



**Addis Ababa University – College of Business and Economics**

**MBA Program**

**Leadership Styles among Managers and Subordinates: A Closer Look to Managers' Choice  
of Leadership in Addis Ababa Selected Businesses**

*“A Thesis submitted in partial fulfillment of the requirements for the Master of Business  
Administration (MBA) degree”*

By: Leul Wondemeneh

ID No. GSR/2024/06

Advisor: Zewdie Shibre (PhD)

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**LEADERSHIP STYLES AND CULTURAL VALUES AMONG  
MANAGERS AND SUBORDINATES:  
A CLOSER LOOK AT LOCAL MANAGERS' PERSPECTIVE**

## **DECLARATION**

I hereby declare that this thesis contains literature survey and original research work by the undersigned candidate, as part of his Masters of Business Administration studies.

All information in this document has been obtained and presented in accordance with academic rules and ethical conduct.

I also declare that, as required by these rules and conduct, I have fully cited and referenced all materials and results that are not original to this work.

**Name: Leul Wondemeneh Dagneu**

**Researcher**

Signature\_\_\_\_\_

Date\_\_\_\_\_

Confirmed by:

**Zewdie Shibre (PhD)**

**Advisor**

Signature\_\_\_\_\_

Date

**BOARD OF EXAMINERS APPROVAL**

**Leadership Styles and Cultural Values among Managers and Subordinates: A Closer Look at Local Managers' Perspective**

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_____	_____	_____
<b>Internal Examiner</b>	<b>Signature</b>	<b>Date</b>

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## **ACRONYMS**

FDI – Foreign Direct Investment

FRLM – Full Range Leadership Model

MLQ – Multifactor Leadership Questionnaire

SPSS – Statistical Package for Social Sciences



## **ABSTRACT**

*The effective leaders are enablers that directly points to competent and committed employees. Studies in the organizational psychology and organizational behavior literatures have shown that leadership styles are of major factors to the organizational success or failure. The objective of this study was to explore the leadership [management] style [autocratic, laissez-faire and democratic leadership style and controlling, mixed and empowering management styles paradigm] that is in operation our local business in Addis. A questionnaire survey was administered to conveniently selected 200 samples of respondents [110 managers and 90 subordinates] with a non response rate of 84.5% and 88.8% for managers and subordinates respectively. The sample respondents were from 10 purposively [maximum variation] selected companies through a criteria set forth in the study. The data was analyzed using descriptive statistics, and standard scoring system as adopted from similar surveys. The findings of the study revealed that a mixed [transition] management style and democratic leadership style has prevailed as a strategy for the managers. However, the subordinates' survey somehow shows that a sort of misleading environment exists as their survey shows low result for culture and leadership dimension.*

**Key Words:** *Leadership styles, Global Mindset [21<sup>st</sup> century management]*

## **CHAPTER 1 – INTRODUCTION**

### **1.1. Background/Rationale of the Study**

In the past years, research on leadership and management has evolved as a key area of interest among Human Resource Development scholars. Within this area, two strands of scholarship can be distinguished: (i) the development of leaders and managers and (ii) their behaviors, attitudes and attributes.

Managing an organization for effectiveness requires effective leadership. There abound different styles of leadership with attendant different effects. In a competitive business environment, organizations rely on their leaders to facilitate the changes and innovations required to maintain competitive advantage. Effective leadership is helpful in ensuring organizational performance. As a result, many leadership theories have been proposed in the last fifty years which are claimed to have influenced effectiveness of organizations where they have been employed through employee performance (Obasan and Banjo 2014).

Leadership is important for all organizations to achieve goals. Since leadership is a key factor for improving the performance of the organization, the success or failure of an organization depends on the effectiveness of leadership at all levels. Researchers have stated that leadership is an ability to influence attitudes, beliefs, and abilities of employees to achieve organizational goals. However, over the years, leadership has been had a major topic between the researchers but dramatic social changes that have occurred over the past two decades makes the issue of leadership and its relationship with other organizational factors more remarkable (Hilary and Elspeth 2003)

The concept of culture is widely used in international management, organization behavior, and human resource development literature to measure effects that can discriminate between countries and ethnic or occupational groups (Kuchinke 1999). Culture constitutes the successful attempt to adapt to the external environment; it presents a social group's shared strategy for survival (Triandis 1995).

Culture is an abstraction, yet the forces that are created in social and organizational situations that derive from culture are powerful. If we don't understand the operation of these forces, we become victim to them (Edgar 2004). Organizational culture is an organization's values, beliefs, practices, rites, rituals, and stories—all of which combine to make an organization unique. These cultural features often derive from the strategic business drivers of the organization—elements such as quality, innovation, results, speed, and agility. These business drivers affect policies and procedures throughout the organization, thus creating its culture (Vidula 2001).

“Any company can become a great place to work.” This is an appealing statement, but how are “great places to work” characterized? At the heart of the definition of a great place to work are trust and mutual respect between senior executives and their employees, and value-driven leadership performance with purpose. Great places to work show a strong commitment from senior management (who will walk the talk), a genuine belief that people are indispensable for the business, active communication among the entire organization, the perception of a unique culture and identity, a well articulated vision and values that are lived and experienced at all levels of the organization (Manfred et al 2009).

Practicing managers and academics alike have long recognized the existence of organizational cultures. Most managers, however, do not take culture into account as they devise plans and strategies for developing leaders in their organizations. One reason for this neglect is the difficulty that most people have in recognizing their own organizational cultures. But failing to acknowledge the crucial role that organizational culture plays in developing leaders can be costly. Although the culture that results from the policies and procedures affected by a company's business drivers typically reinforces those drivers, sometimes this culture ultimately works against the drivers, the company's interests, and its development goals (Vidula 2001).

According to Kebour Ghenna, a known Ethiopian Economist, “Leadership is somehow innate, however, learning how to be a more effective leader is within everyone's grasp – whether you lead multiple teams, an entire company or just one staff member; whether you are young, middle aged or old.” Leadership exists in all societies and is essential to the functioning of organizations within societies. However, the attributes that are seen as characteristic for leaders may vary across cultures.

Many researchers use different socio-cultural dimensions to study cultural values in Organizational leadership. Among the many are; power distance (the degree of inequality among the people which a group of people considers as normal), individualism (the degree to which people prefer to act as individuals rather than as members of groups), masculinity (the degree to which such 'masculine' values as assertiveness, competition, and success are emphasized as opposed to such values as quality of life, warm personal relationships, and service), Uncertainty avoidance (the degree to which people in a country prefer structured over unstructured situations), and long-term orientation (the degree to which people's actions are driven by long-term goals and results, rather than the short-term results and the need for immediate gratification (Alexander 2002).

## **1.2. Statement of the Problem**

The role of Leadership style and cultural values in business is indisputable and has a positive effect at organizational level. As such leadership styles have for sure a direct impact in Organizations' efficiency and effectiveness in meeting their missions and goals. Many academicians and practitioners argue that great leaders create great business. In business, one of the first traits of leadership is the degree to which the values of the culture are widely shared, that is, are 'strong' (Ogbonna and Haris, 2000). Moreover, leadership is crucial for the organizational effectiveness, and the development and the changes of organizational culture (Acar, 2012).

Ethiopian companies' record of leadership is rather weak. In this competitive business world effective leaders adopt strategies and techniques to take the lead in the competitive market. And as large multinational began to enter the local market recruiting and retaining the best will become a challenge. It probably won't be possible to compete with these giants unless companies' find ways to clearly be perceived as different, better if not promising than everyone else.

Big Corporate Companies' are entering the Ethiopian market (Reporter Newspaper, Aug.2014). Globalization and Ethiopia's aim of joining the World Trade Organization in line with the country's aim to increase Foreign Direct Investment (FDI) has led the country to open markets to the outside world (Doing Business in Ethiopia, 2013), hence opening the door more open for many big corporate and conglomerates (Reporter Newspaper, Aug. 2014). Ethiopians nowadays tend to prefer to work in these big corporate than to join a national firm. Perhaps many will anticipate this to financial reasons. And a handful of them relate this alarming fact to a more essence putting the organizational cultures of these big corporate companies as attractive compared to local firms. It is also important to anticipate future trends in management to adjust to the coming changes as a senior management and management profession.

Therefore this research had tried to lookout which management (leadership) styles are being employed by the local firms. It will study how senior managers challenge the prevailing domestic culture and cultivate global mindset in their work process.

### **1.3. Research Questions**

The main theme of this research was to investigate which leadership/management styles is mostly employed by local managers and to examine whether 21<sup>st</sup> century management (global mindsets) are prevailing in local business operations. The research will give a closer look on the most effective approach to be implemented in our local firms. More specifically this research will try to work on the following questions;

- I. What is the nature of leadership styles of local business managers in Addis Ababa?
- II. Which Leadership style (management style) is most commonly in operation?
- III. Are we moving towards the 21<sup>st</sup> century management style (global mindset)?
- IV. What are the perceptions of this local companies subordinates about leadership of their workplace?

### **1.4. Objectives of the Study**

#### **1.4.1. General Objective:**

The research aimed at looking for the nature of the leadership styles of local businesses in Addis.

#### **1.4.2. Specific Objectives:**

- To investigate the nature of the leadership styles in selected businesses in Addis Ababa;
- To investigate the leadership style (management style) most commonly in practice in selected business;
- To examine whether businesses are moving towards the 21<sup>st</sup> century management style;
- To investigate the perception of local companies subordinates about leadership of heir workplace

### **1.5. Delimitation of the Study**

This study mainly concentrated on assessing the local managers' perspective towards global mindsets (21<sup>st</sup> century management) and employees' perspective towards their managers. Although the research has been conducted in an industry that covers the whole country, due to the aforementioned constraints and resource issues the research area had been limited to Addis Ababa and on the private sector. Furthermore the research had concentrated on 10 selected companies as per the criteria set forth as stated in the sampling strategy. Further research needs to be conducted in order to expand the results of this study.

### **1.6. Limitation of the Study**

Even though it would be commendable to incorporate views of as many managers as possible this study has only concentrated on top level managers and few employees (compared to managers) at established firms in the private sector which might result in weak internal validity as a result of cross-sectional data.

Moreover the voluntary basis participation expected from selected managers might pose a lag on the analysis process. Therefore careful assessment shall be made while selecting sample respondents so as to minimize the case.

### **1.7. Significance of the Study**

For one or another motive, research papers will have an indisputable input to the society and will add up to the knowledge base that kept on bursting every day. Findings of this study will go on to assist future researchers and academicians as an input for embarking upon similar researches in the future and reckon to further their insight regarding the issue. The research findings will also be helpful for literature references for local companies who envision for a strong and sound Organization Leadership Culture and strategise success for their Firm.

Local companies can also make use of the various leadership styles and organizational Leadership Culture determinants to effectively build a strong brand (culture) and thus increase

their performance as well as add value to their products and services. And also based on the findings of this research, existing and new approaches implemented in Local Companies can be adjusted and adopted for ensuring continued success.

