

**ADDISABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS  
SCHOOL OF COMMERCE**



**EFFECT OF LEADERSHIP STYLE ON EMPLOYEE PERFORMANCE: THE  
MEDIATING EFFECT OF EMPLOYEE ENGAGEMENT IN THE CASE OF  
BANK OF ABYSSINIA**

*A Project Paper Submitted to the Office of Graduate Studies Presented in Partial  
Fulfillment of the Requirements for Master of Business Leadership*

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Addis Ababa, Ethiopia

## **Declaration**

I declare that the project entitled “Effect of Leadership Styles on Employee Performance: the Mediating Effect of Employee Engagement in the Case of Bank of Abyssinia” is my original work and has not been presented in Addis Ababa University or any other University, and that all sources of material used for the project have been duly acknowledged.

**Declared by:**

**Nathan Yilma**

\_\_\_\_\_  
**Signature**

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**Date**

## Statement of Certification

I certify that Nathan Yilma has carried out his research entitled “Effect of Leadership Style on Employee Performance: The Mediating Effect of Employee Engagement in the Case of Bank of Abyssinia” under my guidance. The research paper is submitted in partial fulfillment of the requirements for the Degree of Master of Business Leadership.

Advisor: Abeba Beyene (PhD)

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**By: Nathan Yilma**

**Board of Examiners**

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## **List of Abbreviations and Acronyms**

BOA	Bank of Abyssinia
MLQ-Form 5x	Multifactor Leadership Questionnaire
UWES	Utrecht Work Engagement Scale
ANOVA	Analysis of variance
SPSS	Statistical Package for the Social Sciences

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## Abstract

*The purpose of this study was to assess the effect of leadership styles under the Full Range Leadership Model (transformational, transactional and laissez-faire leadership styles) on employee performance in the case of the Bank of Abyssinia. Furthermore, it was conducted to examine whether employee engagement mediates the influence of Leadership Style on Employee Performance. A quantitative research approach was adopted and a proportional stratified sampling technique was undertaken to determine the sample size, 255. A structured questionnaire was administered in East Addis Ababa District of BOA. Descriptive statistics and inferential statistics were computed using Statistical Package for social sciences (SPSS) version 22. The correlation analysis revealed that both transformational and transactional leadership styles have a significant positive association with employee engagement and employee performance. However, laissez-faire had a non-significant relationship with employee engagement and a significant negative association with performance. The multiple regression of employee performance on each leadership style and employee engagement revealed that transformational leadership and employee engagement has a significant positive effect while laissez-faire has a significant negative effect on performance. Transactional leadership, on the other hand, was revealed to be a non-significant predictor of performance. Mediation analysis was also performed, which revealed the existence of a partial mediation effect only for transformational leadership. The importance of training supervisors and developing a tailored employment engagement strategy were emphasized.*

**Key words:** Transformational leadership style, Transactional leadership style, Laissez-faire leadership style, Employee Performance, Work/Employee Engagement

## **CHAPTER ONE**

### **INTRODUCTION**

This chapter is divided sequentially into the following subsections: background of the study, background of the organization, problem statement, research objective, research question, significance of the study, scope of the study, limitation of the study, definition of terms, and organization of the study.

#### **1.1 Background of the Study**

Companies, in light of the ongoing rise of globalization and rapid technological advancements in communication and transport, are facing high competition across several industries (Katerina & Aneta 2014) The fast changing global marketplace characterized by an increased level of uncertainty makes it imperative for organizations to constantly adopt in order to maintain competitiveness and enhance profitability. In doing so, leaders play a critical role in monitoring the business environment, developing a strategy as per the company's strengths and weakness and the opportunities (Antonakis, House, Rowold, & Borgmann, 2010). Furthermore, there needs to be an effective leadership that can boost the morale of employees to attain the short and long term strategic goals of the company (Tandoh, 2011).

Describing what an effective leadership constitutes has intrigued scholars for centuries. Scientific leadership study is believed to have started in the early 20th century. Several theories and principles pertaining to leadership have evolved through time since then. The earliest leadership models such as Trait theory and behavioral models greatly emphasized a one sided vertical leadership, which have given way to modern models that are characterized by a more flattened form of dynamic leadership (Antonakis & Day, 2018).

Dealing with a dynamic ever-changing business environment entails leaders' dedication and energy to get the most out of the employees. Employee performance encompasses task performance (in role-behavior based on contractual agreement) and contextual performance-extra-role behavior (Koopmans, Bernaards, Hildebrandt, Schaufeli, de Vet Henric & Van der Beek, 2011). Since job descriptions cannot be all inclusive, it is a valuable asset for organizational members to go beyond their mandatory responsibilities towards the attainment of a common goal (Lai, Tang, Lu & Lee, 2020).

It is, therefore, imperative for leaders to have a comprehensive understanding of the intricate process that leads to the creation of a committed, dedicated and passionate workforce. Individuals exhibiting these behaviors in combination with an effective connection towards their work are referred to as engaged employees (Schaufeli, 2012). Luthans and Peterson (2002) asserted that the most profitable work units consist of members with a strong sense of psychological ownership that perform what they do best in harmony with their colleagues. In addition, Macey, Schneider, Barbera & Young (2009) noted that engaged employees excel in their productivity and in turn generate higher returns on profitability in comparison to disengaged employees.

Employee engagement is considered to be driven by five key factors: Leadership, organizational justice, compensation, work policies and procedures, and training & development. Leadership is a major antecedent of employee engagement (Dajani, 2015). Leaders, in an effort to optimize overall productivity, play a critical role to develop individual sense of worth in the company. Organizational research has proven the instrumental role of supervisors in advancing employee well-being and enhancing performance. Effective leaders positively influence

employees' productivity by instilling a positive feeling towards their work (De Carlo, Dal Corso, Carluccio, Colledani & Falco, 2020).

Despite the growing interest in examining the effect of leadership style on employees' work outcomes, the vast majority of empirical research focuses on its direct effect. The interactional effect of leadership style with other key variables such as employee engagement (Lai et al. 2020) is, therefore, not fully unearthed across sectors. With this in mind, this study is intended to examine the direct as well as indirect effect of leadership styles on employee performance through employee engagement as a mediating variable in the case of Bank of Abyssinia in Addis Ababa, Ethiopia.

## **1.2 Background of the Organization**

The banking and proclamation of 1994 authorized the establishment of private banks in Ethiopia. Following the enactment of the proclamation, Bank of Abyssinia became the third private bank to be established in conformity with the Licensing and Supervision of Banking Business Proclamation No.84/94 with a subscribed capital of Birr 25 million and an authorized capital of Birr 50 million.

The bank's principal activity is to provide commercial banking services. The bank has expanded to include a total of 503 branches with over 6700 employees as specified in the 2019/2020 annual report. The Bank's vision is to become a leading commercial bank in East Africa by 2030. Its mission is to provide excellent financial services through competent, motivated employees and digital technology in order to maximize value to all stakeholders. In addition, its core values are customer satisfaction, integrity, teamwork and collaboration and caring for the community.

### **1.3 Problem Statement**

Several researches have confirmed the direct impact of leadership styles on positive employee work outcomes (Khattak, Zolin, & Muhammed, 2020). Nonetheless, the underlying process influencing the level of employee performance is not limited to leadership approaches but is also an interaction of key factors which includes employee engagement. Zhu, Avolio and Walumbwa( 2009)asserted that work engagement is a fundamental factor that deserves more attention. The importance of integrating potential mediating variables in leadership research has been noted by key researchers (Bass, Avolio, Jung and Berson (2003).; Yukl, 2011).Integrating mediating variables to the study will help to grasp a better understanding of the overall relationship. Having a comprehensive understanding of the dynamic nature of the leadership process and outcomes will be instrumental in devising necessary interventions to better enhance employee performance.

Employees' relationship with the organization is closely linked to their level of performance/productivity across sectors. The same is true for the banking sector; employees would perform at a higher level if the relationship is built on trust and value (Lekić, Mandić, Rajaković-Mijailović, Lekić&Mijailović, 2020). In the context of Ethiopia, although the sector remains underdeveloped, there has been significant progress resulting from changing regulatory guidelines, technology and clients that are becoming more demanding (Kebede & Lemi, 2020). Given the increasing number of new entrants recently, it is fundamental for established banks to have effective, engaged staff amongst others to gain customer satisfaction and loyalty (Khartabiel & Saydam, 2014).

The study conducted by Alemu and Aweke( 2017) to analyze the financial performance of four commercial banks in Ethiopia including Bank of Abyssinia using CAMEL (capital



adequacy, asset quality, management quality, earnings and liquidity) approach revealed that BOA generated the least net profit per employee. This would hinder the bank's progress towards attaining its goals and the eventual realization of vision 2030. In order to improve productivity and efficiency of its employees, the bank's management plays a crucial role to determine and effectively implement appropriate interventions and leadership style. The responsiveness of employees to these interventions will, however, also depend on their level of engagement to the bank as asserted by Zhu et. al (2009).

As mentioned previously, even though there is an increased interest in assessing the effect of leadership styles on employee performance, most focused on its direct effect. The same is true for researches conducted in the case of BOA. The study, therefore, incorporates a critical factor, employee engagement, as a potential mediating variable to have a better understanding of the intricate relationship between leadership styles and employee performance in the case of Bank of Abyssinia.

### **1.3 Research Objective**

#### **1.3.1 General Objective**

The overall objective of this study is to examine the effect of leadership styles (transformational, transactional and laissez-faire) on employee performance as well as the mediation effect of work engagement in the case of Bank of Abyssinia.

#### **1.3.2 Specific Objectives**

In order to achieve the overall objective, the specific objectives that should be met are:

- To examine the effect of leadership styles (Transformational, Transactional Leadership and Laissez-faire Leadership Style) on Employee Performance
- To examine the effect of the Leadership Styles on Work Engagement

- To assess the effect of Work Engagement on Employee Performance
- To examine whether work engagement mediates the influence of Leadership Style on Employee Performance

#### **1.4 Research Question**

The study was intended to address the following research questions:

1. What effect does each leadership style under the Full-Range Leadership Model (Transformational, Transactional Leadership and Laissez-faire Leadership Style) have on employee performance?
2. What effect does each leadership style (Transformational, Transactional Leadership and Laissez-faire Leadership Style) have on work engagement?
3. What is the effect of work engagement on employee performance?
4. Is the influence of each leadership style on employee performance mediated by employee engagement?

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

The study, in its part, seeks to provide insight into the multi-faceted relationship between leadership style and performance by performing mediation analysis with the inclusion of employee engagement. This study, therefore, would be beneficial for academicians for further research. It would also benefit management of BOA to understand the existing dynamic and to help them determine the appropriate leadership style that could enhance employee performance while boosting employee engagement.

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

The leadership model considered for this study is the full-range leadership model: transformational leadership style, transactional leadership style, and laissez-faire leadership

styles. The indirect effects of each leadership style on employee performance through work/employee engagement were also examined.

Employee performance, in this case, implies task performance, contextual performance and counterproductive performance.

The study examined the effect of the aforementioned leadership styles on employee performance in the case of Bank of Abyssinia in Addis Ababa. The research included the largest district of BOA in Addis Ababa, which is East Addis district with a total of 89 branches and 754 clerical employees (268 managers and 486 non-managerial clerical staffs).

A quantitative research approach was adopted as it is instrumental in describing trends and determining the relationship of various variables. Furthermore, the availability of reliable questionnaires that have been developed and validated by several researchers examining leadership styles make this approach more suitable for this study.

### **1.7 Limitation of the Study**

One major limitation of the study is related to the data collection, which was gathered from same respondents at a single point in time. This would increase the risk of encountering single source bias inflating the result. Furthermore, the research did not include other key factors such as organizational culture and individual efficacy, which are considered to influence the relationship between leadership style and employee performance. Furthermore, due to resource and time constraints, the study only included BOA branches within East Addis District, which would limit the research's generalizability to other banks. It is also important to note that the researcher's sole use of quantitative research method may not suffice to generate thorough findings.

## 1.8 Definition of terms

**Leadership.** Leadership can be described as a process towards the realization of a common goal through an individual's influence over a group of individuals (Northouse, 2016).

**Transactional leadership style.** It refers “to an exchange process based on the fulfillment of contractual obligations and is typically represented as setting objectives and monitoring and controlling outcomes” (Antonakis, Avolio & Sivasubramaniam, 2003, p.265).

**Transformational leadership style.** It is a style of leadership that transcends the transactional form of relationship to higher more elevated form of relationship with followers (Bass, 2008)

**Laissez-faire leadership style.** It is exhibited in leaders that avoid making decisions pertinent to the organization and are reluctant to take positions (Antonakis & Day, 2012)

**Employee performance.** It refers to the efficacy of employees to undertake the assigned tasks contributing to the realization of an organization's vision and being rewarded accordingly (Borman & Motowidlo, 1997)

**Work engagement.** It implies "a positive, fulfilling work-related state of mind that is characterized by vigor, dedication, and absorption" (Schaufeli, Bakker. Salanova , 2006, p. 702)

## 1.9 Organization of the Study

This research consists of five chapters: chapter 1 is the introduction which includes the background of the study, statement of the problem, objectives of the study, significance of the study, scope of the study, limitation of the study and definition of terms. Chapter 2 deals with literature review-theoretical review and empirical review, and the conceptual framework of the study. Chapter 3 provides details about the research methodology used, which includes the following: research setting, research approach, research design, population and sample size, data

type and source, data collection instrument, data distribution and collection procedure, ethical consideration and data analysis.

Chapter 4 includes the data analysis and interpretation section, Finally Chapter 5 presents the summary, conclusion and recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

This chapter consists of three sub-sections: theoretical literature review, empirical review, and the conceptual framework. The theoretical literature section provides an overview of the evolution of leadership style since the 20th century and key theories related to leadership style, employee engagement and employee performance. The empirical literature review presents early research findings between each leadership style with employee performance, which is followed by findings regarding leadership styles and employee engagement. Subsequently, studies related to the relationship between work engagement and employee performance are presented. Finally, the conceptual framework of the study is presented.

#### **2.1 Theoretical Literature Review**

##### **2.1.1 Concept of Leadership**

The concept of leadership continues to intrigue several researchers in different fields of study; such as, sociology, history, psychology, business studies and military science amongst others. In virtually every aspect of societal life, the issue of leadership has been an issue of discussion. According to King (1990), researches on leadership are multiple, and however, it is not well understood. It is believed that there are more than two hundred differing theories on leadership that provide various definitions of the concept (McCleskey, 2014). According to Bass (1990), there are as many definitions of leadership as there are researchers. Divergence in explanation of leadership is driven by the theoretical approach applied by scholars to discern it. It is important to note that theoretical approaches/models are, in turn, reflections of the thinking/societal construct of the era in which they were developed (Middlehurst, 2008).

