



**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**

**THE EFFECT OF LEADERSHIP STYLE ON ORGANIZATIONAL  
PERFORMANCE: THE CASE OF OROMIA INTERNATIONAL  
BANK S.C**

**BY**  
**BOGALE FEYE (SGS/0628/2012A)**

**JUNE, 2021**  
**ADDIS ABABA, ETHIOPIA**

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## **ACRONYMS/ABBREVIATIONS**

**OIB:** Oromia International Bank S.C

**SPSS:** Statistical Package for Social Science

**ANOVA:** Analysis of Variance

**SD:** Standard Deviation



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## **Abstract**

*The aim of this study was to examine the effect of leadership style on the organizational performance of Oromia International Bank branches operating in Addis Ababa City. By taking in to account the research objectives and questions, quantitative research approach and, both descriptive and explanatory research design were used. The study was employed proportionate stratified, purposive and convenience sampling techniques. Quantitative data was collected through structured questionnaires that have been distributed to a sample of 318 employees of Oromia International Bank S.C. in Addis Ababa City. Out of the distributed questionnaires, 278 (87.42%) questionnaires have been returned and used for data analyses. The quantitative data were analyzed by using descriptive and inferential analysis. The findings of descriptive statistics have revealed that the mean score of leadership style variables, that is, transformational, transactional, autocratic and democratic was tended to agreement level. All independent variables have significant correlation with the dependent variable, performance where relatively transformational leadership style had a higher strong relationship with performance. Similarly, the result of multiple regressions showed that, predictor variables including transformational, transactional and democratic leadership styles have positive and significant effect on the performance of the bank whereas, autocratic leadership style doesn't. The results also pointed out that these independent variables were significant common predictors of performance and jointly explained 65.2% of the variance in performance. Finally, recommendations were forwarded to the bank to exercise transformational, transactional and democratic leadership styles in combination emphasizing more on transformational leadership style.*

**Key words:** *Leadership, Leadership Style, Transformational, Transactional, Autocratic, Democratic, Bank, Performance*

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the study

The success of many organizations possibly results from the leadership sagacity and willpower, the technical prominence and innovation, the excellent quality or the distinguished reputation, but all these relate to human. The interest in the influence of leadership styles on organizations' performance represent substitute to the traditional focus on the leaders as the center of attention and power, the qualities of leaders are obviously important especially in teamwork. In particular, leaders need the skill to engage followers in productive and satisfying mutual pursuits (Mesfin & Deres, 2018).

Leadership is an influence relationship among leaders and followers who intend real changes and out- comes that reflects their shared purposes (Richard L. Daft, 2008). Ismail et al. as cited in Ojokuku R. M, Odetayo and Sajuyigbe (2012), leadership is a critical management skill, involving the ability to encourage a group of people towards common goal focusing on the development of followers and their needs. Obiwuru Timothy, Akpa, Victoria, Nwankwere & Idowu (2011) and Augustine Ngmentomo Beakana (2017) emphasis that the success of organization depends largely on leadership and hence the leadership style adopted by the leader. Thus, the efficiency in resource mobilization, allocation, utilization, enhancement of organizational performance mainly depends, on leadership style, among other factors. Mesfin and Deres (2018) also suggested that leadership style plays an important role in shaping the behavior and attitude of the members of an organization. In recent years, the study of leadership has drawn more attention due to its role in the failure or success of an organization.

Various literatures on management and leadership mention many leadership styles and approaches like bureaucratic leadership, autocratic leadership, charismatic leadership, democratic leadership, laissez-faire leadership, transactional leadership and transformational leadership styles. Each style of leadership affects organizational performance differently; some helping organizations succeed and others hinder their growth leading to failure (Ojokuku et al. 2012). According to Chen, et al. (cited in Mitra M, Norashikin H, Fauziah N & Hamed Taherdoost, 2016), organizational performance is the transformation of inputs into outputs for achieving certain outcomes.

Based on theoretical and empirical evidences, organizational performance can be measured in terms of several indicators. For example, Lingesiya Y (2012) identified five principal factors; customer satisfaction with managing change, growth in business and income level, growth in profitability, growth in turnover and growth in number of employees) that are perceived to be major contributions to indicate the organizational performance.

Michael (cited in Ojokuku et.al, 2012) realized that leadership has a direct relation with organizations and their success. In the environment of fierce competition, an enterprise faces multiple challenges. Thus, it is becoming target to create competitive advantages of how an enterprise draws up strategies suitable to improve its performance. Adisa D, Emira K & Mersiha Alić (2017) confirmed that modern organizations like banks faced rapid shifting of business setting which requires constant improvement of services quality, processes and training and development to their staff to ensure durable survival in the environment.

Likewise, Z Ahmad Khan, S Bhat & I Hussanie (2017) identified modern challenges like, total quality requirement, global competition, technology, diversity and new alliances are faced by the majority of the workforce, managers and executives. Storey, as cited in Mesfin and Deres (2018) illustrates that currently leadership is seen as the source and key determinant of performance and lack of leadership is blamed for poor performance in businesses. Hence, leader who can create and maintain an atmosphere where employees complete tasks in a way that attains the desired personal and organizational performance is highly demanded. For this reason, it has been of both theoretical and managerial interest to study the effect of leadership style and see its relationship with organizational performance.

In this regard, this study was attempted to examine the effect of leadership styles on the organizational performance in the case of Oromia International Bank S.C.

## **1.2. Statement of the problem**

The absence of effective leadership is a serious problem endemic in many organizations. It is obvious that the resultant outcome is poor staff performance, absence of motivation, poor growth and development of the institutions (Mesfin & Deres, 2018). Banks in Ethiopia sticks to traditional ways of doing things. Most of managers are spending their time on routine duties like attendance and dress code monitoring, writing related rules and regulations that urges the following of punishment for any deviation happened against the outlined rule (Tariku Lagesse, Kenenisa Lemi & Debebe Alemu, 2020).

But, these routine activities are tends to consume the managers and leaders of the company much time and making them to be less effective on prediction about the future and relating the work at hand with the articulated vision of the bank toward achievements.

The banking industry in Ethiopia has witnessed tremendous changes brought about by globalization, intense competition among rivals, changing regulatory guidelines, technology, and more demanding customers. These changes and dynamic business environment require leadership that can enable both the people and the organization to adapt and be successful. The less infrastructure facilities (technology, service delivery, less capital) and ineffective management system have been the main reason among others that makes Ethiopian banking industry to remain closed for foreign investors and continue to operate in unique business environment (Tariku et al., 2020). Oromia international Bank S.C is also not exception of it.

The relationship between leadership styles and organizational performance has been discussed often and many researches done on the same and related topic agree that the leadership style has a significant relation with the organizational performance, and different leadership styles may have a positive correlation or negative correlation with the organizational performance, depending on the variables used by researchers (Fu-Jin Wang, Shieh Chich-Jen and Tang Mei-Ling, 2010); Mesfin & Deres, 2018). For example, Peris M. Koech & G.S Namusonge, 2012; Ojokuku et al., 2012; Ann Gachingiri, 2015; Mitra M. et.al, 2016; John K. Asamoah, 2017; Augustine Ngmentomo Beakana, 2017) urge that there is strong relationship between leadership style and organizational performance i.e. leadership style has both positive and negative effect on organizational performance.

Regarding to the appropriate leadership style that led to performance enhancement, scholars and researchers have not leadership style in common. Mesfin & Deres (2018) illustrate the absence of common appropriate style of leadership in organization has led to the formulation of several theories that could bring about organizational efficiency and effectiveness. Robert J. House & Ram N. Aditya (1997) also noticed that there is no one effective leadership style. Though some scholars have argued unavailability of best leadership style, researchers have been recommended the leadership style they believe it helps organization based on the nature of the company. For instance, Mesfin & Deres (2018), Maina J. M & Waithaka P (2017), Jacob Cherian & Sherine Farouq (2013), John K Asamoah (2017) and Mitra M. et.al, (2016) urge organizations to be perform better need to adopt transformational leadership styles.

On the other hand, Fu-Jin Wang, et al. (2010), J Chua, Abdul Basit & Z Hassan (2018) and Ebrahim Hasan Al Khajeh (2018) found that transformational, autocratic and democratic leadership styles enhance organizational efficiency.

In Ethiopian context, autocratic, democratic and charismatic leadership styles have a positive relation with organizational financial and non-financial performances while a laissez-fair leadership style has a negative relation with the performance (Mesfin & Deres, 2018). But, for banks management decision purpose, it is difficult to generalize the findings done at nonfinancial sector to the banking industry since what is being right and fit in manufacturing industry may be not work in banking industry due to the diverse nature of business.

Specifically, in banking sector of Ethiopia, transformational leadership found to be more relevant (Tariku et.al, 2020). The study, however, took only two leadership styles; transactional and transformational leadership styles and variables are too limited and might not be applicable to company like Oromia International Bank S.C. where various leadership styles are exercised based on trait of leaders/managers. To examine which leadership style mostly affect the bank's performance in case of Oromia International Bank S.C, the researcher incorporated common leadership styles such as autocratic, democratic, transactional and transformational leadership styles. The reason behind choosing these leadership styles is the fact that they are the most practiced leadership styles throughout the industry, and if any new ideology is developed in the research, it can improve these leadership styles and bring further success to organizations.

To measure organizational performance former studies used to focus on the financial parts of organizational performance and there was minimum focus for nonfinancial ones. But, Ajay K. Garg, Joubert & Rene Pellissier (2004) stressed that organizational profitability, sales growth, level of innovation, return on assets, customer satisfaction, employee satisfaction, and growth in the number of employees are the main dimensions that are used by the studies to measure business performance. Hence, this study firmly considered non financial performance indicators like employees' job satisfaction, employees turn over, innovation and technology, learning and development to examine the effect of leadership style on bank's performance.

To the best of the researcher's knowledge, there is no study carried out specifically on the effect of leadership style in Oromia International Bank S.C. So, the possible effect of leadership styles on organizational performance in banking context needs to be determined through study.

### **1.3. Research Questions**

The study was intended to answer the following research questions:

1. To what extent does transformational leadership style affect the bank's performance?
2. To what extent does transactional leadership style affect the bank's performance?
3. To what extent does autocratic leadership style affect the bank's performance?
4. To what extent does democratic leadership style affect the bank's performance?

### **1.4 Research Objective**

#### **1.4.1 General Objective**

The main objective of this study was to investigate the effect of leadership styles on organizational performance in Oromia International Bank S.C.

#### **1.4.2 Specific Objectives**

Specifically, the aim of this study has been:

- ✓ To examine the effect of transformational leadership style on the bank performance,
- ✓ To examine the effect of transactional leadership style on the bank performance,
- ✓ To examine the effect of autocratic leadership style on the bank performance,
- ✓ To examine the effect of democratic leadership style on the bank performance,

### **1.5 Research Hypothesis**

The following alternative hypotheses were formulated and tested to answers to the research questions mentioned above and to meet the objectives as well.

H<sub>1</sub>: Transformational leadership style has positive significant effect on bank performance;

H<sub>2</sub>: Transactional leadership style has positive significant effect on bank performance;

H<sub>3</sub>: Autocratic leadership style has positive significant effect on the bank performance;

H<sub>4</sub>: Democratic leadership style has positive significant effect on bank performance;



## **1.6 Significance of the study**

The findings of the study are of use for banks, academicians, stakeholders and researcher who are looking for the effect of leadership styles on performance in banking industry context. Accordingly, the study can add to the bank officials in deciding what to adopt effective leadership style and understand its level of effect on performance.

The findings of the study can contribute for policy makers and it give the bank's stakeholders the prospect to get pertinent information about the effect of leadership style on performance. Besides, the study can help academicians and researchers focusing on this subject area as a reference. Finally, the findings of the study might stimulate research interests among academics and students for further investigation in the area of leadership style and organizational performance in financial sector.

## **1.7 Scope of the study**

The study was delimited conceptually, geographically as well as methodologically. Thus, the study tried to examine the effect of leadership styles such as transformational, transactional, autocratic and democratic on the Oromia International Bank S.C. The bank's performance was evaluated from the only perspectives of employees' satisfaction, employees turn over, innovation and technology, and learning and development within the time span of recent two years. The study was geographically delimited to Addis Ababa city.

By taking in to account the research questions, quantitative research approach was used. The study employed both descriptive and explanatory research design. As the sampling technique, the study was delimited to proportionate stratified and purposive sampling techniques. To conduct the study, primary data was used. In order to collect the data, self-administrated questionnaire was employed. The sample population of the study was derived from all level managers and also clerical employees. At the end, both descriptive and inferential statistics were used for the data analysis purpose.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1. Theoretical Literature**

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

To realize the leadership in its view and practice, it is important to recognize that the concept of leadership has changed over time. Daft (2008), states that leadership is an influence relationship among leaders and followers who effectively change and result. Leadership typically reflects the larger society, and theories have evolved as norms, attitudes, and understandings in the larger world have changed. Sarah Simpson (2012) defines leadership as the action and leading a group of people or organization having the ability to do this. Likewise, Marino cited in Sarah (2012) asserts leadership is an art of getting people to do something you want them to do in their way.