### **1.8. Organization of the Paper**

The paper aside from the proposal had contained four main chapters. The next chapter summarized the related literature review, while chapter three presents the methodology and strategy of the research. Chapter four presents the analysis and interpretation of the study. The last chapter, chapter 5 stipulates conclusions and recommendations.



## CHAPTER 2 – REVIEW OF RELATED LITERATURE REVIEW

### 2.1. Introduction

Edgar H. in his book *Organizational Culture and Leadership* prefaces that “in an age in which leadership is touted over and over again as a critical variable in defining the success or failure of organizations, it becomes all the more important to look at the other side of the leadership coin—how leaders create culture and how culture defines and creates leaders”.

Culture entails a very big picture of an organization, so does leadership. Nearly everyone had had the experience of engaging in specific culture and engage themselves to somehow fit in that culture. But what is an organizational culture? What does it entail about a given firm/corporate? Same for leadership, can Leadership define or invigorate culture? Can it actually pave the way for success? This part (together with part two) will try to review related literatures to support the work of this research.

The existing leadership and management research suggests that the leadership style of managers can lead to higher measures of organizational commitment in their direct reports. As suggested, there is a significant body of literature that implies the relationship of leadership style to employees’ performance. Some of these researches (Avolio *et al.*, 2004; Lo *et al.*, 2009) have demonstrated positive relationships between numerous leadership styles and employee attitudes, motivation and performance; all of which can affect to employee commitment levels.

Also the benefits of employee’s organizational commitment have been well documented in the existing management literature. Committed employees are more likely to develop patterns of punctuality or to be chronically present at work (Brockner *et al.*, 1992; Hunt and Morgan, 1994). Employees that are committed are also less likely to leave the organization to explore other opportunities (Allen and Meyer, 1990). Organizational commitment has also been shown to positively affect motivation, organizational citizenship, and job performance (Lok and Crawford, 1999; Meyer and Becker, 2004).

## **2.2. Organizational Culture**

Organizational culture is an organization's values, beliefs, practices, rites, rituals, and stories—all of which combine to make an organization unique. These cultural features often derive from the strategic business drivers of the organization— elements such as quality, innovation, results, speed, and agility. These business drivers affect policies and procedures throughout the organization, thus creating its culture (Vidula and Laura 2001).

Culture itself is a product of a group of people living at the same place and having similar attitudes and behavior. People who belong to a certain culture share similar norms, history, religion, values and artifacts which distinguish them from others. Therefore, there are numerous national cultures and even more subcultures, providing certain types of organization and action. In modern societies, however, culture is considered to be a tangible or intangible environment in which a group of people live and work together (Gjuraj, 2013).

In organizational analysis, culture describes the influence and interaction among employees and between employees and the specific institution, organization or service they work in. (Tharp, 2009). The employees' behavior in their workplace is influenced by three different cultures: their national, their occupational and their organizational culture. Organizational culture is a product of occupational relations among employees and between employees and customers, thus it is likely to reform and adapt to the institution's goals and strategies (Dimitrios and Athanasios, 2014).

## **2.3. The Concept of Leadership**

It has become fashionable over recent years to distinguish leadership from management however increasing evidence indicates that this distinction may be misleading (Richard, 2004). Leadership is different from management, but not for the reason most people think. Leadership isn't mystical and mysterious. It has nothing to do with having charisma or other exotic personality traits. It's not the province of a chosen few. Nor is leadership necessarily better than management or a replacement for it: rather, leadership and management are two distinctive and complementary activities. Both are necessary for success in an increasingly complex and volatile business environment (Kotter 1990).

Northouse 2004 identified four common themes in the way leadership now tends to be conceived: (1) leadership is a *process*; (2) leadership involves *influence*; (3) leadership occurs in a *group context*; and (4) leadership involves *goal attainment*. He thus defines leadership as “a process whereby an individual influences a group of individuals to achieve a common goal”

In a competitive business environment, organizations rely on their leaders to facilitate the changes and innovations required to maintain competitive advantage. Effective leadership is helpful in ensuring organizational performance. As a result, many leadership theories have been proposed in the last fifty years which are claimed to have influenced effectiveness of organizations where they have been employed through employee performance (Obasan and Hassan 2014)

Leadership has become the crux of issues in the corporate world of today. This is because it is responsible for the harmonization and integration of both human and material resources to produce the output or services for which the body is created. Leadership is a process of influencing others commitment towards realizing their full potentials in achieving a value added, shared vision with passion and integrity. An important factor in the leadership process is the relationship that a leader has with individual followers (Obasan Hassan 2014).

Leaderships can be of many facets and they differ in effectiveness in terms of consequences of their actions towards internal and external stakeholders. Since organizations today are faced with many challenges, especially with the constant changes in technology, economic, social, political and legal conditions and internal processes, flexibility is required in resource utilization and in the promotion of continuous learning (James and Collins 2008; Leavy and Mckiernan 2009). Therefore, there is a need for leaders in organizations to contribute not only in terms of knowledge or ideas but also in making right decisions and responding to the changes.

Leadership has existed for as long as people have interacted, and it is present in all cultures no matter what their economic or social makeup. Although leadership is an age-old concept, it remains a complex term that researchers and scholars grapple with continuously. One of the main reasons is the extensive number of definitions for this term. It is commonly punned that there are nearly as many definitions of leadership as there are researchers and commentators. As cited in Trottier *et al.* 2008, some researchers and commentators rely on narrow definitions for

ease of communication (e.g., leadership is the act of getting other people to do what they would not otherwise willingly do or for specific research interests (e.g., the investigation of power relationships).

Leadership can be defined as a complex social process, rooted in aspects of values, skills, knowledge as well as ways of thinking of both leaders and followers. Thus, it is all about the continuous process of establishing and maintaining a connection between who aspire to lead and those who are willing to follow (Hersey and Blanchard 1984). Furthermore, it has been the focal point of many academic research projects and of more than dozen journals in the market. Many academicians and researchers have made vital contributions in the different theories as well as practices of leadership, and after of extensive research, the subject of leadership has emerged as a legitimate discipline. However, there is still agreement about what leadership actually is. Many of scholars and researchers agreed that leadership is a combination of skills and behavior which exhibits those skills (Bass *et al.* 2003; Bolden et al 2003; James and Collins 2008).

Hersey and Blanchard (1984) defines leadership as the process of influencing the activities of an individual or a group in efforts toward goal achievement in a given situation. Similarly, Bass (1997) defined leadership in different terms from earlier to the recent times. The earlier definitions identified leadership as a focus of group process and movement, personality in action. The next type considered it as the art of inducing compliance. The more recent definitions conceive leadership in terms of influence relationships, power differentials, persuasion, influence on goal achievement, role differentiation, reinforcement, initiation of structure, and perceived attributions of behavior that are consistent with what the perceivers believe leadership to be. Finally, he concluded that as leadership may involve all these things. Therefore, leadership in the organizational context in this study is related to the person who is appointed by the organization or owner to follow up the whole or sub activities of the organization as well as the subordinates report to whom in the context of a work place relationship.

#### **2.4. The Emergence of Leadership Theories**

The earliest theories of leadership focused on the performance of great men. For instance, “without Moses, the Jews would have remained in Egypt and without Winston Churchill the

British would have given up in 1940” (James and Burgoyne 2001). Analysis of such heroic tributes gave rise to the Great Man Theory of Leadership, which contends that leaders are born, not made. This theory posits that certain individuals are endowed with leadership traits that cannot be learned (Perren and Burgoyne 2001).

A review of the leadership literature reveals an evolving series of 'schools of thought' from “Great Man” and “Trait” theories to “Transformational” leadership (see table below). Whilst early theories tend to focus upon the characteristics and behaviors of successful leaders, later theories begin to consider the role of followers and the contextual nature of leadership.

Great Man Theories	Based on the belief that leaders are exceptional people, born with innate qualities, destined to lead. The use of the term 'man' was intentional since until the latter part of the twentieth century leadership was thought of as a concept which is primarily male, military and Western. This led to the next school of Trait Theories.
Trait Theories	The lists of traits or qualities associated with leadership exist in abundance and continue to be produced. They draw on virtually all the adjectives in the dictionary which describe some positive or virtuous human attribute, from ambition to zest for life.
Behaviorist Theories	These concentrate on what leaders actually do rather than on their qualities. Different patterns of behavior are observed and categorized as 'styles of leadership'. This area has probably attracted most attention from practicing managers.
Situational Leadership	This approach sees leadership as specific to the situation in which it is being exercised. For example, whilst some situations may require an autocratic style, others may need a more participative approach. It also proposes that there may be differences in required leadership styles at different levels in the

	same organization.
Contingency Theory	This is a refinement of the situational viewpoint and focuses on identifying the situational variables which best predict the most appropriate or effective leadership style to fit the particular circumstances.
Transactional Theory	This approach emphasizes the importance of the relationship between leader and followers, focusing on the mutual benefits derived from a form of 'contract' through which the leader delivers such things as rewards or recognition in return for the commitment or loyalty of the followers.
Transformational Theory	The central concept here is change and the role of leadership in envisioning and implementing the transformation of organizational performance.

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Table 1: Source: Bolden *et al.* (2003)

Each of these theories takes a rather individualistic perspective of the leader, although a school of thought gaining increasing recognition is that of “dispersed” leadership. This approach, with its foundations in sociology, psychology and politics rather than management science, views leadership as a process that is diffuse throughout an organization rather than lying solely with the formally designated ‘leader’. The emphasis thus shifts from developing ‘leaders’ to developing ‘leader-ful’ organizations with a collective responsibility for leadership (Bolden *et al.* 2003).