Bass (1990) listed key paradigms through which scholars attempted to define the different facets of leadership; namely, group process perspective, personality perspective, power

relationship, transformation process and skill perspective. Bass noted that group processes perspective puts the leader as the focal agent of group change who embodies the will of the whole (Northouse, 2016). Personality perspective implies leadership as a mix of traits or attributes that certain possess to influence followers. Other defined leadership from a power relationship standpoint; leaders using their power to bring forth change envisioned in others. On the other hand, some scholars regard leadership as a process of transformation that instills motivation in followers to achieve more from the expectation. Skills perspective highlights the skill set required for effective leadership (Northouse, 2016).

The early 20th century scholars defined leadership as centralization of power and domination. Conversely, Day (2012) argues that leadership does not only constitute leaders; instead it is a process of multi-level interaction amongst leaders, followers and context (situations). According to Northouse (2016), leadership can be described as a process towards the realization of a common goal through an individual's influence over a group of individuals. A similar definition was also provided by (Kouzes & Posner, 1995, p. 30) as “the art of mobilizing others to want to struggle for shared aspirations”. Similar to Kouzes and Posner's definition, Yukl (2011) views leadership in terms of influencing others to reach in on an understanding and agreement of what needs to be undertaken as well as the means to do so. Yukl stresses that it is the attainment of shared objectives through collaboration.

Fiedler (1967) ascertains that defining leadership is challenging because it is “a complex interaction between the leader and the social and organizational environment”. In addition to the complexity of the process, leadership is fast evolving making consensus highly unlikely (Hunt & Lavonne, 2019). Day (2012) also states that arriving at a universally accepted definition of the concept is far-fetched due to the dynamic and multifaceted nature of leadership. On the other

hand, Bogenschneider(2016) contradicts this notion by stating that the multitude of competing definitions stems from not having a consensus on the epistemology of determining leadership. Bogenschneider adds that scholars seeking to define the facets of leadership are in a way embarking to provide a model to understand leadership.

### **2.1.2 Evolution of Leadership Theories**

This subsection provides chronological overview of the evolution of the leadership theories from the classical theories (trait, behavioral and contingency/situational) and modern theories (post 1970 theories) charismatic/transformational, and full-range leadership model

#### **2.1.2.1 Trait Based Theory**

Trait theory emerged in the early 20th century as an extension of the Great Men Theory, which as the name implies argues that great leaders are born with innate traits that revolutionize history (Asrar-ul-Haq &Anwar, 2018). In order to determine what entails an effective leader, several physical as well as psychological traits such as appearance, self-reliance, dominance and persuasiveness were analyzed (Alemu, 2019). Historical figures such as Mohandas Gandhi, Abraham Lincoln, Winston Churchill and others were evaluated in order to identify key innate attributes that makes them special from others (Northouse, 2016).

This theory is criticized for a number of reasons- impossibility of having a definitive list of leadership traits, overlooks the impact of the situation and solely focuses on leadership traits, provides weak description on how traits of leaders influence groups in the organization, and difficulty in changing traits (Uslu, 2019).



### **2.1.2.2 Behavioral Leadership Theory**

Behavioral leadership theory, also known as style approach to leadership, emerged in the 1940s and entails examining the behavior/actions of leaders rather than their traits (Hunt & Fedynich, 2019). The focus of this approach is: What is it that effective leaders do that distinguishes them from less effective leaders? The change in viewpoints from leader qualities to actions approximately led to the ascendancy of behaviorism (Day, 2012).

Studies under this approach were revolutionary as they relied on statistical methods through the use of questionnaires such as the Leadership Behaviour Questionnaire (developed by researchers from the Ohio State University). Behavioral theorists are credited for contributing to the introduction of psychometrics that permitted research to explore the reason and consequence of leaders' behavior. Personality tests were developed in an effort to assess outcomes of those considered to be leaders.

The adherents of behaviorism stressed the importance of assessing observable variables as opposed to unobservable inherent forces in scientific studies (Day, 2012). Furthermore, they believed in the capability of people to learn new behaviors exhibited by naturally gifted leaders under the right circumstances and environment. Consequently, they organized training programs in order to shape managers' leadership behavior (Alalshaikh, 2017).

The occurrence of major inconsistencies in research findings was one of the reasons for criticism of behaviorist theory (Northouse, 2016). The main criticism of this theory is, however, for it not taking into account the influence of situation factors on leadership outcome (Harrison, 2018). Yukl(2011) lists major environmental factors including the nature of task, organizational culture, employee cultural values and the relationship amongst leaders and followers that affect leadership.

### **2.1.2.3 Situational/contingency Approach**

Fiedler (1967) is credited with developing the first contingency leadership theory. Building on the behavior approach and trait theory, this theory was the pioneer to examine the interaction of situational variables with a leader's personality and behaviorism. Fiedler believed that leaders modify the situation rather than their styles (Asrar-ul-Haq, 2014).

The principal notion of contingency/situational approach is the dependability of leadership on the situation at hand. Accordingly, this implies the success of a leadership target is highly influenced by the situation. The overarching aim of theories under this approach is “to optimally match the source of leadership with particular aspects of the situation in order to enhance desired outcomes, such as follower satisfaction or performance”. (Day, 2012, p. 12.)

### **2.1.2.4 Charismatic/Transformational Leadership Approach (1970s)**

Charisma in Greek signifies divinely inspired gift which includes predicting future events as well as performing other forms of miraculous acts (Yukl, 2011). Max Weber is believed by most to be the first to use the term "charisma" to theoretically explain the influence of charismatic leaders on followers. Weber described leaders as individuals that arise during times of unrest or upheaval. James V. Downton in his 1973 book entitled “Rebel Leadership” stated a theory which consisted of transactional, charismatic and inspirational leadership. Downton (1973) asserted that the foundation for a conducive work environment whereby leaders and followers have trust and strengthened relationships is built upon mutual transactional commitments.

In 1978, James MacGregor Burns published a book entitled Leadership in which two types of political leadership are mentioned; namely transactional leadership and transforming

leadership. His book served as a basis for Bernard Bass who later developed the full range leadership model which includes an additional style to the mix (Antonakis& Day, 2012).

According to Burns (1978), leadership can be described as influencing followers to undertake actions that lead towards the achievement of specific goals that represent leaders and followers' aspirations as well as expectations. Furthermore, transforming leadership constitutes focusing on transcendent goals and ideals which has a higher level effect than transactional leadership. Transforming leadership elevates followers' morale and ethical awareness to make sound judgments that are not based on their self-interest for the common good (Burns, 1978). On the other hand, Burns noted that transactional leadership is driven by self-interest and, therefore, has relatively less impact. Both transactional and transforming can be used to achieve an end goal; however, Burns described both as opposing styles-mutually exclusive (Antonakis& Day, 2012)

### **2.1.3 Full Range Leadership Model**

The full range leadership model developed by Bass and Avolio (1994) is an extension of Burns' transforming and transactional leadership theory. An additional style, laissez-faire, was added to the list of styles. It is amongst the most researched leadership theories of the century (Northouse, 2016) with some crediting it for reviving interest in leadership studies. The most notable aspect of the theory is the introduction of the MultiFactor Leadership Questionnaire, which is a major reason for its popularity (Day, 2012).

#### **2.1.3.1 Transformational Leadership**

According to Bass (1997), outstanding leadership transcends the transactional form of relationship to a higher more elevated form of relationship with followers. Bass stated the four

ways in which transformative leaders achieve that: idealized influence, inspirational motivation, intellectual stimulation and individualized consideration.

**Idealized influence.** Initially, the term charisma was used to denote this factor; however, out of fear that charisma may connote an extreme level of idolization of an individual it was renamed as idealized leadership. Bass described it as being transformational leadership's emotional component. It refers to leaders who by their behavior and action earn the loyalty of their followers to the extent where they forgo their self-interest (Antonankis & Day, 2012). Leaders with this attribute are not only seen in high regards but are also considered role models by followers (Judge and Piccolo, 2004).

These types of leaders emit an aura of confidence, purpose and evaluate the implication of their choices based on moral and ethics. Furthermore, they are skilled in effectively communicating the vision and rallying the employees for a better future. They use symbols/and imagery to further their communication objectives. In doing so, a strong emotional bond is created with the employees (Antonankis & Day, 2012). The term “walk the talk” best describes them since they inspire others by their character (Stafford, 2010).

Idealized influence dimension is measured in terms of its attribution component and behavioral component. The attribution component, as the name suggests, implies the attributions ascribed by followers based on their perceptions of their leader. Followers' attributions are based on the behavioral component, which refers to the behavior of the leader as observed by them (Stafford, 2010).

### **Inspirational Motivation.**

Inspirational motivation (IM) is leadership that, in an effort to achieve a seemingly unattainable goal, instills a sense of motivation and inspiration to the followers. It differs from

idealized leadership in that it incorporates emotional qualities in the process (Antonankis & Day, 2012). Leaders are able to achieve extraordinary goals by consistently boosting the confidence of their employees, which will motivate them to make great strides. Bass referred to this phenomenon as the Pygmalion effect.

Leaders motivate employees to strive for higher goals that transcend self-interest through the use of symbols and emotional appeals in their communication (Northouse, 2016). In simple terms, leaders exhibiting high levels of IM behaviors can be termed as those who “talk the talk” as they convey the vision in a way that inspires (Stafford, 2010). Consequently, they set higher standards and targets for the employees.

### **Intellectual Stimulation.**

In comparison to the other components, intellectual stimulation is the most rational and is not garnered through emotional appeal. Instead, leaders seek to create conducive environment in which followers are encouraged to expand their skills and imagination through participation in problem awareness and problem solving process. In doing so, employees will have the confidence to develop creative solutions to problems that impede the organization from attaining its goals. Employees are respected and not publicly criticized even if their idea differs from the leader (Al-Araimi, 2012).

It can also be referred to as stimulating followers' creativity to develop employees' ability to think outside the box and become solution oriented (Stafford, 2010). Given their participation in the problem solving process and brainstorm sessions, it is assumed that they will be committed to contribute towards the realization of the common goals (Antonankis & Day, 2012).

### **Individualized Consideration.**

The overarching aim of great leaders is to mold their followers into effective leaders themselves in the future. With this in mind, leaders share personal ideas and experiences that would benefit them for personal growth (Al-ArAIMI, 2012). Individualized consideration is, in essence, transformational leadership's component focused on capacity building/empowerment of followers. By giving individualized attention towards followers, leaders are able to provide the necessary socio-emotional support through counseling and coaching. Leaders are, therefore, required to invest their time to maintain genuine close relationships with their followers (Antonakis & Day, 2012).

### **2.1.3.2 Transactional Leadership**

Transactional leadership is also referred to as managerial leadership. Transactional leaders' power stems from their formal authority in the organization. This style of leadership can be divided into three components: contingent reward, management by exception- active, and management by exception- passive.

**Contingent Reward.** Bass (1997) asserted that the basis for contingent reward leadership is economic and emotional exchanges upon specification of the role requirements. Followers that accomplish the assigned task as desired are praised and receive recognition for their effort. This reward system is believed to be a constructive transaction.

**Management by Exception- Active and Passive.** Both management by exceptions- active and passive- are similar due to the fact that each focuses on errors. The difference lies in the corrective response time to a particular problem. An active form of management by exception involves closely supervising employees in order to track deviations or mistakes beforehand and subsequently undertake corrective measures (Bass et. al, 2003). On the other

hand, a passive form of management by exception is likely to wait until problems arise in order to implement corrective measures.

### **2.1.3.3 Laissez-faire Leadership**

Laissez-faire, which in French signifies leaving things without interference, is the most inactive type of leadership. Leaders exhibiting a laissez-faire leadership approach avoid making decisions and are reluctant to take positions (Northouse, 2016). This type of leadership has the undesirable consequence on employee performance and overall performance of the organization.

### **2.1.4 Employee Performance**

According to Campbell (1990), work performance is defined as the activities or behaviors that are of importance to the goals set by the organizations. Work performance is multidimensional and encompasses solely behaviors pertaining to the goals of organizations (Campbell, 1990). Campbell further stated that all measurements of work performance should be done based only on behaviors and not results.

Borman and Motowidlo (1997) described job performance as the efficacy of employees to undertake the assigned tasks contributing to the realization of an organization's vision and being rewarded accordingly. It can also be referred to as employees' capability to be creative, inspiring and willing to face challenges head-on for the overall good of the company (Walumbwa & Hartnell, 2011).

Work Performance comprises multiple dimensions, which in turn are composed of measurable indicators (Koopmans, Bernaards, Hildebrandt, Schaufeli, de Vet Henric & Van der Beek, 2011). As per Borman and Motowidlo(1993), work performance can be classified in terms of task performance and contextual performance. Task performance, in this case, is defined as behaviors that contribute either directly or indirectly to the technical core of the organization. On

the other hand, contextual performance refers to behaviors that create conducive work environment for the proper functioning of the technical core. For instance, contextual behaviors can be demonstrated through volunteering, providing assistance to colleagues, collaborating and following rules amongst others.

As cited by Koopmans, Bernaards, Hildebrandt, Schaufeli, de Vet Henric & Van der Beek, 2011; Viswesvaranand Ones (2000) and Rotundo and Sacket (2002) noted three broad dimensions of work performance; namely task performance, organizational citizenship behaviour and counterproductive work behavior. Individuals exhibit organizational citizenship behavior by contributing to the improvement of the social and psychological elements that enhance task performance. On the other hand, Koopmans et al. 2011, after reviewing various frameworks, proposed a heuristic framework of individual work performance that consists of four key dimensions; namely task performance, contextual performance, adaptive performance and counterproductive work behavior. They included adaptive performance, which is an individual's capability to adjust in a work role, as a key component in the domain.

Task performance can be defined as a contractual agreement between a supervisor and an employee to finalize an assigned task (Pradhan & Jena, 2016). Task performance can be defined as the activities of individuals that contribute to the firm's technical core. Different scholars proposed several labels to denote task performance- job-specific task proficiency, in-role performance and technical proficiency (Koopmans et al. 2011). The activities can be direct or indirect contributions. It is related to abilities and includes in-role behavior (Sonnetag & Frese, 2002). Examples of task performance can be work quality, job knowledge and work quality.

Contextual performance refers to the behaviors that contribute to the organizational and social work environment in which tasks pertinent to the technical core are undertaken



(Borman&Motowidlo, 1993). It is illustrated in terms of non-job specific task proficiency, extra-role performance, or organizational citizenship behavior. Counterproductive is the third dimension that implies behaviors that inhibit the proper functioning of the organization-behaviors such as theft, absenteeism are a few examples (Koopmans et al. 2011).

