using SPSS version 26 to perform the descriptive and correlation analysis. The correlation analysis was performed to describe the relationship between independent (Transformational, Transactional and laissez-faire leadership style) and dependent (engagement) variables.

3.7 Reliability and Validity

Reliability is the degree to which an assessment tool produces the same and consistent results. In order to test and evaluate the research questionnaires consistency level and its results if it will be distributed several times to the same conditions. Research instruments was adopted from previous studies and literatures. Thus, the research instrument could measure what it intent to measure. The Cronbach alpha value was 83.4% and 80.9% for leadership style and engagement respectively.

Table 3.2 Cronbach Alpha

Reliability Statistics	
Description	**Cronbach's Alpha**
Leadership Style	.834
Engagement	.809

3.8 Ethical Issues

Participants were communicated the purpose of the study and their answer was used for the research purpose only. In addition, researcher respect and use the respondents' view and information for academic purpose and any confidential information of the bank or employee was not disclosed, because the main purpose was to gather the data for research purpose.

Chapter Four

Discussion

Introduction

In this chapter, the researcher present and discuss the findings of the study. To identify the type of leadership styles followed in CBE and their relation with employee engagement. The researcher collect data from 76 employee of CBE and analyze the data using statistical software SPSS version 26. The researcher tried to collect 80 employee responses but the 76 (95%) correctly filled questionnaires taken as a valid response and 4 (5%) is not returned. Thus, the total response rate become 95%, which is acceptable level of response rate.

To summarize and organize the data the researcher used descriptive analysis. The demography data analysis was conducted using frequency and percentage. Descriptive analysis was conducted to investigate the mean and standard deviation of the dependent and independent variables. Further, correlation analysis was conducted to find the relationship between leadership style and dependent (employee engagement) variables.

4.1 Demographic Characteristics of the Respondents

Table 4.1 Demographic Profile of the Respondents

Category		**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Gender	Male	59	77.6	77.6	77.6
	Female	17	22.4	22.4	100.0
	Total	76	100.0	100.0	

Age	22 < 25	3	3.9	3.9	3.9
	25 - 35	66	86.8	86.8	90.8
	36 – 45	7	9.2	9.2	100.0
	Total	76	100.0	100.0	
Education	Degree	65	85.5	85.5	85.5
	Masters	11	14.5	14.5	100.0
	Total	76	100.0	100.0	
Experience	1< 5	37	48.7	48.7	48.7
	11 - 15	7	9.2	9.2	57.9
	5 - 10	32	42.1	42.1	100.0
	Total	76	100.0	100.0	

The female number as shown in table 4.1 is around four times less than the male. It is n=17, which is 22.4 % of the respondents. The largest number of the respondent is male with n=59, which is 77.6% of the respondents. This implies that in the IS division the male number is higher than the female.

Regarding the age of the respondent's as shown in the table 4.1, most of the respondents are in the age of 25-35 with n=66, which is 86.8% of the sample population. Under the age of 22 to 25 is n=3, which is 3.9% and the rest n=7, which is 9.2% between 36 and 45. The respondents are mostly middle aged and younger to serve the CBE and CBE can train, develop and retain them to gain competitive advantage.

As shown in Table 4.1 the educational level of the respondents are n=65, which is 85.5% degree and n=11, which is 14.5% masters. Thus, their level of education shows that they are capable of expressing their perception related to their supervisor's leadership style.

Regarding experience as indicated in Table 4.1, under 1 to 5 years are n=37, which is 48.7 % and n=32, which is 42.1% between 5 and 10 years and the rest n=7, which is 9.2 % between 11 and 15 years. Thus, most of the respondents are under ten years of experience.

4.2 Descriptive Analysis of Dependent and Independent Variables

To investigate the perception of employee on leadership style exhibited and employee engagement of CBE, descriptive statistics was used based on the respondents' responses.

4.2.1 Descriptive Analysis of Leadership style

Three type of leadership style were assessed. The assessed types of leadership styles are Transformational, Transactional and Laissez-faire. For each of them, there are different number of items. There were eighteen items in transformational leadership, in transactional twelve items and in laissez-faire six items. To know their level in CBE descriptive statistics, mean and standard deviation, were used. The scale used in the study was 0-Never, 1- Once in a while, 2-Sometimes, 3-Often and 4-Frequently/Always. The subsequent table show the result of the study.