### **2.5. Full Range Leadership Model (FRLM)**

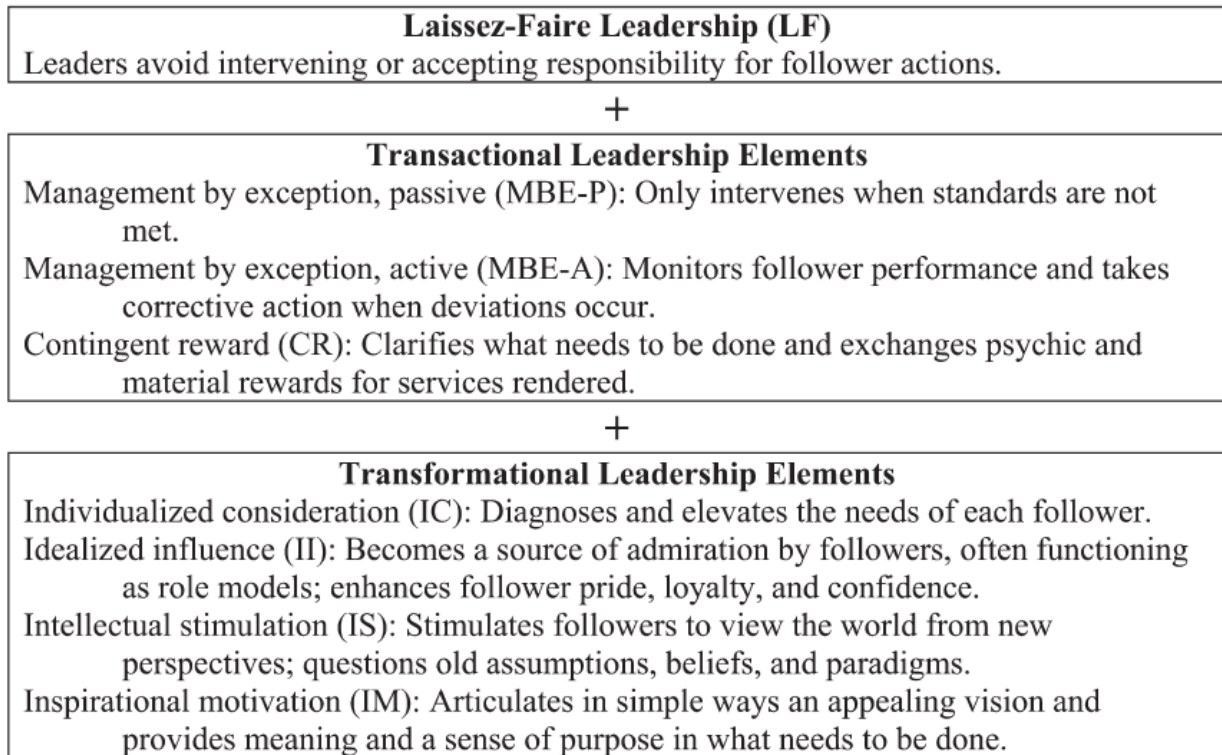
The FRLM describes a full range of influencing styles from ‘non-leadership’ to powerful transformational leadership behaviors. The model captures different kinds of behaviors which make a difference to outcomes for associates of the leader. In other words, the range of behaviors

starts with transformational leader behaviors to transactional leader behaviors reaching to the lowest leader interaction of laissez-faire leader behaviors (Bass *et al.* 2003).

As we can describe an ideal or "pure" transactional leadership styles and a "pure" transformational one, it is clear that organizations are likely to have cultures that are characterized by both styles of leadership. A leader may employ both styles at different times or in differing amounts at the same time. Considerable recent research provides evidence that shows transformational leadership as eliciting extra effort and performance from followers, over and above that expected in an exchange relationship with a purely transactional leader. The authors' argument is that organizations should move in the direction of more transformational qualities in their cultures while also maintaining a base of effective transactional qualities (Bass and Avolio, 1993; Bass *et al.* 2003).

Trottier *et al.* (2008) suggest that Full Range Leadership theory of Bass is a strategic organization development intervention, designed to enhance the impact of leadership on employee commitment. They also emphasized that as Bass's full range leadership model is an important part of the leadership research as well as it presents researchers with a theory that can be empirically tested and provides insight into the duality that leaders face in current organizational settings.

Although multifactor theory is probably the most widely cited and comprehensive theory, leadership is often conceptualized within behavioral domains varying from non-leadership, or laissez-faire, to transactional leadership, which hinges on rewards and punishments, to transformational leadership, which is based upon attributed and behavioral charisma (Bass and Avolio, 1993 as cited in Bučiūnienė and Škudienė, 2008). Figure 2.1 depicts these concepts.



**Figure 2.1: Bernard Bass’s Revised Full Range I Leadership Mode**

### **2.5.1. Transformational Leadership**

Transformational leadership is a process of influencing in which leaders change their associates’ awareness of what is important, and move them to see themselves and the opportunities and challenges of their environment in a new way. Transformational leaders are proactive: they seek to optimize individual, group and organizational development and innovation, not just achieve performance "at expectations". They convince their associates to strive for higher levels of potential as well as higher levels of moral and ethical standards. Transformational leadership does not replace transactional leadership, but augments it in achieving the goals of the group (Bass, 1997; Hall *et al.* 2002).

In a transformational style, there is generally a sense of purpose and a feeling of family. Leaders and followers share mutual interests and a sense of shared fates and interdependence. They go beyond their self-interests or expected rewards for the good of the team and the good of the organization. The inclusion of transformational assumptions, norms, and values does not



preclude individuals pursuing their own goals and rewards. Superiors serve as mentors, coaches, role models, and leaders, socializing members into the culture, not necessarily because they are expected to do so but because they feel a personal obligation to help new members assimilate into the culture. There is a rich set of norms which cover a wide range of behaviors, norms that will adapt to and change with external changes in the organization's environment (Bass and Avolio, 1993; Bolden *et al.* 2003; MLQ undated).

According to Bass *et al.* (2003), transformational leaders will focus on developing their followers by tapping them of their potentials, inspiring them, promoting collaboration, motivating them, and by reinforcing positive behaviors. The employees often develop a high level of trust and confidence in such a leader. The employees are proud to identify themselves with the leader and develop a strong sense of loyalty to them. Similarly, Bass (1997) argues that transformational leaders are pertinent especially during turbulent times when rapid changes and globalization takes place.

Transformational leadership fosters capacity development and brings higher levels of personal commitment amongst 'followers' to organizational objectives. According to Bass and Avolio (1993) transformational leadership occurs when leaders broaden and elevate the interests of their employees, when they generate awareness and acceptance of the purposes and mission of the group, and when they stir employees to look beyond their own self-interest for the good of the group. Together, heightened capacity and commitment are held to lead to additional effort and greater productivity (Lok and Crawford 1999; Mannheim and Halamish 2008).

The goal of transformational leadership is to 'transform' people and organizations in a literal sense – to change them in mind and heart; enlarge vision, insight, and understanding; clarify purposes; make behavior congruent with beliefs, principles, or values; and bring about changes that are permanent, self-perpetuating, and momentum building (Bass 1997). Trottier *et al.* (2008) preferred to explain transformational leadership based on five factors. The five components suggested are: individualized considerations, intellectual stimulation, inspirational motivation, idealized influence (attributes) and idealized influence (behavior).

### **2.5.2. Transactional Leadership**

A "pure" transactional style focuses on everything in terms of explicit and implicit contractual relationships. All job assignments are explicitly spelled out along with conditions of employment, disciplinary codes, and benefit structures. Self-interests are stressed. Employees work as independently as possible from their colleagues. Cooperation depends on negotiations not problem solving or a common mission. There is little identification of the employees with the organization, its mission or vision. Superiors primarily are negotiators and resource allocators (Bass and Avolio 1993).

Transactional leadership is based more on "exchanges" between the leader and follower, in which followers are rewarded for meeting specific goals or performance criteria (Trottier *et al.* 2008; Bass *et al.* 2003). Rewards and positive reinforcement are provided or mediated by the leader. Thus transactional leadership is more practical in nature because of its emphasis on meeting specific targets or objectives (James and Collins, 2008; Sosik and Dinger 2007). An effective transactional leader is able to recognize and reward followers' accomplishments in a timely way. However, subordinates of transactional leaders are not necessarily expected to think innovatively and may be monitored on the basis of predetermined criteria. Poor transactional leaders may be less likely to anticipate problems and to intervene before problems come to the fore, whereas more effective transactional leaders take appropriate action in a timely manner (Bass *et al.* 2003).

Transactional leaders display behaviors associated with constructive and corrective transactions. The constructive style is labeled Contingent Reward and the corrective style is labeled Management-by-Exception (active and passive). Transactional leadership defines expectations and promotes performance to achieve these levels. Contingent Reward and Management-by-Exception are two core behaviors associated with 'management' functions in organizations. Full range leaders do this and more (Bass *et al.* 2003; Bolden *et al.* 2003).

When we compare transactional and transformational leadership styles, a transactional leadership style is appropriate in many settings and may support adherence to practice standards but not necessarily openness to innovation and risk taking. A transformational leadership style creates a vision and inspires subordinates to strive beyond required expectations, whereas transactional

leadership focuses more on extrinsic motivation for the performance of job tasks (Bolden *et al.*, 2003; Trottier *et al.* 2008; Bass *et al.* 2003). Thus it is likely that transformational leadership would influence attitudes by inspiring acceptance of innovation through the development of enthusiasm, trust, and openness, whereas transactional leadership would lead to acceptance of innovation through reinforcement and reward.

Bass outlines the beginnings of his theory of leadership, in which both transactional and transformational leadership are needed to enhance performance. Bass developed the full range leadership model based on his belief that transformational leadership and transactional leadership are not ends on a single continuum but rather are leadership patterns that all leaders possess and use in differing amounts. For exceptional performance, transformational leadership behaviors need to augment transactional leadership behaviors (Bass and Avolio 1993). Therefore, according to Bass, the best performance is the result of using both transactional and transformational leadership behaviors with subordinates.

### **2.5.3. Laissez-Faire leadership**

Both the transformational and transactional leaders are described as leaders who actively intervene and try to prevent problems, although they use different approaches. When researching these two active forms of leadership, one finds that they are often contrasted with the third style of leadership, called laissez-faire leadership (Bučiūnienė and Škudienė 2008). James and Collins (2008) describe the laissez-faire leader as an extreme passive leader who is reluctant to influence subordinates' considerable freedom, to the point of handing over his/her responsibilities. In a sense, this extremely passive type of leadership indicates the absence of leadership.

Laissez-faire leadership style has a negative impact on followers and associates- opposite to what is intended by the leader - manager. There are many behaviors that represent laissez-faire leadership as a "do nothing" or "hands-off" approach. Such behaviors include staying away from employees, shirking supervisory duties, and being "inactive, rather than reactive or proactive" (MLQ, undated).

Researchers have consistently reported that laissez-faire leadership is the least satisfying and least effective style of leadership. That is because these leadership behaviors are accompanied by

little sense of accomplishment, little clarity, little sense of group unity, and followers do not hold as much respect for their supervisors (Trottier *et al.* 2008; Lok and Crawford 1999).

It is probably for these reasons that many researchers choose to exclude laissez-faire leadership from their research involving only transformational and transactional leadership. Bass (1990) (as cited in Lok and Crawford, 1999 and Bučiūnienė and Škudienė 2008) uses the following statement to differentiate laissez-faire leadership from other types of leadership behaviors and styles:

*“Laissez-faire leadership should not be confused with democratic, relations oriented, participative, or considerate leadership behavior. Nor should it be confused with delegation or management by exception. Delegation implies the leader’s active direction of a subordinate to take responsibility for some role or task. The leader who practices management by exception allows the subordinate to continue on paths that the subordinate and the leader agreed on until problems arise or standards are not met, at which time the leader intervenes to make corrections”.*

## **2.6. Global Mindset (21<sup>st</sup> Century Management Style)**

The current practice of management originated in the industrial age which fostered hierarchical and bureaucratic companies with rules and procedures that in today’s world have become restrictive. Very little innovation occurs in an environment where employees are not empowered to be creative problem solvers. Now fast-forward to the twenty-first century. The dismantling of old school management styles are beginning to take shape, particularly for companies that want to seriously compete on a global front. In order to create a sustainable business in this new economy, leaders must strive to create the type of business culture that fosters innovation, diversity and flexibility (Meghan 2010).