Employees are an instrumental resource to a company regardless of the nature of the business (Pradhan & Jena, 2016). Creating a good working environment is, therefore, important in order to retain and hire valuable employees (Motyka, 2018). Therefore, management should empower and provide support to the employee (Tandoh, 2011).

### **2.1.5 Work Engagement**

Work engagement, according to Schaufeli et al. (2006), implies "a positive, fulfilling work-related state of mind that is characterized by vigor, dedication, and absorption" (p. 702). Work engagement is not a temporary (one-time) occurrence rather it is a more lasting cognitive state that does not depend upon a specific stimulus such as a particular event, behavior or individual. Vigor refers to displaying a high-level of energy and levels of energy and mental resilience during work. Individuals with vigor are willing to invest effort in their work and are prepared to face any roadblocks that might arise in the process. Individuals with dedication are fully committed to their work, which instills in them a sense of pride and inspiration. Absorption, on the other hand, occurs when the work which is truly enjoyable for the employee to a point where the individual is completely immersed and time passes without the person realizing (Schaufeli et al. 2006).

## **2.2 Empirical Literature Review**

### **2.2.1 Transformational Leadership and Employee Performance**

Khan, Rehmat, Butt et al., (2020) undertook a study that consisted of 308 employees in the telecommunication sector in Lahore, Pakistan. Their result revealed that transformational leadership had a significant positive relationship with work performance as well as intrinsic motivation. Befekadu (2020), in his study entitled "The Link between Leadership Style and Leadership Effectiveness in the Public Universities of Ethiopia", indicated that transformational leadership had significant positive correlations with employees' effort, satisfaction and perceived leadership effectiveness. Furthermore, the findings revealed that transactional leadership had moderate and significant relationship with employees' extra effort

Bass, Avolio, Jung and Berson (2003) conducted a study in 72 light infantry rifle platoons in the US military with the aim to examine how leadership styles predicted performance in times of challenge/uncertainty. In doing so, Bass et al. (2003) collected leadership style ratings before the commencement of a two week military simulation exercise using the MLQ-Form 5x. The result showed that transformational had a significant positive relation with performance both directly and indirectly through the mediating variables, units' potency and cohesion, while passive transactional leadership had the contrary.

A key aspect to note from the study of Bass et al. (2003) is the issue of correlation that may exist between transformational leadership and contingent reward transactions, which at times overlap. In order to avoid multicollinearity between the two, some researchers such as Lai, Tang, Lu, Lee & Lin (2020) controlled transactional leadership in their study that involved the assessment of the effect of transformational leadership on job performance through the mediating factor, work engagement. In addition to transactional leadership, mediating factors such as leader

member exchange and self-efficacy were also controlled with the aim to improve the predictive ability of work engagement alone. The survey was administered to 507 nurses working in 44 teams. Their research finding demonstrated the positive direct effect of transformational leadership style on employee performance.. The researchers implemented a multi-temporal and multisource design, which is beneficial to avoid the same source bias that was noted by Lowe, Kroeck, and Sivasubramaniam (1996).

Tsigu and Rao (2015) examined the impact of leadership styles on job outcomes in the Ethiopian banking sector, which showed that transformational leadership style explained the variation on job performance at a higher level in comparison to transactional leadership. Anyango (2015) assessed the effect of leadership styles in the Bank of Africa in Kenya. Transformational leadership style positively influenced employee performance and transactional leadership was revealed to have a negative relationship. Laissez-faire leadership had a non significant relationship with performance.

In a research conducted by Geyer and Steyer (1998) in the case of Austrian banks, a stronger positive relationship between transformational leadership and performance was identified in the long term as compared to the short term. According to the authors, this difference might arise as a result of transformational leaders' ability to create a conducive, cohesive work environment

Although the majority of studies demonstrate the positive relationship between transformational leadership style and employee performance, researchers such as (Chang, Ning, Yang, Feng& Yang, 2018) contended the notion of a positive linear relationship between transformational leadership and behaviour outcome including performance. Instead they sought to explore whether transformational leadership and task performance have an inverted U-shaped

relationship based on the diminishing marginal utility principle. In order to corroborate their assumption, they gathered data from businesses in the manufacturing sector (2), hotel industry (3 five-star hotels) and telecommunication sector (2) from a sample size of 79, 66 and 64 respectively. Their result confirmed the existence of an inverted U-relationship. The authors asserted that the inflection point is delayed for followers with high-level of proactive personality (moderator variable). This study reduced the common source bias as it included multiple sectors. In addition to their initial study, Chang et al., (2018) conducted a similar study with a sample size of 168 in the case of the Bank of China to reconfirm the earlier findings. The result for the second case study revealed the same response.

However, given the plethora of empirical researches that reveal a positive relationship and the key attribute of transformational leaders to inspire followers to perform beyond their expected deliverables, the researcher hypothesizes the following.

*H1: Transformational leadership style has a positive effect on employee performance*

### **2.2.2 Transactional Leadership and Employee Performance**

Bass et al. (2003) asserted that transactional contingent reward leadership style lies on the opposite spectrum closer to transformational leadership style in comparison to the other transactional leadership styles. They also assert that transactional style serves as a foundation for transformational leadership, and as such both styles go hand in hand. Their study of 72 light infantry rifle platoons in the US military confirmed the significant positive relationship of transformational leadership and transformational contingent reward with performance.

There are similar studies that revealed transactional leadership's significant positive influence on employee performance. Tandoh (2011) findings revealed a positive relationship between transactional form of leadership and employees' performance. Makiloukou (2004)

indicated the preference of project managers to task oriented style for better results. Sakiru, Enoho, Kareem and Abdullahi (2013), as per their findings, noted the positive relationship between transactional leadership and employees in the context of public sector organizations in Malaysia. Raja and Palancichamy (2015) study in the context of the public vs. private sector enterprises in India determined a significant linear positive relationship between transactional leadership and employee performance.

Boateng and Ackon( 2019),in their research study: "The Influence of Transformational and Transactional Leadership Styles of Site Managers on Job Performance of Crafts in Cape Coast Metropolis", contradicted the notion that transactional traditional leadership has either a nonsignificant or negative relationship with leadership outcomes including job performance. Their finding revealed a higher degree of positive correlation between transactional leadership to predict crafts performance in comparison to transformational leadership. Gameda and Lee (2020) employed a cross-sectional design method to conduct a cross-national study that included ICT professionals employed in profit-organizations from Ethiopia and South Korea. Their finding also revealed the significant positive correlation of transactional leadership with task performance amongst others.

Although there are a few research findings that revealed contradictory results especially when transactional leadership is assessed in terms of management by exception (active or passive), various authors have indicated that transactional contingent reward style, and transformational leadership are not mutually exclusive, but instead have direct positive influence on employee performance. A transactional leader that is goal oriented and recognizes the achievement of followers may bring forth a workforce that is motivated to excel in terms of performance (Gameda & Lee, 2020).

*H2: Transactional leadership style has a positive effect on employee performance*

### **2.2.3 Laissez-faire leadership style and employee performance**

Leaders who employ a laissez-faire approach exhibit indifference and overlook key milestones as well as posing threats. As such, group members are given minimal to no direction by the leader—they usually make their own decisions (Gemedu & Lee, 2019). Unless the group is composed of highly skilled members who are autonomous, their performance will be compromised.

Raja and Palancichamy (2015) study of public vs. private sector entry in India, revealed that, while there was a significant linear positive relationship between performance and both transactional as well as transformational leadership styles, a negative relationship was revealed with laissez-faire leadership. Sajjad et al. (2019) examined the textile industry in Pakistan regarding the effect of leadership styles on employee performance. Their findings showed that laissez-faire approach has a significant negative relationship with performance.

Befekadu (2020) also determined that laissez-faire had a non-significant relationship with employees' effort, satisfaction and perceived leadership effectiveness as per the result of the assessment of public universities in Ethiopia. Similarly, Koech and Namusonge (2012) examined the effect of leadership styles on organizational performance of 30 state-owned corporations operating in Mombasa, Kenya. The researchers confirmed their hypothesis that stated the insignificant effect of laissez-faire leadership style. Based on their result, they recommended managers to avoid using laissez-faire and invest more time to guide their subordinates.

Based on the findings that mostly demonstrate a negative or an insignificant relationship, the following is hypothesized.

*H3: Laissez-faire style of leadership has a negative effect on employee performance*

#### **2.2.4 Leadership styles (transformational, transactional and laissez-faire) and work engagement**

Gangai and Agrawal (2017) sought to determine the relationship between the different leadership styles and employee engagement in India's service sector. To this end, Gangai and Agrawal administered surveys to 450 people employed in the private service sector. The findings revealed that leadership styles have a significant impact on employee engagement. In comparison, transformational leadership was considered to have higher influence than transactional leadership style. Carasco-saul, Kim W., and Kim T. (2015) asserted that transformational leadership enhances employee engagement through various ways such as fostering innovation and critical thinking.

Hayati, Charkhabiand Naami (2014) employed a descriptive, cross-sectional design to assess transformational leadership style's effect on work engagement among hospital nurses. 240 nurses participated in filling the multi-leadership questionnaire and work engagement scale. Following the necessary analysis, the finding indicated that the four components of transformational leadership style have positive and significant relationships with work engagement. It should be noted that although they did not include transactional leadership in the study, the researchers believed that it too has a positive relationship, albeit to a lesser degree. Yeshitila and Beyene (2019) also determined the positive relationship of transformational leadership style with the three employment dimensions-vigor, dedication and absorption. Leaders who implement a transformational leadership approach positively influence employee engagement. Gameda and Lee (2020) cross-national study of South Korea and Ethiopia witnessed a significant positive relationship between employee engagement and transformational

leadership while transactional leadership was revealed to have an insignificant relationship. Laissez-faire leadership, on the other hand, had a weak positive relation.

A study conducted by Popli and Rizvi (2016) showed a significant positive relationship between transformational leadership and employee engagement. In addition, transactional leadership had a positive association, which was more prevalent for the younger employees at the beginning of their career. . Gebremariam (2020) ,through his study that employed a quantitative research design and involved 294 employees from the Ministry of Agriculture of Ethiopia, confirmed the occurrence of a positive correlation between transformational leadership style and employee engagement.

Alemu (2019) sought to determine the direct effect of leadership styles (transformational, transactional and laissez-faire) on another leadership outcome, employee commitment, in the case of Bank of Abyssinia. Multifactor leadership questionnaire was used to collect ratings for leadership from a size consisting of 50 employees. The findings revealed that transformational leadership style had a strong positive relationship with adaptive, normative and continuance employee commitment. Transactional leadership was found to have no significant relationship with the three types of employee commitments. Laissez-faire was found to have significant positive correlation with continuance commitment while there was no significant relationship with the remaining two-adaptive and normative.

Judge and Piccolo (2004), as cited by (Gemedo and Lee, 2020), conducted a meta-analytical assessment that focused on the full leadership style and the different leadership criteria including follower job satisfaction, motivation and satisfaction of followers and organizational performance. An overall positive effect of transformational as well as transactional contingent



reward leadership styles was observed. Laissez-faire, however, was observed to have an overall negative effect.

Based on the aforementioned discussion, the author posits the following:

*H4: Transformational leadership style has a positive effect on work engagement*

*H5: Transactional leadership style has a positive effect on work engagement*

*H6: Laissez-faire has a negative effect on work engagement*

### **2.2.5 Work Engagement and Employee Performance**

Empirical research regarding the direct effect of work engagement on employee performance is limited. However, there has recently been an increased interest to examine the relationship between the two variables (Kim, Kolb & Kim, 2012).

Bakker and Bal (2010) examined the effect of weekly work engagement on performance among Dutch teachers. The study included 54 teachers that were requested to fill a weekly questionnaire (UWES-9 to rate work engagement and Goodman and Svyantek (1999) to rate performance) for five consecutive weeks. A multi-level analysis was then conducted, which revealed a positive relationship between weekly work engagement and job performance ( $\gamma = .424, p < .001$ ).

Gorgievski, Bakker, and Schaufeli (2010) conducted a study which included 1,900 employees and 262 self-employed people in Holland. They published a questionnaire on a Dutch psychology magazine for duration of 1.5 years. Visitors of the website were requested to complete questions regarding work engagement, workaholism and performance. Following the analysis of the data, the result indicated that engagement is positively related to task performance for both self-employed and the second group of employees. However, a positive relationship with contextual performance was only observed only for the second group of employees.

Maylett and Waner (2014) conducted a study over a period of 14 years that comprised a total of 70 countries. They received 14 million employee engagement survey responses that revealed that highly engaged employees are 87% less likely to quit their post. Moreover, organizations that had low engagement scores were more likely to earn lower operating income in comparison to organizations with a higher level of engaged employees. It was also revealed that companies with a higher proportion of engaged employees are likely to increase profits in a relatively less amount of time than their competitors.

Lai et al. (2020) hypothesized that work engagement has a positive relationship with task performance and, in addition, predicts the positive relationship of transformational leadership with task performance. Lai et al. (2020) tested their hypothesis in the case of hospital nurses with a sample of 507. Following the hierarchical linear regression analysis, the hypothesis was confirmed as it revealed a positive significant relationship between the two variables. Gameda and Lee (2020) also witnessed a significant positive relationship of work engagement with task performance and innovative work behavior in their cross-national study of Korea and Ethiopia.

In conclusion, the vast majority of the studies including the aforementioned demonstrate that employee engagement is critical and positively related to performance. The researcher, therefore, posits:

*H7: Work engagement has a positive effect on employee performance*

### **2.2.6 The indirect effect of leadership styles on employee performance through work engagement**

Lai et al. (2020) used the Sobel test and bootstrapping test to assess the mediation effect of work engagement on task performance. The result confirmed their hypothesis as it revealed a significant positive relationship. In order to avoid the effect of other related variables in the

analysis, Lai et al. (2020) controlled several variables that might influence the relationship; these include transactional leadership, leader-member exchange and role based self-efficacy. Gameda and Lee's (2020) study confirmed that employee engagement partly mediated the relationship between leadership style and task performance as well as innovative behavior for national samples collected from Ethiopia and South Korea.

Gebremariam (2020), in his study to determine the mediation role of employee engagement, determined that the  $\beta$  value of transformational leadership behavior is smaller with the inclusion of employee engagement in the regression as compared to the regression done with it independently (from .407 to .403). This difference demonstrated the partial mediation role of employee engagement.

Yeshitila and Beyene (2019) conducted a similar analysis that involved performing two regressions to determine employee engagement's mediation role. First model constituted assessing the direct effect of transformational leadership on employee performance-the result revealed a significant positive relationship ( $\beta=.201$ ,  $p<.001$ ). Subsequently, employee engagement was included in the second regression model. The result revealed that leadership behavior still had a positive effect on job performance; however, the  $\beta$  value is smaller ( $\beta=.160$ ,  $p<.001$ ). This demonstrated the partial mediation role of employee engagement.

