

# Journal of Business and Administrative Studies (JBAS)

Volume 10, No. 2

ISSN-2077-3420

December 2018

## Articles:

**Determinants of Project Implementation Delay: The Case of Selected Projects Financed by Development Bank of Ethiopia**

Tadesse Tulu

**Determinants of Micro and Small Scale Enterprises Advancement into Medium scale Enterprises: The case of Nifas Silk Lafto Sub-city, Addis Ababa**

Ashenafi Kinfe

**Effects of Leadership Styles on Employee's Commitment at St. Mary's University**

Mesfin Lemma and Kiflom G/Michael

**Note to contributors**

Bi-annual Journal Published by  
St. Mary's University  
School of Business  
Addis Ababa, Ethiopia

---

# Journal of Business and Administrative Studies (JBAS)

---

Volume 10, No. 2

ISSN-2077-3420

December 2018

---

## Articles:

**Determinants of Project Implementation Delay: The Case of Selected Projects Financed by Development Bank of Ethiopia**

*Tadesse Tulu*

**Determinants of Micro and Small Scale Enterprises Advancement into Medium scale Enterprises: The case of Nifas Silk Lafto Sub-city, Addis Ababa**

*Ashenafi Kinfu*

**Effects of Leadership Styles on Employee's Commitment at St. Mary's University**

*Mesfin Lemma and Kiflom G/Michael*

## Note to contributors

---

**Bi-annual Journal Published by  
St. Mary's University  
School of Business  
Addis Ababa, Ethiopia**

---

**Disclaimer:**

The findings, interpretations and conclusions expressed in this journal do not necessarily reflect the views of the publisher or those of the editors.

---

# Journal of Business and Administrative Studies (JBAS)

---

Volume 10

Number 2

December 2018

---

Articles:		Page
<b>Determinants of Project Implementation Delay: The Case of Selected Projects Financed by Development Bank of Ethiopia</b>		1
<i>Tadesse Tulu</i>		
<b>Determinants of Micro and Small Scale Enterprises Advancement into Medium scale Enterprises: The case of Nifas Silk Lafto Sub-city, Addis Ababa</b>		34
<i>Ashenafi Kinfe</i>		
<b>Effects of Leadership Styles on Employee's Commitment at St. Mary's University</b>		64
<i>Mesfin Lemma and Kiflom G/Michael</i>		
<b>Note to contributors</b>		

---

Bi-annual Journal Published by  
St. Mary's University  
School of Business  
Addis Ababa, Ethiopia

---

## **EDITORIAL COMMITTEE**

### **Editor-in-Chief**

Dr. Maru Shete (Associate Professor), St. Mary's University, Addis Ababa, Ethiopia. Email: [maru\\_shete@smuc.edu.et](mailto:maru_shete@smuc.edu.et)

### **Editorial Board Members:**

1. Dr. Belete Kebede (Associate Prof.), Medaille, School of Education, New York State, USA
2. Prof. Jorge Gomes, Lisbon School of Economics and Management (ISEG), University of Lisbon, Portugal
3. Prof. Meskerem Tadesse, Department of Business Administration, University of the West, USA
4. Dr Muluadam Alemu (Assistant Professor, University of Gonder, Ethiopia
5. Dr. Tilaye Kassahun (Associate Professor), St. Mary's University, Addis Ababa, Ethiopia
6. Dr. Zenegnaw Abiy, International Monetary Fund (IMF), Addis Ababa, Ethiopia

**St. Mary's University (SMU)** is one of the leading private higher education institutions spearheading the dissemination of knowledge in the country. Over the past ten years, **SMU** has achieved remarkable progresses as well as successes in the transmission of knowledge.

**Journal of Business and Administrative Studies (JBAS)** is a peer-reviewed bi-annual journal published by St. Mary's University and dedicated to the promotion and production of knowledge through the scientific methods of enquiry to achieve independent analysis as well as collection, processing and interpretation of data.

Cognizant of the complementary functions of transmission of knowledge (through teaching) and the conduct of scholarly inquiry (through research), SMU has aggressively been promoting publications of journals and conducting conferences for well over a decade. On one hand, while SMU recognizes that its faculty staff, academics and practitioners in the country possess a wealth of untapped scholarly and research potential. On the other hand, we believe that this immense potential has not been realized due partly to lack of resources and partly to the absence of a reliable outlet (i.e. journals). This concern has prompted the academic leadership at SMU to launch JBAS.