The mandate for creating flexible, innovative and engaging workplaces requires leaders who are psychologically capable, ready for change and motivated to compete in a global landscape. New school management style results in what Hamel calls an inversion of the leadership model. At the Fortune Innovation Forum, Hamel suggested leaders should no longer ask, “How do I get

people to serve the organization's goals?" Instead, he said, the question should be how do leaders create an organization that allows people to serve their own goals while simultaneously serving customers and creating wealth (Hamel 2007).

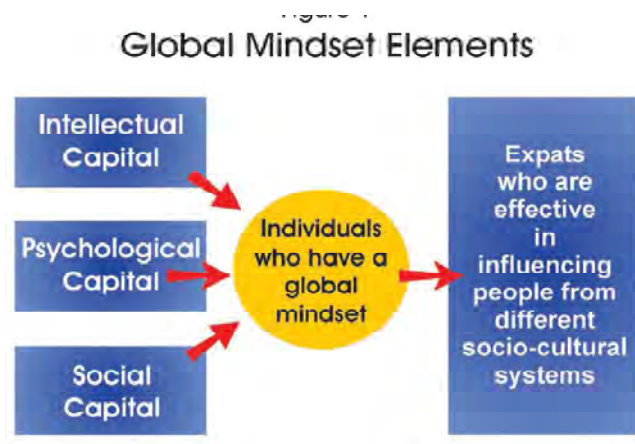
Globalization has converted the world into a small global village; a village in which there is an ever high stream of contentions and competitions between organizations. In this scenario the most effective and beneficial maneuver for any organization is to create innovative ways in conducting business. The leader as a person in charge or as a change agent can manage an organization or the process of organizational change more effectively and successfully if h/she is capable and competent. Rapid technological advancements, high expectations of customers, and ever changing market situations have compelled organizations to incessantly reassess and reevaluate how they work and to understand, adopt and implement changes in their business model in response of changing trends (Wasim and Imran 2010).

Organizations today are confronted with many challenges of rapid globalization, advanced technology and complex, multi-dimensional environments. Career management and human resource development in today's global environment require careful planning and strategic alignment of organizational and individual goals of a diverse workforce using organizational systems, process and practices that reflect 21<sup>st</sup> century skills and work environments (Hughes 2014).

Managers in 21<sup>st</sup> century must have an ability to differentiate and integrate complex information, ability to think critically, possess global business acumen, tolerance for ambiguity, ability to manage uncertainty, also called paradox management. Moreover, managers must develop cultural self awareness, cross-cultural understanding, flexibility, sensitivity, social skills, personal management, and openness to learning. (Konyu-Fogel 2011 as cited in Hughes 2014).

Career management of 21<sup>st</sup> century management skills must include extensive global business information, including an appreciation of the existence of differences among people and countries, understanding of socio-political factors and how it impacts business operations, economic and cultural differences and most importantly a mastery of technology, particularly the ability to use technology, information systems, and telecommunications effectively is needed (Konyu-Fogel et al 2009, as cited in Hughes 2014).

According to Hughes and Stephens (2012), the management skills and global mindset competencies should be the basic building blocks of developing a broad, as well as, a deep perspective of the organization and its environment. According to them knowledge is the basis for taking action but intellectual action may not transfer directly and automatically into a high degree of skill unless considerable practice is involved. Putting knowledge into practice is an essential way to develop skills, for ex. An important 21<sup>st</sup> century management skill is the ability to lead and leverage diversity to the advantage of the company.



**Fig. 2.2 Global Mindset Elements, Mansour 2012**

Experts have described global mindset with a range of language. One global mobility expert said it means “the ability to avoid the simplicity of assuming all cultures are the same, and at the same time, not being paralyzed by the complexity of the differences.” Another noted that “someone with a global mindset enters a new and different situation, with many

more questions rather than answers, assumptions, and presumptions.” Still another said that rather than being frustrated

and intimidated by the differences” an expat with a global mindset ends up “enjoying them and seeking them out because (they) find them fascinating” (Mansou 2012)

Although workplaces and management styles have come a long way in the last decade, the command and control style of management behavior remains common practice in many companies. This management approach basically means that employees are told exactly what to do, when to do it and even how it should be done. The manager is in charge, has all the answers, and fixes all the problems. (Megan 2007).

It’s no surprise that plenty of people find this approach demotivating, and that workplaces with a command-control style are rated as pretty unsatisfying. When it comes down to it, none of us

really enjoys being told exactly what to do and neither do our employees. When people feel as though they have no say and are given no opportunity to contribute outside of their work tasks, then they switch off and become “disengaged” (Megan 2007).

### **The Changing World**

The workplace will increasingly focus on the performance of people as a core company asset. Models of flexible working will continue to evolve, greater attention will be given to measuring the performance of people, not just physical and financial assets, and also to developing new techniques for improving performance. Problem solving and creativity skills will become increasingly important. Executives will need to master a range of new management tools and will be expected to operate effectively in a highly dynamic environment. They will find themselves assessed on a new range of metrics and will rely much more on output measures to assess their staff. They will require new skills to create more flexible work environments that better accommodate the needs of their employees, including greater numbers of contractors and part-time workers (Jon and Amanda 2006).

### **The Changing Mindset**

In the next decade or so, there will be a shift away from a dominant shareholder value perspective and towards a wider stakeholder view. This will create closer scrutiny of the way in which companies and executives behave. Executives will need to move to a ‘community of stakeholders’ view of performance that enables them to understand and balance competing and conflicting interests. (Jon et al 2006)

The predominance of the generalist is likely to decline, and will be replaced by a greater emphasis on genuine subject expertise in senior roles. Executives will need to learn how to build and maintain personal expertise in their field, while building and leading teams of experts. (Jon et al 2006)

The challenges of the imminent new millennium require a transformation in organizations and in the thinking and behavior of their leaders, a leadership paradigm shift that matches a shift from a bureaucratic to a post-modernist organizational paradigm (Roger et al 1998)

The Changing World	<p><b>The New Labour Market</b></p> <ul style="list-style-type: none"> <li>• Steadily shortening working life</li> <li>• Baby Boomers dominate workforce</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Retirement disappears</li> <li>&gt; New generation of old workers</li> <li>&gt; Three generations in the workforce</li> </ul>	<p><b>The New Global Economic Order</b></p> <ul style="list-style-type: none"> <li>• 1997 crash puts Asia on back burner</li> <li>• Emergence of low cost economies</li> </ul>	<ul style="list-style-type: none"> <li>&gt; China and India emerge as massive economies</li> <li>&gt; Offshoring takes off, whole economy affected</li> </ul>
	The Changing Workplace	<p><b>People, Flexibility, Creativity</b></p>		
<ul style="list-style-type: none"> <li>• Focus on asset utilisation and balance sheet management</li> <li>• Workplace flexibility driven by structural reform</li> <li>• Industrial, rule driven logic dominates</li> <li>• Removing the barriers for women</li> </ul>		<ul style="list-style-type: none"> <li>&gt; Focus on human optimisation</li> <li>&gt; Workplace flexibility becomes key to attracting and retaining staff</li> <li>&gt; People and creativity logic emerges</li> <li>&gt; Taking accountability for outcomes for women</li> </ul>		
The Changing Mindset	<p><b>The Expert Steward</b></p>			
	<ul style="list-style-type: none"> <li>• Obsession with shareholder value</li> <li>• 'Cult' of the CEO</li> <li>• Generalists dominate</li> <li>• Dramatic remuneration increases</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Serving all stakeholders</li> <li>&gt; 'Cult' of the top team</li> <li>&gt; Experts dominate</li> <li>&gt; Managing substantial personal wealth</li> </ul>		

**Fig. 2.2 – 21<sup>st</sup> Century Management (Jon and Amanda 2006)**

Leadership is a process by which a person influences followers to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent. Leaders carry out this process by applying their leadership knowledge and skills (Clark 1997). Leadership has been examined from multiple perspectives, including (Chaganti et al. 2002, Yukl 1998), and has been linked to many organizational issues. In the current study then relationship between leadership and organizational commitment has been examined in context of transformational and transactional leadership styles (Burns 1978; Bass and Avolio 1994).

Transformational and transactional leadership styles as a part of modern leadership theories have been attracting great interest since 1980s (Bass and Avolio 1994; Burns 1978). The transformational leader has been characterized as one who articulates a vision of the future that can be shared with peers and subordinates, intellectually stimulates subordinates, and pays high attention to individual differences among people (Yammarino and Bass, 1990). Transformational leadership offers that leaders use his/hers charisma, intellectual incentives and individual attention to empower and elevate followers, and transform them into much higher performance. The transformational leadership style is often applied to the transactional leadership style, which



emphasizes contingent rewards and management by exceptions to influence motivations of the followers (Bass 1990).

Many authors have indicated to the strong relationship between organizational culture and leadership in organizations (e.g. Bass 1985; Ogbonna and Harris 2000). However, there is a considerable debate relative to how a culture originates and whether leaders have any impact on shaping organizational culture. Some theorists (e.g. Smircich 1983; Turnstall 1983) suggested that the culture is the organization itself, and seen as something which can be manipulated. So it is expected from leaders that manage and manipulate the culture at least to some degree. By contrast, others (Denison 1990; Hofstede et al. 1990; Schein 1997) suggested that action of the organizational founders and/or leaders have a potential to create and undoubtedly impact to shape the organizational cultures, and vision. Current role of leaders to implement a change of direction dictated by a vision (Bryman 1992) has a clear potential to maintain and shape an organizations culture. So, it can be said that thinking, feeling and responses of leaders are formed by the culture (Bass and Avolio 1993; Schein 1997).

Transactional leaders tend to operate within the confines and limits of the existing culture, while transformational leaders frequently work towards changing the culture in line with their vision (Bass 1985). The relationship between the two concepts represents an ongoing interplay in which the leader shapes the culture and is in turn shaped by the resulting culture (Bass and Avolio 1993). The survival of an organization depended upon the change and responsiveness of a culture as influenced by effective leadership (Bass 1998; Kotter 1998; Schein 1997).

## **CHAPTER 3 – RESEARCH METHODOLOGY**

### **3.1. Data Type and Source**

Primary data was collected through questionnaires which was prepared in a way that is relevant to the situation so as to decrease invalid responses. Secondary data was collected from the reports, surveys, and case studies regarding Organizational Leadership types and culture and employees' perception.