Table 4.2 Responses on the Level of Transformational Leadership Style

Transformational Leadership Style		
Items (Questions)	**Frequency and Percentage (%)**	**Total**

		Never	Once in a While	Some times	Often	Frequently/ Always	
Seeks differing perspectives when solving problems.	N	9	6	29	18	14	76
	%	11.8	7.9	38.2	23.7	18.4	
Goes beyond self-interest for the good of the group and organization.	N	17	8	22	14	15	76
	%	22.4	10.5	28.9	18.4	19.7	
Re-examines critical assumptions to question whether they are appropriate.	N	10	18	22	20	6	76
	%	13.2	23.7	28.9	26.3	7.9	
Talks enthusiastically about what needs to be accomplished.	N	10	10	22	17	17	76
	%	13.2	13.2	28.9	22.4	22.4	
Specifies the importance of having a strong sense of purpose.	N	7	11	20	23	15	76
	%	9.2	14.5	26.3	30.3	19.7	
Talks optimistically about the future.	N	10	7	20	27	12	76
	%	13.2	9.2	26.3	35.5	15.8	
Instills pride in me for being associated with him/her.	N	18	12	27	15	4	76
	%	23.7	15.8	35.5	19.7	5.3	
Spends time teaching and coaching.	N	18	23	20	7	8	76
	%	23.7	30.3	26.3	9.7	10.5	
Acts in a ways that build my respect.	N	10	6	24	19	17	76
	%	13.2	7.9	31.6	25.0	22.4	
Considers me as having different needs, abilities, and aspirations from others.	N	34	9	20	12	1	76
	%	44.7	11.8	26.3	15.8	1.3	

Gets me to look at problems from many different angles.	N	14	12	22	20	8	76
	%	18.4	15.8	28.9	26.3	10.5	
Displays a sense of power and confidence.	N	6	12	26	15	17	76
	%	7.9	15.8	34.2	19.7	22.4	
Articulates a compelling vision of the future.	N	4	9	30	22	11	76
	%	5.3	11.8	39.5	28.9	14.5	
Considers the moral and ethical consequences of decisions.	N	15	3	20	22	16	76
	%	19.7	3.9	26.3	28.9	21.1	
Helps me to develop my strengths.	N	14	12	20	20	10	76
	%	18.4	15.8	26.3	26.3	13.2	
Suggests new ways of looking at how to complete assignments.	N	12	8	25	19	12	76
	%	15.8	10.5	32.9	25.0	15.8	
Emphasizes the importance of having a collective sense of mission.	N	6	7	26	22	15	76
	%	7.9	9.2	34.2	28.9	19.7	
Expresses confidence that goals will be achieve.	N	8	6	24	20	18	76
	%	10.5	7.9	31.6	26.3	23.7	
Total (in percentage)	N	**222**	**179**	**419**	**332**	**216**	**1368**
	%	**16.2**	**13.1**	**30.6**	**24.3**	**15.8**	

There were eighteen questions taken from multifactor leadership questionnaire and distributed to respondents to measure the transformational leadership style or behavior of their respective supervisor, as they perceived it. As shown in Table 4.2, the majority of the respondents 30.6% indicates their supervisor practice transformational leadership behaviors sometimes. Others rate their supervisor as often (24.3%) and frequently/Always (15.8%). However, 16.2% and 13.1%

respondents rate their supervisor never and rarely apply transformational leadership style respectively.

Table 4.3 Responses on the Level of Transactional Leadership Style

Transactional Leadership Style							
Items (Questions)		**Frequency and Percentage (%)**					**Total**
		Never	**Once in a While**	**Some times**	**Often**	**Frequently/ Always**	
Provides me with assistance in exchange for my efforts	N	19	16	19	13	9	76
	%	25.0	21.1	25.0	17.1	11.8	
Avoids getting involved when important issues arise.	N	36	13	23	3	1	76
	%	47.4	17.1	30.3	3.9	1.3	
Talks about his/her most important values and beliefs.	N	20	9	24	13	10	76
	%	26.3	11.8	31.6	17.1	13.2	
Makes clear what one can expect to receive when performance goals are achieved.	N	17	11	29	12	7	76
	%	22.4	14.5	38.2	15.8	9.2	
Treats me as an individual rather than just as a member of the group.	N	31	6	25	11	3	76
	%	40.8	7.9	32.9	14.5	3.9	
Shows that he/she is a firm believer in “If it isn’t broke, don’t fix it”.	N	20	13	29	11	3	76
	%	26.3	17.1	38.2	14.5	3.9	