According to Lai et. al (2020), work engagement is enhanced as a result of leaders' capability to articulate a meaningful goal and creating a safe and supportive work environment in which resources required are accessible. The engaged employees will, therefore, be motivated and willing to invest their time and energy in undertaking their tasks. In addition, they will have a higher propensity to assist their colleagues. With this in mind, the researcher hypothesizes as follows:

*H8: Work engagement mediates the effect of leadership styles on employee performance*

### Summary of Hypotheses

The following is the compilation of the study's hypotheses, which are based on the empirical findings presented:

*H1: Transformational leadership style has a positive effect on employee performance*

*H2: Transactional leadership style has a positive effect on employee performance*

*H3: Laissez-faire style of leadership has a negative effect on employee performance*

*H4: Transformational leadership style has a positive effect on work engagement*

*H5: Transactional leadership style has a positive effect on work engagement*

*H6: Laissez-faire has a negative effect on work engagement*

*H7: Work engagement has a positive effect on employee performance*

*H8: Work engagement mediates the effect of leadership styles on employee performance*

### 2.3 Conceptual Framework

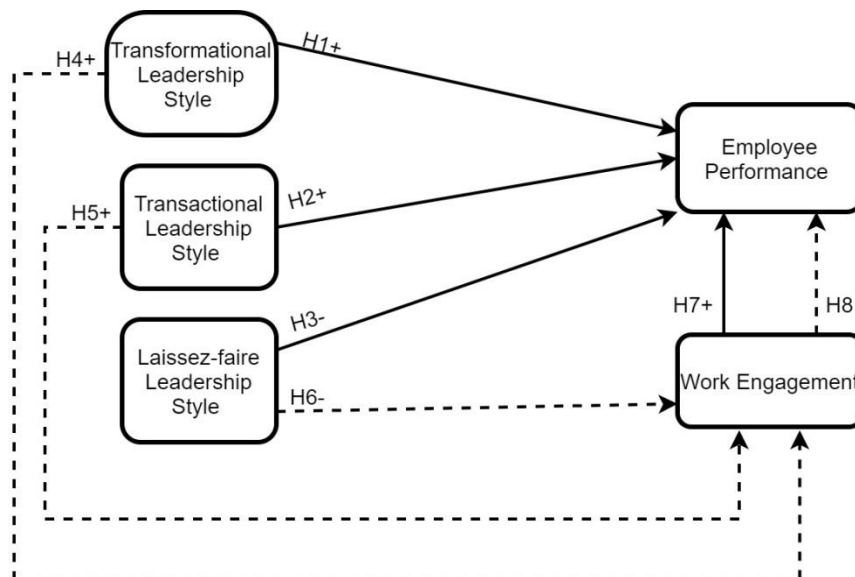


Figure 1: Conceptual Framework

Source: Developed by the Researcher

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

This chapter describes the methods used for the study. It is arranged sequentially in the following order: research setting, research approach, research design, population and sample, data type and source, data collection instrument, data distribution and collection procedure, ethical consideration and methods of analysis.

#### **3.1 Research Setting**

The research study included BOA branches that are under the East Addis District, which are located in Bole, Yeka, and Kirkos Subcities.

#### **3.2 Research Approach**

The study adopted a quantitative research approach. Quantitative research approach is instrumental in describing trends and determining the relationship of various variables. Researchers conduct this inquiry approach by specifying research questions or developing instruments as well as analyzing data gathered from research instruments employing statistics (Creswell, 2012). The primary reason behind selecting this approach is linked to the availability of reliable questionnaires that have been developed and validated by several researchers who studied leadership styles and its effects. In addition, it is beneficial to reach an objective, conclusive response through the range of statistical techniques to numerically measure and analyze the variables (Ketema and W/Selassie, 2020).

#### **3.3 Research Design**

Research designs can be classified broadly into three based on the purpose as exploratory, descriptive and explanatory research designs. Exploratory research design refers to an

exploration of a new phenomenon and its overarching aim is to formulate hypotheses and problems; this typically involves conducting focus group interviews. Descriptive research seeks to describe population, situation, or observations of a phenomenon using sampling techniques (Sue and Ritter, 2012). This research typically answers the how, *what*, *when*, and *where* questions. Explanatory research design, specifically correlational design, is used for the purpose of determining the extent to which multiple variables co-vary (Creswell, 2012). It typically answers the why questions.

Since the study's purpose is to examine the effect of the direct and indirect effect of the predictor variable, leadership styles, on employee performance, explanatory correlational research design was best suited.

### **3.4 Population and Sample**

This section discusses the research population, consideration for the sample size and outlines the sampling techniques to be employed.

#### **3.4.1 Population of the Study**

The study involved BOA employees working in Addis Ababa; specifically the East Addis District. This District was selected as it is the largest district in the city with over 89 branches and 754 clerical employees. Clerical employees, in the case of the bank, include both managers and non-managerial clerical employees such as branch business officers. The study did not include directors and other more senior position holders. Moreover, non-clerical employees such as janitors, securities and messengers were not part of the study.

The target population was categorized into managerial position and non-managerial clerical position officers who number 268 and 486 respectively. Managerial staffs include the

district manager as well as the main branch managers, operation managers, business managers based in in each branch.

### 3.4.2 Sample Size Determination

In order to determine the sample size of the target population with 95% confidence with degree of freedom 1 and 5% margin of error, the researcher used the statistical formula developed by Krejcie and Morgan (1970).

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

n= required sample size

$\chi^2$ = table value of chi-square for 1 degree of freedom at the desired confidence level  
(3.841)

N= Population size

P=the population proportion (assumed to be .50 in order to provide the maximum sample size)

e= Margin of error

$$n = \frac{3.841 \times 754 \times 0.50(1 - 0.50)}{0.05^2(754 - 1) + 3.841 \times 0.50(1 - 0.50)}$$

The resulting sample size (n) is 255.

A proportional stratified sampling technique was used in order to avoid sampling bias and to have a better representative sample. The population was divided into two strata based on an important component of the study, i.e position. The author also used a probabilistic sampling method as it is the most rigorous (Creswell, 2012) and reduces bias (Taherdoost, 2016), which is beneficial to make generalizations to the population.

### 3.4.3 Sample Distribution Plan

Below is the table which illustrates the sample distribution:

**Table 3.1: Sample Distribution Plan**

No	Job category	Number of Employee(s)	Stratum weight (in %) (Stratum population/Total Stratum Population )	Proportional Sample Allocation
1.	Managerial positions	268	35.6%	91
2	Non-Managerial Clerical positions (branch bank officers and other professionals)	486	64.4%	164
<b>Total</b>		<b>754</b>	<b>100%</b>	<b>255</b>

Upon securing the necessary authorization, the questionnaires were distributed within the district office and certain branches by the researcher in person while the remaining was dispatched through the district office.

### 3.5 Data Type and Source

Data was collected from both primary and secondary sources. Primary data was gathered through a cross-sectional survey involving randomly selected BOA employees within the East Addis District. In addition, valuable information from secondary sources was drawn from academic journals and the company's website.

### 3.6 Data Collection Instrument

The survey comprises of three instruments to measure each variable. The instruments are considered reputable and have been widely validated and used by several researchers. The survey questionnaire was included the following sections:



## **Section 1: Demographics and other information**

This section contained questions related to the respondent's demographic features including gender, age, educational qualification, work experience, job category and marital status.

## **Section 2: Multifactor Leadership Questionnaire**

MLQ is used to measure the three components of the full range leadership model. It consists of 36 items that assess nine leadership outcomes. Transformational leadership is measured by five of the factors- idealized influence attributes, idealized influence behaviors, inspirational motivation, intellectual stimulation and individualized consideration; transactional leadership is in turn measured by three factors-contingent rewards, management by exception-active and management by exception-passive, and lastly the remaining factor is regarding laissez-faire leadership (Antonakis and Day, 2012). Although several questionnaires exist to examine transformational and transactional leadership, Multifactor Leadership Questionnaire (MLQ-5x short) is one of the top validated. The questionnaire can be administered to either the supervisor for self-rating or to followers to do the rating (Vilhauer, 2018). The responses are rated using a 5-point Likert scale ranging from 1 "not at all" to 5 "frequently, if not always."

## **Section 3: Utrecht Work Engagement Scale**

Measurement of work engagement was done using the Utrecht Work Engagement Scale (UWES-9) which was initially developed by Schaufeli, Salanova, Gonzalez-Roma & Bakker (2002) and revised by Schaufeli et al (2006). The survey has been validated and was used for multiple researches in regards to individual employee engagement (Schaufeli and Bakker, 2010). It originally consisted of 24 items which was later reduced to nine items under three main dimensions; vigor, dedication, and absorption (Schaufeli et al. 2006). Schaufeli et al. (2006)

confirmed its validity following analysis of data from various countries. Schaufeli et al. (2006) noted that the Cronbach's alpha for the instrument ranged between 0.85 and 0.92. In addition, other researches also asserted its validity and applicability (Gemedda and Lee, 2020).

#### **Section 4: Individual performance measurement scale**

This scale is adopted from the scale developed by (Koopmans et al. 2014). It consists of 18 items/statements in total to measure the three dimensions of employee performance- 5 items under task performance, 8 items under contextual performance and 5 items under counterproductive work performance. Each item is rated using a 5-point likert scale ranging from 1 "seldom" to 5 "always".

#### **3.6.1 Reliability and Validity of the Study Instrument**

Selecting an instrument that generates reliable and valid individual scores is vital for a research. Reliability and validity are closely related terms that are bound together. Reliability refers to an instrument's measure of reporting scores in a consistent and stable manner (Selvamuthu and Das, 2018). Administering the instrument multiple times should yield nearly the same scores. Validity can be defined as "the development of sound evidence to demonstrate that the intended test interpretation (of the concept or construct that the test is assumed to measure) matches the proposed purpose of the test" (Creswell, 2012, p159). Validity of an instrument can be established based on face validity, content validity and criterion validity.

The instruments selected for this study were considered suitable for this study because they have been validated and are widely used in several leadership studies. In order to reconfirm the reliability of the scales, Cronbach's alpha was computed and its result is presented in Table 3.2. Cronbach's alpha is computed to measure the internal consistency of items in an instrument. Scales yielding 0.6 are considered to be acceptable level while those yielding 0.72 reliability

coefficients are satisfactory (Creswell, 2012).

**Table 3.2: Summary of Measures**

No.	Study Variables	Source of Items (scale or Instrument source)	No. of Items in the Scale	Cronbach's Alpha Results
1	Job Performance	Koopmans, Bernaards, Hildebrandt and Van der Beek (2014)	18	.871
2	Work Engagement	Schaufeli, Bakker&Salanova (2006)	9	.83
3	Transformational Leadership	Adopted from Assefa,2020	20	.937
4	Transactional Leadership	Adopted from Assefa,2020	12	.863
5	Laissez-faire Leadership	Adopted from Assefa,2020	4	.905

As shown in Table 3.2, items under transformational leadership style reliability yielded a higher coefficient of 0.937 followed by items of laissez-faire leadership with 0.905 and job performance (0.871). Transactional leadership and work engagement, in turn, had Cronbach's alpha values of 0.863 and 0.83 respectively. These results demonstrate the high reliability of the questionnaire instrument.

### **3.7 Data Distribution and Collection Procedure**

The data distribution and collection procedures consisted of four stages (a) liaising with the relevant human resource department to seek authorization to conduct the research (b) on-site distribution of questionnaires to respondents in the district office as well as branches in both Bole and Yeka sub-cities following orientation regarding the purpose of the study (c) distribution of the remaining questionnaires to respondents in Kirkos sub-city was conducted through the district office's assistance (d) collection of completed questionnaires. The researcher, in addition

to following-up in person, had provided his contact details in case further clarification was required.

### **3.8 Ethical Consideration**

Respondents were first provided a full brief about the purpose of the survey, nature of the survey, the estimated time to complete the form and most importantly the confidentiality of their response. Only those that gave their consent were involved in the study. In addition, the researcher has used proper citation and reference for each source material.

### **3.9 Methods of Analyses**

The process of analyzing quantitative data constitutes following multiple interrelated steps. Once the data from the instrument is collected, the first step involves assigning necessary numeric codes to the different category responses, selecting a relevant statistical program and then inputting the data into the selected program. The data analysis commenced right after the cleanup of the database is complete. Data analysis involves conducting descriptive analysis and inferential analysis. Given the completion of the relevant process within these two analyses, the final step includes interpreting the results (Creswell, 2012).

In the case of this study, the data was properly organized and coded. The data was then inputted into SPSS version 22 and inspected for any incorrect entry (missing/out of range score). The demographic characteristics were analyzed using descriptive statistics. Similarly, a descriptive analysis was conducted to assess the distribution of responses to each variable and corresponding dimensions specified in the instrument. The descriptive statistical results were then be summarized and presented in the form of tables and figures. The next step was conducting an inferential analysis, which is used to test the hypothesis and to determine effect

size- the level of significance (alpha level) will be set at 0.05. Inferential analysis encompasses a series of comparison, & regression tests,

Prior to proceeding to the tests, the instrument was re-examined for reliability using Cronbach's alpha reliability test. Once the reliability of the scales has been confirmed, the author used the Pearson product moment correlation coefficient measure to assess the relationship of transformational leadership, transactional leadership, laissez-faire leadership, employee engagement and employee performance.

The next phase, regression analysis, was conducted after the linearity, normality, multicollinearity were tested. A series of single and multiple regression analysis were undertaken to determine the direct and indirect effect of the three leadership styles (independent variables) on employee performance (dependent variable). The occurrence of mediation is proven only when the following conditions are met: (a) the independent variable predicts the dependent variable, (b) the independent variable predicts the mediator, and (c) the mediator predicts the dependent variable (Baron and Kenny,1986).

Mediation can be classified as partial and complete (total) mediation. Complete mediation is said to exist if the independent variable ceases to influence the dependent variable once the mediating variable is controlled. Partial mediation occurs in case the influence exists but is reduced (Baron & Kenny, 1986).

## **CHAPTER FOUR**

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

The objective of this study is to examine the direct effect of leadership style on employee performance as well as indirect effect through work engagement. To empirically test the research hypothesis 255 questionnaires were distributed to sample respondents, out of which 204 were returned. However, out of the returned questionnaires, 14 had to be discarded due to incomplete information. This brings the valid responses to 190, which accounts for 75% of the total questionnaire administered. A response rate of 70% and above is considered to be excellent for research (Pallant,2005).