Leadership is a critical management skill, encompassing the ability to encourage a group of people towards common goal. A leader is person who influences, directs, and inspires others to perform specific tasks for efficient performance towards the accomplishment corporate objectives (Ojokuku et.al, 2012).

##### **2.1.2. Leadership Styles**

Leadership style is viewed as a combination of different characteristics, traits and behaviors that are used by leaders for interacting with their subordinates (Mitonga-Monga & Coetzee, 2012; Al Khajeh et al., 2018). Leadership style can be defined as the kind of relationship that is used by an individual so as to make people work together for a common goal or objective. In the contemporary leadership practice, leadership style can be categorized as follows: participative, autocratic, transactional, transformational, situational, contingency, charismatic and servant. To determine the effect of leadership style on the organizational performance, in Oromia International Bank S.C, this study anchored on four leadership styles: the autocratic, democratic, transactional and transformational.

Leadership style is a way and approach of providing direction, implementing plans, and motivating people, hence, it is a key determinant of the success or failure of any organization. Sofi cited in A. A. S Al-Khaled & Chung J Fenn (2020) illustrates that a style of leadership is the method that managers use to practice their leadership role empower staff to achieve the

organization's set of goals. Ben-Bernard Prince Uchenwamgbe (2013) uttered that leadership style plays a vital role in determining the behavior and attitude of the fellows of an organization and that is why now days, the study of leadership has drawn more attention as its role in the failure or success of an organization is crucial. But, researchers have not agreed on the most appropriate style of leadership and this led to the formulation of several theories that could bring about organizational performance.

### **2.1.2.1. Transformational Leadership**

This type of leadership style stresses the importance of individual interaction with other members of the society and mainly focuses on the development of followers and their needs. Managers exercising transformational leadership style focus on the development of value system of employees, their motivational level and moralities with the development of their skills (Ismail et al., 2009). Transformational leadership acts as a bridge between leaders and followers to develop clear understanding of follower's interests, values and motivational level. It basically helps follower's achieve their goals working in the organizational setting; it encourages followers to be expressive and adaptive to new and improved practices and changes in the environment (Bass, 1994).

According to advocates, transformational leadership is in a position to explicitly lead the change, especially in the behavior of individual subjects. Such leaders will want to increase team motivation by empowering numerous motivational messages to the subordinates, and increasing the percentage of trust among team members. Proponents of this leadership style argue that transformational leaders are able to institute viable changes in the organization based on the ability to inspire performances. Both the leader and the followers under this type of leadership have high moral and ethical standards necessary to achieve set organizational goals and objectives (Ojokuku et.al, 2012).

A transformational leader's behavior originates in the personal values and beliefs of the leader and motivates subordinates to do more than expect (Bass, 1985). According to Obiruwu et al. (2011), transformational leadership entrust a feeling of trust, admiration, loyalty and respect towards the leader in the mind of followers, and this is expected to drive them to do more than expectation. Followers are also encouraged to think critically and seek new approach to their jobs, resulting in intellectual stimulation, and this ultimately improves performance (Bass & Avolio, 1990; Obiruwu et al., 2011).

### **2.1.2.2. Transactional Leadership**

Under this type of leadership, the successful achievement of underlying goal and objectives will heavily rely on the extent of these interactions. This leadership style is most preferred in the contemporary settings because it allows an individual to maximize aptitude, and inculcate desirable experiences. The primary objective of such leaders is to form a formidable alliance with such persons considered to have high cognitive abilities to increase their proficiency at individual levels. However, critics base their point on the inability to possess all motivational values necessary in forming rapport and positive relationships with the subjects Berman cited in (Obiruwu et al., 2011).

It is also important to note that, this type of the transaction (a reward or discipline) is usually tied to employee's performance (Bass, 1985). Transactional leaders attempt to meet the current needs of their subordinates through bargaining and exchanging. According to Chan cited in (Obiruwu et al., 2011), both leaders and followers focus on achieving the negotiated performance level.

### **2.1.2.3. Autocratic leadership**

Autocratic leaders are classic type where leaders retain themselves the decision making rights. They can damage an organization as they force their followers to perform strategies and services in a very narrow way. There is no shared vision and little motivation beyond coercion. Commitment, creativity and innovation are typically eliminated by autocratic leadership (Michael, 2010). Autocratic leader is a task oriented who hold most of authority for themselves and is not concerned with group members' attitudes on decisions (Dubrin, 2012). Such leaders believe in creating a separate relationship with subordinates. These types of leaders hold the theory X view of leadership and also believe in close supervision of subordinates (A. N. Beakana, 2017).

Autocratic leaders make decisions confidently without considering group members' attitudes toward the decision. Typical autocrat behaviors include telling people what to do, asserting themselves, and serving as a model for team members (Daft, 2008). Autocratic leader is one who tends to centralize authority and derive power from position, control of rewards, and coercion. Groups with autocratic leaders perform highly in presence of leader but, they were displeased with the style and feel hostility (Dubrin, 2012).

#### **2.1.2.4. Democratic leadership**

This leadership style is common in the modern societal setting as it involves the inherent ability of a particular leader to make extensive consultation on numerous issues before making any major decision. The advantage of this style is that it allows leaders to succeed by making decisions based on advice and considerations from the team members Goldman cited in (Daft, 2008). The democratic leadership advocators assert that it allow common decision making to determine performance of the organization.

Democratic leadership takes in to account every input and advice from the team members before making decision. This is because the leader initially engages the teams by making care and this can generate active level of dedication. Tannenbanum and Schmidt (1958) describe democratic leadership as where decision-making is decentralized and shared by subordinates.

#### **2.1.3. Organizational Performance**

The business dictionary defines performance as the accomplishment of a given task measured against preset standards of accuracy, completeness, cost and speed. Performance is a multidimensional construct and multiple measures of performance should be used Lumpkin cited in (Tariku et.al, 2020).

Ireland, Cantens & Yasui (2011) explained performance as a dynamic, requiring judgment and interpretation illustrated by using a causal model that describes how current actions may affect future results. Performance measurement is basic to companies' improvement as its measurements are used to control and keep track of how the company is performing and whether objectives are met. In fact, performance may be understood differently depend on the person involved in the assessment of the performance. Fu-Jin Wang et al. (2010) illustrates that both financial and non-financial factor of performance need to be considered at the same time while measurement because non-financial aspects such as employee morale and product quality are very important for its long term operation.

Hofman cited in Fu-Jin Wang et al. (2010) also stressed nonfinancial performance measures like customer satisfaction, product quality or employee turnover are too relevant as they indicate the entity's durable performance. Therefore, in this study, the performance of the Bank was measured in terms of non financial performance measures such as employee job satisfaction, innovation and technology, learning and development, and employee turnover. These non-financial performance measures are discussed in the following section.

### **2.1.3.1. Employee Job satisfaction**

According to Kaliski as cited in Brikend Aziri (2011), job satisfaction is a worker's sense of achievement and success on the job. In a general word it can be perceived to have direct linkage with productivity and personal well-being. Job satisfaction implies doing a job one enjoys, doing it well and being rewarded for one's efforts. Further implication of job satisfaction goes to enthusiasm and happiness and accordingly job satisfaction is the key ingredient that leads to recognition, income, promotion, and the achievement of other goals that in turns lead to organizational achievement.

Job satisfaction represents an amalgamation of positive or negative feelings that workers have towards their work. Meanwhile, when a worker employed in a company, brings with it the needs, desires and experiences which determinates expectations that he has dismissed. Job satisfaction represents the extent to which expectations are and match the real awards. Job satisfaction is closely linked to that individual's behavior in the work place Davis et al. (1985) cited in (Brikend Aziri, 2011).

### **2.1.3.2. Innovation and Technology**

Innovation is a new work design in which efficiency can be increased by redesigning work processes, using new technology and coordinating activities to avoid wastage. These determinants are important when defective products and unreliable process affect the wellbeing of staff and financial loss occurred (Mesfin & Deres, 2018). The effectiveness of the organization also depends on responding in appropriate ways to external threats and opportunities in such a way that when change in the external environment affects the capacity of the organization to carry out its mission, successful adaptation on new technology requires of the threats and opportunities and willingness to make changes in the processes, products, services, or the competitive strategy of the organization.

Innovative change is important when external environment is uncertain, in situations of fast technology alteration, political and economic disorder and threats from competitors (Yukl, 2006). Mesfin & Deres (2018) stated that adaptation of innovation and technology need true version of information about environment, collective learning, knowledge management, flexible work process, innovations in products/services and availability of optional resources.

### **2.1.3.3. Learning and Development**

Dutra cited in Maria Aparecida (2017) describes performance as the set of deliverables and results generated by the development, effort and behavior of the employee in the organization. The level of development of the employee is related to his/her maturity and autonomy of action, and determines the organization's expectation about his/her performance. Dutra confirmed that the effort, however, differs from the level of development due to the quality of the value added to the organization. Effort, in a sense, is a contingency and is linked to the motivation of the individual and the favorable conditions offered by the organization.

### **2.1.3.4. Productivity (Employee turnover)**

A productivity measure is a measure of the efficiency of an operation; it is also referred to as resource utilization. The most productive operation is the production of maximum output for any specified set of resource inputs uses the minimum inputs for any given quantity/quality of output Chris U. Abeh Ukaidi (2016). To do so, it is compulsory to maintain existing employees and attract the new ones to ensure the absence of employee turnover.

Ann Gichinri (2015) also emphasized that employees are highly important asset for achieving promoting and achieving organizational goals. Thus, organizations need to have efficient leaders to lead and motivate their employees in their daily operation so that they can achieve set goals.

### **2.1.4. Leadership Style and Organizational Performance**

Research showed leadership style has a positive/negative relation with performance, depending on the variables used by researchers (Fu-Jin et al., 2010). A. A. S Al-Khaled & Chung J Fenn (2020) also emphasizes leadership drives to improve performance. Chris A Ukaidi (2016) affirmed effective style of leadership can increase productivity, boost staff morale and positively contributes to organizational profit.

FuJin et al. (2010) said when executives use their leadership style to express concern and care for employees, it enables employee to perform better, which in turns lead to overall performance improvement.

## **2.2. Empirical Review**

### **2.2.1. Broad Review of Similar Study**

The empirical evidence regarding the effect of leadership style on organizational performance in various businesses is mixed. Michael (2011) confirmed that leadership has a direct cause and effect relationship with organizations success as leaders are liable to determine values, culture and staff motivation which affect the performance. Ojokuku et al. (2012); Koech & Namusonge (2012); Obiwuru et al. (2011) also argued that there is both positive and negative correlation between leadership style and performance at different correlation values.

It was also found that leadership style dimensions jointly predict organizational performance, on leadership dimensions; transformational and democratic leadership style in which employees are allowed to have sense of belonging, carry out higher responsibility with little supervision, and followers are helped to achieve their visions and needs enhance organizational efficiency (Ojokuku et al., 2012). John K Asamoah (2017) also asserted that to enhance productivity, leadership of the bank need to review the bank's vision, introduced more creative and winning products, and changes the human resources and service delivery systems. The study of Kamau John Muchiri & Gachunga Hazel (2018) similarly found that there is a positive significant correlation between transformational leadership, transactional leadership and organizational performance in commercial banks of Kenya.

There is a significant association between profitability of bank and quality of the relationship between leaders and followers (Adisa et al., 2017). The study conducted by M. Ahmad Sofi & K. Devanadhen (2015) and Augustine N Beakana (2017, transformational leadership was found preferable leadership style in the banking organizations. Transformational and transactional leadership styles in combination and organizational performance have also positive relationship which inclined to such styles increase bank performance (O., Abimbola; O. Omowumi & A. O, Dele, 2015). In other study, it is revealed that transformational leadership has strong positive correlation with performance while transactional leadership has average positive correlation with performance (Peris M. Koech & G.S Namusonge, 2012).

But, the study conducted by Nongo Saasongu (2015) in Nigeria revealed that transactional leadership style is more appropriate in inducing performance than other leadership styles. Similarly, Obiwuru et al. (2011) found that transactional leadership style had significant positive effect on organizational performance.



