



**ST-MARRY UNIVERSITY SHOOOL  
OF GRADUATE**

**THE EFFECTS OF LEADERSHIP STYLE ON EMPLOYEES'  
PERFORMANCE: IN THE CASE OF BAHIR DAR TEXTILE**

**St Mary's University**  
**SCHOOL OF GRADUATE STUDIES**

**THE EFFECTS OF LEADERSHIP STYLE ON EMPLOYEE PERFORMANCE: IN THE  
CASE OF BAHIR DAR TEXTILE**

**BY:**  
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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY COLLEGE, SCHOOL OF  
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THE DEGREE OF MASTRE OF BUSINESS ADMINISTRATION (GMBA).**

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## Statement of Declaration

I, Tenayenesh Ayele, hereby declare that this research titled “Examining the Effects of leadership style on employee performance in the case of Bahir Dar Textile Share Company is my original work. I have carried out the present study independently with the guidance and support of the research advisor, Dr. Mesfin Tesfaye. Any other research or academic sources used here in this study have been duly acknowledged. Moreover, this study has not been submitted for the award of any diploma, degree or any other higher education Program in this or any other institution.

**Tenayenesh Ayele**

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**Declared BY**

**Date**

**signature**

## STATEMENT OF CERTIFICATION

This is to certify that Tenayenesh Ayele has carried out this research on the topic on examining the Effects of leadership style on Employee performance, in the case of Bahir Dar textile Share Company for the partial Fulfillment of the requirement for the award of Master's degree in business administration. The work is original in nature.

Advisor Name

Mesfin Tesfaye (PHD)

signature -----

Date .....

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## LIST OF ACRONYMS

MLQ	Multi-factor leadership questionnaire
SPSS	Statistical package for social science
SD	Standard deviation
ANOVA	Analysis of variance
VIF	Variance inflation factor
DLS	Democratic Leadership style
ALS	Autocratic Leadership style
LFLS	Laissez Fair Leadership style
EP	Employee Performance
UNIDO	United Nation Industry Development Organization

## **ABSTRACT**

*Leadership style pursued by managers/supervisors is among underlying factor determining the productivity of employee in public and private manufacturing organizations in Ethiopia. The target population of this study was those who are permanent full time employees of Bahir Dar textile Share Company. The researcher used Survey instrument type of design. Data was generated using standard Multifactor Leadership Questionnaire (MLQ) and the performance of employee measured based on self-rating questionnaire. Probable (simple random sampling) and non-probability sampling technique was used based on the population size  $N=1290$ , the final required sample size obtained was 305 and the returned questionnaire is 268, which is more than 10% of the total population. Descriptive analysis shows democratic style as the most frequently exhibited leadership style (Mean=3.62; SD=1.280) followed by autocratic style (Mean=3.408,SD=0.830 and laissez-faire(Mean=3.37; SD=1.202)and employee performance (mean=3.40;SD1.102) from the descriptive analysis democratic and autocratic leadership style has moderate mean score whereas laissez fair leadership style low mean score and the employee performance is moderate mean score ,The result from multiple linear regressions showed democratic have positive significant effect while autocratic leadership style have negatives significant effect and laissez fair leadership style has positive insignificant effect in Bahir Dar textile share company employee performance. In order to enhance the productivity of their employees more significantly, the study finally recommend the company to execute democratic leadership style and others as per the situation.*

*Key words; Autocratic leadership style, Democratic leadership style, laissez-fair leadership style and employee performance*

# CHAPTER ONE

## INTRODUCTION

In this chapter the general background of the research was presented. It includes the background of the study, statement of the research problems, the research questions, and research objectives, scope of the study, significance of the study, limitation of the study and organization of the study.

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

According to Hersey & Blanchard (1984), leadership is the process of influencing the activities of an individual or a group in efforts toward a goal achievement in a given situation. Leadership is a process of interaction between leaders and followers where the leader attempts to influence followers to achieve a common goal. Performance is the main aim of each and every organization. Leadership represents the most dynamic effects which by enhancing the knowledge, skill and attitude of employees for the attainment some predetermined goal (Behn, 1995). Effective leader not only inspires subordinates' potential to enhance efficiency but also meets their requirements in the process of achieving a certain predefined objectives (Lee and Chuang, 2009).

To achieve goals Leadership is important for all organizations, since for improving performance of the organization, the success or failure of an organization depends on the effectiveness of leadership at all levels. Effectively manage the relationship with employees, motivation and Job satisfaction levels of the employees the manager has the skills and techniques and are also higher and given that the engine of an organization is its employees, this can effective help to improve the performance of total organization (Yukl, 2001).

It can be valuable for leaders to understand which types of leadership influences on employee performance and in what way employees can also be inspired through suitable leadership. Therefore, this research looked for to investigate the effect of leadership styles on (Autocratic, Democratic and Laissez-faire) on employee performance in Bahir Dar Textile Share Company.

Ethiopia's long history in textiles began in 1939 when the first garment factory was established. Based on Ethiopian country data, in the last 5 to 6 years, the textile, and apparel industry have grown at an average of 51% and more than 65 international textile investment projects have been

licensed for foreign investors, during this period. Ethiopian textile industry aided by the availability of a skilled and highly motivated workforce is undergoing major development.

Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams (Armstrong, 2009). It is a continuous process of identifying, measuring, and developing performance in organization by linking individuals performance and objectives of the organization to the overall organizations missions and goals (Aguinis , 2009). The higher the performance of the employees in the organizations, the productivity and achievements of mission and goals will be realized. In considering the enhancement of employee performance, there are some managerial decisions that can determine the performance of employees. Among such determinants the leadership style is one of the elements that play a significant role.

The concept of leadership style defined from different perspective some writes based on the task oriented and relation oriented behaviors of a leader (Molero,2007) others described as the combination of style characteristics, implicit of leadership philosophy and set of management skills for each style (Oldham and Cummings ,1996).

The Bahir Dar textile Share Company established in 1961 by the Italian government as war of compensation. Its head quarter is found in Bahir Dar city, Amhara region in Ethiopia. The company owned by Tired corporate, The Company has branch office in Addis Ababa. The factory is vertically integrated processing units consisting of spinning, weaving, processing (dyeing/finishing) and garment sections. The factory has technologically advanced machines. The Spinning process (an open end and Ring frame lines), Weaving (Air Jet Looms) and different modern processing (dyeing and printing) machineries. The Spinning section has spinning capacity of 15,000 kg of yarn and the weaving section has the waving capacity of 50,836.00 meters of fabric/day. In addition, the processing section has the processing capacity of 82,964 square meters of fabric and the Garment section the capacity to make 10,000 sets of bed set per day.

The company produces 100% Cotton Yarn (both Ring and open end), Quilt cover, pillow case, flat sheet, Gray fabric, died/printed bed sheets and other home textile products for locally and export sales. It has competent experiences in maintaining social and environmental compliance. It has got

recognition from international standard organization and certified with OEKO TEX STANDARD 100, Quality Management System and Environmental Management System. Currently, the Company has 1290 employees with less than 2% turnover rate.

### **1.3 Statement of the problem**

In an organization leadership style is play significant role enhancing the interest and commitment of the individuals.(Obiruwu, 2011). In such organizations where the leadership perceives employees in simple hands to get the job done, employees would pretend to do well due to the standards and measure being assigned to them. In fact, it looks leaders are usually authoritarian in their leadership style (Liya, 2018). And important to motivate employees' commitment to fulfill organizational objectives and increase employee performance, (Chi, Lan, & Dorjgotov, 2012).

There is lack of clear leadership, no democratic relationships between leaders and subordinate. In most cases, their appointments lack merit and it is based on factors not related to competence (Liya, 2018).Therefore the organization ends up in having non competent leaders who lack the abilities or capacities to use the appropriate leadership style to lead the members to attain set goals or objectives. How employees can be motivated through proper leadership style and which types of leadership effects on employee performance and it can be beneficial for leaders to understand. Performance and leadership style should be used by managers in the attempt to cause efficiency which requires specific leadership approaches to unique performance in achieving departmental goals. Likewise, (Hueryren Yeh 2012) organizational commitment and job performance confidently related to Leadership style.

According to the UNIDO report most Ethiopian textile factory operates below their capacity(40-65%of their design capacity) and Bahir Dar textile share company is also one of the major integrated textile factory and based on the performance report ,the factory performing bellow their design capacity. Based on the reported 5 years data the factory operate bellow design capacity and after privatized the company has progress , it makes sense to assume as Bahir Dar Textile Share Company is performing below its capacity. This also indicates local manufacturers like Bahir Dar Textile Share Company are doing with low organizational performance, which could be due to wrong leadership style practiced in the premises. Textile industry face complex issues that grow more challenging by the day. Major revolution in the Healthcare system and innovation technology,

government strategy, and client demands are transforming relationships with stakeholders and influencing activities in unforeseen ways. One of the most crucial questions facing the industry, though, is what leadership style companies will need to navigate this complex and changing landscape and how current company's leaders can bring a positive impact on employee performance.

In a rapidly changing world of work, a notable leadership challenge is how leadership styles can be used to ensure enhanced employee performance (Schein, 2010). Leadership style in an organization is one of the factors that play significant role in enhancing or retarding the interest and commitment of the individuals in the organization, which has a direct impact on employee performance. Thus, Glantz (2002) emphasizes the need for a manager to find his leadership style. So to carry out this vision, responsibility and to use this huge market opportunity, Bahir Dar textile has to identify and implement effective leadership style which has a positive impact on employee performance is one of the primary requirement. If Bahir Dar textile Share Company needs to enhance the performance of an employee, employees will depend on a large event of leadership style which is operational within the company environment.

Generally, in order to enhance the overall performance of Bahir Dar textile Share Company, it would be critically essential to study the leadership style as a factor which has a positive impact on employee performance. In addition, there might be mismatching of the leadership style practiced by the supervisors on employee and this would result most of the time in retarding employee performance and resulted in low organizational performance. Accordingly, Bahir Dar Textile Share Company has to identify and practice the leadership style which fit to the strategy for enhancing employee performance. The source of the problem for this study was to identify the leadership style exhibited at Bahir Dar Textile Share Company employee performance and if practiced according to the recommendations, it would have a more positive impact on employee performance as a predictor of good organizational performance. The above reasons trigger for doing this project research.