This chapter deals with the data analysis and interpretation process. The first subsection includes the presentation of demographic information. The next subsection outlines the descriptive analysis results, which includes item analysis for each variable and Pearson correlation analysis results. The third sub-section deals with inferential statistics and includes the multiple regression analysis results.

#### **4.1 Demographic Profile of Respondents**

A summary of the demographic information of respondents' age, gender, education level, years of service in the bank, job category and marital status is presented in Table 4.1. The researcher's reflection regarding the composition of each demographic variable is also specified.

**Table 4.1: Summary of Demographic Information**

<b>Gender</b>		<b>Frequency</b>	<b>Percent</b>
<b>1</b>	Male	133	70.0
	Female	57	30.0
<b>Age</b>		<b>Frequency</b>	<b>Percent</b>
<b>2</b>	Below 25 Year	77	40.5
	26-30 Years	90	47.4
	31-40 Years	18	9.5
	41-50 Years	1	.5
	Above 50 Years	4	2.1
<b>Education Level</b>		<b>Frequency</b>	<b>Percent</b>
<b>3</b>	Diploma	2	1.1
	BA/BSc Degree	176	92.6
	Master's Degree	12	6.3
<b>Years of Service in BOA</b>		<b>Frequency</b>	<b>Percent</b>
<b>4</b>	Less than 1 year	31	16.3
	2-5 Years	93	48.9
	6-10 Years	62	32.6
	11-20 Years	4	2.1
<b>Job category</b>		<b>Frequency</b>	<b>Percent</b>
<b>5</b>	Managerial	53	27.9
	Non-managerial Clerical	137	72.1
<b>Marital status</b>		<b>Frequency</b>	<b>Percent</b>
<b>6</b>	Single	130	68.4
	Married	54	28.4
	Divorced	6	3.2

Table 4.1 presents the demographic information of the respondents. In terms of the gender composition of the respondents, males accounted for 70% while females accounted only for 30%. Although the sample size is not comprehensive, it somehow implies a significantly higher number of male employees in the district.

The majority of the participants were within the ages of 26-30 (47.4%), followed by

youths (<25 years) with 40.5 % of the sample size. Those within the 31-40 years age group made up 9.5% of the sample size participants above 50 years accounted for 2.1% of the sample size. The remaining participants were within 41-50 years and accounted for 0.5%. This reflects the bank's focus on recruiting young professionals who are considered to value work-life balance and flexibility, which in turn influences their engagement to the company.

In regards to the level of education, bachelor degree holders made up 92.6% of the sample. Master's degree holders were 12 (6.3% of the sample size). Only 1.1% of the respondents were diploma holders. This shows the bank's recruitment focus on degree holders - whether bachelors and masters-who are considered having the necessary skill set to deliver quality service in an evolving work environment.

In terms of years of service, 93 (48.9%) respondents have been working for 2-5 years whereas 62 respondents (32.6%) served for 6-10 years. The third ranking in terms of duration of service is the category less than a year with 31 in total (16.3%), which is followed by the 11-20 years category with the least number of only 4 (2.1%).Based on this composition, it can be noted that the majority of the employees have reasonable number of years of experience to provide informed responses to the items in the questionnaire.

The study included both managerial and non-managerial clerical staff. Managerial staff accounted for 53 (27.9 %)while non-managerial clerical staffsnumbered137 (72.1%).Despite achieving to have a good percentage of valid questionnaires out of the total administered, in terms of the two categories, response rate of managers only accounted for 58.2% of its intended sample proportion (91) whereas non-managerial clerical staffs made up 83.5% of the intended proportion, which was 164. The low response rate from managers could be due to their busy schedules and a series of meetings that took place during the dissemination stage.



In regards to marital status, 130 (68.4%) of the respondents are single while 54(28.4%) are married and the divorced account for 3.2% of the sample.

## 4.2. Descriptive Analysis Result

This section presents the descriptive analysis of respondents' ratings of items under each scale. The sub-sections include analysis of response regarding employees' self-perceived performance, transformational leadership, transaction leadership, laissez-faire leadership and employee engagement respectively.

### 4.2.1 Item Analysis-Employee Performance

Table 4.2 shows respondents' rating of each item under employee performance. Employee performance is divided into three dimensions- task performance, contextual performance and counterproductive performance. The mean values are determined based on the following mean value categories:

**Mean value:** Key:  $\geq 4.5$  = Very High, 3.51-4.51= High, 2.51-3.5= Moderate, 1.51-2.5= Low; < 1.5= Very Low(Creswell , 2012).

**Table 4.2:Descriptive Statistics of Employee Performance**

Items		Seldom 1	Sometimes 2	Fairly Often 3	Often 4	Always 5	Mean	Standard Deviation
<b>Task performance</b>								
1	I was able to plan my work so that I finished it on time	5 2.6%	35 18.4%	44 23.2%	65 34.2%	41 21.6%	3.54	1.101
2	I kept in mind the work result I needed to achieve.	0 -	15 7.9%	60 31.6%	49 25.8%	66 34.7%	3.87	.984
3	I was able to set priorities	0 -	14 7.4%	49 25.8%	44 23.2%	83 43.7%	4.03	.997
4	I was able to carry out my work efficiently	4 2.1%	15 7.9%	45 23.7%	62 32.6%	64 33.7%	3.88	1.034
5	I managed my time well.	0	16	54	32	88	4.01	1.044

Items		Seldom 1	Sometimes 2	Fairly Often 3	Often 4	Always 5	Mean	Standard Deviation
		-	8.4%	28.4%	16.8%	46.3%		
<b>Mean and S.D.</b>							<b>3.87</b>	<b>.83039</b>
Contextual performance		Seldom 1	Sometimes 2	Fairly Often 3	Often 4	Always 5	Mean	Standard Deviation
6	On my own initiative, I started new tasks when my old tasks were completed	12 6.3%	6 3.2%	54 28.4%	50 26.3%	68 35.8%	3.82	1.145
7	I took on challenging tasks when they were available	6 3.2%	22 11.6%	44 23.2%	64 33.7%	54 28.4%	3.73	1.093
8	I worked on keeping my job-related knowledge up-to date	0 -	17 8.9%	45 23.7%	86 45.3%	42 22.1%	3.81	.884
9	I worked keeping my work skills up-to-date	0 -	9 4.7%	48 25.3%	69 36.3%	64 33.7%	3.99	.885
10	I came up with creative solutions for new problems	0 -	21 11.1%	42 22.1%	60 31.6%	67 35.3%	3.91	1.007
11	I took on extra responsibilities	8 4.2%	27 14.2%	25 13.2%	71 37.4%	59 31.1%	3.77	1.159
12	I continually sought new challenges in my work.	6 3.2%	26 13.7%	32 16.8%	77 40.5%	49 25.8%	3.72	
13	I actively participated in meetings and/or consultations	10 5.3%	34 17.9%	50 26.3%	54 28.4%	42 22.1%	3.44	1.089
<b>Mean and S.D.</b>							<b>3.77</b>	<b>.80664</b>
Counterproductive performance		Seldom 1	Sometimes 2	Fairly Often 3	Often 4	Always 5	Mean	Standard Deviation
14	I complained about minor work-related issues at work	56 29.5%	55 28.9%	43 22.6%	25 13.2%	11 5.8%	<b>2.37</b>	<b>1.170</b>
15	I made problems at work bigger than they were	78 41.1%	29 15.3%	37 19.5%	30 15.8%	16 8.4%	<b>2.35</b>	<b>1.2</b>

Items		Seldom 1	Sometimes 2	Fairly Often 3	Often 4	Always 5	Mean	Standard Deviation
16	I focused on the negative aspects of situation at work instead of the positive aspect	82	34	36	24	14	<b>2.23</b>	<b>1.371</b>
		43.2%	17.9%	18.9%	12.6%	7.4%		
17	I talked to colleagues about the negative aspects of my work	62	44	31	33	20	<b>2.5</b>	<b>1.321</b>
		32.6%	23.2%	16.3%	17.4%	10.5%		
18	I talked to people outside the organization about the negative aspects of my work	62	44	31	33	20	<b>2.57</b>	<b>1.375</b>
		32.6%	23.2%	16.3%	17.4%	10.5%		
<b>Mean and SD</b>							<b>2.4</b>	<b>1.213</b>
<b>Aggregate Mean of Employee Performance</b>							<b>3.75</b>	<b>.637</b>

Source: Own Survey, 2021

Task performance dimension consisted of five items. As illustrated in Table 4.2, task performance dimension has an overall high mean score of 3.87 and a standard deviation (S.D.) equal to .830. In comparison to other items within the dimensions, the third item “I was able to set priorities” had the highest mean score (4.03) with S.D.=.997; 43.7% of the respondents believe that they were always able to set priorities while only 7.4% indicated that they sometimes were able to set priorities. Although all the items had mean scores that are considered high, the item with the least mean score is the 1<sup>st</sup> item (mean=3.54 and S.D.=1.101). The majority, 34.2%, rated they were often able to finish their task on time through planning whereas 2.6% rated seldom. The high mean scores in general show that employees often if not always engage in behaviors that contribute directly or indirectly to the technical core of the bank.

Contextual performance is the second dimension of employee performance and consists of 8 items in the MLQ(item no.6-13). The overall mean score and S.D. in regards to the dimension are 3.77 and .807 as illustrated in Table 4.2. The highest mean score per item was concerning the 9<sup>th</sup> item “I worked keeping my work skills up-to date” (mean= 3.99 and

S.D.=.885); the majority (36.3%) rated themselves to often stay up-to date while 4.7% scored sometimes. On the other hand, the item with the relatively low mean score was the 13<sup>th</sup> item (mean=3.44 and S.D.=1.089)-28.4% respondents believe that they often actively participate in meetings , 26.3% believe to regularly participate and 5.3% rating seldom. The high mean scores reveal that employees perceive themselves to exhibit behaviors that create conducive work environment for the proper functioning of the technical core of the bank.

Counterproductive performance is the third component that includes five items (14-18) with the aim to determine whether employees exhibit behaviors that are disadvantageous to the proper operation of the organization. As shown in Table 4.2, the low overall mean score(2.4) and S.D.=1.213 implies that majority of the employees do not agree with the negative worded statements. The item with the relative least mean score is the 16<sup>th</sup> item “I focused on the negative aspects of situation at work instead of the positive aspect”(mean=2.23 and S.D.=1.371). The majority (43.2%) indicated that they seldom focus on negative aspects while only 7.4% believe they always have this attitude towards their work. On the other hand, the item with the relatively higher mean score was the 18<sup>th</sup> item (mean=2.57 and S.D.=1.375)-32.6% seldom, 23.2% sometimes talk negative aspects of their work to people outside the organization while 10.5% do that always. The low mean scores imply that employees rarely exhibit such behaviors that inhibit the proper functioning of the bank.

In order to ensure coherence and calculate the aggregate mean score (3.75), the researcher reverse coded the scores with regards to the negative worded statements under counterproductive performance.

## 4.2.2 Item Analysis-Transformational Leadership

The table below shows respondents' rating of each item under transformational leadership style in the MLQ. Transformational leadership style includes the following components-Idealized Influence, Inspirational Motivation, Intellectual Stimulation, and Individual Consideration.

**Table 4.3 Descriptive Statistics of Transformational Leadership Style**

Items		Not at all 1	Once in a while 2	Sometimes 3	Fairly often 4	Frequently, if not always 5	Mean	Standard Deviation
<b>Idealized Influence</b>								
1	Talks about his/her most important values and beliefs.	12 6.3%	25 13.2%	53 27.9%	59 31.1%	41 21.6%	3.48	1.153
2	Stresses the importance of having a strong sense of purpose.	13 6.8%	25 13.2%	40 21.1%	68 35.8%	44 23.2%	3.55	1.180
3	Considers the moral and ethical consequences of decisions.	9 4.7%	20 10.5%	48 25.3%	60 31.6%	53 27.9%	3.67	1.131
4	Emphasizes the importance of having a collective sense of mission.	13 6.8%	20 10.5%	30 15.8%	60 31.6%	67 35.3%	3.78	1.227
5	Instills pride in me for being associated with him/her	16 8.4%	17 8.9%	69 36.3%	60 31.6%	28 14.7%	3.35	1.102
6	Goes beyond self-interest for the good of the group	19 10.0%	21 11.1%	39 20.5%	73 38.4%	38 20%	3.47	1.216
7	Acts in ways that builds my respect.	14 7.4%	29 15.3%	44 23.2%	66 34.7%	37 19.5%	3.44	1.179
8	Displays a sense of power and confidence	13 6.8%	12 6.3%	55 28.9%	55 28.9%	55 28.9%	3.67	1.160
<b>Mean and S.D.</b>							<b>3.55</b>	<b>.886</b>
<b>Inspirational Motivation</b>								
9	Talks optimistically about the future	7 3.7%	15 7.9%	58 30.5%	54 28.4%	56 29.5%	3.72	1.084

Items		Not at all 1	Once in a while 2	Sometimes 3	Fairly often 4	Frequently, if not always 5	Mean	Standard Deviation
10	Talks enthusiastically about what needs to be accomplished	10 5.3%	7 3.7%	40 21.1%	79 41.6%	54 28.4%	3.84	1.047
11	Articulates a compelling vision of the future	6 3.2%	28 14.7%	32 16.8%	65 34.2%	59 31.1%	3.85	1.004
12	Expresses confidence that goals will be achieved	6 3.2%	28 14.7%	32 16.8%	65 34.2%	59 31.1%	3.75	1.139
<b>Mean and S.D.</b>							<b>3.79</b>	<b>.895</b>
<b>Intellectual Stimulation</b>								
13	Re-examines critical assumptions to questions when they are appropriate	4 2.1%	34 17.9%	48 25.3%	70 36.8%	34 17.9%	3.51	1.048
14	Seeks differing perspectives when solving problems	2 1.1%	25 13.2%	46 24.2%	65 34.2%	52 27.4%	3.74	1.036
15	Gets me to look at problems from many different angles.	4 2.1%	21 11.1%	46 24.2%	72 37.9%	47 24.7%	3.72	1.024
16	Suggests new ways of looking at how to complete assignments	8 4.2%	16 8.4%	54 28.4%	57 30.0%	55 28.9%	3.71	1.101
<b>Mean and S.D.</b>							<b>3.67</b>	<b>.904</b>
<b>Individual Consideration</b>								
17	Spends time teaching and coaching	14 7.4%	41 21.6%	53 27.9%	41 21.6%	41 21.6%	3.28	1.232
18	Treats me as an individual rather than just as a member of a group.	19 10.0%	34 17.9%	54 28.4%	55 28.9%	28 14.7%	3.21	1.193
19	Considers me as having different needs, abilities, and aspirations from others.	19 10.0%	36 18.9%	45 23.7%	54 28.4%	36 18.9%	3.27	1.251
20	Helps me to develop my strengths	6 3.2%	18 9.5%	39 20.5%	63 33.2%	64 33.7%	3.85	1.090
<b>Mean and S.D.</b>							<b>3.4</b>	<b>.932</b>
<b>Aggregate Mean of Transformational Leadership Style</b>							<b>3.59</b>	<b>.763</b>

The mean values are determined based on the following mean value categories:

**Mean value:** Key:  $\geq 4.5$  = Very High, 3.51-4.51= High, 2.51-3.5= Moderate, 1.51-2.5= Low; < 1.5= Very Low(Creswell , 2012).