JBAS shall hopefully fill the vacuum created by the absence of outlets in the realm of business, economics and administrative studies in the country. The purpose of this Journal is to provide practitioners and scholars with a forum through which they would get opportunities to publish their research based debate as well as discourse in the fields intimated. Equally important, it shall offer insight into developments in the fields bringing Ethiopian realities under purview.

Contributors shall thus come from a broad range of fields and disciplines seeking to reflect on the theoretical and practical developments in the areas of accounting and finance, economics, management, marketing, public management as well as governance and related fields.

## **Determinants of Project Implementation Delay: The Case of Selected Projects Financed by Development Bank of Ethiopia**

**Tadesse Tulu\***

Development Bank of Ethiopia, P.O.Box 1900, Addis Ababa, Ethiopia

### **Abstract**

*The objective of this study is to identify the major determinants of project implementation delay. The research targeted projects financed by the Development Bank of Ethiopia. The independent variables causing project implementation delay are poor project initiation, poor project planning/design system, improper implementation, poor project monitoring, evaluation and controlling system, poor communication, improper project closure, and the dependent variable is project delay. The study considered 125 projects through stratified sampling method from projects financed by the Bank. Data were collected from randomly selected project managers using structured questionnaire and secondary data were also used. Data were analyzed using linear regression method. According to the findings, a strong, positive and significant relationship was observed between delay factors considered as independent variables and project delay. Among the six delay factors (poor project initiation, poor project planning/design system, improper implementation, poor project monitoring, evaluation and controlling system, poor communication and improper project closure), poor project initiation was identified and concluded as the determinants with the highest influence on project completion delay. So that any business initiators should select project those are more familiar and interesting for them and scope of project should be established, controlled and must be clearly defined and be limited.*

**Keywords:** Project Financing, Project Implementation and Project Completion Delay, Development Bank of Ethiopia.

---

\* The author can be reached through [tadetulu@gmail.com](mailto:tadetulu@gmail.com)

## 1. INTRODUCTION

### 1.1 Background of the Study

Projects are considered delayed when their stipulated completion durations have not been achieved. The inability to complete projects on time and within budget continues to be a chronic problem worldwide and is worsening (Ahmed *et al.*, 2002). According to Ashley *et al.* (2008) the trend of cost overrun is common worldwide and that it is more severe in developing countries. The subject of completion of project is therefore a universal concern that affects all parties to a construction project. It is thus in the interest of the project management as an emerging profession to address all the factors that affect completion of construction project. Indeed the idea of EPC contracts was conceived to partly transfer the risks involved in project implementation largely to the contractor charged with implementing it. The contractor usually has a limited ability to claim additional money which is limited to the circumstances where the project company has delayed the contractor or has ordered the variation of the works (McNair *et al.*, 2011).

Delay could be defined as an act or event that extends the time required to perform the tasks under a contract. It usually shows up as additional days of work or as a delayed start of an activity (Sweis *et al.*, 2007). Projects have a variety of reasons to experience delay. An investigation to find out the reasons for the delays was conducted in Hong Kong where a questionnaire was developed on factors that were identified in previous findings. The analysis of indicated the difference in perception of the factors that was between the key stakeholders of the project. There was general agreement about the relative importance of delay factors such as unforeseen ground conditions (Kumaraswamy *et al.*, 1998). The delays can be controlled by improving productivity and factors that affect productivity are dealt with the purpose of

further increasing productivity and thereby reducing delays. The conclusion of the investigation is ranking of the factors and factor categories that are considered by various project stakeholders. The areas of disparity between the stakeholders are indicated by their experiences, prejudices and ineffective communication. Thus the project scope factors can be supported by effective communications between all stakeholders.

According to Abdalla *et al.* (2002) projects encounter massive delays and thereby overshoot the initial time and cost estimates which in turn result in extensive delays providing a platform for claims and disputes. A survey done with the objective of finding the most important reasons for delays as per the traditional contracts indicate that contractors and consultants agreed that owner interference, inadequate contractor experience, financing and payments, labor productivity, slow decision making, improper planning, and subcontractors are among the top ten most important factors. According to Assaf *et al.* (2006) in construction, delay could be defined as the time overrun either beyond completion date specified in a contract, or beyond the date that the parties agreed upon for delivery of a project. It is a project slipping over its planned schedule and is considered as common problem in construction projects. In some cases, to the contractor, delay means higher overhead costs because of longer work period, higher material costs through inflation, and due to labour cost increases. Time, cost and quality are the basic of successful construction which include also the safety and it environment. Time and cost had parallel relationship which the increasing of the time will make the increasing of the cost. Then, the controlled of time is really important for avoid any loss to the contractor. The time that already discuss is the period which is the schedule for the activities from beginning until finish the process of planning.