The autocratic leadership is the least effective as it might not motivate employees and reduce the productivity and performance of the organization (Akram Abdulraqueeb Sultan Al-Khaled, Chung Jee Fenn, 2020). But, Nwachukwu (1988) declare that autocratic leadership style has positive effect on banks' performance although it is insignificant. The findings of some research shows that leaders those use democratic style in their daily operations found to have significant positive impact on the organizational performance and as a result, there is strong relationship between leadership style and organizational performance (Akpaprep et al., 2019). Chris U. Abeh Ukaidi (2016), however, asserted that democratic leadership style donated significantly to organizational performance, than the autocratic and laissez faire style as democratic leadership shares decision making with the group. On the other hand, the low value for autocratic and laissez faire styles are an indication of little freedom, hostility, aggression, and primitive emotions among employees/group.

Democratic leadership mostly influences performance and found to be the most commonly used in the most successful organizations (Ali, Mohamed & Davoud, 2011 and Akpaprep et al., 2019). Nwachukwu (1988) believed that democratic leadership is the best style of leadership in Nigerian banks to increase productivity, morale and improved labor relation. Worall (2004) as cited in Longe, Olukayode (2014) found that in some organizations where leaders adopted restrictive style, there was no performance but, where participative leadership style was used, performance was found to be high.

### **2.2.2. Review of Similar Study in Ethiopian Context**

In Ethiopia, there is little empirical literature conducted on the subject area. However, among the research conducted in the Ethiopian context, Mesfin Lemma and Deres Eshete in their study conducted in 2018 on the effects of leadership styles on organizational performance found that there is significant and positive relationship between leadership style and performance. They found that autocratic, democratic and charismatic leadership styles have a positive relation with organizational performances while a laissez-fair leadership style has a negative relation with performance.

Transformational that brings changes in working environment by inspiring employees for changes, creation, innovation, to go beyond from what they actually think they can and transactional that reward employees and make recognition in exchange for the work they perform, giving close directions and guidance have positive and significant effect in promoting the performance of the bank (Mesfin and Deres, 2018).

Similarly, in the Ethiopian banking sector, transformational leadership which focuses on renovation of organization and individual, and transactional leadership which involves reward and recognition in exchange for the work done and close assistant and guidance are more relevant are positively related to performance (Tariku et al., 2020).

## **2.3. Conceptual Framework and Research Hypothesis**

### **2.3.1. Conceptual Framework**

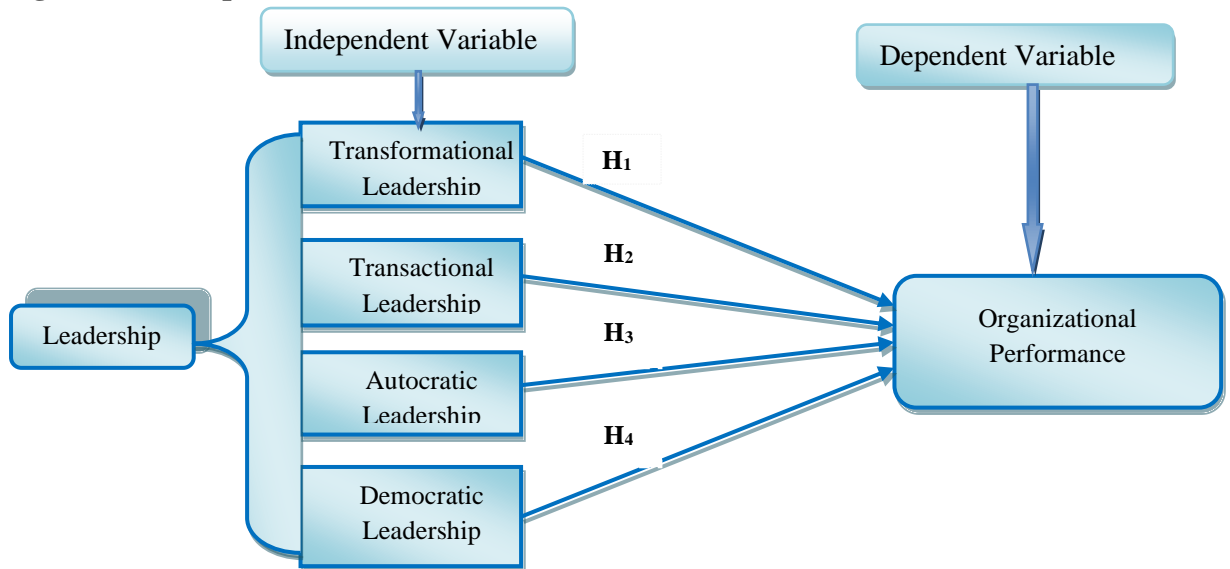
Leadership style is concerned with making decisions on various issues to influence people and boost organizational output. Leadership has been examined from various perspectives, including leaders personal characteristics, the nature of the organizational context and the behavior of subordinate (Yukl, 1998).

For this study, conceptual framework is developed based on the behavioral leadership theory of Kurt Lewin's autocratic and democratic model, and relational/integrative leadership theory transformational and transactional model. In autocratic leadership, leader makes decisions, tells employees what to do and closely supervises workers while, democratic leader encourages participation in decisions, works with employees to determine what to do and doesn't closely supervise employees (Koontz and Donnell (1993).

Bass (1985) asserts in transformational leadership followers trust, admire and respect the leader and they are motivated to do more than expect. The image of the transformational leader who builds and promotes a unique vision, and inspires employees to believe in his/her leadership, seems an especially appropriate picture of the entrepreneur. On the other hand, Obiruwu et al. (2011) connoted that transactional leadership inclined to have tricky relationship with groups as such leaders is expected to have high cognitive abilities to increase their proficiency at individual levels.

According to Koontz and Donnell (1993), organizational performance is the ability of an enterprise to achieve objectives such as high profit, quality product, large market share and etc. Consequently, the research frameworks of this study include two parts; leadership style and organizational performance measurement. The leadership style components are in focus of transformational, transactional, autocratic and democratic whereas, organizational performance is measured in terms of employee satisfaction, innovation and technology, learning and development and employee turnover. Based on theoretical and empirical studies, the following conceptual frame work was developed.

**Figure 1: Conceptual Framework**



Source: Own Survey, 2021

## 2.3.2. Research Hypothesis

### 2.3.2.1. Transformational leadership style and bank performance

Ojokuku et al. (2012) found that transformational leadership style allow employees have belongingness, bear higher responsibility with little supervision, achieve their visions and enhance organizational efficiency. Kamau et al. (2018) similarly assert that there is positive bond between transformational leadership and performance. Sofi (2015) illustrate transformational leadership has significant direct impact on performance. Other study also revealed transformational leadership style leads to improved organizational performance (Augustine N. Beakana, 2017). In this regard, the following hypothesis is developed.

H<sub>1</sub>: Transformational leadership style has positive significant effect on the bank performance.

### 2.3.2.2. Transactional leadership style and bank performance

Transactional leaders, due to their constructive behavior, can increase the performance of the organization (O. Abimbola et al., 2015). Peris M. Koech et al. (2012) also revealed that transactional leadership has a positive correlation with performance. This leadership style is appropriate in signifying performance (Nongo Saasongu, 2015). In the transactional leadership style, the leader is a negotiator, agreement setter and via reward for fitting performance and punish for unmet goals. In line with this premises, the researcher had developed the hypothesis indicated hereafter.

H<sub>2</sub>: Transactional leadership style has positive significant effect on bank performance.

#### **2.3.2.3. Autocratic leadership style and bank performance**

Chris U. Ukaidi (2016) and Longe and Olukayode (2014) confirmed that autocratic style refuse freedom to the group, and discourages employees. A. A. S Al-Khaled & Chung J Fenn (2020) also supported autocratic leadership is the least effective as it reduce employee productivity and performance of the organization.

Nwachukwu (1988) and Ojokuku et al. (2012) alternatively, emphasized that autocratic leadership style has positive effect on banks' performance at insignificant magnitude. In this regard, the following hypothesis was built-up.

H<sub>3</sub>: Autocratic leadership style has positive significant effect on the bank performance;

#### **2.3.2.4. Democratic leadership style and bank performance**

Ann Gachingiri (2015) asserted that democracy is key aspect to human personality by involving intelligence and ethics. The right of every employee is vital to democracy because it makes possible free discussion and participation of the people in the organization. Tannenbanum and Schmidt (1958) & Daft (2008) stressed democratic leaders allow people in decision making so that they performed well. A. A. S Al-Khaled & Chung J Fenn (2020) & Chris U. Ukaidi (2016) also illustrate that democratic leader donated significantly to staff and organizational performance respectively. Democratic style expose why companies today empower their employees as a trend (Akpapere et al., 2019). Based on this premises, the under mentioned hypothesis was formulated.

H<sub>4</sub>: Democratic leadership style has positive significant effect on bank performance.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Research Approach**

There are three basic types of research approaches; quantitative, qualitative, and mixed approach. Quantitative research approach is based on the philosophy of post positivism world view. It is also reductionist in that the intent is to reduce the ideas into a small, discrete set of ideas to test, such as the variables that constitute hypotheses and research questions. In addition, quantitative approach uses statistical methods in describing patterns of behavior and generalizing findings from samples to population of interest, and employs strategies of inquiry such as experiments and surveys (Creswell J. W, 2009).

Thus, by taking in to account research questions, quantitative research approach has employed based on the Zikmund (2003) view that quantitative research approach was used as it is suitable to test relationships using the hypothesis and research questions.

#### **3.2. Research Design**

The research design is the conceptual arrangement in which research is conducted. In this accord, Kothari (2004) set three types of research designs; exploratory, descriptive, and explanatory. Kothari illustrates that descriptive research studies are concerned with describing the characteristics of a particular individual or group. Whereas, Kumar (2007) suggested explanatory studies clarify the relationship between two aspects of a situation. Thus, both descriptive and explanatory research designs were used to describe the demographic and general information of the respondents, and examine the effect of leadership style on bank performance respectively.

#### **3.3. Sampling Design**

Sample design refers to the technique or the procedure the researcher would adopt in selecting items for the sample. Sample design may as well lay down the number of items to be included in the sample i.e., the size of the sample that is determined before data are collected (Kothari C.R, 2004). Accordingly, the target population, sampling frame, sampling technique, sample size, and sampling procedure of the study that used in the study were discussed hereunder.

### **3.3.1. Target population**

A population can be defined as items with the characteristics that one wishes to study that may be a person, organization, or other that researcher wish to draw scientific inferences about (Kelley, K., Clark, B., Brown, V., & Sitzia, J., 2003). The target populations of the study, was 1,569 managerial and clerical staff of Oromia International Bank working at Head Office, district and branch Offices operating in Addis Ababa. Researcher selected this target population due to their accessibility and high confidence of obtaining data.

### **3.3.2. Sampling Technique**

In this study, the stratified, purposive, and convenience sampling technique have been used in combination to obtain accurate representative of the target population through incorporating possible participants from the nearby area. According to Kothari (2004), if a population from which a sample was drawn does not constitute a homogeneous group, stratified sampling technique is generally applied to obtain a representative sample. In this technique, population is divided into sub-populations called strata that are individually more homogeneous than the total population. Thus, the researcher used stratified sampling to get representative of the target group accurately.

The strata, in this study were managerial and clerical staffs of the bank as per the bank's positions classifications. Kothari (2004) exemplifies that as each stratum is more homogeneous than the total population, the researcher can get more defined estimates of the sample for each stratum. On top of this, the researcher has employed purposive sampling technique in line with Maxwell statement cited in H. Taherdoost (2016) that purposive sampling is a strategy where particular setting are deliberately selected. Besides, Ma C. Tongco (2007) asserted that purposive sampling is applicable to qualitative and quantitative research. Lastly, the researcher used convenience sampling technique based on Ilker et al. (2016); convenience sampling is helpful to incorporate keen and interested participants near to where the data collection is carried out.

### **3.3.3. Sample Size**

As a general rule, the sample must be of an optimum size i.e. it should neither be excessively large nor too small (Kothari, 2004). Sample size can be determined using certain formula in the case of quantitative study, whereas, in qualitative study, determining sample size is entirely a matter of judgment, there are no set rules (Cohen, L. Manion, L. & Morrison, 2000).

Thus, to get a representative sample for the population, Yemane T. (1967) finite and large population sample size formula with 95% level of confidence and 5% of sampling error will be employed. The formula that helps to obtain this sample size is presented below:

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

**Where:**  $n$  represents sample size,  $N$  represents total number of population size, and  $e$  represents sampling error/level of precision.

Based on the data obtained from the Bank, there are 67 managerial and 429 clerical staffs at Head Office; 8 managerial and 38 clerical staffs at District Offices; and 145 managerial and 878 clerical staffs at branch offices operating Addis Ababa city as of December, 2020. The total number of staff covered in the study was 1,569. Based on the above formula the sample size of the study was 138 employees of the Bank.

$$n = \frac{1,569}{1 + 1,569(0.05)^2} = \underline{318}$$

Up on the sample size determination, the researcher has distributed the sample size of each stratum through the method of proportional allocation under which the sizes of the samples from the different strata are kept proportional to the sizes of the strata. To do so, proportionate stratified sampling (PSS) formula ( $n_i = N_i/N * n$ ) will be employed.