Idealized influence is the first component of transformational leadership style and is represented by 8 items (1-8). The item with a relatively higher mean score is the 4<sup>th</sup> one “Emphasizes the importance of having a collective sense of mission” with 3.78. 35.3% of respondents think that their supervisors frequently if not always demonstrate this quality followed by 31.6% who indicated fairly often whereas 6.8% believe the contrary (not at all).

On the other hand, item no. 5 has the relatively less mean score(3.35) which is considered to be a moderate value. In terms of the scoring; 31.6% believe that their supervisors fairly often instill pride in them for being associated with him/her, 36.3% indicated sometimes, but 8.4% believe that their supervisors do not demonstrate this quality in anyway. The overall mean score (3.5) and S.D(.886) is considered a moderate value, which implies the majority believe that their supervisors sometimes or fairly often demonstrate qualities that inspire.

Inspirational Motivation is the second component of transformational leadership and represented by 4 items (9-12). Each item has a high mean value/score with the relatively higher being the 11<sup>th</sup> item “Articulates a compelling vision of the future” with a mean (3.85) and S.D.(1.004). In terms of the scoring, 34.2% perceive their supervisors to fairly often exhibit this quality, 31% indicated it to be frequently if not always, but 3.2% think that this does not happen at all. The item with the relatively less mean score is item no.9 (mean=3.72)-30.5% think that their supervisors sometimes talk optimistically about the future, 29.5% think that they frequently do whereas 3.7% believe that their supervisors never talk in such a way.

In regards to the aggregate mean value, this component has an overall mean score of 3.79. Given this high mean value, it can be noted that most respondents perceive their supervisors to often convey the vision and goals of the bank in a way that inspires.

Intellectual stimulation is the third component of transformational leadership and is represented by four items (no.13-16). The item with the relatively higher mean value is 14<sup>th</sup> item “seeks differing perspectives when solving problems” (mean=3.74 and S.D.= 1.036). The majority (34.2%) believe that their supervisors fairly often solves problems in such a way, 27.4% think it is frequently, if not always while only 1.1% think it never happens that way. In regards to the item with the relatively less mean value, it is item no. 13 with a 3.51 mean score. 36.8% of respondents perceive their supervisors to fairly often re-examine critical assumptions to questions when appropriate; 25.3% believe it occurs sometimes, but 2.1% think it never happens. All things considered, the high aggregate mean value(3.67) reveals that most respondents think their supervisors try to develop critical and creative thinking.

Individual consideration is the fourth component of transformational leadership style and is represented by four items (no.17-20). As illustrated in Table 4.3, the item with the relatively higher mean score is the 20<sup>th</sup> item “helps me to develop my strengths” with a mean value of 3.85 and S.D.=1.09. Most of the respondents (33.7% and 33.2%), indicated the occurrence of this behavior to be frequently, if not always and fairly often respectively. On the other hand, 3.2% believe that their supervisors never demonstrate this quality. The item with a relatively less mean score of 3.21 is item no.19 “Considers me as having different needs, abilities, and aspirations from others”. 28.4% and 23.7% of respondents responded fairly often and sometimes whereas 10% think their supervisors never consider them any different based on needs, abilities and aspirations.



The overall mean value (3.59) and S.D(.932) of individual consideration implies that most think that their supervisors to sometimes/fairly often shape them to become effective leaders in the future.

In general, most of the respondents perceive the supervisors in BOA East Addis District to possess the qualities of transformational leaders(aggregate mean value =3.59; S.D. =.763).

### 4.2.3 Item Analysis Transactional Leadership Style

Table 4.4 illustrates respondents' rating of each item under transactional leadership style in the MLQ. Transactional leadership style includes contingent reward, management by exception(active), and management by exception (passive).

**Table 4.4 Descriptive Statistics of Transactional Leadership Style**

		Not at all 1	Once in a while 2	Sometimes 3	Fairly often 4	Frequently, if not always 5	Mean	Standard Deviation
<b>Contingent Reward</b>								
21	Provides me with assistance in exchange for my efforts	4 2.1%	16 8.4%	69 36.3%	57 30%	44 23.2%	<b>3.64</b>	<b>.997</b>
22	Is specific about who is responsible for reaching performance targets	0 -	14 7.4%	56 29.5%	84 44.2%	36 18.9%	3.75	.848
23	Makes clear what one can expect to receive when performance goals are achieved	12 6.3%	23 12.1%	32 16.8%	81 42.6%	42 22.1%	3.62	1.143

24	Expresses satisfaction when I meet expectations	13	27	33	67	50	3.60	1.212
		6.8%	14.2%	17.4%	35.3%	26.3%		
<b>Mean and S.D.</b>							<b>3.65</b>	<b>.816</b>
<b>Management by Exception (Active)</b>								
25	Focuses attention on mistakes and deviations from standards	9	35	68	40	38	3.33	1.132
		4.7%	18.4%	35.8%	21.1%	20%		
26	Concentrates his/her full attention on dealing with mistakes, complaints, and failures.	20	44	44	53	29	3.14	1.237
		10.5%	23.2%	23.2%	27.9%	15.3%		
27	Keeps track of all mistakes	12	38	53	47	40	<b>3.34</b>	<b>1.197</b>
		6.3%	20%	27.9%	24.7%	21.1%		
28	Directs my attention toward failures to meet standards	22	33	62	43	30	3.14	1.218
		11.6%	17.4%	32.6%	22.6%	15.8%		
<b>Mean and S.D.</b>							<b>3.24</b>	<b>1.031</b>
<b>Management by Exception (Passive)</b>								
29	Fails to interfere until problems become serious	41	45	58	34	12	2.64	1.186
		21.6%	23.7%	30.5%	17.9%	6.3%		
30	Waits for things to go wrong before taking action	53	49	28	35	25	2.63	1.400
		27.9%	25.8%	14.7%	18.4%	13.2%		
31	Shows that he/she is a firm believer in "If it isn't broken, don't fix it."	42	37	65	36	10	2.66	1.170
		22.1%	19.5%	34.2%	18.9%	5.3%		
32	Demonstrates that problems must become chronic before taking action	54	35	46	43	12	2.6	1.284
		28.4%	18.4%	24.2%	22.6%	6.3%		
<b>Mean and S.D</b>							<b>2.63</b>	<b>1.061</b>
<b>Aggregate Mean &amp; SD- Transactional Leadership Style</b>							<b>3.1737</b>	<b>.74290</b>

The mean values are determined based on the following mean value categories:

**Mean value:** Key:  $\geq 4.5$  = Very High, 3.51-4.51= High, 2.51-3.5= Moderate, 1.51-2.5= Low; < 1.5= Very Low(Creswell , 2012).

Contingent reward is represented by four items (21-24). Item no. 22 had a relatively higher mean value of 3.75 (S.D=.848). The vast majority (44.2%) believes that their supervisors fairly often are specific about who is responsible for reaching performance targets, and in second place 29.5% chose sometimes while 7.4% selected once in a while and none of them think it never occurs. Item no. 24 had the least mean value of 3.6 (S.D.=1.212) in comparison to other items under contingent reward. 35.3% believe that their supervisors fairly often express satisfaction when expectations are met; 26.3% think it occurs frequently and lastly 6.8% believe that satisfaction is never expressed. The aggregate mean of this component (3.65) and S.D (.816) reveal that employee sometimes/fairly often receive recognition for their efforts.

Management by exception (active) is the second component of transactional leadership style, which is represented by four items (no.25-28). The item with the relatively high mean score with 3.34 (S.D.=1.197) is item no. 27 “keeps track of all mistakes”. As shown in Table 4.4, 27.9% believe that their supervisors exhibit this behavior sometimes followed by 24.7% who believe it occurs fairly often; however, 6.3% of the respondents’ perception is that it is never demonstrated.

Items 26 and 28 both have a relatively less mean score (3.14) with standard deviations of 1.237 and 1.218 respectively. In regards to the 26<sup>th</sup> item/statement, 27.9% of respondents indicated that supervisors fairly often concentrate attention on dealing with mistakes, complaints and failures whereas 23.2% believe it occurs once in a while and an equal proportion (23.2%) believes this behavior occurs sometimes. In addition, respondents rated Item no.28 as follows:

32.6% think that their supervisors sometimes direct their attention toward failures to meet standards, 22.6% say it occurs fairly often and 17.4% that it happens once in a while.

Based on the aforementioned and the overall low mean value (3.24), it can be noted that the majority of respondents believe management by exception (active) type of leadership to be employed sometimes.

Management by exception (passive) is the third component of transactional leadership style, which is represented by four items (no.29-32). As illustrated in Table 4.4, each item has a moderate mean value ranging from 2.6-2.66. Item no. 31 has mean value and S.D. equal to 2.66 and 1.17 respectively making it the item with relatively high mean value. In response to the statement, 34.2% believe that their supervisors sometimes show that they firmly believe in the notion “if it isn’t broken, don’t fix it”, 22.1% indicated that it does not happen at all and 5.3% believe it is exhibited frequently. On the other hand, item no. 32 has the least mean value(2.63;S.D=1.061)- the majority (28.4%) believe that their supervisors do not at all demonstrate that problems must become chronic before taking action. In addition, 24.2% think that they sometimes demonstrate such a behavior while 6.3% indicated that it frequently, if not always occurs.

Given the overall mean value of 2.63 (S.D=1.061), it can be noted that most of the scores were either 2(once in a while) or 3 (sometimes). This implies that behaviors attributed to management by exception (passive) are exhibited less frequently, which is beneficial for the bank.

#### 4.2.4 Item Analysis- Laissez-faire Leadership Style

Table 4.5 illustrates respondents' rating of each item under laissez-faire leadership style in the MLQ. As in the previous sub-sections, the mean values are determined based on the following mean value categories:

Mean value: Key:  $\geq 4.5$  = Very High, 3.51-4.51= High, 2.51-3.5= Moderate, 1.51-2.5= Low;  $< 1.5$ = Very Low (Creswell , 2012).

**Table 4.5 Descriptive Statistics of Laissez-faire Leadership Style**

	Laissez-faire leadership style	Not at all 1	Once in a while 2	Sometimes 3	Fairly often 4	Frequently, if not always 5	Mean	Standard Deviation
33	Avoids getting involved when important issues arise	58	41	51	23	17	2.47	1.284
		30.5%	21.6%	26.8%	12.1%	8.9%		
34	Is absent when needed	53	35	63	25	14	2.54	1.233
		27.9%	18.4%	33.2%	13.2%	7.4%		
35	Avoids making decisions.	48	53	44	17	28	2.60	1.348
		25.3%	27.9%	23.2%	8.9%	14.7%		
36	Delays responding to urgent questions	48	38	46	36	22	2.72	1.339
		25.3%	20%	24.2%	18.9%	11.6%		
<b>Overall Mean and SD-Laissez-faire</b>							<b>2.58</b>	<b>1.15</b>

Laissez-faire is represented by four items (no. 33-36). In response to Item no.33, most of the respondents (30.5%) indicated that their supervisors do not at all avoid getting involved when important issues arise; 26.8% believe that this happens sometimes and 8.9% think that it happens frequently. In response to Item no.34 “is absent when needed”, 33.2% believe that supervisors

sometimes exhibit this behavior; 27.9 indicated that it never happens and only 8.9% selected fairly often.

27.9% perceive their supervisors to once in a while avoid making decision in response to the 35<sup>th</sup> item. 25.3% believe that this behavior does not happen at all whereas 14.7% indicated the contrary, frequently if not always. In response to the 36<sup>th</sup> item, 25.3% believe that that their supervisors never delay responding to urgent questions. Moreover, 24.2% indicated that this behavior is sometimes exhibited while 11.6% believe it happens frequently.

#### 4.2.4 Item Analysis-Employment Engagement

Table 4.6 illustrates respondents' rating of each item under employment engagement. As in the previous sub-sections, the mean values are determined based on the following mean value categories:

Mean value: Key:  $\geq 4.5$  = Very High, 3.51-4.51= High, 2.51-3.5= Moderate, 1.51-2.5= Low;  $< 1.5$ = Very Low (Creswell , 2012)

**Table 4.6 Percentage Analysis and Descriptive Statistics of Employee Engagement**

		Not at all 1	Once in a while 2	Sometimes 3	Fairly often 4	Frequently, if not always 5	Mean	Standard Deviation
<b>Vigor</b>								
1	At my work I feel like bursting with energy	9	21	69	51	40	3.48	1.087
		4.7%	11.1%	36.3%	26.8%	21.1%		
2	At my job I feel strong and vigorous	5	16	40	84	45	3.78	.989
		2.6%	8.4%	21.1%	44.2%	23.7%		
3	When I get up in the morning, I feel like going to work	5	23	41	65	56	3.76	1.086
		2.6%	12.1%	21.6%	34.2%	29.5%		
<b>Dedication</b>								
4	I am enthusiastic about my job	3	30	34	72	51	3.73	1.073
		1.6%	15.8%	17.9%	37.9%	26.8%		

5	My job inspires me	6	11	49	71	53	3.81	1.011
		3.2%	5.8%	25.8%	37.4%	27.9%		
6	I am proud of the work that I do	6	13	44	68	59	3.85	1.040
		3.2%	6.8%	23.2%	35.8%	31.1%		
<b>Absorption</b>								
7	I feel happy when I work intensively	12	9	32	79	58	3.85	1.103
		6.3%	4.7%	16.8%	41.6%	30.5%		
8	I am immersed in my work	7	15	62	64	42	3.63	1.030
		3.7%	7.9%	32.6%	33.7%	22.1%		
9	I get carried away when I work	10	22	51	60	47	3.59	1.136
		5.3%	11.6%	26.8%	31.6%	24.7%		
<b>Aggregate Mean and SD-Employee Engagement</b>							<b>3.72</b>	<b>.692</b>

Work engagement has three dimensions; namely, vigor, dedication and absorption. Each dimension is represented by three items. In response to the 1<sup>st</sup> item “at my work I feel like bursting with energy”, 36.3% believe that they feel that way sometimes, 26.8% fairly often and 21.1% perceive themselves to exhibit this quality frequently (mean=3.48; S.D.=1.87). In regards to Item no. 2, 44.2% rated that they fairly often feel strong and vigorous at their job; 23.7% frequently, if not always feel that way while 2.6% never experience this feeling (mean=3.78; S.D.=.989). The 3<sup>rd</sup> item also had a high mean value (3.76) with most respondents (34.2%) indicating that they fairly often feel like going to work upon waking up, 29.5% frequently feel that way, and only 2.6% never experience this feeling.