## **1.4 Research Objectives**

### **1.4.1 General Objective**

The general objective of this study is to examine the effect of leadership style on employee's performance in the case of Bahir Dar textile Share Company.



### **1.4.2 Specific Objectives**

1. To determine the effects of autocratic leadership style on employee performance of Bahir Dar textile share company.
2. To determine the effects of democratic leadership style on employee performance of Bahir Dar textile share company.
3. To determine the effects of laissez-faire leadership style on employee performance of Bahir Dar textile share company.

### **1.5 Research Questions**

1. What is the effect of democratic leadership style on employee performance of Bahir Dar textile Share Company?
2. What is the effect of autocratic leadership style on employee performance of Bahir Dar textile Share Company?
3. What is the effect of laissez-faire leadership style on employee performance of Bahir Dar textile Share Company?

### **1.6 Significance of the Study**

This study will make a number of contributions to the organizations senior management, Tired textile and garment sectors, Human Resource Managers, present employees and the future ones. Furthermore, this study will help the managers/administrators to understand what type of leadership style is recommended for effectiveness and efficiency of the factory in order to gain a competitive advantage.

### **1.7 Scope of the study**

This research was delimited to the effect of leadership style on employee performance Bahir Dar textile Share Company. The study focus only on three types of leadership style (autocratic, democratic and laissez-faire) and its effect on employees' performance. Methodologically, the study also delimited to descriptive and explanatory design and quantitative approach. The study is on Bahir Dar textile which conducted the factory top managerial, middle level managerial, supervisor and operational employees.

### **1.8 limitation of the study**

Because of time and budget constraint the study does not include other leadership style and factors that have impact on employee performance and the organization performance. And also the researcher can't address all three shift permanent employees for the collection of data .The study

conduct to assess the effect of leadership style on employee performance in the case of Bahir Dar textile only with three independent variable of leadership style. (Democratic, Autocratic and laissez fair.

### **1.9 organization of the study**

The study was organized in five subsequent chapters. The first chapter contains introduction, statement of the problem, objectives of the study, significance of the study, and scope of the study. The second chapter describes the related literature's review (theoretical, empirical and conceptual ).the third chapter is design and methodology .the fourth chapter is the analysis, discussion and presentation part of the research findings and the last chapter is present the conclusions and recommendation based on the study results.

# CHAPTER TWO

## LITERATURE REVIEW

### 2.1 INTRODUCTION

The aim of this chapter to generalize concepts and theories of from previously research and publicly provided journal, books and articles. It reviews theories of leadership as well as empirical studies on effects of leadership style on employee performance to described and developed conceptual framework.

### 2.2 Theoretical Framework

#### 2.2.1 Definitions

##### 2.2.1.1 Leader

Many academician and scholars define leader. According to Jossey-Bass (1992, p18) Leaders are individuals who establish direction for a working group of individuals who gain commitment from these group of members to this direction and who then motivate these members to achieve the direction's outcomes, Yukl (2001) is explained Leader is a person who could influence and stay central in his companion in order to achieve organizational central goal in certain settings.

According to Yulk, the cliques could be the leader's close relative or his/her friends also subordinates of leaders. To become a leader there should be a willingness of followers that makes a leader. Because, people show readiness to follow anyone who can bring means of achieving their desire and aspiration. The other scholar explanations showed that leader has a power on his/her cliques or followers to achieve influencing his group members and behavior. Therefore, it be can conclude that leaders have power or influences over others follower, leaders show way to their followers and aid to the goals of the organization. There are two types of leader. Which are formal and informal leaders.

##### **Formal leader: -**

Formal leader is leader her/his power and influence originated from his assignment of organizational position. Formal leadership is a person exercising authority conferred upon him by the organization pursuant to the individual's position in the organization.

##### **Informal Leader: -**

Informal leader is the ability of a person to influence the behavior of others by means other than formal authority conferred by the organization through its rules and procedures. Informal leadership is basically any type of leadership that is not based upon formal authority.

### **2.2.1.2 Leadership**

According to Rauch & Behling (1984, p.46) Leadership is a process of influence between a leader and those who have followers. Leadership is defined as the process of influencing the activities of an organized group toward goal achievement. Leadership is discovering the company's destiny and having the courage to follow it. Prentice (2004) associate the definition of leadership with the success of accomplishment of organizational aim in directing and organizing his/her employees and associates resource to achieve certain predetermined collective goal. Other expert further defined the concept in different way but in the same fashion i.e. leadership is an attempt to lead or direct in organization of cliques and/or to the achievement of particular project for the common good (Fiedler, 1967).

Many scholars stated that leadership is one of the most studied, examined and observed and well know phenomena in the scholarly of the subject (Zenger and Folk man, 2002). Smylie et al. (2005) mentioned that leadership is performed by an individual who has unique roles and task oriented perspectives and also serves as a key “function” in the interactions with other leaders, followers, and situations. According to Katz & Kahn (1978, p. 528 Leadership is the influential increment over and above mechanical compliance with the routine directives of the organization.

## **2.2.2 Theory of leadership**

### **2.2.2.1. Great-man Theory**

The explorations toward set a standard of traits that describe leadership was extended over many years and cultures in identifying heroes to set a standard of achievement or failure. The advocator and pioneer of the Great man theory Thomas Carlyle (1847) argued in the favor of the heroes and said i.e. the history of what man has accomplished in this world, is at the bottom of the history of the great men who have worked here.

He claimed that being a leader is natural selection or innate and that those men who became a leader in there innate have heroic potential to being a leader. He preached that the great men were only nurtured not learnt. Sidney Hook, further expanded Carlyle perspective highlighting the impact which could be made by the eventful man vs. the event-making man Dobbins and Platz, (1986). As

Sidney attempt to explain his propositions that the event-full man engage in complex in historic situation, however he could no really set the course of historic events.

On the other side, the decision making or action of the event-making influenced the course of events, the event making man could not been involved in the process but can make a great deal in his course of action. The event-making man course of action is not grounded on the result of extreme capacities of intelligence, will and character rather than the actions or decisions of their distinct action.

As one can notice from the history such concepts leadership was not ethically accepted as was the with many dictators ( Hitler, Napoleon and the like) of the world. As a result the credibility of the great man theory became questioned. Such kind of great man become dictator and unnecessary and following the growth and expansion of the organization take the place but in the process under develop the democratization (MacGregor, 2003). Leadership theory then progressed from dogma that leaders are born or are destined by nature to be in their role at a particular time to a reflection of certain traits that envisage potential for leadership.

#### **2.2.2.2. Trait Theory**

The aforementioned theorists preached that whatever the case the leader is born and gifted with certain kind of physical appearance and personality character and could shine as a leader from those of non-leader. The failure in identifying such illusion traits that all leader had in mutual, be the reason to the emergence of trait theory. After falling into unpopularity of the theory. In the late 1940s, scholars attempted to examine the traits of military and non-military leaders respectively and the research result found out that there were significance of certain traits developing at certain times.

However, trait theory proponents don't match worried about that such leadership trait were hereditary or learnt. One of the well-known contributor of the trait theory come up with identifying two kind of traits that could be possessed by a leaders: i.e. emerging traits those traits are heavily rest up on heredity examples of such traits are height, intelligence, attractiveness, and self-confidence.

The second kind of trait is called effectiveness traits this trait is championed through experience and learning such trait comprises mainly charisma as main component of leadership (Ekvall and Arvonen, 1991). As Max Weber coined the meaning and definition of charisma as followed the a power of all the time that can generate totally new approach by subordinates and completely has been personal commitment to leaders, the followers accept the charisma as blessed with almost supernatural or superhuman intelligence, quality and power. After many studies conducted emphasized on intellectual, physical and personality traits that distinguished non-leaders from leaders, scholars came up with a findings of research that show only insignificant variance exist amongst subordinates and leaders (Burns, 2003).

### **2.2.2.3. Contingency (situational) Theories**

The advocator of this situation theory preached that there is no single and best fit to all leadership style. This leadership style highly rests upon many factors for examples the setting, the environment, the background of subordinates and other variables. Furthermore, there is no one single best way direct, because there some many dimension of the environment that need to adjust to specific leadership style. The birth of the situational leadership approach was 1969, pronounced that there is no single and best fit to all leadership style to lead and The leader must be able to adapt to the situation and transform their leadership style between task-oriented and relationship oriented. Many leaders attempt to change employees within the organization, they not only change the dynamics of settings of the organization indeed the employees also.

As many academic and scholars stated that and identified in a common sense, the theories of contingency are fall under behavioral theory that challenges that there is no one finest way of leading and that the style of leadership that is operative in some circumstances may not be effective in others (Greenleaf, 1977). Many pioneer of the situation theorists pronounced that the leader only emphasized on the interaction of leader-subordinate and preached that the subordinate engaged in significant role explaining the interaction. Even though, this leadership mostly emphasized on the leader, it also makes subordinates to signify the focus into group dynamics this theory scholar and advocator mostly pronounced that the style of leadership highly vested on the hands of the maturity of the followers of the leader (bass, 1997).

#### **2.2.2.4. Style and Behavior Theory**

Proponents of the style and behavior theory pronounce the significance of certain essential leadership capacity that facilitate and serve as enabler for the leader in order to help the leader to act in accordance with the previous capacity of a leader. Consequently before specific acting announce that every single leader has different style of leadership that give most pleasant for most leaders. This leadership style highly rests upon many factors for examples the setting, the environment, the background of subordinates and other variables.

Many scholars and academics expertise pronounced the three kind of leaders' style, namely; autocratic, democratic and laissez-faire. Under autocratic leadership there are deprived of participating the followers and subordinates and this leader pass conclusion without feedback, whereas under laissez-faire leadership subordinate and fellows could make the decision and there is takes no actual headship part other than presumptuous the position and the democratic leader admissions his fellows then accepts his decision. Further expected that all leaders could fit fall under these of three categories.

#### **2.2.2.5. Process Leadership Theory**

As literature and study focused on the theory of process leadership theory pronounced that here the focus area is the servant, the leading organization, principal focused and charismatic leadership with others emerging every year. Greenleaf presented servant leadership in the early 1970s. A renaissance of the conversation of servant leadership was renowned in the early 1990s. Servant leaders were exhilarated to be absorbed to the disquiets of the supporters and the leader ought to empathize with them take-care of and encourage them.