Demonstrates that problems must become chronic before taking action.	N	25	17	23	7	4	76
	%	32.9	22.4	30.3	9.2	5.3	
Discusses in specific terms who is responsible for achieving performance targets.	N	8	7	30	17	14	76
	%	10.5	9.2	39.5	22.4	18.4	
Keeps track of all mistakes.	N	18	9	31	7	11	76
	%	23.7	11.8	40.8	9.2	14.5	
Directs my attention toward failures to meet standards.	N	13	19	24	19	1	76
	%	17.1	25.0	31.6	25.0	1.3	
Expresses satisfaction when I meet expectation	N	11	5	30	22	8	76
	%	14.5	6.6	39.5	28.9	10.5	
Concentrates his/her full attention on dealing with mistakes, complaints, and failures.	N	25	7	25	10	9	76
	%	32.9	9.2	32.9	13.2	11.8	
Total (in percentage)	N	**243**	**132**	**312**	**145**	**80**	**912**
	%	**26.6**	**14.5**	**34.2**	**15.9**	**8.8**	

For transactional leadership, twelve questions taken from multifactor leadership questionnaire and distributed to respondents to measure the behavior of their respective supervisor, as the respondents perceived it. As shown in Table 4.3 majority of the respondents (34.2%) indicates sometimes their supervisor practice transactional leadership behaviors. Others rate their supervisor as often (15.9%) and frequently/Always (8.8%). However, 26.6% and 14.5% respondents rate their supervisor never and rarely apply transactional leadership style respectively.

Table 4.4 Responses on the Level of Laissez-faire Leadership Style

Laissez-faire Leadership Style							
Items (Questions)		**Frequency and Percentage (%)**					**Total**
		Never	**Once in a While**	**Some times**	**Often**	**Frequently/ Always**	
Fails to interfere until problems become serious.	N	21	14	30	8	3	76
	%	27.6	18.4	39.5	10.5	3.9	
Focuses attention on irregularities, mistakes, exceptions, and deviations from	N	22	13	17	20	4	76
	%	28.9	17.1	22.4	26.3	2.3	
Waits for things to go wrong before taking action.	N	43	10	14	5	4	76
	%	56.6	13.2	18.4	6.6	5.3	
Avoids making decisions.	N	35	15	18	8	0	76
	%	46.1	19.7	23.7	10.5	0	
Delays responding to urgent questions	N	29	15	23	8	1	76
	%	38.2	19.7	30.3	10.5	1.3	
Is absent when needed.	N	34	19	15	4	4	76
	%	44.7	25.0	19.7	5.3	5.3	
Total (in percentage)	N	**184**	**86**	**117**	**53**	**16**	**456**
	%	**40.4**	**18.9**	**25.7**	**11.6**	**3.5**	

The researcher used six questions to examine the level of the laissez-faire leadership style practice in CBE. As indicated in Table 4.4, majority of the responses 40.4% indicates their

supervisor never exercise laissez-faire leadership style. Others rate their supervisor laissez-faire leadership behavior as 25.7% sometimes and 18.9% rarely. Nevertheless, others believes their supervisor apply laissez-faire leadership behaviors as 11.6% often and 3.5% always.

4.2.2 Descriptive Analysis of Engagement

Table 4.5 Responses on the Level of Employee Engagement

Employee Engagement							
Items (Questions)		**Frequency and Percentage (%)**					**Total**
		Never	**Once in a While**	**Some times**	**Often**	**Frequently/ Always**	
At my work, I feel bursting with energy	N	7	13	26	25	5	76
	%	9.2	17.1	34.2	32.9	6.6	
At my job, I feel strong and vigorous	N	1	2	27	35	11	76
	%	1.3	2.6	35.5	46.1	14.5	
When I get up in the morning, I feel like going to work	N	3	4	15	38	16	76
	%	3.9	5.3	19.7	50.0	21.1	
I can continue working for very long periods at a time	N	2	3	37	27	7	76
	%	2.6	3.9	48.7	35.5	9.2	
At my job, I am very resilient, mentally	N	3	8	25	29	11	76
	%	3.9	10.5	32.9	38.2	14.5	
At my work I always persevere,	N	5	5	37	22	7	76