Dedication is the second component of work engagement and is represented by three items (4-6). In response to Item no.4 “I am enthusiastic about my job”, 37.9% rate themselves to fairly often be enthusiastic about their job, 26.8% are frequently enthusiastic while only 1.6% of the respondents never demonstrate enthusiasm (mean=3.73; S.D.=1.073). In regards to Item no.5, 37.4% believe they are fairly often inspired by their job, 27.9% frequently, if not always are inspired while 3.2% never feel inspired (mean=3.81; S.D.=1.011). The item with the relatively higher mean value is the 6<sup>th</sup> item “I am proud of the work that I do” (mean=3.85; S.D.=1.04).

35.8% (fairly often) and 31.1% (frequently, if not always) feel proud of their work while 3.2% do not at all feel the same way.

Absorption is the third component of employee engagement, which is represented by items 7-8. The 7<sup>th</sup> item has the relatively higher mean score (3.85)/S.D=1.103. 41.6% fairly often feel happy when I work intensively; 30.5% believe to frequently if not always feel that way whereas 6.3% selected not at all. In response to Item no.8(mean=3.63;S.D.=1.03), the majority (33.7%) believes to fairly often be immersed in their work, 22.1% frequently if not always feel immersed and only 3.7% never feel immersed in their work.As illustrated in Table 4.6, 31.6% (fairly often) and 26.8% (sometimes) feel to get carried away while working. On the other hand, 5.3% of the respondents do not all get carried away while working.

The aggregate results (mean=3.72; S.D=.692) imply that most of the respondents believe to be highly engaged. As such, most might be considered to have high regard to their work, which is instrumental for the bank’s success.

#### **4.2.5 Summary of Aggregate Means and Standard Deviations of Leadership Styles, Employee Engagement and Employee Performance**

The table below presents the aggregate means and standard deviations of each leadership styles, employee engagement as well as employee performance.

**Table 4.7 Aggregate Means and Standard Deviations of Leadership Styles, Employee Engagement and Employee Performance**

<b>Descriptive Statistics</b>			
	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Transformational Leadership	190	3.5934	.76291
Transactional Leadership	190	3.1737	.74290
Laissez-faire	190	2.5816	1.14864
Work Engagement	190	3.7193	.69193
Employee Performance	190	3.7497	.63713
Valid N (listwise)	190		



Transformational leadership has what is considered to be a high aggregate mean value of 3.59 (S.D.=.763). This reveals that the majority of participants perceive their supervisors to take a transformational leadership approach. In regards to transactional leadership, the aggregate values (mean=3.17;S.D.= .743) imply that supervisors are believed to moderately implement transactional leadership style. On the other hand, laissez-faire has a mean value of 2.58 (S.D.=1.149) which means this type of leadership style is exhibited less frequently.

The overall mean score of employee engagement (3.72; S.D=.691) reveals that most respondents have high regard to their work, which is instrumental for the organization's success. Similarly, employee performance had a high aggregate mean value of 3.75(S.D=.637) implies the majority of respondents perceive themselves to perform well.

#### **4.2.6 Pearson Correlation Analysis**

Pearson correlation is a descriptive statistics method used to test relationships between variables (Mishra, Pandey, Singh, Keshri, & Sabaretnam, 2019). A Pearson correlation coefficient will show both the magnitude and direction of a relationship. Low correlation is considered to occur when the coefficients fall within 0.01 and 0.30; moderate correlation exists when coefficients are from 0.30 to 0.70. Strong correlation, on the other hand, occurs when a correlation coefficient falls within 0.70 to 0.90. Coefficients from 0.90 – 1.00 implies a very strong co-relationship (Marczyk, Dematteo and Festinger, 2005). Table 4.8 illustrates the linear associations between the variables:

**Table 4.8 Correlation Matrix**

		Correlations				
		Transformational	Transactional	Laissez-faire	Work Engagement	Employee Performance
Transformational	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	190				
Transactional	Pearson Correlation	.703 <sup>**</sup>	1			
	Sig. (2-tailed)	.000				
	N	190	190			
Laissez-faire	Pearson Correlation	.008	.324 <sup>**</sup>	1		
	Sig. (2-tailed)	.916	.000			
	N	190	190	190		
Work Engagement	Pearson Correlation	.566 <sup>**</sup>	.368 <sup>**</sup>	.020	1	
	Sig. (2-tailed)	.000	.000	.789		
	N	190	190	190	190	
Employee Performance	Pearson Correlation	.538 <sup>**</sup>	.236 <sup>**</sup>	-.249 <sup>**</sup>	.711 <sup>*</sup>	1
	Sig. (2-tailed)	.000	.001	.001	.000	
	N	190	190	190	190	190
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: Own Survey, 2021

As indicated in the above table, a positive moderate correlation is observed between transformational leadership style and work engagement ( $r=.566$ ,  $p\text{-value} < .05$ ). Similarly, a positive moderate association exists between transformational leadership and employee performance ( $r=.538$ ,  $p < .05$ ). Transactional leadership style also has a positive moderate relationship with work engagement given the correlation coefficient ( $r$ ) of  $.368$  and a  $p\text{-value} < .05$ . On the other hand, a low correlation exists between transactional leadership and employee performance ( $r=.236$ ,  $p < .05$ ).

Laissez-faire style has a non-significant relationship with work engagement ( $r=.020$ ,  $p=.789$ ) while a weak negative association is observed with employee performance ( $r=-.249$ ,

p<.05).

Finally, in regards to the relationship between work engagement and employee performance, the analysis reveals a strong positive association ( $r=.711$ ,  $p<.05$ ).

### 4.3 Inferential analysis

This section outlines the steps taken in the inferential analysis process and the results with the necessary interpretation.

#### 4.3.2 Regression analysis

In order to examine both the direct and indirect effect of leadership style on employee performance multiple linear regressions were employed. Before computing the regressions, the researcher checked the linear regression assumptions; notably multicollinearity and normality. The test results are presented below in Table 4.9 and Figure 2 respectively.

The multiple linear regression involved the regression of employee performance on the dimensions of leadership style (transformational, transactional and laissez-faire) and employee engagement. The role of employee engagement in mediating the influence of the leadership styles on employee performance was then examined using the Process macro in SPSS (results are illustrated from tables 4.9-4.16).

##### 4.3.2.1 Testing assumptions of linear regression

The multicollinearity test result is presented in the table below.

**Table 4.9 Test for multicollinearity**

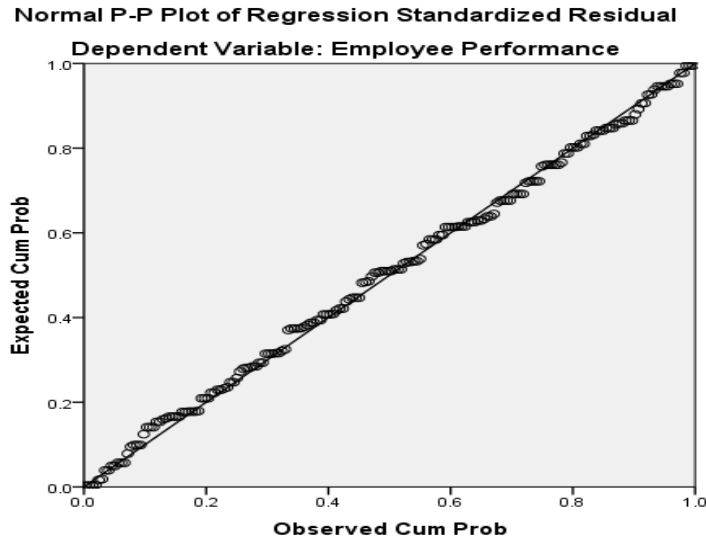
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Transformational Leadership	.358	2.790
	Transactional Leadership	.403	2.483
	Laissez-faire	.798	1.254
	Work Engagement	.677	1.477

Dependent Variable: Employee performance

Source: Own survey, 2021

As shown in Table 4.9, tolerance is not less than 0.2 and variance inflation factor is below 5. Therefore, there is no multicollinearity issue.

Figure 2: Normal P-P plot of Regression



Source: Own survey, 2021

The observed residuals (depicted by the points in the P-P plot) are distributed close to the diagonal line with minor deviations. This demonstrates the normality of the model.

### 4.3.2.2 Multiple regression analysis

Employee performance was regressed on transformational, transactional, laissez-faire and employee engagement to assess their combined effect.

**Table 4.10 Model summary**

<b>Model Summary<sup>b</sup></b>				
<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.778 <sup>a</sup>	.605	.596	.40476
a. Predictors: (Constant), Work Engagement, Laissez-faire , Transactional Leadership, Transformational Leadership				
b. Dependent Variable: Employee Performance				

Source: Own Survey, 2021

Coefficient of determination ( $R^2$ ) is a statistical measure that provides information on how well the variation of the dependent variable is explained by the dependent variable (s) in a model. It ranges from 0 -1(0%-100%) (Selvamuthu and Das, 2018). The adjusted  $R^2$  for the model is .596, which implies that 59.6% of the variation in employee performance is accounted for by the four predictors collectively.

**Table 4.11: Analysis of Variance Results of the Regression Analysis**

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	46.412	4	11.603	70.824	.000 <sup>b</sup>
	Residual	30.309	185	.164		
	Total	76.721	189			

a. Dependent Variable: Employee Performance

b. Predictors: (Constant), Work Engagement, Laissez-faire , Transactional Leadership, Transformational Leadership

Source: Own Survey

As illustrated in Table4.11, the F-statistic(4,185) is equal to 70.824 with p-value less than .05. This confirms the occurrence of a significant relation between employee performance and each of the predictors in the model.

**Table 4.12: Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.487	.184		8.089	.000
	Transformational	.227	.064	.272	3.518	.001
	Transactional	-.086	.062	-.100	-1.372	.172
	Laissez-faire	-.128	.029	-.230	-4.449	.000
	Work Engagement	.551	.052	.598	10.653	.000

a. Dependent Variable: Employee performance

Source: Own Survey

As shown in Table 4.12, transformational leadership style has significant positive effect on employee performance with a standardized ( $\beta$ ) value of .272 and  $p < .05$ . This implies that an increase of transformational leadership by one standard deviation would result in a 0.272 standard deviation increase of employee performance. Similarly work engagement has a significant positive effect on employee performance with a higher level impact ( $\beta = .598$ ,  $t = 10.653$ ,  $p < .05$ ). These results are in line with hypotheses 1 & 7 which state that transformational leadership and work engagement respectively have a significant effect on employee performance.

Laissez-faire leadership as posited was revealed to have a significant negative effect on employee performance ( $\beta = -.230$ ,  $t = -4.449$ ,  $p < .05$ ). As such, a one standard deviation change in laissez-faire would result in an opposite direction change in employee performance by .230. This confirms the 3<sup>rd</sup> posit which states that laissez-faire has a negative effect on employee performance.

In regards to transaction leadership, however, it has a non-significant effect on employee performance ( $\beta = -.100$ ,  $t = -1.372$ ,  $p > .05$ ). The result, contrary to the 2<sup>nd</sup> posit, revealed that transaction leadership does not have a significant predictive ability on performance.

#### **4.3.2.3 Mediation Analysis**

The analysis was performed using Hayes's Process macro for SPSS. The computation involves the following three regressions:

- Regression of the mediator (M) on the independent variable (X);
- Regressing Y on both X and M to evaluate effect of X in the presence of M and vice versa
- Regression of Y on X to calculate total effect

Indirect effect is said to exist if the effect is significantly greater than zero and the bootstrap interval does not include zero (Preacher & Hayes, 2007).

The first mediation testing was run with transformational leadership as an independent variable while transactional leadership and laissez-faire were kept as covariates. The following tables illustrate the outputs of the Process Macro analysis.

**Table 4.13 Regression of Employment Engagement on the 3 Leadership Styles**

Outcome Variables: Work Engagement Model 1 Summary	Coeff	Se	t	Sig.	LLCI	ULCI	R <sup>2</sup>
(Constant)	1.8681	.2218	8.4225	.0000	1.4305	2.3056	.3231
Transformational	.5673	.0814	6.9706	.0000	.4067	.7278	
Transactional	-.0798	.0883	-.9034	.3675	-.2541	.0945	
Laissez-faire	.0256	.0406	.6295	.5298	-.0546	.1058	

Transformational leadership is observed to have a significant positive effect on employee engagement with an unstandardized beta value of .5673 and  $p < .05$ . Since outputs generated using Process macro do not include standardized regression coefficients, the researcher has calculated the standardized beta value, which is .625 to ensure uniformity. This value implies that a one standard deviation change in transformational leadership would lead to a 0.625 standard deviation change of employee engagement in the same direction. On the other hand, both transactional leadership and laissez-faire leadership styles have a non-significant effect on employee engagement with  $p$ -values  $> .05$ .

In light of these observations, the researcher's fourth posit (transformational leadership style has a positive effect on work engagement) is accepted. Conversely, Hypothesis 5 - transactional leadership style predicts work engagement- and Hypothesis 6 which states that laissez-faire predicts work engagement are both rejected.

**Table 4.14 Direct Effect- Regression of Employee Performance on Leadership Styles and Employee Engagement**

<b>Outcome Variable:</b> Employee performance <b>Model 1 Summary</b>		<b>Coeff</b>	<b>Se</b>	<b>t</b>	<b>Sig.</b>	<b>LLCI</b>	<b>ULCI</b>	<b>R<sup>2</sup></b>
	<b>(Constant)</b>	1.4873	.1839	8.0889	.0000	1.124	1.8500	.6049
	<b>Transformational</b>	.2268	.0645	3.5176	.0005	.0996	.3539	
	<b>Work Engagement</b>	.5509	.0517	10.6527	.0000	.4489	.6530	
	<b>Transactional</b>	-.0856	.0624	-1.3716	.1718	-.2088	.0375	
	<b>Laissez-faire</b>	-.1277	.0287	-4.4492	.0000	-.1843	-.0711	

The results shown above are in regards to the direct effect of each leadership style and work engagement on employee performance. The values presented are similar to Table 4.12; the only difference is that PROCESS Macro does not generate the standard regression coefficients.