The leadership was communicated on a person who was by nature a servant. The servant leader emphases on the requirements of the follower and assist them to turn into more independent at liberty and well-informed. The servant leader is also very worried with the disadvantaged and distinguishes them as equal (Greenleaf, 1996). The leaders in the organizations are to be the agent of the vision of the business and not a servant of the employee within the institution. Leaders in learning organizations simplify and develop the vision and reflect it designate greater than one-self. The leader line up themselves or their vision with others in the organization or community at large. These process leadership philosophies and others that have arose often propose that the effort of

leaders is to give to the welfare of others with a concentration on some arrangement of social accountability. They acts to be a clear development in the study of leadership.

Leadership concept has moved from biological qualities and rights, to learnt personalities and styles, to situational and relationship types of leadership, to the function of groups and group processes and, currently, to the communication of the team members with an stress on particular and organizational purpose of teams and group processes and, currently, to the collaboration of the team associates with an stress on individual and managerial ethical developments (Yammarino, 1999).

### **2.2.3 Leadership Styles**

Based on the number of followers research stated that a variety of leadership styles. Depends on the function of the leader, the followers and the situation, this are most appropriate leadership style. Leadership style more than leadership trait, which determine leader effectiveness. Leadership style is one model of organization behavior. The leader style or manner of dealing with the organization members and communicating with them contributes to or detracts from the groups over all functioning.

Lippit and White (1943) identified three general approaches to these interactions: autocratic leadership style, democratic leadership style, lassie fair leadership style. Even though, there are various leadership styles having their own distinct impact on employees' performance in different situation and environments. In this thesis the researcher briefly reviewed relevant literature related to the three leadership style: democratic leadership style, autocratic leadership style and lassie fair leadership style leadership style.

#### **2.2.3.1. Democratic Leadership Style**

Lewin (1939) found that participative leadership, also known as democratic leadership, is generally the most effective leadership style. Democratic leaders offer guidance to group Members, but they also participate in the group and allow input from other group members. Participative leaders encourage group members to participate, but retain the final say over the decision making process. Group members feel engaged in the process and are more motivated and creative. In this leadership style, for making decision they are considering subordinates. This style contradictory autocratic and centered on subordinate's contributions. The democratic leader who determines work projects delegate authority to other people.



The character of this leadership is the transmission of this style is active upward and downward and with concerning statistics, is one of the most preferred leadership, Mostly favorable democratic leadership by the character of courage, intelligence fairness, competence, creativity and honesty Igbaekemen and Odivwri,(2015). This character of leaders provides their followers choices and support. Democratic leadership, also the same as to participative leadership, as the name indicates reflects equal participation inclusiveness, and self-determination, that said; they are for elected positions of power not be confused with those who carry.

Democratic leaders often lack formal position and power. Democratic leadership gains its authority through accountability, active participation, cooperation, and delegation of tasks and responsibilities. The functions of democratic leadership within the organization include distributing responsibility, and facilitating group deliberations. The roles of democratic followers include readiness to take personal responsibility for organization, accountable for their decisions, desire to maintain their group's self-determination and freedom, take on the role of leader as needed or appropriate and work with leaders. Democratic leadership is appropriate in particular settings such as an international association, a democratic nation, a worker-owner corporation, a public university, a close-knit neighborhood, or a cooperative social group or organization. These leaders are ideally shared in an organization. Democratic leadership is distributed and changing. Within a democratic leadership climate or environment, there will be multiple leaders and every member will be a leader at some point during their membership in the group Gastil, (1994).

### **2.2.3.2 Autocratic Leadership Style**

According to Cavanaugh and Ninemeire (2001) an autocratic style is embedded in leader who has full organizational power an authority for decision making without sharing it with their subordinates. This type of leader exercise almost absolute power and commands strict compliance and conformity. The autocratic leader generally has well-defined and controlled disciplinary process with an emphasis on punishment for non-compliance. There is also a clear division between the leader and the followers. Authoritarian leaders make decisions independently with little or no input from the rest of the group.

Researchers found that decision making was less creative under authoritarian leadership. Lewin (1939) found that it is more difficult to move from an authoritarian style to a democratic style than

vice versa. This leader determines prescribed policies, procedure, rules and goal. Therefore, the existing leadership literatures in a business world suggest that autocratic leadership is useful in some context and should be avoided in others. Autocratic leader can increase employee performance when he/ she are present. Such leadership style can also increase employee performance relatively on tasks.

### **2.2.3.3 Laissez-faire Leadership Style**

Laissez-faire leadership gives authority to employees. Under delegate leadership, also known as laissez fair leadership, were the least productive of all three groups. Delegate leaders offer little or no guidance to group members and leave decision making up to group members. While this style can be effective in situations where group members are highly qualified in an area of expertise, it often leads to poorly defined roles and a lack of motivation.

Laissez-faire leaders are characterized very little guidance from leasers; literally, this type of style complete freedom for followers to make decision. Laissez-faire leaders have few or no authority within their group or organization. The functions of laissez-faire leadership to appropriate decisions trusting their followers and respectable members into the organization. The roles of laissez-faire followers include self-assessment and problem solving. With highly trained and self-directed followers they are most successful in surrounding and Laissez-faire leadership is not matched to environments in which the members require direction Gastil, (1994).

Most leadership style highly rest upon work environment and setting of the organization before any action performed. There are many leadership style out there and the applicability depend on many turbulent business environment (McShane and et al., 2009). Now on Autocratic, Democratic and Laissez-faire leadership styles are taken for this study and an effort will be made to see if one particular style is being practiced in Bahir Dar Textile Share Company.

### **2.2.4 Effects of Leadership Style on Employee Performance**

#### **▪ Autocratic leadership style and Employee job Performance**

Authoritarian leadership style breeds hostile attitude, conflicts, distorts and guards communication, high turnover, absenteeism, low productivity, and affects work quality (Gustainis, 2004). The autocratic style may show great results in a short time period. However, excessive use of authority will distort productivity in the long term. Adair (2002) suggested that the autocratic leader has full

control of those around him and believes to have the complete authority to treat them as he wants. This is useful when immediate and quick decision and performance is required. Kirega (2006) stated that democratic leadership styles improve the performance in both short term and long term and can be used for any type of work project.

- **Democratic leadership styles and Employee job Performance**

Heneman and Gresham (1999) suggested under the democratic style promote the sharing of responsibility, the exercise of delegation and continual consultation. In this style managers suggestions and recommendations on all major issues and decisions and effectively delegate tasks to subordinates and give them full control and responsibility for those tasks, and encourage others to become good leaders and involved in leadership and employee development. That led to more commitment of employee to department goals, performance to meeting deadlines.

- **Laissez-faire leadership style and Employee job Performance**

Kotur, Anbazhagan (2014) concentrated on the three interesting leadership styles that are at the top, bottom and the middle of the leadership authority hierarchy, namely the autocratic, the laissez-faire and democratic leadership styles. Okumbe (1998) identifies the advantages of Laissez – faire leadership as facilitating easy acceptance of decisions and employees providing their own motivation.

### **2.2.5 Leadership and Organizational Performance**

Several numbers of researchers have traditionally focused on the importance of leadership in the organizational performance and the importance of in –role behavior. The studies have mainly focused on the type of behavior as job performance and task performance, which is essential for effective functioning of an organization. According to Distefano(2002) success in the global market is largely dependent on the manager’s ability to lead their subordinates.

Increased job cooperation is linked to increasing levels of job satisfaction among the employees. It has been reported that satisfied and happy employee are more likely to cooperate with their colleagues by sharing and exchanging knowledge. In this regard, it can be mentioned the majority of the studies focused on finding the relationship between job satisfaction and job performance. Organizational performance refers to ability of an enterprise to achieve such objectives as high

profit, quality product, large market share, good financial results, and survival at pre-determined time using relevant strategy for action. (Koontz and Donnell, 1993). Individual performance is of high relevance for organizations and individuals alike.

### **2.2.5 Leadership and Employee Job Performance**

Job performance of employees is an important issue for any organization and refers to whether an employee does his job well or not. Job performance consists of behaviors that employees do in their jobs that are relevant to the goals of the organization (Campbell et al., 1993). Motowidlo (2003) define job performance as based on employee behavior and the outcome is vital for the organizational success.

Muchinsky (2003) explained job performance as a combination of employee's behaviors. Further he described that it can be monitored, measured and evaluated as outcomes at employee level and linked with the organizational goals. Therefore, job performance is a vital determinant for organizational success. Past studies have indicated that performance is dynamic. It is changing over time. (Deadrick and Madigan, 1990: Henry and Hullin, 1987).

Employee job performance and organization performance can improve with proper leadership style from the top to medium or supervisory level managers. Otherwise it is difficult to achieve the employee performance as well as the organization goal. In the case of Bahir Dar textile Share Company there is gap on the leadership style of on the top management. Before 3 years ago the company was under the government and it was a big challenge to run the factory, the government privatized the factory to improve the performance of the organization. After Tired corporate owned the factory, there was few changes but not continue.

## **2.3 Empirical Review**

According to Bass (1997), in the modern business environment much a researcher has provided that leader make a difference in their subordinates, performance, and also make a difference as whether their organization succeed or failed. Kotter( 1988) argues for the ever- increasing importance of leadership in organization, because of significant shift in the business environment. Such as the change in competitive intensity and need for more participation of the total workforce.

The research was conducted in USA by Karl and Webber (2016) on leadership best practices and employee performance, the conclusion of the research findings was that when leaders create a work environment where there is employee engagement and participation through leadership best practice, the result is greater employee decision-making ability and in turn a more productive employee with a higher level of performance.

Empirical Studies Despite the clear view on the role of effective leadership in enhancing employee performance, there is no universal consensus on the effect that different leadership styles have on employees performance as empirical studies reveal contrasting figure (Chan, 2010; Howell and Avolio, 1993). Empirical evidence shows the suitability of a given leadership style to the success of employees and organizations varies across countries and sectors of business (Basit, et al., 2017). This study thus summarized the result from previous empirical literatures on the related issues from global to regional and Ethiopia.

The study by Raja (2015) was an important contribution to the existing empirical studies in investigating the effect of leadership styles on employee performance in public and private sector of India. The analysis result was generated from the sample 199 respondents: 43 middle level managers and 156 subordinates. Using 95 percent confidence interval, the study established negative relationship between laissez-faire style and employee performance. He added, employees supervised by laissez fare leader underperform and their organizations were unable to meet their intended objectives.