**Where:**  $n_i$  represents sample size taken from each stratum/sector,  $N_i$  total no. of population of each stratum/sector,  $n$  total sample size of the study, and  $N$  total population size

**Table 1: Sample size of the respondents from each stratum**

S/N	Strata (work place of the staffs)	Strata (Respondent's job category by level of	Total no. of staffs in the city as of December, 2020	Sample taken from each category $n_i = N_i/N * 318$
1	Head Office	Managerial staff	71	14
		Clerical staff	429	87
2	District Offices found in Addis Ababa City	Managerial staff	8	2
		Clerical staff	38	8
3	Branch Offices found in Addis Ababa City	Managerial staff	145	29
		Clerical staff	878	178
		<b>Clerical staff</b>	224	45
		<b>Managerial staff</b>	1,345	273
		<b>Total</b>	<b>1,569</b>	<b>318</b>

Thus, as indicated in the above table, using proportional allocation, the sample sizes for staff assignment place along with their respective position; Head Office, District Offices and Branch Offices was 103, 10 and 207 respectively which is proportion to the sizes of the strata indicated above. Besides, the allocation of sample size in terms of position shall be 45 and 273 for managerial and clerical positions respectively.

#### **3.3.4. Sampling Procedure**

The target population of the study was 1,569 employees of OIB working at Head Office, district and branch offices operating in Addis Ababa from which the sample size of 318 was drawn. To ensure that all groups in the sampling frame are surveyed, the researcher used stratified sampling technique. By using this technique the researcher has arranged the employees into homogenous groups (strata) i.e. clerical and managerial as per the bank's classification.

Following the classification of the population into homogenous groups, the researcher has employed proportionate stratified sampling technique to allocate the sample size of each stratum through the method under which the sizes of the samples from the different strata are kept proportional to the sizes of the strata. Then, purposive sampling technique was employed to choose the respondents among the strata based on the judgments of the researcher because this technique helps to capture the opinion of OIB's staffs towards leadership styles and bank's performance. Lastly, convenience sampling was used as it is beneficial to integrate dedicated participants from the nearby area that in turn minimize the cost.

#### **3.4. Data Sources and Types**

The study was used both primary and secondary source of data. The primary source of data was staffs of OIB. On the other hand, the secondary source of the data was gathered from different books, articles and journals related to the subject.

#### **3.5. Data Collection Instrument and Procedure**

Although there are a variety of data collection methods available to researchers for the acquisition of primary data, self-administered questionnaires remain among the most popular methods Hair et al., (2003) cited in (Karin Braunsberger, Roger Gates, David J. Ortinau, 2003). Due to this fact, the study employed primary data which collected through self administrated questionnaire from the sampled population.



The questionnaire was prepared in proportion to the objectives of the study and structured in to three sections. The first section of the questionnaire was concern with demographic and general data about the respondents. The second section dealt with investigating the leadership styles dimensions i.e. transformational, transactional, autocratic and democratic leadership styles in Oromia International Bank S.C. The third section was concentrated on measurement of the bank's performance. The questions were structured in close-ended type and responses to the questions were also measured through the Likert scale of five rating scale; for the second section using a 5-point behavioral scale i.e. not at all, once in a while, sometimes, fairly often and frequently if not always while for the third section 5 scale i.e. strongly agree, agree, neutral, disagree, and strongly disagree. The Likert scale is used to make questions clear and permits efficiently interpret the data.

Since the target populations are supposed to be professionals and can understand English Language, the questionnaire was constructed in English language and then forwarded to the advisor for editorial purpose. Lastly, it gets approval distributed as per schedule.

### **3.6. Data Analysis Methods**

The primary data collected through self-administrated questionnaire was analyzed using both descriptive and inferential analysis. To do so, the Statistical Package for Social Sciences (SPSS) software version 20 was applied. Descriptive statistics are mainly used to organize and summarize the demographic and general data of the respondents in terms of percentage, frequency, mean and standard deviation. But, inferential statistics which can goes beyond the description of a specific observation was also employed to make conclusion about the larger population from which the sample was drawn. Such statistical analyses are used for testing hypothesis and objectives of the study.

Accordingly, the study used different types of inferential statistics such as Pearson Correlation based on Field (2005) statement to determine the relationship between leadership styles and performance. Likewise, regression analysis was done to estimate the quantitative effect of the fundamental variables. The trial assumptions on the use of multivariate statistical tools such as normality, homoscedasticity, linearity and multicollinearity were applied because they help to test the normal distribution, mathematical operations, levels of variance, sequential correlations between errors and the degree to which the change in the dependent variable is associated with the independent variables.

The analysis of data had also incorporated multiple linear regressions because Albaum G. (1997) and Malhotra, N. Kumar (2007) confirmed it helped to determine the relationship and magnitude effect of the independent variables with dependent variable, and to confirm the most dominant variables that influenced the performance.

Based on Hair, J.F. Jr., Anderson, R.E. and Tatham, R.L. (1998) validation, linear models were used in the study to review the predicting power of independent variable on dependent variable, to know statistical significance of the estimated relationships, to conclude whether independent errors is acceptable or not.

The regression coefficient which Pedhazur, E.J. (1982) asserted it explains the average amount of change in the dependent variable that is caused by a unit change in the independent variable, was analyzed via standardized Beta coefficient. It strongly supports the researcher to investigate the direct effect of leadership styles variables on the organizational performance and the strength of each predictor influencing the criterion, dependent variable. Finally, the quantitative data was presented in the form of tables to make all data understandable.

### **3.7. Testing of the Research Instruments**

Before doing the analysis part, the researcher undertook the validity and reliability test to declare the research instruments was valid and reliable.

#### **3.7.1. Validity Test**

Kothari (2004) stated that content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study. If the instrument contains a representative sample of the universe, the content validity is good, but, there is no numerical way to express it.

As it is stated in the methodology part, for the sake of assuring the validity of the research instrument, all the variables were adopted from previous research works though it was not as they are. In order to look over the overall content validity of the instrument such as clarity, length of all variables were inspected by expertise in the area. Furthermore, the researcher also conducted a pilot test of the questionnaire among the staffs of 10 banks' branches to gather feedbacks towards enhancing the validity of the instruments in line with content validity. Besides, the researchers acquired and incorporated the opinions of the employees of the bank and instructors in order to enhance the research instrument validity.

### 3.7.2. Reliability Test

According to Bryman and Bell (2003), reliability is the extent to which a measurement gives results that are steady and fundamentally concerned with issues of consistency of measures. A measure of internal consistency regarding how closely related a set of sample items are as a group is undertaken by Cronbach's alpha that is considered to be a measure of scale reliability. In principle, Cronbach's alpha is a coefficient of reliability (or consistency). Hair, J. F. J., Anderson, R. E., Tatham, R. L., & Black, W.C. (2006) assured that if  $\alpha$  is greater than 0.7, it means that it has high reliability, 0.5 is sufficient, and if  $\alpha$  is smaller than 0.3, then it implies that there is low reliability.

In this regard, the overall Cronbach's alpha result of the 38 items in the study (10 transformational items, 10 transactional items, 6 autocratic items, 6 democratic items and 6 performance items) was 0.944 which is higher than the minimum alpha value set as acceptable (i.e. 0.70). The Cronbach's alpha result of each item used in the questionnaire is shown in the following table.

**Table 2: Cronbach's Alpha Test for Reliability**

Variables item	Reliability Statistics		
	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Transformational	0.759	0.777	10
Transactional	0.839	0.845	10
Autocratic	0.795	0.798	6
Democratic	0.789	0.800	6
Bank Performance	0.701	0.747	6
Total	0.944	0.949	38

Source: Own Survey Result, 2021

### 3.8. Ethical Consideration

According to Economic and Social Research Council (2021), research ethics refers to the moral principles and actions guiding and shaping research from its inception through to completion, the dissemination of findings and the archiving, future use, sharing and linking of data. This study, for that reason, was governed by the general rules of research ethics in such a way that, the respondents were requested to provide information on voluntary basis, prior communication about the purpose of the study was made and confidentiality of the information was assured.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### 4.1. The Questionnaire Response Rate

The questionnaires were physically distributed to the Bank's managerial and clerical staffs working in branches operating in Addis Ababa City and Head office. From the total of 318 questionnaires 291 were collected and the remaining 27 (8.49%) were not responded. The nominal response rate of the collected questionnaires was (91.5%). Nevertheless, out of these due to incompleteness and missing values only 278 (87.42%) were usable for further analyses and the remaining 13 (4.08%) were discarded.

To assure the normal value of response rate in literature, Rubin & Babbie (2010) asserted that a response rate of 70% is considered very well for further assessment. Thus, in this study, the response rate of 87.42% is remarkable.

**Table 3: Questionnaire Response Rate**

<b>Sample Size</b>	<b>318</b>
<b>Collected questionnaires</b>	291
<b>Remain uncollected questionnaires</b>	27
<b>Discarded questionnaires</b>	13
<b>Usable questionnaires</b>	278
<b>Response Rate of the questionnaires</b>	87.42%

*Source: Own Survey Result, 2021*

#### 4.2. Demographic Characteristics of the Respondents

Demographic factors are indicators of performance in organizations and they are the base for research questionnaire turnout. Though demographic characteristics are not having great influence on this study, the researcher considers some of them which are believed to have correlation to the study. Hence, demographic characteristics of gender, age, education, experience, salary, job category and service year after getting promotion are emphasized.

**Table 4: Demographic Characteristics of the Respondents**

Demographic and Respondents' General Information			
Variables	Categories	Outcomes	
		Frequency	Percentage
Gender of the Respondents	Male	170	61.2
	Female	108	38.8
	<b>Total</b>	<b>278</b>	<b>100.0</b>
Age of the Respondents	≤20 years	0	0
	21-30	118	42.4
	31-40	102	36.7
	41-50	54	19.4
	Over 50	4	1.4
	<b>Total</b>	<b>278</b>	<b>100.0</b>
Educational Status	Diploma	9	3.2
	First Degree	153	55.0
	Second Degree	115	41.4
	PhD and Above	1	.4
	<b>Total</b>	<b>278</b>	<b>100.0</b>
Experience in the Bank	Below 4 years	92	26.7
	4-9 years	203	59.0
	Above 9 years	32	9.3
	<b>Total</b>	<b>278</b>	<b>100.0</b>
Employees' Monthly Salary	Below 10,000	59	21.2
	10,000-20,000	122	43.9
	20,001-30,000	73	26.3
	30,001-40,000	17	6.1
	above 40,000	7	2.5
	<b>Total</b>	<b>278</b>	<b>100.0</b>
Level of the current position/job category	Managerial	30	10.8
	Clerical	248	89.2
	<b>Total</b>	<b>278</b>	<b>100.0</b>
Service on year current position	Below 1 year	32	11.5
	1-3 years	133	47.8
	4-6 years	88	31.7
	above 6years	25	9.0
	<b>Total</b>	<b>278</b>	<b>100.0</b>

Source: Own Survey Result, 2021

Table 5 above is premeditated to display the outcome of respondent's demographic and general information. On the first demographic distribution of the respondents, sex, 61.2% of them were male while 38.8% of them were female. This reveals that the majority of the respondents were male and it is possible to generalize that the majority of the Bank's employees are male.

When it comes to the respondents' age, the greater part of the respondents falls within the range of 21-30 age groups which accounted for 42.4%, followed by the age set of 31-40 which accounted for 36.7% whereas, the remaining 19.4% and 1.4% were found between the

age range of 41-50 years and above 50 years correspondingly. This implies that the majority of the respondents were youngsters. Therefore, one can understand that young employees are strong to offer more skills and they were viewed as being productive in their area of specialization which in turn helps to boost performance.

Regarding to the educational status of the respondents, 55% of them were first Degree holders, 41.4% were second Degree holders, 3.2% of them were Diploma and 0.4% is the holder of PhD and above. Hence, this result entails that abundant number of the respondents were acquired a high level of education and believed to have better understanding on the leadership issues. With respect to the total service year, more than half (59%) of the respondents were in service with the bank from 4-9 years. The remaining 26.7% and 9.3% of the respondents were served for <4 years and >9 years respectively. This finding pointed out that most of the respondents were familiar with the management and leadership practice in the Bank that enable them to evaluate the leadership style and performance relationships.