Delay implementation of projects and cost increase are common phenomena in projects worldwide. However, these are especially severe in developing countries. Implementation delay gives a project a difficult start, unduly long time taken for project implementation results in time-overrun which is invariably followed by cost overrun. Cost-overrun has the ill effect of affecting the financial viability of the project. The problem of cost-overrun will get more compounded if the finance necessary to meet the increased cost cannot be arranged in time. Any delay in arranging for the finance needed to meet the cost overrun will only further tend to increase the cost and this may land the project in trouble leading eventually to the death of the project and the project may not take off (Adhikarib, 2002). Delays are endemic to the construction projects in Ethiopia. By examining 15 completed projects in different region of the country, the delay encountered in most projects range from 20.66% to 50% of original contract time. Project delays are the major causes of claims for time extension and associated cost (Abdissa, 2003). The authors further pointed out that the most common causes of delays and their associated costs, us shortage of spare parts, untimely payment, poor planning and control, increase in scope (design changes/extras), differing soil and site conditions, limited access to the site (partially or totally) not ready for work to progress, unusual and long rainy weather condition, war and instability, Poorly equipped contractors and public sector agencies lack of motivation, and lack of experience in project management.

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

It is clearly stated in the Bank's credit policy that the major aim of the Development Bank of Ethiopia is to extend medium to long-term loans for investment projects in the priority areas set by the Government. All projects financed by the bank were approved taking into consideration the project

appraisal and its implementation schedule however, a good number of projects have not been executed in line with the designed implementation schedule. This trend has caused influence on project operational successfulness and the loan recovery performance of the bank significantly (Development Bank of Ethiopia, 2008). As it has been observed that most DBE financed agricultural and industrial projects implementation schedule lag behind from what was planned in the feasibility studies submitted by the project owners to the Bank and on revised appraisals studies of the Bank and as a result, there is frequently request for an additional loan for missing items and incomplete construction works and loan repayment rescheduling request by most huge and large sized projects due to delayed of implementation schedule derived mainly from external and internal causes (Development Bank of Ethiopia, 2008). In addition to this, currently it is common to watch foreclosure advertisement of different Banks on newspaper and television window every day and this simply indicate that the failure of many projects. Case example, Past Service projects like Hotels, Schools, and Hospitals and Agricultural project financed by DBE still under foreclosure (Development Bank of Ethiopia, 2011).

This situation resulted great apprehension on the part of potential investors not to look for Bank finance with the perception that credit is the main cause for project failure. Moreover, the failure of projects increases sunk cost of the country irrespective of their ownership since fixed investments of most projects are purpose oriented and require high switching cost. Understanding the prevailing perception in the country, Development Bank of Ethiopia has set zero tolerance for project failure in the year 2010 E.C. According to Assaf and Al-Hejji (2006) some key causes of delay according to clients are contractor's improper planning, contractor's poor site management, subcontractor issues, and skilled labor supply and productivity; contractors are insufficient client's payments for completed and ongoing work, acquiring difficulties for work

permit and approval, and availability and failure of equipment. When large projects deviate from their objectives (either in cost, completion time, performance, safety or environmental effects), the damage caused obviously transcends out of the contracting parties and affects the project stakeholders and the public at large. Emphasizing the completion time deviation factors as they are very common in our country's construction industry, lack of justified methodologies in quantifying and analyzing delays happens to be the greater challenge (Abebe, 2003). This is because, not also the delays come from a variety of sources, and they also have different effects and implications resulting in complex ramifications, creating considerable difficulty to practitioners in the claim resolution (Kumaaswany, 1997). A critical review of literature suggested that the reason for the continuing difficulty with delay claim resolution can be attributed to a number of problems including lack of uniformity in the application of delay identifying methodologies, lack of sufficient guidance from contacts and poor planning practice. After an in depth review of empirical literature the researcher has reached to a conclusion that there is no literature available on the factors influencing completion of projects in Ethiopian Country especially for industrial project. This study therefore aimed to investigate the actual factors influencing of project completion in Ethiopian Country the case are project financed by DBE.