The study by Sakiru, et al. (2013) tried to analyze the relationship between employee performance, leadership styles and emotional intelligence in Malaysia from the sample of 180 respondents. The study used instruments like Multifactor Leadership Questionnaire, ECP and parasternal performance evaluation process. After checking consistency of questionnaires using Cronbach's alpha coefficient, the result from multiple linear regression analysis concluded employee performance to significantly associate with emotional intelligent and leadership style.

Among of the empirical studies made in the region were the study by Ojokuku et al.(2012) which tried to analyze the impact of leadership style on organizational performance using sample of 60 employees collected from 20 randomly selected banks in Ibadan, Nigeria. The study highlighted the

importance of leadership styles as he had shown in the regression analysis to explain around 23 percent of the variation in employee performance. He recommends for the management of banks to utilize both transformational and democratic leadership styles in order to win the existing competitive battle in the banking industry. Nuhu (2010) in his study made in Kampala District Council in Uganda showed transactional, laissez-faire and autocratic style to be among the frequently used leadership style. According to this study, autocratic styles negatively affected the performance of employees while laissez faire style was positively affected employee performance though to a lesser extent. Thus, the finding highlighted the relative importance of using transactional style in order to enhance the desired performance of employees used to accomplish the intended objectives of the companies in the District council.

The study made by Gimuguni, et al. (2014) in Mbale local government of Uganda indicated autocratic, laissez-faire and democratic were positively correlated with employee performance. The finding also revealed autocratic styles of leadership have influenced employees to perform their duties while Laissez-faire leadership caused employees delay in meeting deadlines. Despite the domination of autocratic and laissez faire style, the study recommended local government to integrate and use the 3 leadership style.

In Ethiopia, empirical studies on the effect of leadership style on employee performance are not only scarce but also emphasize largely on banking sector and least on manufacturing sectore. For instance, the study by Biqila Hirpa (2020) on manufacturing sector (Omo Kuraz I sugar factory ) found democratic and laissez-faire leadership styles has positive significant correlation of with employee performance while autocratic style were negatively correlated with performance. The researcher finally recommended enhancing the productivity of their employees more significantly, the study recommend to the company to execute democratic leadership style.

According to Getinet Shigute (2020) study EPHARM, transactional leadership style has high impact on employee performance when compared to transformational and laissez-faire leadership style. He recommends practicing transactional leadership style at working environment of EPHARM, laissez faire leadership style had a negative correlation and transformational leadership had statistically insignificant correlation with employee performance and supervisors in EPHARM have to consider the negative impact before practicing their characters.

The study made by Hildana Tadesse ,effects of leadership style on employee performance in Medtech Ethiopia ,The descriptive statistics result shows that Medtech Ethiopia more practice democratic leadership style compare to autocratic and Laissez faire leadership style. The result of the regression analysis also indicated that democratic leadership style has a positive and significant relationship with employees' performance. The researcher concluded that the leadership style applied in the Medtech Ethiopia were significantly affects the employee performance.

### **Research Gaps:**

Despite the bulky empirical studies on the effect of leadership styles on employee performance, most of which were concentrated in industries in developed countries and sometimes with contrasting outcomes. For instance, the study by Gimuguni, et al. (2014) established positive correlation of laissez-faire style with employee performance score while Aboushaqah, et al. (2015) and some others have reported negative relationship. In addition, the literature on the effect of leadership styles on employee performance in Ethiopia relays largely on the banking sector with low focus on manufacturing sectors (Biqila Hirpa (2020), Getinet Shigute ̄2020).

Moreover, effect of leadership styles on employee performance could not be complete unless other confounding variables are controlled, which many previous studies fail to do. This study tried to fill such gaps and thus contribute to the empirical evidence from Ethiopian manufacturing sector. This research paper as in many studies, tried to investigate the effect of democratic, autocratic and laissez-faire leadership style (independent variables) on the performance of employees (dependent variable) in Bahir Dar textile share company (Howell and Avolio, 1993; Sakiru, et al., 2013; Jooste, 2009); Kerns, 2004; Ojokuku, et al., 2012). In the process of analyzing the effect of leadership style on employee performance, this study tried.

### **2.4 Conceptual Review**

The study will based on a conceptual framework indicating a relationship exist between the different leadership style such as autocratic, democratic and laissez fair leadership style exercising the leaders on their follower and the consequence on employee performance .

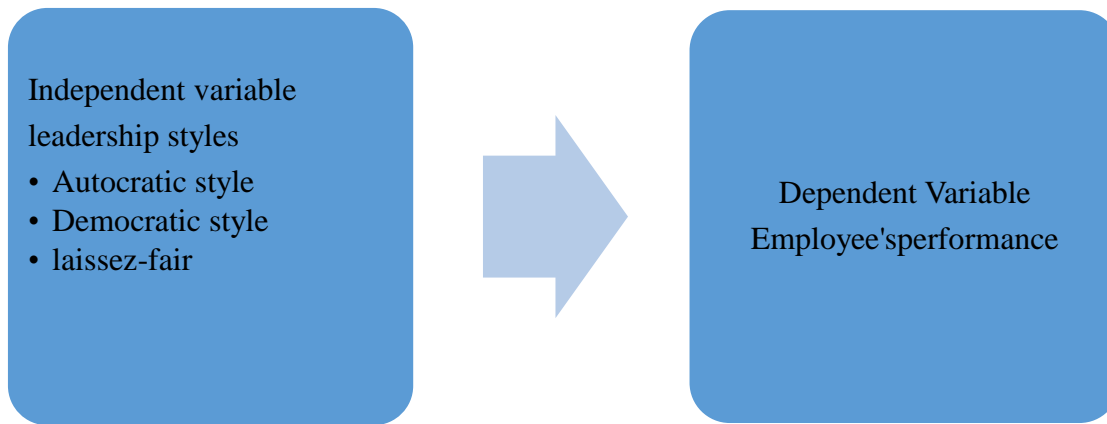


Figure 1 conceptual framework

### **Statement of Hypothesis**

H1: Democratic leadership style has a significant effect on employee performance in Bahir Dar textile Share Company.

H2: Autocratic leadership style has a significant effect on employee performance in Bahir Dar textile Share Company.

H3: Laissez-Fair leadership style has a significant effect on employee performance. In Bahir Dar textile Share Company.



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter explained the components of appropriate methods to employ for the research. Thus the chapter focused on the study area, the research design and methodology, the population and sampling size, sampling procedures and sampling technique, the data collection methods and data analysis was discussed.

#### **3.2 Research Design**

This study was employ descriptive and explanatory (regression) research design. This kind of design aims at generating information after the incident has occurred. The research design will look at the reasons why the situation behaves the way it does and also what the weakness and strengths are. The design has also will exploit quantitative approach. The quantitative approaches planned to use of descriptive statistics and regression analysis.

To investigate the effect that different leadership styles have on the performance of employees in the study area, the study employed a cross sectional design using the primary data collected from employees of Bahir Dar Textile Share Company during 2020. This study design has been chosen due to its ease and inexpensiveness nature. The quantitative data analysis approach then used in order to analyze the variation in employee performance observed across different leadership style using descriptive and inferential data analysis tools.

#### **3.3 Study Area**

The area of the study is in Bahir Dar textile share company. The Company has about 1290 permanent employees the data was gathered from the internal environment of the company, no external environment was assessed for data gathering.

#### **3.4 Instrument Design and Measurement**

This research paper conducted to analyze the effect of the independent variable, leadership style on dependent variable, which is employee performance, using regression analysis. And it was calculate the correlation of these factors for identifying their relationship. Using descriptive type of analysis study used a mean and standard deviation is calculated.

### 3.5 Data Sources and Data Collection Method

#### 3.5.1 Data Sources

Primary sources of data are main sources of data to use in this study. The study use questionnaire and interview guide. Primary data obtained through questionnaires and interview the studying group used primary data sources that help to have more detailed information on the topic.

#### 3.5.2 Collection Methods

##### 3.4.2.1 Questionnaire Method

A questionnaire is a formatted set of questions that is drawn up to meet the objectives of the study. Questionnaire method was used to collect data. Data were collected from three hundred five (305) respondents. Questionnaires were distributed to respondents who are working with in Bahir Dar textile share company .The study was applied questionnaire method to collect primary data.

##### 3.4.2.2 Interview Method

This method was administered by phone with Bahir Dar textile Share Company. During the interview, probing questions was applied to get deeper information from respondents. This method is useful as it helped to collect the required information and to understand different people's perception on the topic under the study and it is suitable for intensive investigation. It was conducted interviews with Bahir Dar textile Share Company General manager, Administrative Deputy manager, production and technique Deputy managers and top management to supervisory.

### 3.6 Sample Size and Sampling Technique

#### 3.6.1 Sample Size

To determine the sample size and representative of the target population from the total permanent employees of Bahir dar textile share company 1290 employee's in the years of 2020, the study uses statistical instrument formula. As of Yamane (1967), a research with high population size needs to use the formula.

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

where: n= sample size

N= population size

E=precession rate

$$n = \frac{1290}{1+1290(0.05)^2}$$

$$n=305$$

$$=1-n=1-95\%$$

Therefore, sample size for targeted population of the study was 305 employees.

### **3.6.2 Sampling Technique**

The local area of the survey is to assess the effect of leadership style and employees' Performance in Bahir Dar textile Share Company whilst describing each variable and dimension regarding to leadership style, employees performance. Probable (simple random sampling) and non-probable sampling were applied.

### **3.7 Data analysis Methods.**

Analysis of the data is fundamental for the research study. The findings and conclusions should arrive based on the analysis and interpretation of the data. Hence, data is analyzed in accordance with the nature of data that is quantitative. The data obtained from the respondents were be analyzed using Statistical Packages for Social Science (SPSS 24).

After collected the distributed questionnaire, the data was properly organized and prepared for coding. Then, the coded data was transmitted to SPSS 24, software program. The data was analyzed using statistics to describe demographic characteristics. In addition to this, descriptive analyzes have also been carried out at level of leadership styles and employee performance. Data was presented quantitatively using percentile tools, tables, graphs and to facilitate interpretation of data results.