**Table 4.15 Total Effect Model- Regression of Employee Performance on Leadership Styles**

<b>Outcome Variable:</b> Employee performance <b>Model 1 Summary</b>		<b>Coeff</b>	<b>Se</b>	<b>t</b>	<b>Sig.</b>	<b>LLCI</b>	<b>ULCI</b>	<b>R<sup>2</sup></b>
1	<b>(Constant)</b>	2.5165	.1982	12.6982	.0000	2.1255	2.9074	.366
	Transformational	.5393	.0727	7.4165	.0000	.3958	.6827	
	Transactional	-.1296	.0789	-1.642	.1022	-.2853	.0261	
	Laissez-faire	-.1136	.0363	-3.1278	.0020	-.1852	-.0419	



Transformational leadership's total effect on employee performance is significant given its unstandardized  $\beta$  value of .5393 and  $p < .05$ . It is important to note that interpretation for transactional leadership and laissez-faire is not necessary at this stage because both variables do not meet the conditions of the causal-steps of Baron and Kenny(1986)-predicting the dependent variable and/or the mediator variable.

**Table 4.16 Indirect Effect of Transformational Leadership on Employee Performance**

Indirect Effect of X on Y	Effect	BootSe	BootLLCI	BootULCI
Work Engagement	.3125	.0467	.2224	.4036

The table above shows the indirect effect of transformational leadership on performance after bootstrapping.

The effect of transformational leadership on employee performance as mediated by work engagement is .3125 and is significant because zero does not fall within the bootstrap confidence interval (.2224 - .4036). This implies that partial mediation does exist.

**Table 4.17: Summary of posits and corresponding results**

No.	Description	Standardized Beta Coefficient & P-value	Result
H1	Transformational leadership style has a positive effect on employee performance	$\beta = .272, p = .001$	Supported
H2	Transactional leadership style has a positive effect on employee performance	$\beta = -.100, p = .172$	Not Supported
H3	Laissez-faire style of leadership has a negative effect on employee performance	$\beta = -.230, p = .000$	Supported
H4	Transformational leadership style has a positive effect on employee engagement	$\beta = .625, p = .000$	Supported
H5	Transactional leadership style has a positive effect on employee engagement	$\beta = -.086, p = .367$	Not Supported
H6	Laissez-faire leadership style has a negative effect on employee engagement	$\beta = .042, p = .530$	Not Supported
H7	Employee engagement has a positive	$\beta = .598, p = .000$	Supported

	effect on employee performance	
<i>H8</i>	Employee engagement mediates the effect of leadership styles on employee performance	<ul style="list-style-type: none"> <li>● Transformational leadership effect on performance as mediated by employee engagement supported</li> <li>● Transactional leadership effect on performance as mediated by employee engagement not supported</li> <li>● Laissez-faire leadership style effect on performance as mediated by employee engagement not supported</li> </ul>

## **CHAPTER FIVE**

### **SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS**

This chapter is organized into three subsections with the purpose to outline key descriptive and inferential results of the study, present the researcher's conclusion based on the research findings and, finally, provide recommendations.

#### **5.1 Summary of Major Findings**

The demographic variables of this study were six in total; namely, gender, age, level of education, years of service, job category and marital status. From a total of 190 respondents, the vast majority were male who accounted for 70%. Most were in the younger age groups i.e (26-30 years) 47.4% and (<25 years) 40.5%. In addition, the respondents were mostly bachelor holders (92.6%). In terms of their years of service, most of them have been working from 2-5 years (48.9%) followed by those that worked for 6-10 years (32.6%). As for the job category, managers accounted for 27.9% whereas non-managerial clerics accounted for 72.1%. In regards to the marital status, the majority (68.4%) was single, 28.4% were married, and 3.2% were divorced.

The participants rated each item related to leadership styles, dimensions of employee engagement and employee performance. Their perception of the prevalent leadership style tended to be inclined towards transformational leadership style with an aggregate mean score of 3.59 (S.D.=.762) followed by transactional leadership style (M=3.17; S.D.=.742) and finally laissez-faire(M=2.66;S.D.=1.149). Items under each dimension of employee engagement(vigor, dedication and absorption)were given high scores, which is reflected in the high aggregate mean

value (3.72). Furthermore, items representing the three dimensions of employee performance were given high scores apart from counterproductive performance. Task performance and contextual performance had overall mean scores of 3.87 and 3.77 respectively while counterproductive performance had a low overall mean scores of 2.4. The aggregate mean value of employee performance (3.75) was calculated following reverse coding the negative worded items under counter performance component in order to ensure uniformity with the other dimensions' items.

The correlation analysis result revealed that both transformational and transactional leadership styles have a significant positive relationship with employee engagement. However, laissez-faire had a non-significant relationship with employee engagement. Furthermore, transformational leadership, transactional leadership and employee engagement were noted to have a significant positive relationship with employee performance. On the other hand, laissez-faire leadership style had a significant negative relationship with employee performance.

A multiple regression analysis that included transformational, transactional, laissez-faire leadership style and employee engagement as predictor variables of employee performance was conducted. It revealed that transformational leadership had a significant positive effect ( $\beta=.272$ ) on employee performance. The same is true for employee engagement, which had a larger coefficient of regression ( $\beta=.598$ ). Furthermore, it was revealed that laissez-faire leadership has a significant negative effect ( $\beta=-.128$ ) on employee performance as hypothesized by the researcher. However, contrary to what was posited, transactional leadership was revealed to be a non-significant predictor of performance.

Mediation testing was also run with transformational leadership as an independent variable while transactional leadership and laissez-faire were kept as covariates. The results

revealed the following (a) transactional leadership and laissez-faire leadership styles have a non-significant effect on employee engagement; therefore, they do not fulfill the second condition specified by Baron and Kenny (1986) for mediation, (b) indirect effect of transformational leadership through employee engagement was proven to be significant- indirect effect (.3125) and zero did not fall within the bootstrap confidence interval (.2224 - .4036).

## **5.2 Conclusion**

The purpose of the study was to examine the effect of leadership styles on employee performance. It was also aimed to determine whether employee engagement mediates the influence of leadership styles on performance. The research, therefore, involved two levels- first level to examine the direct effect and second level to examine whether an indirect effect through employee engagement exists.

As part of the first level of the study, transformational leadership style was revealed to significantly predict employee performance as expected. However, transactional had a non-significant effect on employee performance contrary to what was hypothesized. Laissez-faire leadership had a significant negative effect on employee performance as hypothesized. Based on these findings, the researcher concludes that transformational leadership is effective and has a far greater impact to enhance employee performance. This notion is in line with extensive researches conducted which have demonstrated the effectiveness of transformational leadership over transactional and laissez-faire leadership styles in various sectors including the banking sector (eg. Tsigu & Rao,2015; Geyer & Steyer, 1998; Anyango, 2015; Lai et al., 2020)

As part of the second level of the present research, transformational leadership was revealed to have a significant positive effect on employee engagement as expected. On the other hand, transactional and laissez-faire leadership both had a non-significant effect on employee

engagement. Employee engagement had a significant positive effect on employee performance. The indirect effect of transformational leadership through employee engagement was, therefore, confirmed. In this regard, the researcher concludes that transformational leadership approach is effective to improve employee performance while increasing employee engagement.

It is important to note, however, that the coefficient of regression of employee engagement was greater than transformational leadership style in the regression of employee performance on leadership styles and employee engagement. This implies that the direct effect of employee engagement is greater than transformational leadership's direct effect on employee performance. As such, the researcher believes that special attention should be given to employee engagement by management.

### **5.3 Recommendations**

In light of the findings, the researcher puts forward the following recommendations for the organization.

- Capacity building programs on transformational leadership and its positive effect on employee performance should be organized targeting supervisors.
- Bearing in mind that long-term employee engagement can only come from within, supervisors' role should be to create a favorable work environment that inspires employees. This entails developing an employment engagement strategy that best fits the bank's situation at hand. Moreover, transaction leadership; specifically contingent reward, might be more appropriate in the early stages of this process. This is in line with the notion that transactional style serves as a foundation for transformational leadership (Bass et. 2003).
- For similar studies in the future, the researcher recommends conducting a

longitudinal study with the inclusion of potential mediators such as organizational culture and individual efficacy to the model

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**Annex**  
**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF COMMERCE**  
**GRADUATE STUDIES PROGRAM IN BUSINESS LEADERSHIP**  
**Questionnaire to be Filled by Employees**

**Dear Respondents,**

I am a student at Addis Ababa University, School of Commerce enrolled in the Master of Business Leadership Program. I am currently conducting my final year project work as part of the masters' degree requirement. My research study will be focusing on the effect of leadership styles on employee performance in the case of Bank of Abyssinia.

In light of the aforementioned, I would like to kindly request you to take some of your valuable time to complete this questionnaire, which consists of 4 sections: demographic related questions, rating of perceived leadership style, work engagement survey questions and employee performance survey questions respectively.

I would like to assure you that your response will be treated with the utmost confidentiality and will only be used for research purposes. While completing the survey, make sure to keep in mind of the following key points:

- Do not reveal your name as it is not a requirement
- Please read each statement carefully and answer all questions as much as you can;
- Kindly, avoid providing multiple responses for a specific question

For further clarification, please feel free to contact me either by dialing +251910098214 or by email: [yilmanathan@gmail.com](mailto:yilmanathan@gmail.com)

Thank you for accepting to be a part of this survey!!

Nathan Yilma

**Section One: - Demographic and other information**

Please put a tick mark (✓) in the box which most closely represents your personal situation. Please mark one item only per question.

- 1. Gender: Male  Female
- 2. Age: Below 25  26-30  31-40  41-50  51 and above
- 3. What is your highest educational level attainment?  
Diploma  Bachelor Degree  Master's Degree  PhD and above
- 4. How long have you been working in the Bank of Abyssinia?  
less than 1 year  2-5 years  6-10 years  11-20  above 21
- 5. Job category?  
Managerial  Non-managerial
- 6. Marital status?  
Single  Married  Divorced  Widowed

**Section Two: Leadership styles**

This section is intended to gain insight on the type of leadership style approach implemented by your manager"/supervisors". Thirty six descriptive statements are listed below. Judge how frequently each statement fits with him/her.

Put tick (✓) mark by each statement that most represents the level to which the statements below describe your supervisor's behavior. Please read throughout the list to get the feeling for how to rate each statement before you start. Note: no right or wrong answers, and your honest opinion are very important for the success of this study.

**Multifactor Leadership Questionnaire (MLQ) Rater Form (5X-Short)**

## Rating Scale

Not at all	Once in a while	Sometimes	Fairly often	Frequently, if not always
1	2	3	4	5

No	Statement	Scale				
<b>Idealized Influence</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Talks about his/her most important values and beliefs.					
2	Stresses the importance of having a strong sense of purpose.					
3	Considers the moral and ethical consequences of decisions.					
4	Emphasizes the importance of having a collective sense of mission.					
5	Instills pride in me for being associated with him/her					
6	Goes beyond self-interest for the good of the group					
7	Acts in ways that builds my respect.					
8	Displays a sense of power and confidence					
<b>Inspirational Motivation</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
9	Talks optimistically about the future					
10	Talks enthusiastically about what needs to be accomplished					
11	Articulates a compelling vision of the future					
12	Expresses confidence that goals will be achieved					
<b>Intellectual Stimulation</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
13	Re-examines critical assumptions to questions when they are appropriate					
14	Seeks differing perspectives when solving problems					
15	Gets me to look at problems from many different angles.					
16	Suggests new ways of looking at how to complete assignments					
<b>Individual Consideration</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
17	Spends time teaching and coaching					
18	Treats me as an individual rather than just as a member of a group.					
19	Considers me as having different needs, abilities, and aspirations from others.					
20	Helps me to develop my strengths					
<b>Contingent Reward</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
21	Provides me with assistance in exchange for my efforts					
22	Is specific about who is responsible for reaching performance targets					
23	Makes clear what one can expect to receive when performance goals are achieved					
24	Expresses satisfaction when I meet expectations					
<b>Management by Exception (Active)</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
25	Focuses attention on mistakes and deviations from standards					
26	Concentrates his/her full attention on dealing with mistakes, complaints, and failures.					
27	Keeps track of all mistakes					
28	Directs my attention toward failures to meet standards					
<b>Management by Exception (Passive)</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
29	Fails to interfere until problems become serious					
30	Waits for things to go wrong before taking action					
31	Shows that he/she is a firm believer in "If it isn't broken, don't fix it."					
32	Demonstrates that problems must become chronic before taking action.					
<b>Laissez-faire</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
33	Avoids getting involved when important issues arise					
34	Is absent when needed					

No	Statement	Scale				
35	Avoids making decisions.					
36	Delays responding to urgent questions					

### Section Three: - Work engagement level survey questions

The following 9 statements are about how you feel at work. Please put a tick mark (√) in the box corresponding to the option that identifies your level of overall (agreement) on a five point scale ranging from **never (1) to frequently, if not always (5)**

Never	Almost never (A few times a year or less)	Sometimes	Fairly often	Frequently, if not always
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

No.	Description of the Item					
<b>Vigor Dimension (3 items)</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1.	At my work I feel like bursting with energy					
2.	At my job I feel strong and vigorous					
3.	When I get up in the morning, I feel like going to work					
<b>Dedication Dimension (3 items)</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
4.	I am enthusiastic about my job					
5.	My job inspires me					
6.	I am proud of the work that I do					
<b>Absorption Dimension (3 items)</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
7.	I feel happy when I work intensively					
8.	I am immersed in my work					
9.	I get carried away when I work					

### Section Four: Employee performance survey questions

This section deals with how you perceive your overall job performance. Please put a tick mark (√) in the box corresponding to the option that identifies your level of overall (agreement) on the true feeling you have on a five point scale ranging from 1 “seldom” to 5 “always”.

Rating Scale

(1=Seldom 2=sometimes 3=fairly often 4=often 5=always)

No.	Description of the Item					
<b>Task performance( 5 items)</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1.	I was able to plan my work so that I finished it on time					
2.	I kept in mind the work result I needed to achieve.					
3.	I was able to set priorities					
4.	I was able to carry out my work efficiently					
5.	I managed my time well.					
<b>Contextual performance (8 items)</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
6.	On my own initiative, I started new tasks when my old tasks were completed					

7.	I took on challenging tasks when they were available					
8.	I worked on keeping my job-related knowledge up-to date					
9.	I worked keeping my work skills up-to-date					
10.	I came up with creative solutions for new problems					
11.	I took on extra responsibilities					
12.	I continually sought new challenges in my work.					
13.	I actively participated in meetings and/or consultations					
<b>Counterproductive performance (5 items)</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
14.	I complained about minor work-related issues at work					
15.	I made problems at work bigger than they were					
16.	I focused on the negative aspects of situation at work instead of the positive aspect					
17.	I talked to colleagues about the negative aspects of my work					
18.	I talked to people outside the organization about the negative aspects of my work					