In lights of these problems conducting this research on the case Bank is to determine delay factors in project implementation and also to adopt an appropriate framework for improving delay analysis and administration methods. The study focused projects financed between January 2012 to December 2014 in the core process of the Bank at Corporate level i.e. Credit Process was selected.

In a bid to fill the knowledge gap, the study attempted to address the following research objectives:

- ❖ To examine the relationships between poor project initiation and completion of projects.
- ❖ To investigate the relationships between poor planning and design system and completion of projects.
- ❖ To find out the relationships between improper implementation and completion of projects.
- ❖ To investigate the relationships between poor project monitoring, evaluation and controlling system and completion of projects
- ❖ To examine the relationships between poor communication and completion of projects.
- ❖ To investigate the relationships between improper project closure and completion of projects.

## **2. LITERATURE REVIEW**

Different researchers in different countries investigate factors influencing project completion from different perspectives. In this sub section, the mythology used and findings identified on studies conducted on project completion influencing factors are reviewed.

### **2.1 Project Initiation and completion of projects**

Chan and Kumaraswamy (1997) have determined and evaluated the factors causing delays for construction projects in Hong Kong. They have identified 83 hypothesized delay factors and grouped them into eight categories. The main reasons for delay were analyzed and ranked according to different groups classified on the basis of (a) role of the parties in the local construction industry (i.e. whether clients, consultants and contractors) and (b) the type of projects.

They collected data from 167 local construction organizations and analyzed it by using the relative impact index method in order to rank the determinant delay factors for different types of construction projects. The results indicate the principal and common causes of delays are: Improper define the project scope and Lack recruit appropriate staff , unforeseen ground conditions, low speed of decision making involving all the project team, Poor job description for a project manager, Lack of comprehensiveness of feasibility study and Analysis client initiated variations and necessary variations of works.

## **2.2 Project planning and completion of projects**

Project planning comes into play at the shakedown phase in project development. Poor project planning can easily bring down response strategies where they are at the threshold or the completion stage. Achievements should be measured against project goals. The progress of the response strategies should be monitored actively through set milestones and targets. Two criteria may be used; project management based criteria should be used to measure against completion dates, costs and quality. Then operational criteria should be used to measure against the production system. Monitoring and feedback include the exchange of information between the project team members and analysis of user feedback. There should be an early proof of success to manage project. Reporting should be emphasized with custom report development, report generator use and user training in reporting applications (Sumner, 1999).

Project implementation are generally takes various stages. The first stage is usually project initiation where the project is identified and a feasibility study carried out to establish the viability and build a business case. The second stage is the project planning stage and in here the project design is carried out, resources and finances allocated. Project execution which is the third phase

involves implementing the designs within the allocated resources in the set duration and to the set specification and quality. Project closure involves handing over the final product to the customer, handing over the as is built drawings, giving the operation and maintenance plan, terminating the contracts and informing all stakeholders that the project is closed. If project completion date has been frozen without arranging inputs and proper planning, this can lead to hasty and unsystematic work towards the end of the project (JHA et al., 2006). Failure to clearly comprehend the project, all its aspects can lead to works being executed erroneously and the attendant correctional steps to remedy the errors will cause project delay. The consequences are actually 14 grave, ranging from litigation to claims and disputes, to outright abandonment of the project (Olatunji, 2010). When a project delay can no longer be absorbed by the client, the project is abandoned. It helps then to predict and identify problems in the early stages of construction (Hussin and Omran, 2011). Planning stage is therefore very key to success of construction project. Delivery of materials on site will quite affect the project progress. If that supply does not ensure that quality materials are delivered on site then it will cause delay of project completion (Wambugu, 2013). This is because material not meeting the quality of design will most likely be rejected and the process of getting the right material will be taking more project implementation time. When materials are lacking on site it means that the employees will not have work to do. This is quite demoralizing and will affect the project delivery negatively. This is largely a product of poor planning in the construction project. Indeed material availability is the most frequent problem that leads to delay in majority of the countries as identified by Olatunji (2010). Second to this is inadequate planning methods and ineffective coordination of resources. Failure at the conceptual planning and design stages, Inadequate resource and finance allocation, inadequate estimation of project completion schedule , lack of complete and