### **3.2. Sampling Method**

Since the purpose of this study is to explore the leadership styles and employee perception by surveying managers (leaders) and employees from businesses in Addis Ababa, the target population of this study included both employees and managers (leaders) of local businesses which are found in Addis Ababa City. Further the research was delimited to perform its survey on 10 companies selected based on their performance, financial stability, years of operation and economic stand in their respective field. The research employed purposive sampling (maximum variation) to select sample companies. Purposive sampling is a type of non-probability sampling technique where the units that are investigated are based on the judgment of the researcher. The main goal here is to focus on particular characteristics of a population that are of interest, which will best enable you to answer your research questions. Maximum variation sampling is a purposive sampling technique used to capture a wide range of perspectives relating to the thing that you are interested in studying (Laerd Dissertation, undated).

The sample respondents were selected using a non-probability (convenience) sampling technique to which the prepared questionnaires were distributed to be filled in a self-administered manner. Even though there are some risks in adopting a convenience selection such as a questionable representativeness, hence questionable credibility of the findings, (Bryman, 2002), the study did avoid this by composing of a diversified sample consisting line managers, top level managers and owners of the selected organizations in order to have a representative sample with different backgrounds in terms of age, gender and educational background.

A sample size of 110 managers and 90 employees were employed in this survey. The sample respondents [managers] have been selected in such a way to address representative managers of the companies and depending on their size. 2 to 12 managers have been selected from each organization depending on their size and sample subordinates were selected from the respective departments of the targeted managers.

### **3.3. Instruments**

The study employed a management style questionnaire and a leadership style questionnaire with a pre-determined scoring system. The management type questionnaire was adapted from the survey tool developed by Haire et al (2012) and contained 8 statements to determine the management style in three paradigms; more empowering style, mixed or transition style and more controlling style. The leadership style questionnaire was adapted from the leadership style survey developed by Peter (2015), consisting of 18 statements about the three leadership styles - autocratic, democratic, and laissez-faire - measured by six statements each. Further the leadership style questionnaire incorporate a scoring scheme to determine which styles are most dominant and least dominant as pre-determined in the scoring system. A five-point Likert-type scale was used in both instruments, where (1) equals strongly disagree, and (5) equals strongly agree (See Annex A- Managers Questionnaire).

The employees' perspective questionnaire for line employees contained 24 statements based on job facets variable that measures People, Culture and Leader dimensions. There were 10 statements for the people dimension, 6 for culture dimension and 8 for leader dimension. A five-point Likert-type scale was again used in this instrument, where (1) equals "No", and (5) equals "Yes" (See Annex 2- Employees (sub-ordinates) Questionnaire).

A pilot survey was conducted on 13 managers and 8 employees prior to administrating the questionnaire to the selected sample size. The pilot survey was conducted to check if the questionnaire was clear, easy to understand and straightforward to ensure that the respondents could answer the questions with no difficulty. Based on the feedback from the pilot survey, some changes were made on the questionnaire before administering to the selected sample size.

The data was collected by a self-administered face to face survey throughout the selected 10 companies in Addis Ababa. The researcher personally distributed and collected the questionnaires during morning time and late afternoons as it's mostly a convenient time to get the managers.

### **3.4. Reliability Analysis Technique**

For this study Cronbach's alpha was used to assess the internal consistency of variables in the research instrument. Cronbach's alpha is a coefficient of reliability used to measure the internal consistency of the scale; it represented as a number between 0 and 1. According to Zikmund et al., (2010) scales with coefficient alpha between 0.6 and 0.7 indicate fair reliability. Thus, for this study, a Cronbach's alpha score of .70 or higher is considered adequate to determine reliability.

The result of the Cronbach's alpha for this study's instrument was found to be in the acceptance range i.e.  $>0.7$ . Thus showing as indication of acceptability of the scale for further analysis since all the The Cronbach's alpha coefficient of the survey tools is discussed in the next chapter.

### **3.5. Data Analysis Techniques**

Before the analysis of the primary data that was collected through close ended questionnaires, analysis of the variables' reliability and validity of the constructs was verified. To ensure reliability of this research, the questionnaire was designed to measure the concepts in the theoretical model in a consistent manner. This implies that the research study can be conducted by other researchers to arrive at the same findings. The validity of the research is concerned with the measurement of the data collection process implemented regarding the quality of the study. It outlines the evaluation of the quality of both the primary and secondary data used in the research. To ensure that validity of this study, each question in the questionnaire was designed to represent the concepts that were used in the conceptual framework of the study.

The data collected using the questionnaire was coded and processed. Out of the total 110 management questionnaires that was distributed 85% (97) response rate was obtained and out of

the 90 employee questionnaires distributed 89% (83) response was obtained. During data editing process the questionnaires were checked for errors and 7 incomplete questionnaires (4 management and 3employee questionnaire) were eliminated. The findings of the study were then analyzed by using the Statistical Package for Social Sciences (SPSS) program, SPSS version 20. This was done using descriptive data analysis tools to measure frequencies, percentages, means, standard deviation and graphic representation that helped present the data as accurately as possible.

## CHAPTER 4 – FINDINGS AND DISCUSSIONS

### 4.1. Data Analysis

In this chapter the data is presented following the relevant data processing, analysis and interpretation. The analysis and the interpretation were carried out based on the data collected through questionnaire from customers and the interview conducted with the responsible manager of the company.

### 4.2. Reliability Test

For this study Cronbach's alpha was used to assess the internal consistency of variables in the research instrument (questionnaire). Cronbach's alpha is a coefficient of reliability used to measure the internal consistency of the scale; it is represented as a number between 0 and 1. According to Zikmund et al., (2010) scales with coefficient alpha between 0.6 and 0.7 indicate fair reliability. Thus, for this study, a Cronbach's alpha score of .70 or higher is considered adequate to determine reliability.

The result of the Cronbach's alpha for this study's instrument was found to be in the acceptance range, i.e.  $> 0.7$ , thus showing as indication of acceptability of the scale for further analysis. The Cronbach's alpha coefficient of the research instrument is shown in table 4.1, 4.2 and 4.3 below.

**Table 4.1: Reliability Analysis**

Cronbach's Alpha	No. of Items	
.724	8	Questionnaire for Managers [Part 1]
.823	18	Questionnaire for Managers [Part 2]
.931	25	Questionnaire for employees

**Source: Survey Finding, 2015**

### 4.3. Demographic Status of the Respondents

The first part of the questionnaire consists of the demographic characteristics of respondents. This part of the questionnaire requested a limited amount of information related to personal and demographic status of the respondents. Accordingly, the following variables about the respondents were summarized and described in the subsequent table. These variables include; gender, age and educational background of respondents.

From the total respondents, the male managers constituted the highest percentage (67.74%) while their female counterparts only constituted (32.26%) of the total respondents.

The study shows that, 51.61% of the respondents were from the age group of 26-40 constituting the largest percentage. This group was being closely followed up by the age group of 41-55 years that had 31.1% representation from the total number of respondents. The other age groups 16-25 and 56-65 years old accounted for 19.35% and 3.22% respectively.

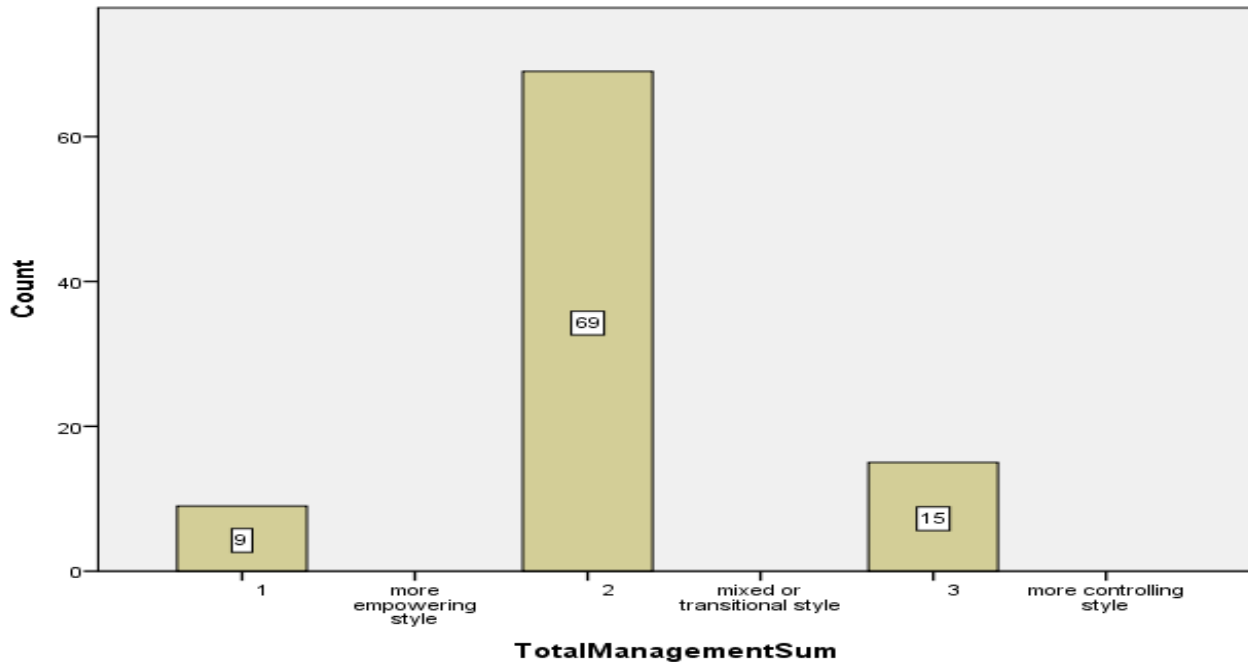
With regards to the educational background of the respondents, results showed that 45.16% of the respondents have a Bachelor's degree and Masters, while 9.68% of the respondents have a College Diploma or below. Table 4.1 summarizes the profile of the respondents below.

**Table 4.2 – Demographic status of the respondents**

Socio-Demographic Characteristics		Frequency	Valid Percentage
Gender	Male	63	67.74
	Female	30	32.26
Age	16- 25 years	18	19.35
	26- 40 years	48	51.61
	41- 55 years	24	25.80
	56- 65 years	3	3.22
	Above 66 years	-	-
Level of Education	Diploma and below	9	9.68
	Degree	42	45.16
	Masters	42	45.16
	PhD and above	-	-

**Source: Survey Finding, 2015**

#### 4.4. Management style



**Fig. 4.1: Management Style practice** Source: Survey Finding, 2015

Results of the study showed that out of the total managers respondents, 69 (74.19%) of them are practicing somewhat a mixed or transitional management style while some 15 (16.13%) of them falls somewhat in the more controlling style. The more empowering style managers, according to the study, accounts for only 9.68%. This survey, as shown on the above figure, suggested that a mixed or transitional management style is preferred by managers.