even when things do not go well	%	6.6	6.6	48.7	28.7	9.2	
I find the work that I do full of meaning and purpose	N	2	3	23	29	19	76
	%	2.6	3.9	30.3	38.2	25.0	
I am enthusiastic about my job	N	3	4	15	36	18	76
	%	3.9	5.3	19.7	47.4	23.7	
My job inspires me	N	5	2	17	37	15	76
	%	6.6	2.6	22.4	48.7	19.7	
I am proud on the work that I do	N	1	2	17	34	22	76
	%	1.3	2.6	22.4	44.7	28.9	
To me, my job is challenging	N	27	10	23	13	3	76
	%	35.5	13.2	30.3	17.1	3.9	
Time flies when I'm working	N	1	10	32	21	12	76
	%	1.3	13.2	42.1	27.6	15.8	
When I am working, I forget everything else around me	N	6	17	32	20	1	76
	%	7.9	22.4	42.1	26.3	1.3	
I feel happy when I am working intensely	N	1	3	15	40	17	76
	%	1.3	3.9	19.7	52.6	22.4	
I am immersed in my work	N	4	9	29	23	11	76
	%	5.3	11.8	38.2	30.3	14.5	
I get carried away when I’m working	N	4	4	48	16	4	76
	%	5.3	5.3	63.2	21.1	5.3	
It is difficult to detach myself from my job	N	11	15	28	17	5	76
	%	14.5	19.7	36.8	22.4	6.6	

Total (in percentage)	**N**	**86**	**114**	**446**	**462**	**184**	**1292**
	%	**6.7**	**8.8**	**34.5**	**35.8**	**14.2**	

For employee engagement, seventeen questions were distributed to respondents to measure the level of their own engagement level. As shown in Table 4.5, most of the respondents (35.8%) rate their engagement level with often, whereas 34.5% rate their level of engagement as sometimes. The remaining 14.2%, 8.8% and 6.7% respondents rate their level of engagement level as frequently/always, once in a while and never, respectively.

4.2.3 Summary of Responses on Independent and Dependent Variables

Table 4.6 Summary of Responses

Descriptive Statistics			
	N	**Mean**	**Std. Deviation**
Engagement	76	2.4211	.48260
Transformational	76	2.1031	.74152
Transactional	76	1.6568	.48400
Laissez-faire	76	1.1908	.71165

As indicated in the responses summary Table 4.6, the overall mean of transformational leadership style was 2.10. Thus, transformational leadership is practiced more than the other two leadership styles. Whereas transactional and laissez-faire leadership styles were 1.66 and 1.19

respectively. As show in Table 4.6, the overall engagement level of CBE employee was 2.42. Therefore, the level of employee engagement in CBE is moderate.

4.3 Correlation Analysis

Correlation is a way of assessing the relationship between independent and dependent variables. It is useful to explore the degree of association between independent and dependent variables. Correlation coefficient is the measure to quantify such degree of relationship of the variables. There are two correlation coefficients namely: Pearson's Product Moment Correlation Coefficient and Spearman's Rank Correlation Coefficient (Senthilnathan, 2019). For this paper, the researcher use Pearson's Product Moment Correlation Coefficient. Pearson's Correlation Coefficient (Pearson's r) ranges from -1 to 1. If r = -1, it shows that there is perfect negative linear relationship of variables, if r = 0 (zero) there is no relationship between variables. If r=1, it shows perfect positive linear relationship between variables.

Table 4.7 Interpreting Correlation Coefficient in Social Science Studies

Value of r	**Description**
-1 = r = 1	Perfect Correlation
-0.70 ≥ R >-1.00 And +0.70 ≤ R < +1.00	Very strongly considerable correlation
-0.50 ≥ R >-0.70 And +0.50 ≤ R < +0.70	Strongly considerable high correlation
-0.35 ≥ R >-0.50 And +0.35 ≤ R < +0.50	Fair or Moderate Correlation
-0.20 > R >-0.35 And +0.20 < R < +0.35	Weak Correlation, but to be considered
-0.20 ≥ R ≤ +0.20	Very Weak or Negligible Correlation
0 (Zero)	No Correlation

Source: Senthilnathan, S. (2019).