proper design and specification of projects at right time may lead to significant problems in the successive stages of the project. Koushki *et al.* (2005) in a study carried in Kuwaiti illustrates that owner who carried out pre-planning phase prior to the commencement of the planning phase experienced shorter time delays than their counterparts who did not. The amount of time delay also increased with an increase in pre-planning time period. Sambasivan and Soon (2007) identify contractor's improper planning as one of the causes of project delay. If a contractor fails to come up with a workable work program at the initial stages, this will affect project timely completion. A similar observation is made by Jagboro and Aibinu, (2002) in Nigeria. Equally emphasizing on the need for proper planning of construction project is (Pakir *et al.*, 2012) in a study carried out in Sudan. McMinimee *et al.* (2009) stated that it was clear that investments in advance planning and project development paid off. Mojahed (2005) states that proper planning in all phases and components of construction project are necessary to avoid rework which in turn leads to delay in project completion.

Wideman (2001) concludes that the success of the execution phase of the project is highly dependent upon the quality of planning in the prior planning phase. Wambugu (2013) observes that planning affected the timely completion of rural electrification projects in Kenya and that the 15 qualities and importance of project planning had been considered a major cornerstone of every successful project. Tabishl and Jha (2011) in a study carried out in Singapore conclude that comprehensive site investigation helps in sound planning which in turn helps in clarifying the scope and developing a thorough understanding. This also helps minimize change of scope during construction.

### **2.3 Project implementation and completion of projects**

Projects are influenced by a multiple of factors which can be external or internal to the organization responsible for its management and execution. These include poor project management, inadequate opportunities for potential beneficiaries to participate in project identification and design, poor linkages between project activities and project purpose, insufficient attention to external environment during project design, among others. It has also been recognized that projects were likely to succeed when account was taken of socio-economic context in which they operated (Batten, 1957).

According to Theodore (2009) the causes of delay are categorized into 7 groups. The first group has discuss the causes of delay occurred by client. Those are poor communication and coordination, delay in progress payments by owner, change orders by owner during construction, slowness in decision making process, delay to furnish and deliver the site, late in revising and approving design documents, delay in approving shop drawing and sample materials, Suspension of work, and conflicts between joint-ownership of the project. Second group categories of causes is delay occurred by contractor. Those are: difficulties in financing project by contractor, conflicts in sub-contractors schedule in execution of project, rework due to errors during construction, conflicts between contractor and other parties (consultant and owner), poor communication and coordination, ineffective planning and scheduling of project, improper construction methods implement, delays in sub-contractors work, inadequate contractor's work, frequent change of sub-contractors, poor qualification of the contractor's technical staff, and delays in site mobilization

The third group causes of delay is delays occurred by consultant. Those are: delay in approving major changes in the scope of work, poor communication and coordination, inadequate experience of consultant, mistakes and discrepancies in design documents, delays in producing design documents, unclear and inadequate details in drawings, insufficient data collection and survey before design, and un-use of advanced engineering design software. Fourth group causes of delay is delay occurred by materials. Those are: shortage of construction materials in market, changes in material types and specifications during construction, delay in material delivery, delay in manufacturing special building materials, and late procurement of materials.

The fifth group identified as causes of delay is delays occurred by equipment. Those are: equipment breakdowns, shortage of equipment, low level of equipment-operator's skill, low productivity and efficiency of equipment, and lack of high-technology mechanical equipment. The six group identified as causes of delay is delays occurred by labor. Those are: Shortage of labors, working permit of labors, low productivity level of labors, and personal conflicts among labors. The final group identified as causes of delay is delays occurred by external factors. Those are: effects of subsurface conditions (e.g. soil, high water table, etc.), delay in obtaining permits from municipality, hot weather effects on construction activities, traffic control and restriction at job site, accident during construction, changes in government regulations and laws, delay in providing services from utilities (such as water, electricity), and delay in performing final inspection and certification by a third party.

A study conducted in Korean, the causes of delay in mega projects are classified into five categories: insufficient planning, difficulties in acquiring right of way, inefficiency of project management and monitoring system, conflicts between organizations, and strong public resistance. All of the direct or indirect

participants tend to maintain different interests in the same project, making it extremely difficult to properly align them for project success. The sheer size and complexity of the project can easily lead to inefficiency and low productivity. Even though these causes, normally found in Korean mega projects, can be repetitive in any construction project, they tend to bring poorer results than those of smaller projects in both size and complexity (Han *et al.*, 2009).