In relation to the staff salary variable, majority of the respondents (43.9%) were paid salary found between the ranges of 10,000 to 20,000 Ethiopian birr while the remaining 26.3%, 21.2%, 6.1% and 2.5% of them were earning the salary range found between Ethiopian birr 20,001-30,000, below 10,000, 30,001-40,000 and above 40,000. Concerning the level of employees' current position or their job category, 88.2% of the respondents were clerical employees who are responsibly working on specialized banking operation/tasks at individual level without having managerial and overall responsibilities. On the other hand, 10.8% of the respondents were holding managerial position and they were liable for the adopted and being exercised leadership tactics.

From the same table 5 above, 47.8% of the employees of the Bank were promoted before 1, 2 and 3 years followed by 31.7% who have been in service for the range of year from 4 to 6 since they get an opportunity of promotion. Whereas, the remaining 11.5% and 9% of the respondents were served for the duration of below 1 year and above 6 years respectively. This result showed that majority of the staff in the bank has a frequent access to promotion. Hence, one can understand that the Bank has a timely promotion packages for its employees before they hesitate on their first position.

### 4.3. Descriptive Analysis of the Variables

Descriptive statistics were used to describe the basic features of the data in a study. It provides simple summaries about the sample and the measures. The researcher used descriptive statistics to present quantitative descriptions in a manageable form; each descriptive statistic reduces lots of data into a simpler summary (Gelman, 2007).

Accordingly, respondents have rated their insight on a five-point Likert scale for leadership style and performance dimensions and the result of descriptive statistics (mean and standard deviation) of each variable is presented in the table below.

**Table 5: Descriptive Statistics**

Descriptive Statistics			
	N	Mean	Std. Deviation
Transformational	278	3.94	.645
Transactional	278	4.03	.692
Autocratic	278	3.90	.780
Democratic	278	4.26	.661
Organizational Performance	278	3.82	.648
Valid N (listwise)	278		

*Source: Own Survey Result, 2021*

The researcher adopted measurement scale intervals Poonlar Btawee (1987) which cited in the work of Fekadu Tufa (2018). According to Btawee, mean scores ranging from 4.51-5.00 consider as excellent/very good, 3.51-4.50 as good, 2.51-3.50 as average, 1.51-2.50 as fair and 1.00-1.50 as poor. Based on these parameters, the mean value of transformational leadership style is 3.94 which dictate that respondents have close inclination that this type of leadership style has positive effect on the bank's performance. The mean value of the second and fourth independent variables, transactional and democratic leadership styles is 4.03 and 4.26 respectively which also affirmed that participants have medium tendency that these variables affects the bank performance than other variables. On the other hand, autocratic leadership style is found to have a value of mean that is less than other variables.

Generally, the tendency of respondents regarding the effect of leadership styles on the bank performance in all variables were fall in the category range between 3.51 and 4.50 which means respondents have agreeable opinion that leadership styles variables affects the bank performance. Similarly, all variables scored relatively low scales of standard deviation, below 1 which indicates that data are narrowly spread i.e. respondents have a close opinion regarding variables.

#### 4.4. Correlation Analysis

Field (2005) stated correlation is a quantifiable relationship between two variables and the statistic that provide an index of that relationship is called a correlation coefficient  $r$ , which is a measure of the relationship between two interval variables. Field specifies correlation is useful to review the relationship between two variables falling between  $-1$  and  $+1$ . As per the guideline suggested by Field (2005), the strength of relationship  $0.1-0.29$  is weak,  $0.3-0.49$  is moderate,  $>0.5$  shows the strong relationship between the variables. In this study the correlation analysis used to examine the relationships between dependent and independent variables as indicated in the following table.

**Table 6: Pearson Correlation Matrix**

Correlations						
		Transfor mational	Transac tional	Autocr atic	Demo cratic	Bank Performanc e
Transformatio nal	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	278				
Transactional	Pearson Correlation	.755**	1			
	Sig. (2-tailed)	.000				
	N	278	278			
Autocratic	Pearson Correlation	.671**	.673**	1		
	Sig. (2-tailed)	.000	.000			
	N	278	278	278		
Democratic	Pearson Correlation	.671**	.704**	.574**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	278	278	278	278	
Organizational Performance	Pearson Correlation	.788**	.694**	.602**	.628**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	278	278	278	278	278

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

Source: Own Survey Result, 2021

**Bivariate Correlation** indicates that whether the relationship between two variables is linear (as one variable increases, the other also increases or as one variable increases, the other variable decreases). As indicated in the above table, the correlation matrix of each independent variable was positively and strongly correlated with the dependent variable. The first highest strong coefficient of correlation in this study is transformational leadership style and performance ( $r=0.788$ ,  $p \leq 0.01$ ). It implies that there is a strong, positive and significant relationship between transformational leadership style and the bank's performance.



The second highest strong coefficient of correlation is with the transactional leadership style which has strong, positive and significant correlation with the bank performance ( $r=0.694$ ,  $p\leq 0.01$ ). Democratic leadership style has also positive significant relationships with performance at ( $r=0.628$ ,  $p\leq 0.01$ ) and autocratic leadership style has positive significant relationship with performance at ( $r=0.602$ ,  $p\leq 0.01$ ). Thus, the above correlation matrix shows that all independent variables are positively correlated with the dependent variable.

**Sig (2-Tailed) value:** Tells whether there is a statistically significant correlation between two variables or not. If the Sig (2-Tailed) value  $\geq 0.05$ , the researcher can conclude that there is no statistically significant correlation between two variables meaning increases or decreases in one variable do not significantly relate to increases or decreases in the second variable. If the Sig (2-Tailed) value is  $\leq 0.05$ , the researcher can conclude that there are a statistically significant correlation between two variables which reveals increases or decreases in one variable significantly relate to increases or decreases in the second variable (Pedhazur, 1982).

As indicated in the above correlation matrix, the numbers next to Sig. (2-tailed) are 0.00 which implies that, the correlation is considered to be significant i.e. the researcher can be 95% confident that the relationship between variables is not due to chance. Hence, there is a significant correlation between the predictor and dependent variables.

## **4.5. Regression Analysis**

Regression is a technique used to predict the value of a dependent variable using one or more independent variables (Albaum, 1997). Malhotra (2007) also stressed regression as a statistical tool for the investigating relationship between variables. To explore such issues, the investigator gathers data on the causal variables of interest and employs regression to estimate the statistical effect of the predictor variables.

### **4.5.1. The Assumptions for Testing Regression Analysis**

The test of assumptions should be done since the violations of the assumptions affect consequent use of multivariate statistical methods (Hair et al., 2006). The test of assumption is required as it is important to check for outliers since linear regression is sensitive to outlier effects. Hair et al. (2006) suggested several assumptions regarding the utilization of multivariate statistical tools such as normality, homoscedasticity, linearity, and multi collinearity should be applied before performing any multivariate analysis.

Accordingly, the researcher has tried to confirm that the obtained data truly represented the sample and obtained the best results.

### Test of Normality

Hair et al. (2006) noted that normality relates to the shape of the data distribution for an individual metric variable and its relationship to the normal distribution. Assessment of the variables' levels of Skewness and Kurtosis is one of the method will determine normality. In fact, Skewness provides an indication of the proportion of the distribution. Kurtosis turns to the flatness of the distribution relative to the normal distribution.

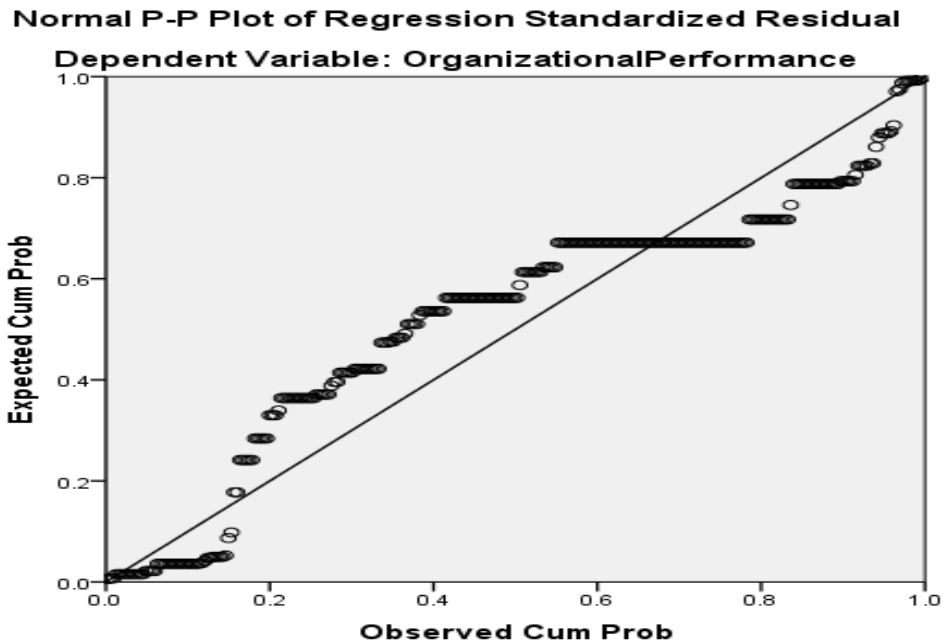
Accordingly, the normal distribution is detected based on Skewness and Kurtosis statistics. As proposed by George and Mallery (2010) the acceptable range for normality for both statistics is between -2 and +2. Therefore, as depicted in table 8 below, all variables values of Kurtosis and Skewness are almost within the acceptable range for normality. So, this implies that all items show close to normal distribution based on the criteria of Skewness and kurtosis values between -2 and 2. Therefore, the data used in this study was normally distributed.

**Table 7: Normality of Distribution (Skewness and Kurtosis)**

Descriptive Statistics					
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Transformational	278	-.436	.146	.779	.291
Transactional	278	-.428	.146	.696	.291
Autocratic	278	-.381	.146	-.176	.291
Democratic	278	-.634	.146	.646	.291
Organizational/Bank Performance	278	-.293	.146	.303	.291
Valid N (listwise)	278				

*Source: Survey Result, 2021*

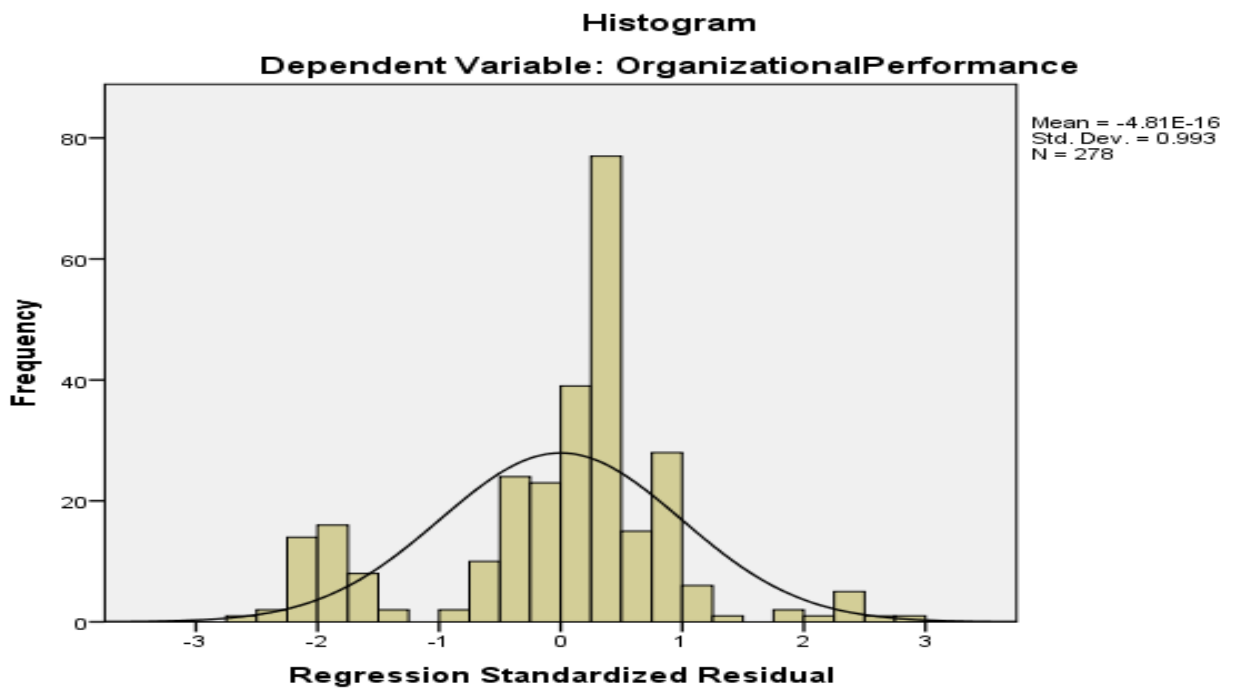
There is also another useful graph that the researcher can inspect to see if a distribution is normally distributed is called a P-P plot (probability–probability plot). According to Hair et al. (1998), the plots are different from residuals plots in that the standardized residuals are compared with the normal distribution. In general, the normal distribution makes a straight diagonal line, and the plotted residuals are compared with the diagonal. If a distribution is normal, the residual line will closely follow the diagonal (Hair et al., 1998). Therefore, as indicated in the figure below, the data were normally distributed.