Table 4.8 Correlation of variables

Correlations					
		Engagement	Transformational	Transactional	Laissez-faire
Engagement	**Pearson Correlation**	1			
	Sig. (2-tailed)				
	N	76			
Transformational	**Pearson Correlation**	.498**	1		
	Sig. (2-tailed)	.000			
	N	76	76		
Transactional	**Pearson Correlation**	.240*	.476**	1	
	Sig. (2-tailed)	.036	.000		
	N	76	76	76	
Laissez-faire	**Pearson Correlation**	-.294*	-.295**	.297**	1
	Sig. (2-tailed)	.010	.010	.009	
	N	76	76	76	76
**. Correlation is significant at the 0.01 level (2-tailed).					
*. Correlation is significant at the 0.05 level (2-tailed).					

As shown in Table 4.8, there is a positive correlation between transformational leadership style and employee engagement (r=.498**, p=.000 < 0.01). As indicated in Table 4.7, there is a fair or moderate positive correlation between transformational leadership and employee engagement in CBE.

Table 4.8 shows that there is a positive correlation between transactional leadership style and employee engagement (r=.240*, p=.036 < 0.05). As indicated in Table 4.7, there is a weak positive correlation between transactional leadership and employee engagement.

Table 4.8 illustrates a negative correlation between laissez-faire leadership style and employee engagement (r= -.294*, p=.010 < 0.05). As indicated in Table 4.7, there is a weak negative correlation between transactional leadership and employee engagement.

In general, transformational and transactional leadership style have a positive correlation with significance value (r=.498**, p=.000 < 0.01) and (r=.240*, p=.036 < 0.05), respectively. However, laissez-faire has a negative correlation with significance value (r= -.294*, p=.010 < 0.05). As the result show, supervisors who exhibit transformational and transactional leadership style positively affect employee engagement whereas supervisors who exhibit laissez-faire leadership style decreases employee engagement.

4.4 Multiple Regression Analysis

Multiple regression was run to predict employee engagement level from independent variables (transformational, transactional and laissez faire leadership). The square of the correlation coefficient (r2) is useful to determine the relationship between dependent and independent variables. The value of r2 is the proportion of variance in the dependent (Engagement) variable that can be explained by the independent (Transformational, transactional and Laissez-faire

leadership style) variables. Coefficient of determination (r^2) value shows, how much variation of dependent variable is explained by the variation of independent variable (Senthilnathan, 2019).

Table 4.9 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	**.530[a]**	**.281**	**.251**	**.41760**

a. Predictors: (Constant), Laissez-faire, Transformational, Transactional
b. Dependent Variable: Engagement

As we can see in Table 4.9, the value of r^2 is .281. Thus, the independent (Transformational, transactional and Laissez-faire leadership) variables explain 25.1% of the variability of the dependent (engagement) variable. In addition, the other 74.9% of the variation is caused by factors other than the predictors in this model.

Table 4.10 ANOVA (Analysis of Variance)

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	**Regression**	4.912	3	1.637	9.388	.000[b]
	Residual	12.556	72	.174		
	Total	17.467	75			
a. Dependent Variable: Engagement						
b. Predictors: (Constant), Laissez-faire, Transformational, Transactional						

The value of F-ratio in the ANOVA result table, checks whether the overall regression model is a good fit for the data. As indicated in Table 4.10, the independent (transformational, transactional

and laissez-faire) variables statistically significantly predict the dependent (engagement) variable with F value of 9.334 and p-value (.000) < 0.05. Thus, the significant value indicates the model is a good fit of the data and statistically significant.

Table 4.11 Coefficients

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.879	.200		9.376	.000
	Transformational	.241	.087	.370	2.780	.007
	Transactional	.130	.133	.131	.983	.329
	Laissez-faire	-.151	.083	-.223	-1.823	.072
a. Dependent Variable: Engagement						

The regression coefficient provides the expected change in the dependent (engagement) variable for a one-unit increase in the independent variable. Standardized coefficients (beta weights) measures how much the standard deviation of dependent variable increases when the predictor variable is increased by one standard deviation assuming other variables in the model are held constant whereas unstandardized coefficients show how much the dependent variable differs with an independent variable when all other independent variables are held constant. Beta weight is useful to rank the predictor (Dhakal, 2018).