Seeing through the type of management style is being employed from the gender perspective, again the mixed or transitional style is being prevailed with 90% of the females preferring the style while 66.67% of their male counter parts employ the style. Results for this relation also show that only 10% of females tend towards a more empowering management style almost as same as their male counterparts possessing 9.52% for the more empowering style. Even though the survey shows none of the women's surveyed employed a more controlling management style their counterparts has a 23.81% preference of the controlling style which shows that men show a higher tendency of employing a more controlling management style than females. It also suggest



that a higher number of female and/male manager tends towards the mixed or transitional style. (See table 4.5)

The study also revealed that with regards to age (see table 4.6) almost all age groups have similar choice of management style, the mixed or transitional style, except for 41-55 age group opting for more controlling management style with an equal percentage to the mixed style, 37.50%. Majority of the 26-40 age group respondents, 81.25%, and all of 16-25 age group respondents went for a mixed or transition style suggesting that the more you are from the modern age the higher the tendency to employ the mixed or transition management type. This result also suggests that a more empowering style is yet to be deployed fully.

**Table 4.3: Management style and gender**

Management style	Gender			
	Male		Female	
	Frequency	%age	Frequency	%age
More empowering style	6	9.52	3	10
Mixed or transitional style	42	66.67	27	90
More controlling style	15	23.81	-	-

**Source: Survey Findings, 2015**

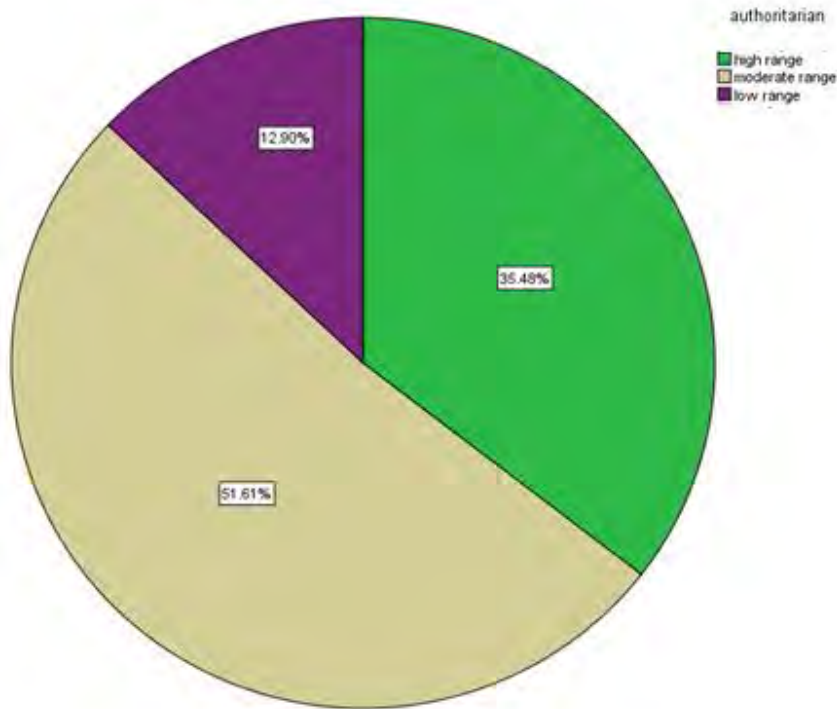
**Table 4.4: Management style and age group relation**

Management Style	Age Group								
	16-25	%age	26-40	%age	41-55	%age	56-65	%age	Total
More Empowering style	0	-	3	33.33%	6	66.66%	0	-	9
Mixed or Transitional style	18	26.08%	39	56.52%	9	13.04%	3	4.34%	69
More Controlling style	0	-	6	40%	9	60%	0	-	15

Source: Survey Findings, 2015

#### 4.5. Leadership Style

##### 4.5.1. Authoritarian Leadership Style



**Fig. 4.1: Percentage of Authoritarian Leaders, Source: Survey Finding, 2015**

For the 6 survey statements provided to portrait the authoritarian leadership range survey results shows that 51.61% of the respondents are in the moderate range, 35.48% in the high range and 12.90% of them on the low range, see fig. 4.1. This suggest that almost 65% of the managers tend to exercise a more moderate or below range of authoritarian leadership.

Looking in to the authoritarian leadership range from the age perspective, as shown in Table 4.7, for the age group 16-25 and 26-40 large number respondents falls under the moderate range variable, 66.67% and 56.25 respectively. 6 out of 18 respondents for the 16-25 age group and 12 out of 4 respondents for the 26-40 age group falls under the high range authoritarian leadership style. As opposed to the 16-25 age groups, resulting in nil, 9 out of 48 respondents of the 26-40 age groups are in the low range. Unlike the later age groups most respondents of the 41-55 and 56-65 age groups, 50% and 100% respectively, are in the high range authoritarian leadership style while there are no respondents favoring a moderate or low range for the age group 56-65. Respondents from the age group 41-55 falling in the moderate and low range are 9 and 3 respectively out of the 24 respondents. These results suggest that the upper age groups (41-65) tend to be more on the high range authoritarian style as opposed to the lower level age groups (below 41).

**Table 4.5: Authoritarian leadership range by age**

Authoritarian	Age of Respondents				Total
	16-25	26-40	41-55	56-65	
high range	6	12	12	3	<b>33</b>
moderate range	12	27	9	0	<b>48</b>
low range	0	9	3	0	<b>12</b>
<b>Total</b>	<b>18</b>	<b>48</b>	<b>24</b>	<b>3</b>	<b>93</b>

**Source: Survey Results, 2015**

Based on the analysis as depicted in Table 4.8, female respondents are on the high range and moderate range authoritarian leadership style, taking an equal share between them. The male counterparts falling under the moderate range comprises 33 of the 63 respondents. 28.57% and 19.50% of male respondents are on the high and low authoritarian range respectively. Table

below suggests that females tend to be more on the high range authoritarian level than their male counterparts.

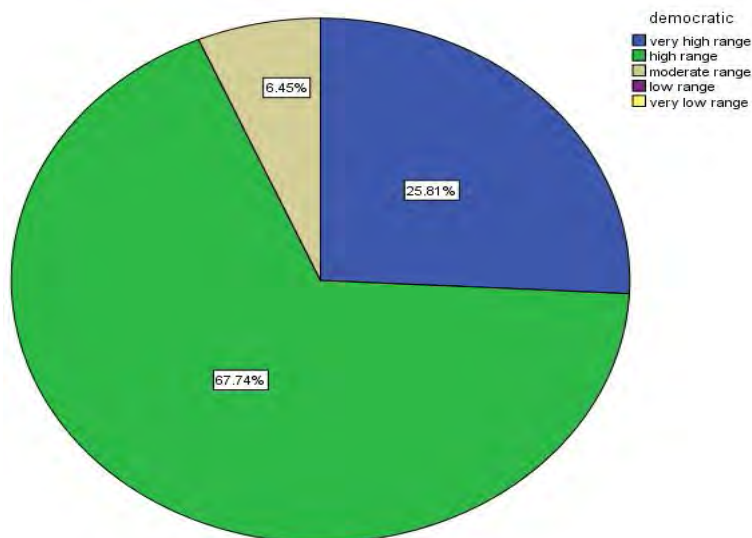
**Table 4.6: Authoritarian leadership range by gender**

Authoritarian	Gender of Respondent		Total
	Male	Female	
High range	18	15	<b>33</b>
Moderate range	33	15	<b>48</b>
Low range	12	0	<b>12</b>
<b>Total</b>	<b>63</b>	<b>30</b>	<b>93</b>

Source: Survey Findings, 2015

#### 4.5.2. Democratic Leadership Style

As seen from the results seen in Fig 4.2 a large percentage of respondents, 67.74, for the democratic statements are in the high range democratic leadership style, 25.81 in the very high range and 6.45 in the moderate range of democratic leadership style suggesting that almost all managers tend to favor a democratic leadership style.



**Fig. 4.2: Percentage of Democratic Leaders,**

**Source: Survey Finding, 2015**

Table 4.9 spits that out of the 63 male respondents, 39 are in the high range, 18 in the very high range and 6 in the moderate range suggesting. Concerning the female counterparts all respondents are in the high and very high range comprising 24 and 6 out of 30. This suggests that both male and female managers tend to a leadership style.

**Table 4.7: Democratic leadership range by gender;**

Democratic	Gender		Total
	male	Female	
very high range	18	6	<b>24</b>
high range	39	24	<b>63</b>
moderate range	6	0	<b>6</b>
Total	<b>63</b>	<b>30</b>	<b>93</b>

Source, Survey Findings, 2015

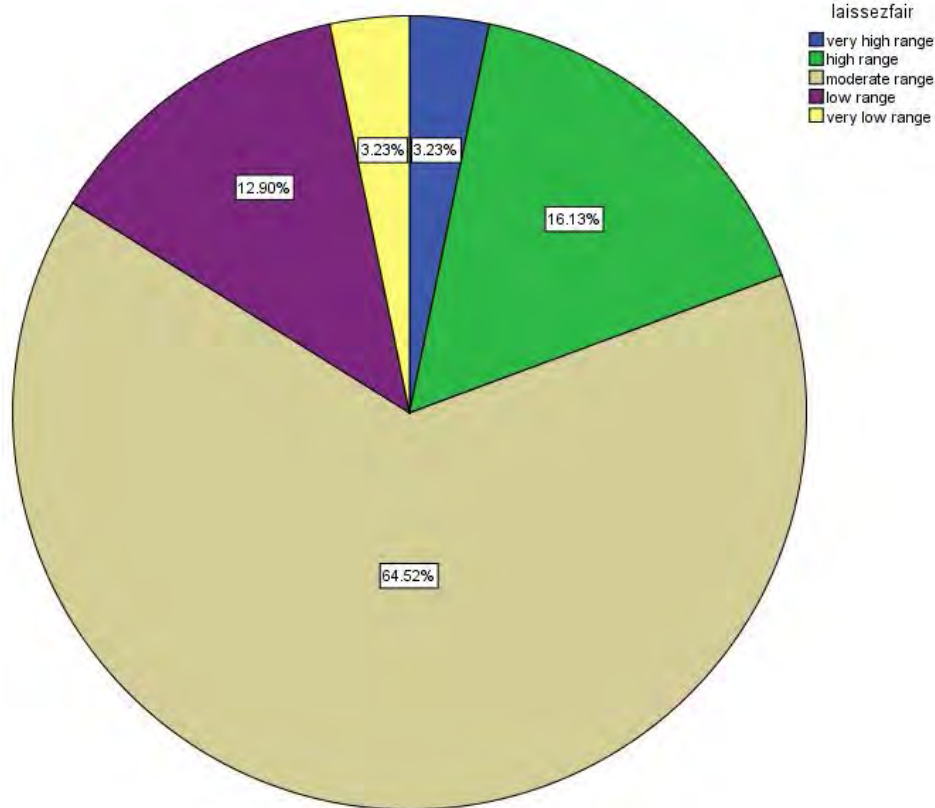
The age group cross sectional tabular results shows that all respondents of the age group 56-65 are on the high range for the democratic style while the lower level age group (16-25) shows that 3 and 15 out of 18 respondents falls in the very high and high range respectively. Most of the 26-40 age group respondents, 68.75%, fall in the high range for leadership styles and respondents that fall in very high range and moderate range are 25% and 6.25%. And for the age group 41-55, 15 out of 24 respondents are in the high range, 6 out of 24 are in the very high range and 3 respondents are in the moderate range for leadership styles. This suggests that almost all age groups are either in the high or very high range for leadership styles.