### **3.8 Variables and Measurement Procedures**

The measurement of variables used in this study was based on a standard format used by previous empirical studies. The measurement for leadership styles used the Multi factor Leadership Questionnaire (MLQ) developed by Avolio and Bass (1995), modified to fit the context of the study. For employee performance, the study scale was adapted from Cole (1997 with some modification (cited in Mwombeki, 2017). Thus, democratic, autocratic and laissez- faire leadership styles (each with 6 items) and employee performance (5 items) were used with likert scale rating from 1 to 5 (1=strongly disagree; 2= Disagree; 3=Neutral; 4=Agree; and 5=strongly agree). In addition, the score for employee performance was made up of 5 item with likert rating ranging from 1 to 5 (1=Very low; 2= Low; 3=Average; 4=High; and 5=Very high).

## CHAPTER FOUR

### RESULTS and DISCUSSION

#### 4.1 Introduction

The purpose of this chapter would be to analyze the data collected from 268 total respondents. According to the total number of sampled population, which were 305, questionnaires were distributed and 268 correctly filled questionnaires returned. This means 88% of questionnaires were responded and 12 % were not returned back by different reasons.

#### 4.2 Demographic Characteristics of Respondents

This section summarized the demographic characteristics of the respondents, which included gender of the respondent, age, education level and work experience respondents. The purpose of the demographic analysis in this research was to describe the characteristics of the respondents in terms of the proportion of males and females in the sample, range of age, education level, and respondent work experience , so that the analysis could be more meaningful for readers.

**Table4.2 1: Gender of Respondents (N=268)**

		<b>Gender</b>			Cumulative
		Frequency	Percent	Valid Percent	Percent
Valid	Male	173	64.6	64.6	64.6
	Female	95	35.4	35.4	100.0
	Total	268	100.0	100.0	

Source SPSS 24 & Survey Data, 2020

**Gender:** As mentioned on the above Table 4.2.1; Male respondents represented 64.6% of the sample and Female took the remaining 34.4% of the sample. Therefore from the collected data the majority of the respondent is male.

**Table4.2 2Age of Respondents (N=268)**

		<b>Age</b>			Cumulative
		Frequency	Percent	Valid Percent	Percent
Valid	20-29 years	92	34.3	34.3	34.3
	30-39 years	108	40.3	40.3	74.6
	40-49 years	43	16.0	16.0	90.7

above 50 years	25	9.3	9.3	100.0
Total	268	100.0	100.0	

Source SPSS 24 & Survey Data, 2020

**AGE:** According to the above Table 4.2.2, Age between 20 to 29 years is 34.3 percent, Age between 30-39 years is 40.3 percent, Age between 40-49 years is 16.04 percent and above 50 years is 9.33 percent. Majority of the respondent data, age group is from 30-39 years .The next larger age group followed by 20 to 29.This implies that Bahir Dar Textile factory almost 75 percent of the employee categorized in the youngest age. It is good for the manufacturing company.

**Table4.2 3: Educational Levels of Respondents (N=268)**

		<b>Education</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	TVET	144	53.7	53.7	53.7
	Diploma	22	8.2	8.2	61.9
	Bachelor's degree	91	34.0	34.0	95.9
	Master's Degree	11	4.1	4.1	100.0
	Total	268	100.0	100.0	

Source, Survey Data, 2020

**EDUCATION:** As pointed on Table 4.2.3, 53.7% of respondents had got TVET level education and which is the largest proportion of respondents. Bachelor holder counts 34.0%of the total respondents and which is second largest group in education level. Next Diploma level education holds third order with 8.2%of the total respondents. Master level of education counts for 4.1% with least number from the total respondents. But almost all highest education level holders which are positioned in the leadership/managerial level are filled and return the questionnaire. Respondents were asked to indicate their level of education the result of the study implied that all of the respondents were educated and able to explain more about the effects of leadership styles on employee performance in their company.

**Table 4.2 4: Work Experiences of Respondents (N=268)**

		Experience		Valid Percent	Cumulative Percent
		Frequency	Percent		
Valid	1-3 years	35	13.1	13.1	13.1
	3-5 years	89	33.2	33.2	46.3
	6-10 years	105	39.2	39.2	85.4
	11-15 years	21	7.8	7.8	93.3
	above 15 years	18	6.7	6.7	100.0
	Total	268	100.0	100.0	

Source, Survey Data, 2020

**EXPERIENCE:** As described above Table 5 work experience, 39.2% of respondents had above 5 years work experience in the factory and this constituted the largest number in terms of stay in the organization. The second larger number in terms of work experience in the company is between 3 to 5 years, which take share of 33.2% from the total respondents. The third class work experience between 1-3 years take share 13.1%, fourth class of work experience is between 11-15 years takes 7.8% and the fifth is above 15 years' experience respondent is 7.1% .those four class of work experience in the company, 3 to 5, 5 to 10, 11-15 and above 15 years work experience, counts for 86.9% of the total respondents. This constitutes the largest number, both in terms of time staying in the company and holding the largest proportion of total respondents, from the remaining groups. This might be helpful to get the real leadership character of the supervisors through their perceived performance.

#### **4.3 Validity and Reliability of Likert Scales**

A measure used to assess the reliability, or internal consistency, of a set of scale often made before data analysis. Cronbach's alpha is one of the popular and way of measuring the strength of such consistency. It has been frequently used in most literatures to validate the stability of the data collection instrument and accuracy of the collected data. Accordingly the collected data, and bellow table 4.3 a Cronbach's alpha value of 0.983 was obtained which is an indication of having strong stability and reliability among the likert scale data of leadership styles.

A Cronbach's alpha value for the items of employee performance was also computed separately and found to be 0.973 This value is also suggested as the generated scale was acceptably and

reliable. Therefore, issue of reliability/internal consistency of a set of scale were not an issue in this data set.

**Table 4.3 1 Validity and Reliability of Likert Scales**

	Cronbach's Alpha if Item Deleted
Employee Performance	.973
Democratic Leadership Style	.982
Autocratic Leadership Style	.984
Laissez fair Leadership Style	.970

Source: SPSS 24 output results.

#### 4.4 Descriptive analysis

In this section the study attempt to illustrate the result of the descriptive analysis of leadership styles and the Employee performance were examined. For the three leadership style has six statements to assess the perception of the employee regarding the leadership styles and employee performances were assessed with five statement. In order to know the extent of leadership style that is practiced in the case of Bahir Dar textile, the mean value and standard deviation were calculated by SPSS 24, analyzed and interpreted. The descriptive analysis performed based on the respondent's response about the behaviors of their leaders are presented by using five point Likert scales The respondent has a range of response from strongly disagree labeled as one (1) to strongly agree labeled as (5) and for the performance of the employee) very low labeled as one (1) to very high labeled as five (5) The findings of descriptive analysis are arranged based on research objective and presented in following tables.

**Table 4.41 Autocratic leadership perception**

<b>Descriptive Statistics</b>			
	N	Mean	Std. Deviation
My supervisor Never gives time to consider my suggestion	268	3.8433	.63428
I am not allowed to make decisions that my supervisor did not approve first	268	3.7201	1.11847
My supervisor Closely monitor me to ensure that I am performing correctly	268	2.8657	1.52773

My supervisor believes that employees must be given rewards or punishments in order to motivate them to achieve organizational objectives	268	3.0970	1.43456
My manager believes effective leaders give orders and clarify procedures	268	3.3806	1.17906
Whenever i make a mistake my supervisor makes a note on it and tells me not to do it again	268	3.5410	1.29324
Valid N (listwise)	268		
Grand mean		3.4080	.95172

Source: SPSS 24 output results.

Based on the above table 4.4.1 The statement that My supervisor Never gives time to consider my suggestion (mean 3.84,SD=0.634) and My supervisor Closely monitor me to ensure that I am performing correctly has the highest (mean 3.72,SD=1.11), the statement whenever I make a mistake my supervisor makes a note on it and tells me not to do it again has third mean score (mean=3.54,SD=1.293) 2 The statement of ‘my manager believes effective leaders give orders and clarify procedures’ which has a mean of 3.38 and standard deviation 1.179. The statement my supervisor believes that employees must be given rewards or punishments in order to motivate them to achieve organizational objectives mean 3.09 and standard deviation is 1.143 and My supervisor Closely monitor me to ensure that I am performing correctly has mean 2.86 and SD =1.528

Table 4.42: Democratic leadership style perception

Descriptive Statistics			
	N	Mean	Std. Deviation
My supervisor/manager Includes me in decision making but retain final decision making authority	268	3.7052	1.34040
In my manager view to be a good leader given guidance without pressure	268	3.4963	1.36708
My manager creates an environment where I take responsibility ownership of my work	268	3.6343	1.32417
My manager provides me frequent and supportive communication	268	3.7313	1.26114



My manager needs to help subordinates accept responsibility for completing their work	268	3.5075	1.28807
When there is difference in expectation my supervisor work with me to solve the problem	268	3.6418	1.22949
Valid N (list wise)	268		
<b>Grand Mean</b>		<b>3.6194</b>	<b>1.28001</b>

Source: SPSS 24 output results.

According to the above table 4.4.2 the result of mean and standard deviation is least from the highest to the lowest my manager provides me frequent and supportive communication 3.73 and 1.261. retain final decision making authority 3,71 & 1.340, When there is difference in expectation my supervisor work with me to solve the problem 3.64&1.229, My manager creates an environment where I take responsibility ownership of my work 3.63& 1.324, My manager needs to help subordinates accept responsibility for completing their work 3.51&1.288 and In my manager view to be a good leader given guidance without pressure 3.50&1.367This value illustrate that the agreement level of the respondents that their immediate leader or manager indeed practiced democratic leadership style..

Table 4.4 3: **Laissez-fair leadership style perception**

	N	Mean	Std. Deviation
In complex situations, my manager let subordinates work problems out on their own.	268	3.2090	1.39863
My supervisor stays out of the way as I do my work	268	3.6679	1.32032
As a rule, my manager allows subordinates to appraise their own work	268	3.4552	1.34980
My supervisor gives me complete freedom to solve problem on my own.	268	3.1978	1.46177
My manager believes in most situations, workers prefer little input from my supervisor.	268	3.4851	1.33091
In general, for my manager is best to leave subordinates alone	268	3.1903	1.40797
Valid N (listwise)	268		

	<b>Grand</b>		3.3675	1.20244
<b>Mean</b>				

Source: SPSS 24 output results.