As indicated in Table 4.11 one variable from the independent variables, which is, Transformational leadership style with p (.000) < .05 can statistical significantly predict the dependent (engagement) variable. Transactional and laissez-faire leadership have a p-value of p (.329) > .05 and p (.072) >.05 respectively. Thus, transactional and laissez-faire have no

significant contribution in explaining employee engagement when transformational predictor is in the model. The highest beta value in the Table 4.11 is transformational leadership with .241, i.e. this shows the dependent (engagement) variable increases by 24.1% when the independent or predictor (transformational leadership) increased by one standard deviation assuming other variables in the model are held constant.

4.5 Hypothesis Test

Using the value of significance in Table 4.11 the following hypotheses are tested to accept or reject based on their p-value, $p < 0.05$.

H1: Transformational leadership has a positive significant relationship with employee engagement

As shown in Table 4.11 the significance value of transformational leadership is < .05 and has a positive relationship with employee engagement. The beta value of transformational leadership is positive (.241), this shows one-unit increased in transformational leadership will increase engagement by 24.1%. Thus, the researcher accepts the hypothesis.

H2: Transactional leadership has a positive significant relationship with employee engagement

As presented in Table 4.11 the beta value of transactional leadership is positive (.130), this shows one-unit increased in transactional leadership will increase engagement by 13%. However, the significance value of transactional leadership is p (.329) > .05. Since, p (.329) > .05, the researcher reject the hypothesis.

H3: Laissez-faire leadership has a negative significant relationship with employee engagement

As presented in Table 4.11 the beta value of Laissez-faire leadership is negative (-.151), this shows one-unit increased in Laissez-faire leadership will decrease engagement by 15.1%. However, the significance value of Laissez-faire leadership is p (.072) > .05. Since, p (.072) > .05, the researcher reject the hypothesis.

In this chapter, the researcher presented the study result. The characteristics of the respondents, gender, age, educational level and experience were discussed using SPSS descriptive statistics, frequency. Descriptive analysis of dependent (engagement) and independent (transformational, transactional and laissez-faire leadership) variables and summary were presented. Correlation and multiple regression were discussed to test the research hypotheses. In addition, the hypotheses were tested. The next chapter presents the summary of the study, the conclusions and recommendations.

Chapter Five

Conclusions and Recommendations

Introduction

This chapter contain summary of finding, conclusions and recommendations of leadership style and employee engagement.

5.1 Summary of Major Findings

The aim of the study was to investigate the role of leadership style on employee engagement from employee of Commercial Bank of Ethiopia Information System division by collecting their perception about their supervisor leadership style using Multifactor Leadership Questionnaire (MLQ) and their engagement using Utrecht Work Engagement Scale (UWES) questionnaire.

Based on the collected primary data from 76 sample population 77.6% of them were male and 22.4% of were female. Most of the employees (86.8%) were under the age of 35 years. The respondent's education levels were degree and masters. Regarding experience of respondents 48.7% were less than five years and 42.1% were between 5-10 years of experience. They are middle aged and younger to serve CBE and CBE can train, develop and retain them to gain competitive advantage in the long run.

The output of statistical description analysis shows the overall mean of transformational leadership was 2.10, whereas transactional and laissez-faire leadership styles were 1.66 and 1.19 respectively. The result shows there are a mix of leadership style in CBE. However,

transformational leadership is the dominant one and transactional follow second and laissez-faire take the third place. The mean of engagement level of employee is 2.42 as the respondent rate themselves.

From the correlation analysis of dependent and independent variables, the result shows that there is a moderate and positive correlation between transformational leadership style and employee engagement (r=.498**, p=.000 < 0.01). In addition, there is a weak positive correlation between transactional leadership style and employee engagement (r=.240*, p=.036 < .05). However, the correlation between laissez-faire leadership style and employee engagement is negative (r= -.294*, p=.010 < .05).