**Figure 2: Normal P-P Plot**

Hair et al. (2006) suggest that histogram as method used for comparing the observed data values with a distribution similar to the normal distribution. It is argued that the histogram of research variables supports the expectation for the normal shape of data distribution. The following figure shows the histogram generated from the study.

**Figure 3: Histogram**



### Multi-collinearity

Multi collinearity arises when two or more of the independent variables are highly correlated that certain mathematical operations are impossible. Multicollinearity is created when the results of the correlation coefficients are above 0.80 and to be considered-very high (Hair et al. 2006). There are two general procedures for assessing collinearity; tolerance and variance inflation factor (VIF). The data will be absence of multicollinearity while VIF is less than ten and tolerance value of greater than 0.10, but less than one (Robert H, 2006).

Hence, the collinearity statistics analysis of variance inflation factors indicated that the value of (VIF) ranges from 2.08 to 3.03 while Tolerance value ranges from 0.33 to 0.48. Similarly, as indicated in table 7 of correlation analysis, the results of the correlation coefficient between each independent variable were below 0.8 and as a result, this study hasn't a collinearity problem.

**Table 8: Collinearity Statistics**

Coefficients <sup>a</sup>			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Transformational	.356	2.805
	Transactional	.330	3.030
	Autocratic	.480	2.083
	Democratic	.455	2.199

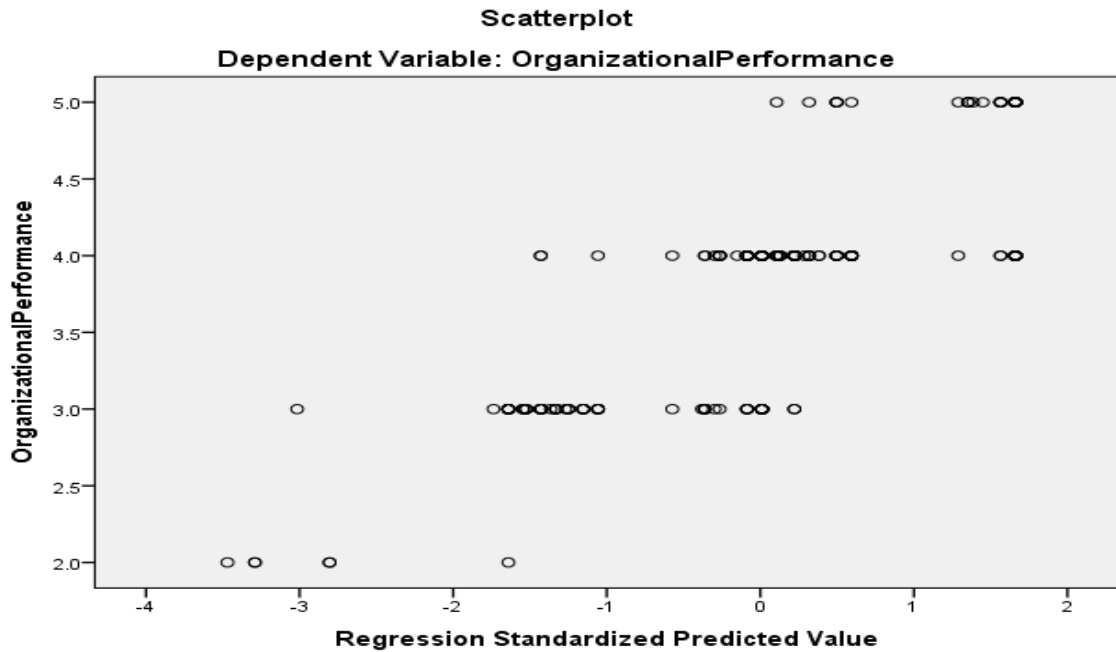
a. Dependent Variable: Organizational Performance

Source: Survey Result, 2021

### Homoscedasticity of the Error Terms

According to Hair et al. (2006), homoscedasticity relates to the assumptions that dependent variable explaining equal levels of variance across the range of independent variables. Hair et al. argue the test of homoscedasticity is required as the variation of the dependent variable being explained in the dependence relationship could not focus in simply a limited range of the independent values. In this study as well, homoscedasticity is tested the variables using scatter plot. Scatter plots of standardized residual was conducted for all the variables and the outcomes from the data were showed that the pattern of data points doesn't contain any exact patterns and thus hadn't violated the assumptions as no discernible patterns of residuals were indicated.

**Figure 4: Scatter plot**



### **Independent errors**

Field in 2005 illustrates that for any two observations, the residual terms should be independent. This eventuality is sometimes described as a lack of autocorrelation. This assumption can be tested with the Durbin–Watson, which tests for serial correlations between errors. Specifically, it tests whether adjacent residuals are correlated. The test statistic can vary between 0 and 4 with a value of 2 meaning that the residuals are uncorrelated. As it is shown in table 10 below, the Durbin-Watson test result is 1.928 which is very closer to the acceptable standard of 2.0 reveals that there is no autocorrelation problem in the model.

### **Linearity**

Hair et al., (1998) emphasizes the linearity of the relationship between the dependent and independent variable represented the degree to which the change in the dependent variable is associated with the independent variables. Meaning, linear models predict values falling in a straight line by having a constant unit change (slope) of the dependent variable for a constant unit change of the independent variable. Hair et al., proposed scatter plots or residual plots to check linearity assumption. The scatter plots of standardized residuals versus the fitted values for the regression models were visually inspected from the figure 4 above.

#### 4.5.2. Multiple Linear Regression Analysis

Field (2005) uttered that linear regression estimates the coefficients of the linear equation, involving one or more independent variables that best predict the value of dependent variable. Hence, multiple linear regressions were conducted to resolve the explanatory power of the independent variables to identify the relationship and determine the principal variables that influenced the performance. The significance level of 0.05 with 95% confidence interval was used. In this regard, the base for using multiple regression analysis was to evaluate the direct effect of leadership style variables on the organizational performance.

**Table 9: Model Summary for Organizational/bank Performance**

Model Summary <sup>b</sup>										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.807 <sup>a</sup>	.652	.647	.385	.652	127.684	4	273	.000	1.928
a. Predictors: (Constant), Democratic, Autocratic, Transformational, Transactional										
b. Dependent Variable: Organizational Performance										

Source: Survey Result, 2021

The above regression model presents how much of the variance in the measure of Organizational/bank's Performance is explained by the underlying leadership styles variables. The detailed clarification of R, R<sup>2</sup>, adjusted R<sup>2</sup> and Durbin–Watson is discussed here below:

**R:** Indicates the value of the multiple correlation coefficients between the predictors and the outcome, with a range from 0 to 1, a larger value indicating a larger correlation and 1 representing an equation that perfectly predicts the observed value (Pedhazur, 1982). From the model summary (R=.807<sup>a</sup>) indicated that, the linear combination of the four independent variables (leadership styles variable) strongly predicted the organizational performance.

**R Square (R<sup>2</sup>):** Indicates the proportion of variance that can be explained in the dependent variable by the linear combination of the independent variables. In another word, R<sup>2</sup> is a measure of how much of the variability in the outcome is accounted for by the predictors. The values of R<sup>2</sup> also range from 0 to 1 (Pedhazur, 1982). The linear combination of leadership style predictors explain 65.2% of the variance in Bank's Performance and the remaining 34.8% are explained by other variables, which were not included in this regression model. On another word, 65.2% of the variation in the bank's performance is explained by the changes in the aforementioned independent variables while the rest 34.8% is explained by other aspects.

**Adjusted R Square (R<sup>2</sup>):** The adjusted R<sup>2</sup> gives some thought of how well the model generalizes and its value to be the same, or very close to the value of R<sup>2</sup>. That means it adjusts the value of R<sup>2</sup> to more accurately represent the population under study (Pedhazur, 1982). The difference for the final model is small (in fact the difference between R<sup>2</sup> and Adjusted R<sup>2</sup> is (0.652–0.647 = 0.005) which is about 0.8%. This reduction shows that if the model were derived from the population rather than a sample it would account for approximately 0.8% less variance in the outcome.

**Durbin-Watson:** The Durbin–Watson statistic expresses that whether the assumption of independent errors is acceptable or not. As the conservative rule suggested that, values less than 1 or greater than 3 should definitely raise alarm bells (Field, 2005). Hence, the desired result is the value is closer to 2. For this study, the value of Durbin Watson is 1.928 which is closer to 2 that indicate the assumption has met.

**Table 10: ANOVA of Organizational Performance**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	75.830	4	18.958	127.684	.000 <sup>b</sup>
	Residual	40.533	273	.148		
	Total	116.363	277			
a. Dependent Variable: Organizational Performance						
b. Predictors: (Constant), Democratic, Autocratic, Transformational, Transactional						

*Source: Survey Result, 2021*

The Analysis of Variance (ANOVA) assesses the overall significance of the model (Anna Ganchingiri, 2015). Accordingly, ANOVA of this study indicates p-value less than 0.05 i.e. 0.00 which confirmed that there was sufficient evidence that the model is useful in explaining the extent to which leadership style(s) affects organizational performance at OIB. So, the above ANOVA table shows the acceptability of the model that the researcher can suggest R, R<sup>2</sup>, and Adjusted R<sup>2</sup> conducted for the multiple regressions predict the bank’s performance based on the linear combination of leadership styles variables is statistically significant.

**F–Ratio:** Pedhazur (1982) stated that F-ratio determines whether the model is a good fit for the data. If the advancement up on fitting the regression model is much greater than the inaccuracy within the model then the value of F will be greater than 1 and SPSS calculates the exact probability of obtaining the value of F by chance. The F-ratio for the above model is 127.684, which indicate that the fitting of regression model is likely not happened by chance.

## The Regression Coefficient

This study intends to identify the most contributing independent variable in the prediction of the dependent variable. Thus, the strength of each predictor (independent variable) influencing the criterion (dependent variable) can be investigated via standardized Beta coefficient.

The regression coefficient explains the average amount of change in the dependent variable that is caused by a unit change in the independent variable. The larger value of Beta coefficient an independent variable has, brings the more support to the independent variable as the more important determinant in predicting the dependent variable.

**Table 11: Summary of Coefficient on Organizational Performance**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	<b>.375</b>	.162		2.316	.021
	Transformational	.558	.060	.555	9.283	.000
	Transactional	.144	.058	.154	2.473	.014
	Autocratic	.051	.043	.061	1.179	.240
	Democratic	.111	.052	.113	2.129	.034

*Source: Survey Result, 2021*

The marked column B is the value for the intercept (a) in the regression equation on the first row, labeled (constant). The numbers below the column “beta” are the values for the regression coefficients for transformational, transactional, autocratic and democratic leadership styles. In the multiple regressions, the standardized regression coefficient ( $\beta$ ) is useful as it allows us to compare the relative strength of each independent variable's effect on the dependent variable (Pedhazur, 1982).

The above table shows the constant beta value ( $\beta$ ) and the p-value of the variables to examine the significance of the hypothesis. The significance level of each variable (P-value) is: 0.000, 0.014, 0.240 and 0.034 and their standardized coefficients are 0.555, 0.154, 0.061 and 0.113 respectively. The p-value of all the independent variables except for autocratic leadership style is below 0.05. That implies independent variables have significant relationship with dependent variable but autocratic leadership style is not. Based on these results, the regression



equation that predicts organizational performance based on the linear combination of independent variable is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

$$Y = 0.375 + 0.555X_1 + 0.154X_2 + 0.061X_3 + 0.113X_4 + e$$

**Where:** Y= Organizational Performance (Dependent Variable) and  $\beta_0$ = Intercept

$\beta_1, \beta_2, \beta_3$  and  $\beta_4$  = Coefficients of the line

$X_1$ = Transformational

$X_2$ = Transactional

$X_3$ = Autocratic

$X_4$ = Democratic

e= Sampling error

This result indicates, first, the intercept is 0.375 when all independent variables have a value of zero. Then, moving through the equation, with transformational, transactional, autocratic and democratic leadership constant, and the transformational leadership increases the performance of the Bank by 0.555. The p-value for this coefficient is statistically significant ( $p < 0.05$ ) i.e. transformational leadership is significant predictor of organizational performance. So, the finding shows that the first hypothesis “Transformational leadership style has the positive significant effect on the bank performance” is supported by result ( $p < 0.05$ ;  $\beta = 0.555$ ) and hypothesis is fully confirmed.

The second hypothesis which states “Transactional leadership style has positive significant effect on the bank performance” is also supported since the Beta coefficient result ( $\beta = 0.154$ ;  $P < 0.05$ ). Thus, the transactional leadership style has positive significant effect on the bank performances; and the alternative hypothesis is confirmed.