As per the above table 4.4.3 The statement on the leadership style perception result stated from the highest agreement to the least mean and standard deviation value, My supervisor stays out of the way as I do my work 3.67 & 1.320, My manager believes in most situations, workers prefer little input from my supervisor 3.49 & 1.331, As a rule, my manager allows subordinates to appraise their own work 3.46 & 1.349, In complex situations, my manager let subordinates work problems out on their own 3.21 & 1.398, My supervisor gives me complete freedom to solve problem on my own 3.20 & 1.462 and In general, for my manager is best to leave subordinates alone 3.19 & 1.408. In general this value illustrate that the agreement level of the respondents that their immediate leader or manager indeed practiced laissez faire leadership style.

Table 4.4 4: **Employee performance perception**

<b>Descriptive Statistics</b>			
	N	Mean	Std. Deviation
How do you rate the quality of your performance against the standard/ specification of products	268	3.6903	1.24114
How do you rate your productivity against the standard/target set	268	3.3209	1.09203
How do you rate the amount of your extra effort that you use to accomplish your daily and new tasks?	268	3.2201	1.20860
How do you rate your motivation to accomplish your job?	268	3.3955	1.16129
How do you report on time at work?	268	3.3843	1.01563
Valid N (listwise)	268		
<b>Grand</b>		<b>3.4022</b>	<b>1.10802</b>
<b>Mean</b>			

Source: SPSS 24 output results.

As per the above table 4.4.4 regarding employee performances respondent rate from the highest to the lowest value is How do you rate the quality of your performance against the standard/ specification of products 3.69 & 1.241, How do you rate your motivation to accomplish your job? 3.40 & 1.161, how do you report on time at work? 3.38 & 1.016, how do you rate your productivity

against the standard/target set 3.33 & 1.092 and how do you rate the amount of your extra effort that you use to accomplish your daily and new tasks? 3.22 & 1.208 Therefore the researcher conducted the majority of the respondent performance is average and needs proper leadership to enhance the performance of the employee

In the analysis of the descriptive statistics (Zaidatol 2009) comparison bases of mean score for five point likert scale instrument is used to compare the mean value as shown in the following table

Table 4.4 5 : Mean Score Measurement

Mean score	Description
<3.39	Low
3.4-3.79	Moderate
>3.80	High

Source: Zaidation (2009),

Table 4.4 6: Descriptive Analysis summary

Descriptive Statistics			
	N	Mean	Std. Deviation
Employee Performance	268	3.4022	1.10802
Democratic Leadership Style	268	3.6194	1.28001
Autocratic Leadership Style	268	3.4080	.95172
Laissez Fair Leadership Style	268	3.3675	1.20244
Valid N (list wise)	268		

Source: SPSS 24, output results.

According the above Table 4.4 6: the mean value for Democratic leadership style is 3.62 and standard deviation value of =1.280 and Autocratic leadership style mean value 3.41 and SD =0.95172 when the mean value is compared to the comparison bases of Zaidation (2009), both the two style is in moderate ranges and employees believed that Democratic and autocratic leadership style has been practiced by Bahir Dar textile share company leaders in moderate level. From the above table we can infer the respondents response regarding the performances of employees which

demonstrates that mean score value of 3.40 and standard deviation value of =1.10802 ,this shows that based on Zaidation (2009) mean score measurement comparison employees agreed they were perform good in overall job performances. hence From the above table the mean score value for laissez-faire leadership style is in 3.367 and standard deviation value 1.202 based on Zaidation (2009) mean score measurement comparison bases it declines to lower level that shows as respondents level of agreement is low.

In general based on above table 4.4.5 and Zaidation (2009) mean score measurement comparison bases Democratic leadership style has moderately practice and the Autocratic leadership style has second practice style with moderate level and Laissez Fair leadership style is poorly practice leadership style in Bahir Dar textile share company .

#### **4.5 Regression (Inferential Analysis)**

##### **4.5.1. CLASSICAL LINEAR REGRESSION MODEL (CLRM) ASSUMPTIONS**

This section provides test for the classical linear regression model (CLRM) assumptions such as mean value of the error term is to be average value of the error term, normality, Linearity test and multi co linearity tests. Accordingly, before applying the model for testing the significance of the slopes and analyzing the regressed result, average value of the error term, normality, Linearity test and multi co linearity tests were made for identifying misspecification of data if any so as to fulfill research quality

As far as the assumptions of classical linear regression model hold true, the coefficient estimators of both  $\alpha$  (constant term) and  $\beta$  (independent variables) that are determined by OLS will have a number of desirable properties, and commonly acknowledged as (BLUE).

##### **4.5.1.1 TEST FOR AVERAGE VALUE OF THE ERROR TERM IS ZERO**

The primary supposition obligatory is that the normal value of the errors is zero. Actually, if a constant term is comprised in the regression calculation, this assumption will not ever be disrupted. Therefore, since the constant term (i.e.  $\alpha$ ) was encompassed in the regression calculation, the average value of the error term in this study is estimated to be zero.

##### **4.5.1.2. NORMALITY TEST**

This test was applied to control whether a data is well-modeled by a normal distribution or not, and to calculate in what way likely an underlying random variable is designate normally distributed. If

the residuals are normally distributed, the histogram should be bell-shaped as shown in the Annex 3 fig. 4.4.1 the histogram exhibited well bell-shaped structure. Therefore, the underlying random variable and the residuals were normally distributed. There are a number of ways to check a linearity relationship exists. This study applied normal p-p plot in order to check linearity and visually inspect the scatter plot. As shown in Annex3 fig. 4.5.2 and the points show linearity the respondent address each questionnaire properly.

#### 4.5.1.4. Multi-co linearity test

In order to examine the possible degree of multi-co linearity among the explanatory variables, correlation matrixes of selected explanatory variables were presented below. The other test which was conducted in this study is the multi-co linearity test, this help to identify the correlation between explanatory variables and to avoid double effect of independent variable from the model. According to Gujarati (2004), the standard statistical method for analyzing data for multi collinearity is examining the explanatory variables correlation coefficients; condition index and variance inflation factor (VIF) The next two table, described correlation among explanatory variables. There is no consistent argument on the level of correlation that causes multi-co linearity.

Table 4.5 1 : Col linearity Diagnostics

Model	Dimensio		Condition Index	Variance Proportions			
	n	Eigenvalue		(Constant)	DLS	ALS	LLS
1	1	3.885	1.000	.01	.00	.00	.00
	2	.096	6.354	.73	.00	.03	.00
	3	.015	15.931	.19	.44	.42	.00
	4	.004	22.114	.08	.56	.55	1.00

a. Dependent Variable: Employee Performance source Spss24 output.

Table 4.5 2 :Multi co linearity test

Model		Co linearity Statistics	
		Tolerance	VIF
1	Democratic Leadership Style	.110	2.063
	Autocratic Leadership Style	.197	3.352
	Laissez fair Leadership Style	.148	1.812

Dependent Variable: Employee Performance

Source Spss24 output result

Based on the above two table, table 4.5.1.Collinearity Diagnostics the condition index indicated values ranging from 1.000 to 22.114. All variables values are below 30 .Therefore it can be suggest that there is no any serious multi-co linearity problems and from Table 4.5.2 multi collinearity test Coefficient output- collinearity statistics, the tolerance value shows that in the range between 0.110 and 0.148 which is not less than 0.1that indicates as there are no violations for the assumptions. In the value of Variance inflation factor (VIF) the study shows VIF value of 2.063, 3.352 and 1.812, meaning that the VIF value obtained is between 1to10, and it is not the concern for the multi co linearity.

Table 4.5 2: **Summary of the model**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.770 <sup>a</sup>	.741	.728	.27180
a. Predictors: (Constant), LLS, ALS, DLS				

Source Spss24 output result

Based on the above table 4.5.3 Model summary is used to determine how much the variance is measure the dependent variable (employee performance) and it is also used to know how well the regression model fits the data. The regression output illustrate that the amount variation in dependent variable i.e. employee performance in relation to independent variable i.e. the leadership style. In light of this the variation was determined by the value of R<sup>2</sup> and Sig. value. In this survey the amount of variation explained by independent variables (Autocratic, Democratic and Laissez-faire) on the dependent variable (Employees performance) is 72.8%. The closer R squares near to 1, the better the regression model so this survey is good to decide the combination of this three leadership style can change the employees" performance in 72.8% whereas the remaining 27.2% variation cause by other variables that is not include in this study.

Table 4.5 3: Analysis of variance

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	308.439	3	102.813	1401.983	.000 <sup>b</sup>
	Residual	19.360	264	.073		
	Total	327.799	267			

a. Dependent Variable: EP  
b. Predictors: (Constant), LLS, ALS, DLS

Source Spss24 output result

According to the above table 4.5.4 the analysis of variance. It is also identified as model fit marks. The interests in this table are the F-statistics and its associated sig. value. The results show that the F-statistics is significant at Sig = 0.000. The null hypothesis of the model was that model has no power to predict. However, the result pronounced that the null hypothesis can be rejected and accept the alternative hypothesis i.e. model has power to predict employees' performance from leadership style scores significantly. To forecast the effect of leadership styles (independent variables) on employees' performance (dependent variable) multiple regression analysis was conducted. The results are accessible in the subsequent table 4.5.5

Table 4.5 4: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.789	.047		16.713	.000
	DLS	.204	.050	.238	2.436	.000
	ALS	-.178	.052	-.186	-1.033	.043
	LLS	.208	.053	.167	4.069	.069

a. Dependent Variable: EP

Source Spss24 output result

The above coefficient table 4.5.5 shows that the constant, beta value and p-value of the variables to examine the significance of set hypothesis. The significance level of each variable is Sig-value is 0.000, 0.043, 0.069 and the standardize beta coefficient is 0.238, -0.186, 0.167. The Sig-value for Democratic and Autocratic leadership style has Sig –value <0.05, both the two independent variable has significant effects on the performance of the employees and laissez fair leadership style has Sig –value >0.05 which mean this independent viable has no significant effects on employee performance and autocratic leadership style has negative significant impact which shows that the effect of autocratic leadership style on employees performance has adverse effect.

#### **4.6 Discussion of Findings**

Base on this finding and the multiple linear regression result the first hypothesis developed that H1: Democratic leadership style has a significant effect on employee performance. The hypothesis has been accepted as its p- value is <0.05 Hence from the survey result the Democratic leadership style has score  $\beta = 0.238$  and Sig. value of 0.000 which is lower than the acceptance level. Therefore the Democratic leadership style have positive and significant effects on employee performance.