**Table 4.8: Democratic leadership range by age group**

Democratic	Age of Respondents				Total
	16-25	26-40	41-55	56-65	
very high range	3	12	6	3	<b>24</b>
high range	15	33	15	0	<b>63</b>
moderate range	0	3	3	0	<b>6</b>
Total	<b>18</b>	<b>48</b>	<b>24</b>	<b>3</b>	<b>93</b>

Source, Survey Findings, 2015

### 4.5.3. Laissez-faire Leadership



**Fig. 4.2: Percentage of Laissez-faire Leaders, Source: Survey Finding, 2015**

The above figure spits out that most respondents, 64.52%, are in the moderate range followed by the high range and low range; 16.13% and 12.90% respectively. Small percentages, 3.23%, of respondents are in the very high and very low range. The survey results suggest that most managers are neutral regarding the laissez-faire leadership style.

With regard to the age disaggregation for the Laissez-faire statements, Table 4.10, 15 out of 18, 30 out of 48, 12 out of 24 and all respondents are in the 16-25, 26-40, 41-55 and 56-65 age groups respectively. 3 out of 18 respondents for the age group 16-25 are in the high range group while 12 out of 48 respondents for the age group 26-40 are in the high range group. Only 3 out of 48 respondents in the age group 26-40 are in the very high range for laissez-faire leadership style while 3 out of the 48 respondents are in the low range. For the 41-55 age group 9 out of 24 and only 3 out of 24 are in the low and very low range respectively. This shows that almost in all age groups neutrality for laissez-faire leadership prevails.

**Table 4.9: Laissez-faire leadership range by age group**

Laissez-faire	Age of Respondents				Total
	16-25	26-40	41-55	56-65	
very high range	0	3	0	0	<b>3</b>
high range	3	12	0	0	<b>15</b>
moderate range	15	30	12	3	<b>60</b>
low range	0	3	9	0	<b>12</b>
very low range	0	0	3	0	<b>3</b>
<b>Total</b>	<b>18</b>	<b>48</b>	<b>24</b>	<b>3</b>	<b>93</b>

Source, Survey Findings, 2015

In relation to the gender perspective the survey results for females show that 3 out of 30 respondents are in the high range, 24 out of 30 respondents are in the moderate range and 3 out of 24 respondents are in the low range while for the males it shows that 3 out of 63 are in very high range and very low range each, 36 out of 63 respondents in the moderate range, 12 out of 63 in the high range and 9 out of 63 in the low range groups.

**Table 4.10: Laissez-faire leadership range by gender**

Laissez-faire	Gender of the Respondent		Total
	Male	Female	
very high range	3	0	<b>3</b>
high range	12	3	<b>15</b>
moderate range	36	24	<b>60</b>
low range	9	3	<b>12</b>
very low range	3	0	<b>3</b>
<b>Total</b>	<b>63</b>	<b>30</b>	<b>93</b>

Source, Survey Findings, 2015

#### 4.6. Employees' (Sub-ordinates survey)

The employees' survey questionnaire consists of 4 parts. The first part of the sample employees' survey questionnaire consists of the gender characteristics of respondents. From the total respondents, the male managers constituted the highest percentage (65%) while their female counterparts only constituted (35%) of the total respondents (See table 4.13).

**Table 4.11: Gender of Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	52	65.0	65.0	65.0
Female	28	35.0	35.0	100.0
Total	80	100.0	100.0	

**Source: Survey Findings, 2015**

The consecutive parts of this questionnaire deals with statements concerning people, culture and leadership. All the statements under the three headings has been analyzed as follows;



#### 4.6.1. People

**Table 4.12: People Perspective**

<b>Variables</b>	<b>Mean</b>	<b>Standard Deviation</b>
Do you feel useful and productive?	4.50	.675
Can you be creative?	4.45	.593
Do you see endless opportunities for improvement?	3.30	1.011
Do you know how you fit into the big picture?	4.15	.797
Do you feel you belong?	4.05	.745
Are you valued for your work and contributions?	3.95	1.030
Do you have fun?	3.70	.960
Are you well managed?	3.60	1.026
Are relationships at work mature and non political?	3.75	1.097
Do you have enough information to make good decisions?	3.70	.960
<b>People Perspective</b>	<b>3.915</b>	<b>.889</b>

**Source: Survey Findings, 2015**

As per table 4.14, the list of variables comprising of people perspective the mean score for the item “Do you feel useful and productive?” scored the highest with a mean score of 4.50 while the item "Do you see endless opportunities for improvement?" scored the lowest with a mean score of 3.30 showing that even if employees feel useful and productive they feel the lack of improvement opportunities. The overall mean score for the people perspective dimension is 3.915 which indicate that the respondents have a positive standing of peoples handling in the work place.

#### 4.6.2. Culture

Table 4.15 shows that the respondents scored the highest for the item "relationships and communication are fine" with a mean score of 3.75 whilst the lowest went to the item which states "The company is open to challenges, suggestions and changes", 2.60. This implies that although the respondents feel there is fine relationships and communications prevailing in the work place, they feel the participatory culture of the workplace is adversely on the backside of it.

Overall the culture dimensions survey results shows that employees feel downbeat regarding the culture of the workplace.

**Table 4.13: Culture, Source**

<b>Variables</b>	<b>Mean</b>	<b>Standard Deviation</b>
People bring their full energy and creativity	3.50	1.212
Relationships and communications are fine	3.75	1.097
Senior managers seem to remember what it was like being an employee	2.75	1.185
Power and control is widely shared	2.70	1.107
I'm involved in decisions that affect me	2.65	1.115
The company is open to challenges, suggestions and changes	2.60	1.165
<b>Culture</b>	<b>2.99</b>	<b>1.147</b>

**Survey Findings, 2015**

### 4.6.3. Leader

As illustrated on Table 4.16 all of the variables of Leader dimension scored relatively low with an overall mean score of 2.84. The respondents also gave the highest mean score to "Leaders here set a clear direction" with a mean score of 3.20 while they gave a low mean score of 2.55 to the variable "Leaders here make cooperative, team decisions." The results indicate that the respondents have a low level of perception towards their leaders.

**Table 4.14: Leader**

<b>Variables</b>	<b>Mean</b>	<b>Standard Deviation</b>
Leaders here put people first	2.65	1.202
Leaders here are good coaches	3.00	1.350
Leader here ask people how they can help them	2.90	1.051
Leader here set a clear direction	3.20	1.174
Leaders here celebrate, recognize and reward desired behaviour	2.60	1.165
Leaders here give everyone background information, the big picture	2.95	1.078
Leaders here protect people from abuse from the system above them	2.85	1.397
Leaders here make cooperative, team decisions	2.55	1.124
<b>Leader</b>	<b>2.84</b>	<b>1.192</b>

**Source: Survey Findings, 2015**

## CHAPTER 5 – SUMMARY, CONCLUSIONS AND SUGGESTIONS

### 5.1. SUMMARY AND CONCLUSIONS

The main objective of this research was to examine the nature of leadership and/or management styles being employed in local companies and employees' perception towards the leaders' style. According to the analysis results and discussion of the study, conclusions are made on the nature of leadership styles and employee perception.

Most of the total managers for this survey exhibit a mixed or transition style as opposed to the more empowering style and more controlling style. The majority of female managers prefers the mixed or transition style while male counterparts exhibit the same management style. Age disaggregation portrayed that mixed style or transition style is somewhat the more preferred style across all age groups.

The patterns of the frequencies of the authoritarian leadership subscale suggest that a higher percentage of the managers are neutral [moderate range]. However a handful of managers, are also on the high range. Even though a higher percentage of managers being neutral and/or disagree for the authoritarian statements, the result shows that authoritarian leadership is still prevailing in local business. Age and gender disaggregation for the authoritarian leadership subscale also illustrates that the upper level age groups tends to be more authoritarian as opposed to the lower age groups and a significant percentage of managers tends to be authoritarian.

Regarding the democratic leadership subscale, the results suggest that a large percentage of managers tend to be more democratic. In fact the result shows that almost all managers are positive about the democratic leadership style as consistent to the findings of authoritarian subscale which showed that more than two third of the managers either are neutral to it or are not in favor of it. Age as well as gender disaggregation for the democratic sub scale also supports it.

The laissez-faire leadership style sub scale suggested that most of the managers tend to be neutral to it with only a handful of them favoring it. A laissez-faire leadership, was found to be significantly indifferent associated with managers choice of leadership and thus predicts that leadership behaviors which involve ignoring problems, displaying indifference, and overlooking

achievements are negatively perceived. However the age group 26-40 and 16-25 exhibits somehow a high range of laissez-faire leadership style compared to other age groups which can be attributed to the inexperienced stage of this latter stages as compared to the upper age groups (41 and above).

The patterns of mean scores for people dimension of the employees' survey subscales suggest that respondents perceived their leaders more or less people oriented and they are also positive about the people handling in the work place as demonstrated in the survey results. Nevertheless, there are also some low mean scores for some statements in the people dimension, for ex. Improvement opportunities and well management.

Inconsistent to the previous findings, employees' perception for workplace culture has the lower mean score which suggest people oriented culture building is still on the rock bottom as opposed to the requirements of 21<sup>st</sup> century management. In fact consistent to the employees' perspective of the culture the leader facet has also the lowest mean score as compared to the other two facets employed. Even though results in the management survey showed somewhat a mixed or transition management style and a tendency to democratic leadership the employees' perspective drives us to the other way of the bridge. This shows that there is still room to satisfy the employee and also for the managers to integrate and instill what has been said theoretically as 21<sup>st</sup> century management is a more empowering style and employee centered.

In general, the findings have indicated that managers are tending towards a mixed or transitional management style and attributed their leadership qualities somewhat to a democratic leadership style and it can be said that the leadership and management paradigm of local business is somehow seems to move to the demands of the global mindset. As the global mindset is attributed to a more empowering, people centered, future oriented and flexibility one can conclude that there is still room for improvement and development. However by looking at the employees' perspective of the workplace variables [facets] one can argue that there is a misleading environment, we could say, to the leadership [management] styles of leaders to the least and can opt for a more empirical and critical based study among their attributes.

## 5.2. RECOMMENDATIONS

It is clear that owners and managers want their organizations to have sustainable development and growth. One of the ways to achieve this is to create favorable conditions to employees and step up their game to face the global competitions.