Multiple regression was used to predict employee engagement level from independent variables (transformational, transactional and laissez faire leadership). Coefficient of determination (r^2) value is .251, i.e. the independent (Transformational, transactional and Laissez-faire leadership) variables explain 25.1% of the variability of the dependent (engagement) variable.

The analysis of variation (ANOVA) result revealed that the independent (transformational, transactional and laissez-faire) variables statistically significantly predict the dependent (engagement) variable with p-value (.000) < 0.05. Thus, the significant value indicates the model is a good fit of the data and statistically significant.

The regression coefficient provides the expected change in the dependent (engagement) variable for a one-unit increase in the independent variable. The coefficient result revealed that transformational leadership style with p (.000) < .05 can statistical significantly predict the dependent (engagement) variable. Transactional and laissez-faire leadership have a p-value of p (.329) > .05 and p (.072) >.05 respectively. Thus, transactional and laissez-faire have no

significant contribution in explaining employee engagement. In addition, hypotheses are tested using significance p value < .05. Therefore, transformational leadership with p-value p (.007) < .05 is accepted because it has a positive significant relationship with employee engagement but transactional and laissez-faire leadership have p (.329) > .05 and p (.072) > .05 and rejected.

5.2 Conclusions

The study tried to investigate the relationship of leadership style and employee engagement practiced in Commercial Bank of Ethiopia. The research found that the three leadership styles are practiced in a mixed way. Some supervisor exhibit transformational and others exhibit transactional and laissez-faire. However, mostly transformational leadership is practiced than transactional and laissez-faire leadership.

As the study, revealed transformational and transactional leadership styles positively affect the engagement level of employee. However, laissez-faire leadership style has a negative effect on employee engagement. Supervisors, at CBE, who apply laissez-faire leadership style can create a disengaged employee and consequently affect the company's reputation and profits.

The study shows that the overall engagement level of employee in CBE is moderate. However, the combination of leadership style can increase employee engagement. Spending time to teach, coach and making clear what one can expect to receive when performance goals are achieved might make employee more productive. The study shows that all of the employees hold at least bachelor degree. Thus, it is better to know how to use the employee's knowledge, skill and ability for the betterment of their banking service while keeping the wellbeing of the employee.

5.3 Recommendations

Based on the finding of the study. The researcher recommends the following points to CBE management staffs.

- Currently the banking industry is growing in the country and the competition become harder and tougher. Leaders who delay response to urgent questions, absent when needed and waits for things to go wrong before taking action will make the bank incompetent to gain competitive advantage. Therefore, leaders need to be proactive.
- As the result shows transformational leadership significantly and positively increase the engagement level of employee. Therefore, the bank need to give training for all of its management staffs related to transformational leadership style and encourage for those who exhibit this type of leadership. The more transformational leadership practiced in the bank the level of employee engagement likely increase.
- As the finding revealed, the engagement level of the employee is moderate as they rate themselves. Therefore, the top management need to establish a good structure that fits their employee knowledge, skill and experience. Furthermore, management of the bank should assure the proper availability and allocation of the needed resources to perform tasks and deliver services as expect by the stakeholders. The bank is investing a lot for its technology usage but the staffs are not highly engaged, therefore supervisors should give attention to use the maximum potential of the staffs for the betterment of the bank's service.

- In general, CBE should implement employee engagement strategies and conduct periodical engagement assessment to take measurement before it gets worse or affect the overall organizational performance.

5.4 Suggestion for Future Studies

- This research carried out in Addis Ababa CBE head office and it does not include the district IS division that disperse widely in the country. Therefore, for future research it is recommended to include district IS division. Such a research will show where the overall employee engagement of IS division stands. Since, the bank future is highly depend on this part of the organization, it is recommended.
- Longitudinal study also recommended after some structural change implemented in the bank.

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Appendix

RESEARCH QUESTIONNAIRE

Addis Ababa University School of Commerce

Department of Business Leadership

Research Title: The Role of Leadership Style on Employee Engagement: The Case of Commercial Bank of Ethiopia (CBE)

Dear Respondent,

The purpose of the questionnaire is to gather information on the relationship between leadership style and employee engagement. The study is being conducted for the Business Leadership project as a requirement in partial fulfillment of the Masters of Business Leadership (MBL), at Addis Ababa university school of Commerce. The information that you provide will be applied only for this research purpose and its confidentiality will be kept. Thus, I sincerely request your genuine responses. I would like to thank you for your time and kind cooperation.