Likewise, Al-Momani (2000) conducted a quantitative analysis of construction delays by examining the records of 130 public building projects constructed in Jordan during the period of 1990-1997. The researcher presented regression models of the relationship between actual and planned project duration for different types of building facilities. The analysis also included the reported frequencies of time extensions for the different causes of delays. The researcher concluded that the main causes of delay in construction projects relate to designers, user changes, weather, site conditions, late deliveries, economic conditions, and increase in quantities. Moreover, Assaf *et al.* (1995) for example, provide a concise summary of the methodologies used by transportation agencies to establish the contract duration used for highway construction projects, and also provide a schedule guide for field engineers during construction. Similarly, Mohammed & Isah (2012) conducted a review on project delays in developing countries during planning and construction stages. In their study they found that the delay and cost overruns of construction projects are dependent on the very early stages of the project.

## **2.4 Monitoring, Evaluation, and Controlling system and completion of projects**

The competence of the project manager during project implementation will also affect the timely completion of a project. Positive attitude of project manager and project participants has emerged to be the most important success attribute for quality compliances at project sites (JHA & IYER, 2006). The authors additionally observed that some of the attributes are with high importance are all related to the project manager. For example effective monitoring and feedback by the project manager, project managers technical capability, leadership quality of the project manager, effective monitoring and feedback by the project team members and authority to take day to day decisions by the project managers' team at site. Furthermore, the success of project hinges on the efficacy of the project team in managing the process (Olatunji, 2010). This indicates adequate capacity of the project manager as well as the project team to ensure proper inspection and investigation of work done on site. A weak link in the process such as a lack of project management experience, could adversely affect timely execution/ timely completion of the projects (Dainty *et al.*, 2003) as cited by Olatunji (2010). When there is no proper inspection/supervision, quality control is greatly compromised. Chism and Armstrong (2010) agree by stating that inspection and workmanship standards are quite important to achieve quality. Fapohunda and Stephenson, (2010) state that to achieve the pre-determined project objectives, the construction site manager should have a significant influence over cost, time, scope and quality which make it paramount for the manager to have ability of exercising authoritative and absolute control.

Wambugu (2013) concluded in a study that inadequate supervision and inspection of work in construction project led to rework in instances of poor

workmanship and this led to delay in project timely completion. This also leads to project cost overrun and may result to project abandonment. Inadequate site inspection is one of the factors identified as causing project delays 16 in timely completions according to (Jagboro & Aibinu, 2002). Mojahed (2005) states that occasion of rework are mainly attributed to incompetent craftsmen because of insufficient working skills and knowledge of drawings or to incompetent supervisors because of lack of experience leading to deficient supervision. The study clearly emphasized the impact of management and supervision on the overall success of the construction project. If there is no proper supervision, workers will tend to take break whenever they desire and work will tend to delay. Timely inspection is of great importance to ensure effective operation, material quality, and timely progress of the project schedule. Subsequent activities on a construction schedule may not be carried out before the required inspection is carried out on the preceding activities. Chai and Yusof (2013) identify poor site management and supervision as ranking high in the order of causes of construction project delay.

### **2.5 Communication in project teams and completion of projects**

Communication plays an important role in leading, integrating people, and taking decisions to make a project a success. There must be shared project vision, where the project manager identifies the interests of all relevant stakeholders and ensures that there is buy in to the project (Yang *et al.*, 2009). According to (Zwikael 2009) once the project objectives are set and the scope clarified, there must be constant update as the project progresses. Progress on activities assigned to individuals or groups needs to be monitored with a view to achieving overall goals. These updates must be communicated to the relevant parties. Newton (2005) believes that a detailed communication plan is necessary for the effective dissemination of information. To this end, frequent

project meetings are necessary. Apart from consulting with the community, local direct involvement is a key element for project success. Given the relatively high unemployment rates in South Africa, consideration must be given to local residents. This could include sourcing materials from local suppliers and employing local residents. It is advisable to use an influential community member as a liaison between the project manager and the community (Teo, 2010). Finally, proper handover procedures need to be developed. This is an important consideration, given that the construction industry is being increasingly viewed as a service industry (Karna *et al.*, 2009)

Project communication management ensures timely and appropriate generation, collection, dissemination, storage, and disposition of project information. Open and clear communications are required among planners, implementers, and all levels of the organization for project success. It includes having a communication plan, information distribution path, progress reporting, and information sharing system for management and customers (Kwak & Ibbs, 2002). Project communication management should also include methods and techniques to build trust and relationships among team members, as well as propagate desirable personal behaviors and clear communication rules.