The third hypothesis which states, “Autocratic leadership style has the positive significant effect on the organizational/bank performance is not supported; because the P-value is 0.240 which is greater than 0.05. Thus, the autocratic leadership style has positive but, insignificant relationship with the organizational/bank performance. Besides, the regression analysis shows that the autocratic leadership style has weak and insignificant effect on the organizational performance ( $\beta = 0.061$ ;  $P > 0.05$ ). As a result, the alternative hypothesis is rejected.

The fourth hypothesis which states, “The democratic leadership style has the positive significant effect on the organizational performance” is also supported as the P-value is 0.000 which is less than 0.05. Thus, the democratic leadership style has a positive significant effect on the bank performance. Moreover, the regression analysis shows that, the democratic

leadership style has positive as well as the significant positive effect on the performance of the Bank ( $\beta=0.113$ ;  $P<0.05$ ).

**Table 12: Summary of Hypothesis Testing**

Hypothesis	Analysis Used	Findings		Result
H <sub>1</sub>	Multiple Regression	$\beta = 0.555$ ; $p<.05$	Positive Significant	<i>Supported</i>
H <sub>2</sub>	Multiple Regression	$\beta = 0.154$ ; $p<.05$	Positive Significant	<i>Supported</i>
H <sub>3</sub>	Multiple Regression	$\beta = 0.061$ ; $p>.05$	Positive but, insignificant	<i>Not supported</i>
H <sub>4</sub>	Multiple Regression	$\beta = 0.113$ ; $p<.05$	Positive Significant	<i>Supported</i>

*Source: Survey Result, 2021*

The summary of the above hypotheses indicate that transformational, transactional and democratic leadership styles have positive significant effect on the performance of Oromia International Bank respectively whereas, autocratic leadership style has immaterial effect on the bank performance.

#### **4.6. Discussion of the Result**

This study aimed to examine the effect of leadership style on the bank performance. Transformational, transactional, autocratic and democratic leadership styles were selected as a leadership style dimensions as discussed in literature review section. As indicate in the regression analysis, all of the Beta Coefficients between the leadership styles and organizational performance have positive values. Hence, it indicates that there is a direct relationship between the leadership styles variables and bank performance. The brief discussion and implication on each hypothesis is discussed hereunder.

Transformational leadership style is the strongest predictor of organizational performance having highest Beta Coefficient result of ( $\beta=0.555$ ;  $P<.05$ ). The value of Beta Coefficient 0.555 signifies that for a 1 unit change in the transformational leadership style, the performance will change by 0.555 units. Predictor variable that has highest  $\beta$  Coefficient has the most significant effect on organizational performance. This means that the tendency of exercising of transformational leadership style in Oromia International Bank can take its objective to successful level and ensure its performance as well.

This finding of this study is consistent with the study conducted by Koech & Namusonge (2012); Ojokuku et al. (2012); Ahmad Sofi & K. Devanadhen (2015); Ann Gachingiri (2015);

O. S, Abimbola et al. (2015); Mitra et al. (2016); Beakana (2017); Adisa et al. (2017); Kamau et al. (2017) and Tariku et al. (2020). Their study specified in common that transformational leadership style has significant positive effect on organizational performance. Therefore, the finding of study has also strong relationship with previously conducted study on similar areas which in turns enhance the acceptability of the finding.

However, the finding of this study is not parallel to Makambe, U & Moeng G. J.M. (2019) who found that transformational leadership style may not have any significant effect on performance at the bank. Therefore, the find of this study in addition to the result obtained from some empirical findings, reveals that transformational leadership style has positive significant effect on the performance of the bank.

The study findings showed that transactional leadership style has also positive significant effect on the performance Oromia International Bank with Beta Coefficient value of ( $\beta=0.154$ ;  $P<.05$ ). This result is found to be comparable with the finding of Obiwuru (2011); O. S, Abimbola et al. (2015), Nongo Saasongu (2015); Kamau et al. (2017; Mariwa Neema et al. (2019) and Tariku et al., 2020 that disclosed transactional leadership style has positive significant effect on business performance. But, this study contradicts with the study of Ojokuku et al. (2012) which indicates transactional leadership has negative significant effect on followers and performance.

With respect to autocratic leadership, the finding revealed that autocratic leadership style has positive effect on performance of the bank with regression coefficient of ( $\beta=0.061$ ;  $P>.05$ ). The finding indicates that autocratic leadership style has the weakest power to predict the performance and it has insignificant effect on the Bank's performance as well. The result of the study is steady with the finding of Ojokuku et al. (2012).

But, it still inverses to the finding of Al Khajeh (2018) that confirmed autocratic leadership style has negative effect on banks' performance. Longe and Olukayode J. (2014) and Mesfin and Deres (2018) stated that preventive leadership style like autocratic is not conducive to craft high performance in the organization. This shows that the application of autocratic leadership style in the bank may not have any significant effect on performance of the bank.

Democratic Leadership style is the third strongest predictor of the bank performance because it has the highest Beta coefficient result ( $\beta = 0.113$ ;  $p<.05$ ). The Beta Coefficient result of 0.113 reveals that for a 1 unit change in the democratic leadership style, the bank performance

will change by 0.113 units. It is an evident from this result that, democratic leadership is a decisive factor that affects the performance in the Oromia International Bank.

The result of this study is, therefore, steady with the study conducted by Nwachukwu (1988); Ali, Mohamed & Davoud (2011); Ojokuku (2012); Ann Gachingiri (2015); Chris U. Abeh Ukaidi (2016); Mesfin et.al, (2018); Akparep et.al, (2019); A. A. S Al-Khaled & Chung J Fenn (2020) that recognized democratic leadership style donated significantly to organizational performance.

The study found that democratic leadership style, in which employees are allowed to have sense of belonging, carry out higher responsibility with little supervision, and followers are helped to achieve their visions and needs enhance organizational efficiency. Therefore, up on the result, it can be said that adopting democratic leadership style helps the bank to ensure long-lasting employee satisfaction, reducing employee turnover, encourage innovation and technology, and boost learning and development which in turns helps the bank to enhance overall performance.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1. Summary of Major Findings

- Regarding the demographic characteristics of the respondents and general information the following major findings were obtained.
  - ☞ The majority 61.2% of the respondents were male and the rest 39.8% were female. This reveals that the composition of female employee in the bank is not sufficient and required improvement.
  - ☞ Out of the total respondents, majority (42.4%) of them were aged in the range of 21-30 followed by the age bracket of 31-40 which accounted for 36.7%. This entails that most of the respondents were young employees which in turns helps to boost performance through time.
  - ☞ The majorities (55%) of respondents were first degree holders, 41.4% were second degree while the rest were diploma and PhD respectively. The result entails that abundant numbers of the respondents were acquired a high level of education and believed to have better understanding in evaluating the leadership style in the bank.
  - ☞ More than half (59%) of the respondents were found serving the bank from 4-9 years. The remaining 26.7% and 9.3% of the respondents were served for less than four and above nine years one after another. Hence, most of the respondents were familiar with the management and leadership practice in the Bank that enables them to evaluate the leadership style and performance relationships.
  - ☞ The majority (43.9%) of respondents monthly salary was found between the money ranges of 10,000 to 20,000 Ethiopian birr.
  - ☞ The highest number of respondents 88.2% was clerical employees who are responsibly working on specialized banking operation/tasks at individual level without having managerial and overall responsibilities.
  - ☞ With regards to the respondents' service year in their current job position, 47.8% of them were stayed on their current position for the time range from 1 to 3 years. This shows that most of the staff in the bank has a frequent access to promotion and the

Bank has a timely promotion packages for its employees before they hesitate on their first position.

- The result of descriptive statistics of independent variables of has shown that the mean score of leadership style variables i.e. transformational, transactional, autocratic and democratic has been 3.94, 4.03, 3.90 and 4.26 respectively. This result indicated that the highest mean score from the independent variable is 4.26 for transformational leadership style and the lowest mean score is 3.90 for autocratic leadership style. Therefore, the bank had better to focus on exercising transformational leadership style to improve its performance when compared to the rest independent variables.
- The average descriptive statistics for dependent variable, performance shown that the mean score was 3.82 which inclined to neutral response. This reveals that, respondents have similar tendency that the bank performance is effected by leadership styles their opinion also looks closed to each other. Similarly, all variables scored relatively low scales of standard deviation, below 1 which indicates that data are narrowly spread i.e. respondents have a close opinion regarding variables.
- The result of the correlation analysis has shown that, the four independent variables: transformational, transactional, autocratic and democratic leadership styles have the strong correlation with dependent variable performance with 95% confidence interval and at 0.01 p-values 2-tailed, by scoring a Pearson Correlation Coefficient R-value of 0.788, 0.694, 0.602 and 0.628. Though all variables were highly correlated with dependent variable, there was the distinction in their strength of the relationship. Accordingly, transformational leadership had the highest strong relationship with performance than other variables with  $r=0.788^{**}$  at the  $p \leq 0.01$ .
- Finally, the regression analysis of this study result shows all independent variables have positive effect on the bank's performance at the beta coefficient of ( $\beta=0.555$ ) for transformational leadership style, transactional leadership style ( $\beta=0.154$ ), democratic leadership style ( $\beta=0.113$ ) and autocratic leadership style ( $\beta=0.061$ ). Accordingly, all predictors with the exception of autocratic leadership style were statistically significant at  $p<0.05$  to determine performance of the bank. The result of coefficient correlation determination ( $R^2$ ) is 0.652 which indicate 65.2% of the variability of performance was explained by the four independent variables. The other variables that were not considered

in this study contribute about 34.8% of the variability of bank's performance. Accordingly, the study model fits regression equation become:

$$Y=0.375+0.555X_1+0.154X_2+0.061X_3+0.113X_4+e.$$

## **5.2. Conclusions**

According to Fiedler (1969) leadership style is a link whereby someone uses his/her ways to make people work together for a common mission and it is a key determinant of the success or failure of any organization. Thus, to examine the effect of leadership style on bank performance, the researcher undertook this study and drawn the under mentioned conclusions:

The study found that transformational, transactional and democratic leadership styles have positive significant effect on the bank performance having their own unique contribution. This shows the importance of leadership factors to the business. Therefore, from this result, one can conclude that when the bank's leaders adopt and exercised democratic, transactional and transformational leadership styles, it will lead to higher business performance; in term of employee satisfaction, innovation and technology, employee turnover, and learning and development. On the other hand, the study reveals that implementing autocratic leadership style has nothing with performance of the bank as its P-value is  $>0.05$  is not significant.

To validate the most predictor of bank performance along with their level of significance, multiple regression analysis was also done. Consequently, the finding revealed that the first hypothesis which states "transformational leadership style has the positive significant effect on the organizational/bank performance" is supported by the data collected on this survey is ( $\beta=0.555$ ;  $p<0.05$ ). This means, when leader is in a position to explicitly lead the change, especially in the behavior of individual subjects to increase team motivation by empowering numerous motivational messages to the subordinates, and increasing the percentage of trust among team members, organizational performance certainly increased. Thus, it is possible to conclude that transformational leadership style has significant positive effect on the organizational/bank performance.

The second hypothesis which states "Transactional leadership style has positive significant effect on the organizational/bank performance" is also supported since the Beta coefficient result ( $\beta=154$ ;  $P<0.05$ ). This shows that, transactional leadership where a reward/discipline is usually tied to employee's performance and leaders attempt to meet the needs of subordinates via dealing and exchanging is found to have positive effect on performance. Hence, it can be

concluded that transactional leadership style has positive significant effect on the bank performance.

The third hypothesis which states, “Autocratic leadership style has the positive significant effect on the organizational performance” is rejected because the Beta coefficient result ( $\beta=0.061$ ;  $P>0.05$ ). This means that even though the autocratic leadership style has positive relationship with the bank’s performance, its effect is found to be not significant. This shows that the application of autocratic leadership style in the bank do not have any influence on the performance of the bank. Thus, if the bank’s leaders retain most of their authority on themselves, doesn’t care the feedback of subordinates on particular decision and control each activity of the staffs, the bank’s performance will be insignificantly affected. Therefore, it is concluded that autocratic leadership style has insignificant positive effect on the bank performance in this regard.

The fourth hypothesis which states, “The democratic leadership style has the positive significant effect on the bank performance” is supported as the P-value is 0.000 which is less than 0.05. Moreover, the regression analysis shows that, the democratic leadership style has positive as well as significant effect on the performance of the bank ( $\beta=0.113$ ;  $P<0.05$ ). This reveals that, when employees get frequent and supportive communication from their leaders, when they are a part of the decision-making process and get guidance without pressure, the bank’s performance will increased and vice versa. Thus, it can be concluded that the democratic leadership style has a positive significant effect on the bank performance.