Based on the findings of this study, I suggest the following points to managers and leaders of local businesses and for future researches.

Although leadership functions may vary by organizational level or discipline, the study presented here suggests that the leadership style prevailing is a mixed or transitional style which seems not bad as it's a step closer to the more empowering style. Although there is no doubt with the democratic style preferred by these managers, I suggest that managers start looking into the perspectives, wants and needs of their employees to make them feel comfortable in and around their work environment. As it's suggested by many researches the more the employee is empowered, free, goal oriented ... [without not forgetting this are the key attributes of the modern management) the higher the performance will be.

As there seems to be differences in mean scores between leaders and employees perception to leadership styles, leaders must try to be found as practical as what they say theoretically to their subordinates.

Based on the findings that revealed the significant relationships between leadership styles and employee perception, it is imperative to establish a sound system of modern management (global mindset) and development in order to increase employees' and in general organizations performance. As examined in this study, and supported by the literature review gone are days where employees stay years in an office, gone are the days influence over subordinates are primarily economic, gone are days where employees' only consider the monetary package for their dream job. Therefore managers should spend a great deal of resource to instill modern management so as to compete in this highly demanding business environment.

### 5.3. SUGGESTIONS FOR FUTURE RESEARCH

As this pilot research showed that the managers' thinking and the employees' perspective are somewhat unrelated I would suggest for a future research to address a larger number of respondents and variables so as to support the results of this research.

In future research, it would also be interesting to assess causal relationships and consider alternative modes of enquires such as employing the longitudinal design (e.g. observations or interviews) to determine if the findings tested are likely to be sustained. Further research should also involve a nationwide survey covering samples from the whole population of the private sector more specifically the local businesses in Ethiopia. I also suggest incorporating analysis of internationally owned companies and conglomerates so as to further observe any difference between the management styles and culture of the workplace.

The findings of this study may not be generalized to the whole industry or to other types of organizations in the country. Generalization of the present findings should, therefore, be examined in future research in other business firms and other organizations with balanced gender, and more heterogeneous samples. Furthermore, researchers might further examine the particular circumstances under which leadership behaviors might influence continuance commitment. Meyer *et al.* (2004) suggest that this relationship could vary based on employees' perceptions of their ability to find another job with similar characteristics. Emphasis in this area could improve leaders' ability to have a positive influence on employees who stay with the organization because they feel they have no other choice.

Taken as a whole, the suggestions for future research offer additional opportunities to further investigate the amount of variance that the leadership styles explain in all types of employee perspective.

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## **ANNEX I. QUESTIONNAIRE FOR MANAGERS**

### **A Questionnaire on the Thesis Title “Leadership Styles and Cultural Values among Managers and Performance of Subordinates: A Closer Look to Local Managers’” Perspective”**

#### **Dear respondents:**

My name is Leul Wondemeneh. I am a student in the postgraduate program at Addis Ababa University, College of Business and Economics. Currently I am conducting a research on the topic “Leadership Styles and Cultural Values among Managers and Performance of Subordinates: A Closer Look to Local Managers Perspective” to fulfill the partial requirement of the Masters of Business Administration [MBA] degree. This questionnaire is designed to collect data on the topic under caption. Hence I would be grateful if you kindly take a few minutes of your time to fill out this questionnaire putting your personal experience with regard to the issue. Your willingness and cooperation in giving genuine information is well appreciated and the information you provide will be used for academic purpose and will be kept in strict confidentiality.

If you would like to gain further information about this study, or have a problem in completing this questionnaire, please contact me via +2519 12 21 08 64 [at all times] and email [leul.w@initiativeafrica.net](mailto:leul.w@initiativeafrica.net)

Thank you for your cooperation!

Leul Wondemeneh

## A. Background Information

**Instruction:** Please indicate your answer with a tick mark “√”.

### 1. Gender

Male

Female

### 2. Age

16 – 25 years

56 – 65 years

26 – 40 years

Above 65 years

41 – 55 years

### 3. Level of Education

Diploma and below

Degree [BA, BsC, LLB ...]

Graduate [Masters]

PhD and Above

## B. Management Style Questionnaire

*Please respond according to your first reaction to each statement. Circle your answer (SA, A, N, D, SD) and write the score (5, 4, 3, 2, 1) in the blank on the right. When you are finished, total your score in the blank at the bottom.*

### 1. **The average human being prefers to be directed, wishes to avoid responsibility, and has very little ambition.**

*SA-Strongly Agree (5) / A-Agree (4) / N-Neutral (3) / D-Disagree (2) / SD-Strongly Disagree (1)*

**SA            A            N            D            SD            \_\_\_\_\_**

### 2. **Leadership depends on having the right inborn traits and abilities.**

*SA-Strongly Agree (5) / A-Agree (4) / N-Neutral (3) / D-Disagree (2) / SD-Strongly Disagree (1)*

**SA            A            N            D            SD            \_\_\_\_\_**



3. **The use of rewards (for example, pay and promotion) and punishment (for example, failure to promote) is the best way to get subordinates to do their work.**

*SA-Strongly Agree (5) / A-Agree (4) / N-Neutral (3) / D-Disagree (2) / SD-Strongly Disagree (1)*  
SA            A            N            D            SD            \_\_\_\_\_

4. **In a work situation, if your subordinates can influence you, you lose your influence over them.**

*SA-Strongly Agree (5) / A-Agree (4) / N-Neutral (3) / D-Disagree (2) / SD-Strongly Disagree (1)*  
SA            A            N            D            SD            \_\_\_\_\_

5. **A good leader gives detailed and complete instructions to subordinates rather than giving them general directions and depending on their initiative to work out the details.**

*SA-Strongly Agree (5) / A-Agree (4) / N-Neutral (3) / D-Disagree (2) / SD-Strongly Disagree (1)*  
SA            A            N            D            SD            \_\_\_\_\_

6. **Individual goal setting is superior to group goal setting.**

*SA-Strongly Agree (5) / A-Agree (4) / N-Neutral (3) / D-Disagree (2) / SD-Strongly Disagree (1)*  
SA            A            N            D            SD            \_\_\_\_\_

7. **A superior should give subordinates only the information necessary for them to do their immediate tasks.**

*SA-Strongly Agree (5) / A-Agree (4) / N-Neutral (3) / D-Disagree (2) / SD-Strongly Disagree (1)*  
SA            A            N            D            SD            \_\_\_\_\_

8. **A superior's influence over subordinates in an organization is primarily economic.**

*SA-Strongly Agree (5) / A-Agree (4) / N-Neutral (3) / D-Disagree (2) / SD-Strongly Disagree (1)*  
SA            A            N            D            SD            \_\_\_\_\_

**Internal**

**Total Score** (for each: SA score 5 / A score 4 / N score 3 / D score 2 / SD score 1) \_\_\_\_\_

**Management Style Score**

8 to 16 - More Empowering Style

16 to 30 - Mixed Style or Transitional Style

31 to 40 – More Controlling Style

### C. Leadership Style Questionnaire

*(Directions: For each of the statements below, indicate the number that indicates the degree to which you agree or disagree. Give your immediate impressions. There are no rights or wrong answers.)*

<b>Statements</b>	<b>Strongly disagree [1]</b>	<b>Disagree [2]</b>	<b>Neutral [3]</b>	<b>Agree [4]</b>	<b>Strongly agree [5]</b>
1. Employees need to be supervised closely, or they are not likely to do their work.					
2. Employees want to be a part of the decision-making process.					
3. In complex situations, leaders should let subordinates work problems out on their own.					
4. It is fair to say that most employees in the general population are lazy.					
5. Providing guidance without pressure is the key to being a good leader.					
6. Leadership requires staying out of the way of subordinates as they do their work.					
7. As a rule, employees must be given rewards or punishments in order to motivate them to achieve organizational objectives.					
8. Most workers want frequent and supportive communication from their leaders.					
9. As a rule, leaders should allow subordinates to appraise their own work.					
10. Most employees feel insecure about their work and need direction.					
11. Leaders need to help subordinates accept responsibility for completing their work.					
12. Leaders should give subordinates complete					

Statements	Strongly disagree [1]	Disagree [2]	Neutral [3]	Agree [4]	Strongly agree [5]
freedom to solve problems on their own.					
13. The leader is the chief judge of the achievements of the members of the group.					
14. It is the leader's job to help subordinates find their "passion."					
15. In most situations, workers prefer little input from the leader.					
16. Effective leaders give orders and clarify procedures.					
17. People are basically competent and if given a task will do a good job.					
18. In general, it is best to leave subordinates alone.					

**Internal**

**Total Score** (for each: SA score 5 / A score 4 / N score 3 / D score 2 / SD score 1) \_\_\_\_\_

**Scoring**

Sum the responses on items 1, 4, 7, 10, 13, and 16 (authoritarian leadership).

Sum the responses on items 2, 5, 8, 11, 14, and 17 (democratic leadership).

Sum the responses on items 3, 6, 9, 12, 15, and 18 (laissez-faire leadership).

**Scoring Interpretation**

If the score is 26–30, you are in the very high range.

If the score is 21–25, you are in the high range.

If the score is 16–20, you are in the moderate range.

If the score is 11–15, you are in the low range.

If the score is 6–10, you are in the very low range.

## **ANNEX II. SUBORDINATE QUESTIONNAIRE**

### **A Questionnaire on the Thesis Title “Leadership Styles and Cultural Values among Managers and Performance of Subordinates: A Closer Look to Local Managers’” Perspective”**

#### **Dear respondents:**

My name is Leul Wondemeneh. I am a student in the postgraduate program at Addis Ababa University, College of Business and Economics. Currently I am conducting a research on the topic “Leadership Styles and Cultural Values among Managers and Performance of Subordinates: A Closer Look to Local Managers Perspective” to fulfill the partial requirement of the Masters of Business Administration [MBA] degree. This questionnaire is designed to collect data on the topic under caption. Hence I would be grateful if you kindly take a few minutes of your time to fill out this questionnaire putting your personal experience with regard to the issue. Your willingness and cooperation in giving genuine information is well appreciated and the information you provide will be used for academic purpose and will be kept in strict confidentiality.

If you would like to gain further information about this study, or have a problem in completing this questionnaire, please contact me via +2519 12 21 08 64 [at all times] and email [leul.w@initiativeafrica.net](mailto:leul.w@initiativeafrica.net)

Thank you for your cooperation!

Leul Wondemeneh



## **ANNEX III. LIST OF SAMPLE COMPANIES**

- 1. Ethiopian Airlines**
- 2. Get Consultants**
- 3. MOHA**
- 4. Precise Consultants**
- 5. Monarch Hotel PLC**
- 6. National Oil Company**
- 7. Saint Marry University College**
- 8. Syscom PLC (Capital Newspaper)**
- 9. Eastern Tour and Travel Agency (ETTA)**
- 10. Flawless Events**