Accordingly the second hypothesis which states that H2: Autocratic leadership style has a significant effect on employee performance, from the survey result Autocratic leadership style has score  $\beta = -0.186$  and Sig. value of 0.043 which is lower than the acceptance level. Hence autocratic leadership is found to have negative significant effects on employee performance. In the third hypothesis states that H3: Laissez- Fair leadership style has significant effect on employee performance. This hypothesis is not supported by this investigation and the data analysis shows that it has p- value > .05 which is (0.069) therefore Laissez-faire leadership style has no any significance on employees performance. Therefore this hypothesis is rejected.

According to Jayasingam and Cheng (2009) highlighted increased interference of autocratic leaders resulted in decreased innovativeness, creativity and hence performance. However, the findings by Babatunde (2009) and Ipas (2012) were in sharp contrast with this result dictating the positive effect of autocratic leadership styles on employees' performance. Unlike the case with other leadership styles, the effect of democratic leadership style is more or less consistent with significant positive effect on performance.



The standardized coefficient of beta indicates the more sensitivity democratic style to employee performance as compared to other styles of leadership ( $\beta=23.8\%$ ). This is because employee's interaction with their peers and supervisors paves the ways for the transfer of skill and knowledge to the larger extent which resulted in increased performance. The result from this and many other studies supports the positive effect of democratic style on employee performance (Iqbal, et al., 2015; Bhatti, et al., 2012). In addition, as in the finding by Ojokuku, et al. (2012) showed the increased practice of democratic style have the power to build strong synergy between employees and their management and thus recommend banks to use democratic leadership style in order to boost their performance.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 SUMMARY

The main objective of this study was to examine the effect of leadership style on employee performance in the case of Bahir Dar textile Share Company in order to achieve the research objective and questions. The researcher were distributed 305 questionnaire to the permanent employees of the company. 268 respondent fill the questionnaire and returned .which is 87.87% of the respondent returned and the remaining 12.13% didn't returned due to different reason. In this study gender, age, educational background and work experience was taken as a demographic representative for respondents.

The majority of the respondents 64.6 % were male and female respondents covered the remaining 35.4%. Majority of the respondent data, age group is from 30-39 years .The next larger age group followed by 20 to 29. This implies that Bahir Dar Textile factory almost 75 percent of the employee categorized in the youngest age. It is good for the manufacturing company in the educational status of the respondents the majorities 53.7% were TVET holders and the Degree holders are the next higher levels in 34.0%. Respondent work experience were also studied on the research and the majority percent of respondents has a work experience of 6-10 years and it cover 39.2% and the next higher percent's stated that a work experience above 3-5 years is 33.2%

The data presentation and analysis collected from both primary and secondary sources was analyzed using themes from research questions and objectives. The collected raw data were categorized, edited, organized and analyzed using quantitative methods with SPSS 24. All the instrument reliability were tested and found the overall Cronbach's alpha value is 0.983. Was obtained which is an indication of having strong stability and reliability among the likert scale data of leadership styles. In this study that there was no problem of multi-co linearity, this enhanced the reliability for regression analysis. The quantitative data was presented in tables and figures to analyses and meet the research objective i.e. which type of leadership style prevailed in Bahir Dar textile Share Company descriptive analysis was conducted. In this study the independent variables are Democratic leadership style, Autocratic leadership style and laissez -faire leadership style and the dependent variable is employees' performance. From the descriptive statistics of the mean score value it was observed that Democratic leadership style had the moderate mean score from the

independent variables mean 3.6194 standard deviation 1.28001 ,this is the one mostly practice leadership style in Bahir dar Textile share company. The Democratic leadership style has score  $\beta = 0.238$  and Sig. value of 0.000 which is lower than the acceptance level. Hence democratic leadership is found to have positive and significant effects on employee performance. Furthermore, the relation is statistically significant. The positive sign of the coefficient estimate indicate the existence of direct and strong relationship between democratic leadership style and employee performance.

As per the descriptive statistics result the Autocratic leadership style mean score value is 3.408 and standard deviation value 0.95172 which is greater than (3.39) based on Zaidation (2009) mean score measurement comparison bases it declines to moderate level that shows as respondents level of agreement is moderate. And Autocratic leadership style (ALS) has negative relation with employee performance of Bahir Dar textile share company ( $\beta = -0.186$  and  $P = 0.043$ ). However, the relation is statistically significant. The negative sign of the coefficient indicate the existence of adversely relationship between autocratic leadership style and employee performance.

Laissez-faire leadership style is in 3.367 mean value and standard deviation value 1.202 which is less than (3.39) based on Zaidation (2009) mean score measurement comparison bases it declines to lower level that shows as respondent's level of agreement is low. Laissez-faire leadership style has positive relation with employee performance of Bahir Dar textile share company ( $\beta = 0.167$ , Sig=0.069) However, the relation is statistically in significant. The positive sign of the coefficient estimate indicate the existence of direct relationship between Laissez-faire leadership style and employee performance.

## **5.2 CONCLUSION**

The finding from the multiple linear regressions result shows that the study reveals democratic style have significant positive effect on the performance of employees in Bahir Dar textile share company manifesting the effect on employee productivity of creating a strong synergy among employees by involving them in the decision making process. Besides, the platform created by a democratic leader paves a greater ways for learning, collaboration and team spirit which enhance performance.

The second finding from this an increased use of autocratic leadership style had negatively contributed for the performance of employees in Bahir Dar textile Share Company. Despite the limited use of this style by the management of the factory, the consequence were observed to be severe in terms of lowering employee motivation, self-confidence and hence their performance. The

significant negative effect of autocratic leadership style on employee performance shows the ineffectiveness of this leadership style on the productivity of employees.

In order to enhance the performance of their employees, the management of Bahir Dar textile Share Company at different level should execute more of the democratic style and avoid using autocratic style. The Laissez-faire leadership style is one of the independent variable but it has no any significant effects on employees' performance in this study for this reason we can reject this hypothesis due to insignificant relationships with employees performance. Autocratic and Laissez faire of leadership style could not be perfect for manufacturing sectors. As Deluga (1992) explained as autocratic leadership style is associated with dissatisfaction, unproductiveness and ineffectiveness and from this study it is possible to say that laissez-faire style had insignificant impact on employee performance. Since, laissez-faire gives absolute freedom to employees and this kind of gap between the supervisor and employee will lead to low performance

According to the open end question the majority of the respondent conduct to practices Democratic leadership style and followed by autocratic leadership style. There is also strategy to improve the performance of the employee by scheduled training. Based on the interviewed with the Bahir dar textile share company top managers they shared the decision in departmentally or management level, regarding the performance of the employee the majority is on average scale from the targeted plan and there is also the company apply performance management to evaluate their employees. The company has 5 years strategic plan and there is also strategy to enhance the performance of the employee as well as the organization goal. The mostly practice leadership style is democratic leadership style and followed by autocratic leadership style ,the respondent said that to enhance the performance of the employee and the organization goal better to use the leadership style based on the situation.

### **5.3. RECOMMENDATIONS**

Based on the summary of major findings and conclusion, the following recommendations were forwarded based on research objective and questions;

- The democratic leadership style is found practice moderately in Bahir Dar textile Share Company would further empower their employees by developing teams and affording some measure of power and authority to their employees.
  
- As per the finding result the management of Bahir Dar textile should practice democratic leadership style as it has its own impact on enhancing employee and organizational performance and because of the negative impact of autocratic leadership style to enhance the performance of the employee the management should avoid practicing this leadership style unless environment and the situation need this style.
  
- It should be noted that there is relationship between employee performance (aggregately it become organizational performance) and leadership style. Therefore, the management of Bahir Dar Textile Share Company has to make various efforts like intensive training to improve leadership style in order to enhance the employee performance as well as the organizational performance. The management should be planed the different leadership training for their employee.

Generally, the textile sector is one of the labors intensive areas and it operates below their design capacity. To enhance the performance of the employee and to achieve the organization goal, the researcher recommended that the most suitable leadership style be contingent on the purpose of the leader, the employees and the conditions. In order to enhance the performance of their employees, the management and the supervisor of Bahir Dar textile Share Company at different level should execute more of the democratic style and avoid using autocratic style and laissez fair leadership style Since selected leadership styles have significant effects on employees" performance, leaders should also have to consider the environment and the situation that helps to determine which leadership style is appropriate in stated conditions.

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## Annex I Perception towards different leadership style



St. Mary's University  
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**Research Topic: - Effect of leadership style on employee performance in the case of Bahir Dar textile share company.**

**Dear Respondent**

I am a Masters student at St Marry University. I am carrying out a study on Effect of leadership style on employee performance in the case of Bahir Dar textile Share Company. And this is required as part of the fulfilment of requirement for the award of masters of Business Administration. I would like to express my sincere appreciation for your generous time and honesty prompt responses. I request you to kindly respond a few questions on this questionnaire as sincere and thoughtful as possible.

The completion of this questionnaire is very important to the overall design of the study and should take you less than 20 minutes to complete. Your timely completion and return of this questionnaire is highly appreciated and will be counted as a continuation of your kind support to the development of the profession and myself as a member of the same. All the data you provide will be strictly confidential and used for the stated purpose only.

I once again thank you for your participation and if you have any question do not hesitate to contact me directly at 0910441494 and tenaye78@yahoo.com

### **General Instruction**

- There is no need of writing your name.
- Please place a tick() or a mark (x) in the box(cell)
- Specify your opinion for Open end question

**Thank you in advance!**

**Part1. Back ground information about respondent.**

1. Specify your gender,  
 Male             Female
2. What is your age group?  
 20-29     30-39     40-49     above 50
3. Specify your years of work experience in the factory  
 <5 years     6-10 years     11-15 years     16-20 years  >20 years
4. Specify your education level.  
 TVET     Diploma     Bachelor’s degree     Masters Degree     PhD

**Part 2 question related leadership style and employee performance**

**Instruction**

The sets of statements aimed at helping you assess your own performance. You are requested to rating yourself against each statement to indicate you level of agreement with what the statement is suggesting, where the following ratings are: 1 = Strongly Disagree, 2= Disagree, 3 =Neutral, 4= Agree and 5 =strongly agree.

- Please indicate to what extents do you agree or disagree of the following statements by putting the mark tick ✓

**2.1 Perception towards different leadership style:**

No	Autocratic Leadership Style	1	2	3	4	5
1	My supervisor Never gives time to consider my suggestion.					
2	I am not allowed to make decisions that my supervisor did not approve first					
3	My supervisor Closely monitor me to ensure that I am performing correctly					
4	My supervisor believes that employees must be given rewards or punishments in order to motivate them to achieve organizational objectives.					
5	My manager believes effective leaders give orders and clarify procedures.					