### **5.3. Recommendations**

The study reveals that there is a positive relationship between leadership styles and organizational performance in OIB though the magnitude varies from one another. It was exposed in the study that transformational, transactional and democratic leadership styles have positive significant effect on the performance of the bank while autocratic leadership has positive but, insignificant effect. Thus, leadership style behaviors that have a strong positive relationship with bank performance ought to be implemented by the bank to achieve the desired performance. Accordingly, the researcher forwards the following recommendations based on the findings:



- ❖ The result of descriptive statistics of independent variables has shown that the mean score of leadership style variables i.e. democratic, transactional, transformational and autocratic has been 4.26, 4.03, 3.94 and 3.90 respectively.  
Thus, the leaders of the bank are recommended to exercise transformational, transactional and democratic leadership styles in combination taking in to account the ongoing work environment conditions. In contrast, the study findings prove that authoritarian style of leadership has insignificant effect on the bank performance, hence, the bank's management members are recommended not to exercise autocratic style as it neither enhances nor diminishes the bank's performance whilst better performance is required.
- ❖ The finding of the study indicates that transactional leadership style has positive significant effect on the bank performance with Beta coefficient result ( $\beta=154$ ;  $P<0.05$ ). hence, to improve the bank performance, the management of OIB is recommended to strive to become role models to their subordinates, inspire them by providing meaning to work, stimulate their efforts to become innovative and creative, and pay attention to their individual need for achievement and growth. This to be in effect, the flow of information within the hierarchy shall be permitted and ideas are need be liberally shared.
- ❖ In addition to the above, the bank also needs to formulate and implement effective reward and recognition systems where employees are clearly informed what is expected from them, staffs are assisted to develop themselves and recognized for achievement to encourage the performance improvement for employee and bank as well.
- ❖ The result of descriptive statistics indicates that the mean score of democratic leadership style among other variables was found high. Hence, the leaders of OIB are need to extend staff involvement in decision making process, consider the employees' views for the purpose of goal setting, encourage them to bring their talent to the group to expand their skills for innovation and creativity which in turns will help them to accept the change and strive to implement accordingly for performance improvement through democratic leadership style. This can lead the employees to a sense of belongingness, satisfaction and secured where the overall bank performance is driven from.
- ❖ Now a day, the banking industry is highly growing. Some of them are strongly penetrated in to the market gaining high market share and some others are on the magnitude to entering the business. Hence, there is stiff competition among them over attracting qualified man power, recruiting potential customers and adoption of new working approaches with technology to owned competitive advantage. Besides, the finding of this

study reveals that the inclination of staff is high towards participatory and supportive leadership styles like transformational and democratic leadership styles.

To do so, the bank should create conducive working environment, to retain its employees and attract new one, to ensure employees participation on the bank issue, to value their idea and talent for innovative schemes since back bone of the company is employee themselves.

- ❖ The result of this study indicates that 34.8% of factors affecting the bank performance were not incorporated in this study since the value of  $R^2$  is found to be 0.652. Thus, in order to discover the other residual factors that are not integrated in this study, the bank is required to conduct further research to explore the dependable factors predict the bank's performance.

#### **5.4. Limitations and Suggestions for Future Research**

The findings of this study will provide a stage for future researchers. The main drawback of the study is that banking industry, specifically only Oromia International Bank S.C. was taken into consideration. Besides, inability to reach the outlying branches of the bank that located outside of Addis Ababa due to supply constraint is another limitation that leads to partial conclusion. This study was also limited to measure the bank performance in terms of employee satisfaction, innovation and technology, learning and development, and employee turnover without taking in to account financial aspects. Therefore, future researchers shall take in to account these limitations to come up with more dependable findings.

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## APPENDICIES

### APPENDIX I: QUESTIONNAIRE

#### ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES

Dear Respondent,

My name is Bogale Feye. I am a graduate student in the field of MBA (General) at St. Mary's University. I would like to seek your assistance in completing the attached questionnaire which forms a basic part of my MA thesis. The purpose of this research is to study "**The Effect of Leadership Style on the Organizational Performance in the Case of Oromia International Bank S.C**". Therefore, your genuine and honest response is very important for the success of the research and the researcher would like to thank you for your cooperation in advance.

Kindly be assured that all information that you provide will be kept strictly confidential and used for academic purpose only. If you require any further information, want feedback on the study or unclear situation please contact me by the following address;

- ❖ Email: [bogalefeye@gmail.com](mailto:bogalefeye@gmail.com)
- ❖ Cell phone: +251 938 06 21 38

Thank you in advance for your Space Time and Cooperation!

#### General Instruction:

- ☞ Please, do not write your name.
- ☞ Instruction is given at the beginning of each part of the questionnaire.

#### Part I: Demographic and General Information Question

Please put the tick "√" mark under the choice, write your opinion on the blank space

1. Gender: a) Male  b) Female
2. Age: a)  $\leq 20$  years  b) 21-30 years  c) 31-40 years  d) 41-50 years  e)  $> 50$  years
3. Educational status: a) Diploma  b) 1<sup>st</sup> Degree  c) 2<sup>nd</sup> Degree  d) PhD & above
4. Your work experience in the Bank: a)  $\leq 4$  years  b) 5-9 years  c) 10 years & above
5. Your monthly basic salary: a)  $\geq 10,000$   b) 11,000-20,000  c) 21,000-30,000  d) 31,000-40,000  e) 41,000 and above
6. What is the level of your current position? a) Managerial  b) Clerical
7. For how long have you been in your current position?  
a) Less than 1 year  b) 1- 3 years  c) 4-6 years  d) 7 years and above



## Part II: Leadership Styles Related Questions

Dear respondents, please, judge how frequently each statement fits the person you are describing. 1 indicates not at all (NAA), 2 indicates once in a while (OIW), 3 indicates Sometimes (ST), 4 indicates fairly often (FO) and 5 indicates frequently if not always (FNA).

S/N	Statement	NA	OI	S	FO	FN
		A	W	T		A
		1	2	3	4	5
<b>I Transformational Leadership</b>						
1	Specifies the importance of having a strong sense of purpose					
2	Consider the moral and ethical consequences of decision					
3	Emphasizes the importance of having a collective sense of mission					
4	Talks optimistically about the future and articulates the vision					
5	Expresses confidence that goals will be achieved					
6	Re-examines critical assumption to question whether they are appropriate					
7	Seeks differing perspectives when solving problems					
8	Spends time teaching and coaching me to develop my strengths					
9	Treats me as an individual rather than just as a member of group					
10	Considers me as having different needs, abilities and aspirations from others					
<b>II Transactional Leadership</b>						
1	Provide me with assistance in exchange for my effort					
2	Makes clear what one can expect to receive when performance goals are achieved					
3	Expresses satisfaction when i meet expectation					
4	Focuses attention in irregularities, mistakes, exceptions and deviations from standard					
5	Concentrates his/her attention on dealing with mistakes, complaints and failure					
6	Keep track of all mistakes					
7	Directs my attention toward failures to meet standards					
8	Fails to interfere until problems become serious					
9	Shows that he/she is a firm believer in ' if it isn't broke, don't fix it'					
10	Demonstrates that problems must become chronic before taking action					
<b>III Autocratic Leadership</b>						
1	Employees need to be supervised closely or they are not likely to do their work.					
2	It is fair to say that most employees in the general population are lazy.					
3	As a rule, employees must be given rewards or punishments in order to motivate them to achieve organizational objectives.					
4	Most employees feel insecure about their work and need direction.					
5	The leader is the chief of the achievements of the members of the group.					
6	Effective leaders give orders and clarify procedures.					
<b>IV Democratic Leadership</b>						
1	Employees want to be a part of the decision-making process.					
2	Providing guidance without pressure is the key to being a good leader.					
3	Most workers want frequent and supportive communication from leaders.					
4	Leaders need to help subordinates accept responsibility for completing work.					
5	It is the leader's job to help subordinates find their "passion".					
6	People are basically competent and if given a task will do a good job.					

### Part III: Bank Performance

Dear respondents, please react your level of agreements to each statement regarding the bank's performance where 1 indicates strongly disagree (SDA), 2 indicates disagree (DA), 3 indicates neutral (N), 4 indicates agree (A) and 5 indicates strongly agree (SA).

S/N	The Bank's(OIB) Performance	SDA	DA	N	A	SA
		1	2	3	4	5
1	Better relationship among all level of staffs, attractive working environment and competitive benefit packages offered by the bank makes me satisfied.					
2	The bank's management actively seeks innovative ideas and as a result our bank is leading by introducing new product and service in to the market.					
3	The leaders of the bank frequently develop, adopt and apply new technologies, approaches and structures.					
4	In our bank appropriate and enough job-related training is periodically given to employees					
5	The bank's management perceives new knowledge and skills are highly important to employees to improve organizational performance.					
6	There is high employees turn over within our bank due to internal reasons					

## APPENDIX II: OUTPUT OF SPSS

### a) Mean and Standard Deviation of the Variables

Descriptive Statistics			
	N	Mean	Std. Deviation
Specifies the importance of having a strong sense of purpose	278	4.05	.880
Consider the moral and ethical consequences of decision	278	4.31	.768
Emphasizes the importance of having a collective sense of mission	278	4.14	.969
Talks optimistically about the future	278	3.579	1.0472
Expresses confidence that goals will be achieved	278	3.82	1.073
Re-examines critical assumption to question whether they are appropriate	278	2.46	1.236
Seeks differing perspectives when solving problems	278	4.04	.985
Spends time teaching and coaching	278	4.11	.948
Treats me as an individual rather than just as a member of group	278	4.23	.887
Considers me as having different needs, abilities, and aspirations from others	278	3.91	.976
Provide me with assistance in exchange for my effort	278	4.02	1.080
Makes clear what one can expect to receive when performance goals are achieved	278	3.82	1.061
Expresses satisfaction when i meet expectation	278	3.58	1.047
Focuses attention in irregularities, mistakes, exceptions, and deviations from standards	278	3.50	1.189
Concentrates his/her attention on dealing with mistakes, complaints, and failure	278	4.24	.881
Keep track of all mistakes	278	4.05	.880
Directs my attention toward failures to meet standards	278	4.31	.768
Fails to interfere until problems become serious	278	4.01	1.041
Shows that he/she is a firm believer in ' if it isn't broke, don't fix it'	278	4.13	.993
Demonstrates that problems must become chronic before taking action	278	4.24	.881
Employees need to be supervised closely or they are not likely to do their work.	278	3.59	1.198
It is fair to say that most employees in the general population are lazy.	278	4.13	.912
As a rule, employees must be given rewards or punishments in order to motivate them to achieve organizational objectives.	278	3.86	.921
Most employees feel insecure about their work and need direction.	278	4.13	.936
The leader is the chief of the achievements of the members of the group.	278	3.56	1.038
Effective leaders give orders and clarify procedures.	278	3.82	1.050
Employees want to be a part of the decision-making process.	278	4.05	.880
Providing guidance without pressure is the key to being a good leader.	278	4.31	.768
Most workers want frequent and supportive communication from their leaders.	278	4.05	.880
Leaders need to help subordinates accept responsibility for completing their work.	278	4.31	.768
It is the leader's job to help subordinates find their "passion".	278	4.43	.807

People are basically competent and if given a task will do a good job.	278	4.05	1.090
Better relationship among all level of staffs, attractive working environment and competitive benefit packages offered by the bank makes me satisfied.	278	4.24	.881
The bank's management actively seeks innovative ideas and as a result our bank is leading by introducing new product and service in to the market.	278	4.05	.880
The leaders of the bank frequently develop, adopt and apply new technologies, approaches and structures.	278	4.31	.768
In our bank appropriate and enough job-related training is periodically given to employees	278	3.58	1.047
The bank's management perceives new knowledge and skills are highly important to employees to improve organizational performance.	278	3.82	1.073
There is high employees turn over within our bank due to internal reasons	278	2.46	1.236
Valid N (listwise)	278		

### b) Correlation

Correlations						
		Transfor mational	Transac tional	Autocr atic	Democr atic	Organization al Performance
Transformational	Pearson Correlation	1	.755**	.671**	.671**	.788**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	278	278	278	278	278
Transactional	Pearson Correlation	.755**	1	.673**	.704**	.694**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	278	278	278	278	278
Autocratic	Pearson Correlation	.671**	.673**	1	.574**	.602**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	278	278	278	278	278
Democratic	Pearson Correlation	.671**	.704**	.574**	1	.628**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	278	278	278	278	278
Organizational Performance	Pearson Correlation	.788**	.694**	.602**	.628**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	278	278	278	278	278

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

## DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Aderaw Gashayie (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Bogale Feye Adugna

Name

St. Mary's University, Addis Ababa

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Signature

June, 2021