If you want any clarification or additional information. Feel free to reach me using the below email or phone No.

Sincerely,

Ashebir Endale

Section I: Demography Information

1 Gender

○ Male ○ Female

2 Age (in years)

○ 18 - 25 ○ 25 - 35 ○ 36 - 45

○ 46 - 55 ○ 56 and above

3 Education level

○ Certificate ○ Diploma ○ Degree

○ Masters ○ PhD

4 Experience (in years)

○ 1 - 5 ○ 5-10 ○ 11-15

○ >15

Section II: Leadership Style Questionnaire Rater Form

This part of the questionnaire (Multifactor Leadership Questionnaire) is to describe the leadership style of your supervisor as you perceive it. Please judge how frequently each statement fits the person you are rating. Use the below rating scale (from 0 - 4) which best describe your views. If you don't know the answer and uncertain about the item leave the answer black.

Use the following rating scale:

0	1	2	3	4
Never	**Once in a while**	**Sometimes**	**Often**	**Frequently/Always**

No.	The Person I am rating...	0	1	2	3	4
1	Provides me with assistance in exchange for my efforts					
2	Re-examines critical assumptions to question whether they are appropriate.					
3	Fails to interfere until problems become serious.					
4	Focuses attention on irregularities, mistakes, exceptions, and deviations from standards.					
5	Avoids getting involved when important issues arise.					
6	Talks about his/her most important values and beliefs.					
7	Is absent when needed.					
8	Seeks differing perspectives when solving problems.					
9	Talks optimistically about the future.					
10	Instills pride in me for being associated with him/her.					
11	Discusses in specific terms who is responsible for achieving performance targets.					
12	Waits for things to go wrong before taking action.					
13	Talks enthusiastically about what needs to be accomplished.					
14	Specifies the importance of having a strong sense of purpose					
15	Spends time teaching and coaching.					
16	Makes clear what one can expect to receive when performance goals are achieved.					
17	Shows that he/she is a firm believer in “If it isn’t broke, don’t fix it”.					
18	Goes beyond self-interest for the good of the group and organization.					
19	Treats me as an individual rather than just as a member of the group.					
20	Demonstrates that problems must become chronic before taking action					
21	Acts in ways that build my respect.					
22	Concentrates his/her full attention on dealing with mistakes, complaints, and failures.					
23	Considers the moral and ethical consequences of decisions.					

24	Keeps track of all mistakes.					
25	Displays a sense of power and confidence.					
26	Articulates a compelling vision of the future.					
27	Directs my attention toward failures to meet standards.					
28	Avoids making decisions.					
29	Considers me as having different needs, abilities, and aspirations from others					
30	Gets me to look at problems from many different angles					
31	Helps me to develop my strengths					
32	Suggests new ways of looking at how to complete assignments					
33	Delays responding to urgent questions					
34	Emphasizes the importance of having a collective sense of mission					
35	Expresses satisfaction when I meet expectation					
36	Expresses confidence that goals will be achieve					

Section III: Employee Engagement Rater Form

Please read each statement carefully and decide if you ever feel this way about your job. If you have never had this feeling, tick '✓ the '0' (zero) in the space. If you have had this feeling, indicate how often you feel it by ticking the number (from 1 to 4) that best describes how frequently you feel that way.

Use the following rating scale:

0	**1**	**2**	**3**	**4**
Never	**Once in a while**	**Sometimes**	**Often**	**Frequently/Always**

No.		**0**	**1**	**2**	**3**	**4**
1	At my work, I feel bursting with energy					
2	At my job, I feel strong and vigorous					

3	When I get up in the morning, I feel like going to work					
4	I can continue working for very long periods at a time					
5	At my job, I am very resilient, mentally					
6	At my work I always persevere, even when things do not go well					
7	I find the work that I do full of meaning and purpose					
8	I am enthusiastic about my job					
9	My job inspires me					
10	I am proud on the work that I do					
11	To me, my job is challenging					
12	Time flies when I'm working					
13	When I am working, I forget everything else around me					
14	I feel happy when I am working intensely					
15	I am immersed in my work					
16	I get carried away when I’m working					
17	It is difficult to detach myself from my job					