6	Whenever i make a mistake my supervisor makes a note on it and tells me not to do it again					
	<b>Democratic Leadership Style</b>					
7	My supervisor/manager Includes me in decision making but retain final decision making authority					
8	In my manager view to be a good leader given guidance without pressure					
9	My manager creates an environment where I take responsibility ownership of my work					
10	My manager provides me frequent and supportive communication					
11	My manager needs to help subordinates accept responsibility for completing their work					
12	When there is difference in expectation my supervisor work with me to solve the problem					
	<b>Laissez faire style</b>					
13	In complex situations, my manager let subordinates work problems out on their own.					
14	My supervisor stays out of the way as I do my work					
15	As a rule, my manager allows subordinates to appraise their own work.					
16	My supervisor gives me complete freedom to solve problem on my own.					
17	My manager believes in most situations, workers prefer little input from my supervisor.					
18	In general, for my manager is best to leave subordinates alone.					

Adapted from Avolio and Bass (1992)

## 2.2 Employee Performance

The sets of statements aimed at helping you assess your own performance. You are requested to rating yourself against each statement to indicate you level of agreement with what the statement is

suggesting, where the following ratings are: 1 = very low, 2 = low, 3 = Average, 4 = high, 5 = very high, Please place a tick (√) or a mark (x) in the box that represents your appropriate measuring of performance.

No	Executing Defined Duties	1	2	3	4	5
1	How do you rate the quality of your performance against the standard/ specification of products					
2	How do you rate your productivity against the standard/target set					
3	How do you rate the amount of your extra effort that you use to accomplish your daily and new tasks?					
4	How do you rate your motivation to accomplish your job?					
5	How do you report on time at work?					

Adopted from Balanced score card by Robert S. Kaplan and David P. Norton, 1992

### 2.3 Commonly practiced leadership styles

1. Please indicate the commonly practiced leadership style in your organization putting the mark tick

No	Type of leadership style	Commonly practiced leadership styles
1	Autocratic Leadership Style	
2	Democratic Leadership Style	
3	Laissez faire leadership style	

2 Which leadership style is appropriate for the improvement of employee work performance in your organization?

A, Autocratic B, democratic C, Laissez faire style D, other specify -----

-----and why?-----

-----

3. Do you have organizational strategy to improve employee performance?

Yes  No

I. If your answer is 'YES' for the previous questions how do you explain organizational strategy?

You can measure its impact in terms of supporting to execute defined duties, meeting deadlines, team works and achieving department goals and others, if any. -----

-----

II. If your answer is 'No' what is your employee performance improvement strategy? -----

-----

#### Annex2 Interview question



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#### Part 3 Interview with the leaders of Bahir Dar Textile Top Managers on leadership style and employee performance.

▪ The interview is prepared to gather data that are help full to identify effect of leadership style on employee performance. Thank you for the willingness to be interviewed.

1. How do you manage decision making in your organization /department?

2. How do you manage performance of employees?

3. How do you rate your employee productivity against the standard/target set

4. Which leadership style is practiced in your organization?

5. What do you think that Bahir Dar textile Share Company can bring change to improve its employee job performance?

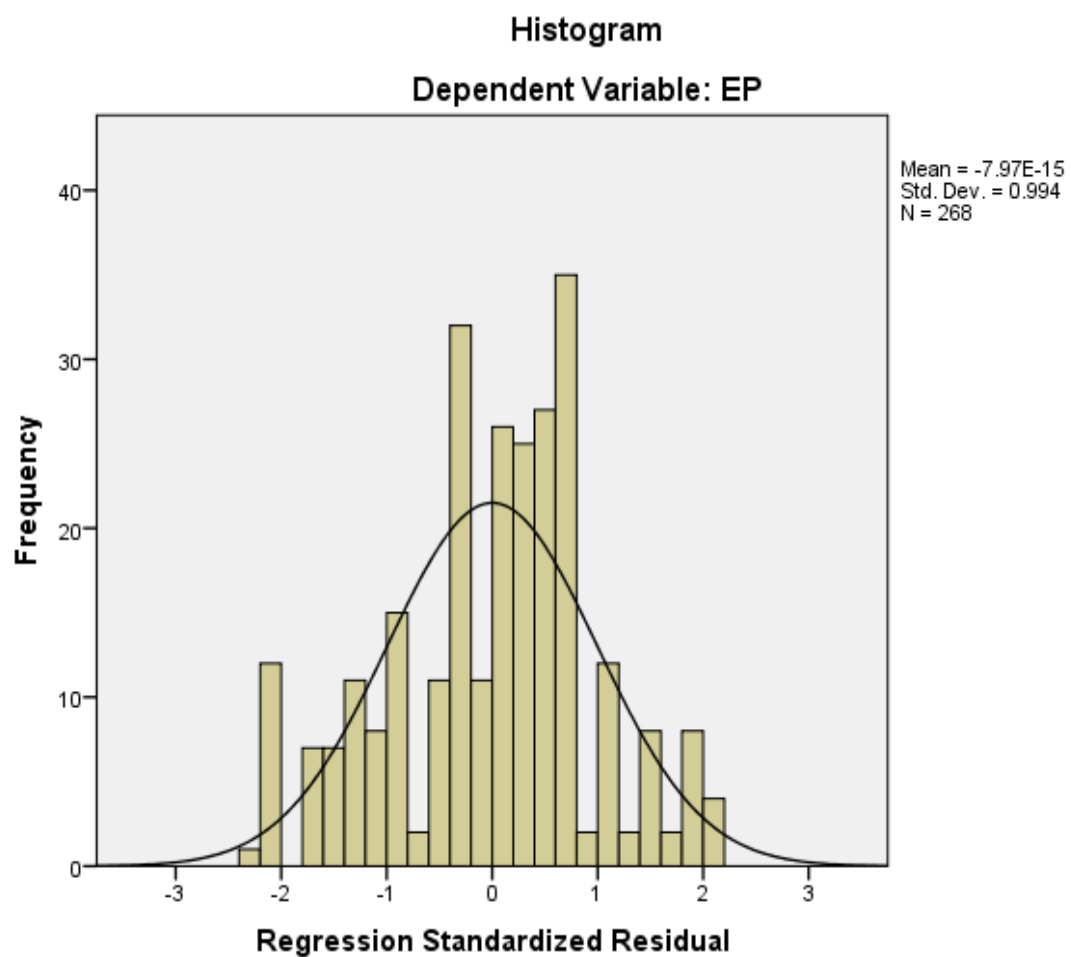
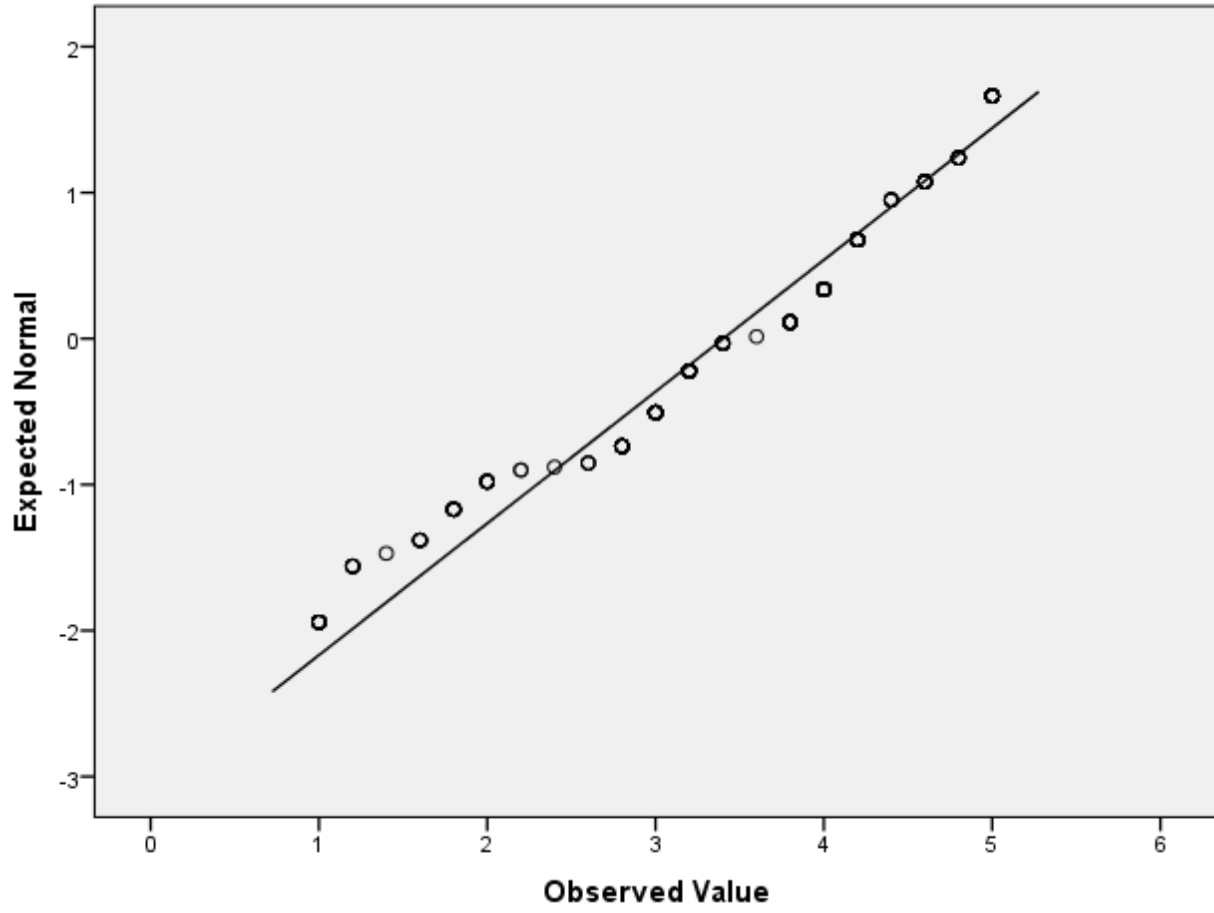


FIG. 4.2. LINEARITY TEST

Normal Q-Q Plot of EP





### Scatterplot

Dependent Variable: EP