Findings indicate that, in case of many projects, activities in the field of communication management are disordered, supported mainly by project managers' intuition or neglected (Paasivaara & Lassenius, 2003; Adera, 2013). Research on project communication management in industrial enterprises in Slovakia revealed that in 66% of them no written document (methodology, process steps) to manage project communication has been prepared (Samakova *et al.*, 2013).

## **2.6 Project closure and completion of projects**

Project delivery system will also affect project timely completion or not. Project delivery system refers to the various processes required in materializing the goals and objective of a client into a project through integrated project team efforts (Chen *et al.*, 2011) the same authors also state that the project delivery system acts as a management function of the owner in project execution. It is quite important that the right choice on the project delivery system is made. The decision made in the selection of the project delivery system for a project impacts all phases of execution of the project and greatly impacts the efficiency of project execution (Oyetunji & Anderson, 2006). The choice of the project delivery system largely depends on the funding available. A funding agency will most likely determine the project delivery system that will be able to guarantee the cost control and in the end the project control. This choice is based on past practices, traditions and experiences, advice of consultants, funding sources and constraints. Other project stakeholders' views will also be factored. When the project is closed, ensure that any outstanding tasks in the project plan that are to continue after the project is closed are included in the formal project close tasks which are addressed in the Close phase. These outstanding tasks may need to be included in post-project implementation planning and may have an impact on the business outcomes and benefits realization from the project.

However in a case where the owner needs professional design services and construction services, design bid build may be the preferred option. Design Bid Build (DBB) gives the owner a high degree of control. The owner can also closely monitor projects. It is also applicable if the owners are public owners and must account in detail for expenditures. The manager uses procedures that will guide on how best the resources will be best used during the construction

process with the aim of achieving timely and efficient application in the construction process. Wambugu (2013) avers that a construction manager will generally be trained in the management of construction processes. Yet another project delivery system is the Design Build (DB). In this type the owner contracts a single entity to provide the design and implement the design. This system enables the owner to deal with a single contact and so eliminate the various conflicts that occur when a team of consultants in design team on one hand differ with the contractor on the other hand. In DB the design builder makes many of the decisions that the owner would otherwise be required to make in DBB. There is therefore a quite delegated authority by the owner. There are variations in the type of design build arrangements. They may be lease develop operate where the owner gives the operator a long term lease to develop, operate and then revert to the owner. Public private partnership is another arrangement for project implementation where a public sector authority enters into a contract with a private party. The private party provides a public service or project and assumes a substantial financial, technical and operational risk in the project. In a typical case a private sector consortium forms a special company vehicle called “a special purpose vehicle” (SPV) to develop, maintain and operate the asset in the contracted period. The PSV then signs the contract with the public entity and then signs a contract with sub-contractors to construct the project and then maintain it.

Turnkey contracts or engineer procure construct projects. In these contracts, the owner prepares the principle and basic design of the construction on a functional basis (FIDIC, 1999). The owner exercises limited control over and should in general not interfere with the contractors work. A feature of this type of contract is that the contractor has to prove the reliability of the project after completion at the turn of the key (FIDIC, 1999).

## **2.7. Research Hypotheses**

Based on reviewed literature the research hypothesis was identified as follows:

**H1:** Poor project initiation is expected to have significant negative impact on project completion.

**H2:** Poor project planning/design is expected to have significant negative impact on project completion.

**H3:** Improper implementation is expected to have significant negative impact on project completion.

**H4:** Poor project monitoring, evaluation and controlling system is expected to have significant negative impact on project completion.

**H5:** Poor communication is expected to affect project completion negatively.

**H6:** Improper project closure is expected to affect project completion negatively.

## **3. RESEARCH METHODOLOGY**

### **3.1. Research Approach and Design**

The study intends to assess the determinants of project implementation delay of the case bank. The cause and effects (causal) relationship between variables are assessed throughout the study. This makes it appropriate for the study to implement explanatory research design. In this study both qualitative and quantitative data types were collected. This leads for the study to use a mixed research approach which combines both qualitative and quantitative research methods.

### **3.2. Study Population and Sampling**

DBE is a project-based lending institution. Projects financed by the Bank are carefully selected and prepared through appraised, and they are closely supervised and systematically evaluated. In this study, the population are

industrial projects financed by the head office (corporate level). The head office is engage in financing mega project. The study considered project financed by the Bank between January 2012 and December 2014. The total number of project financed for during the mentioned period were 232. From these only 50 projects were completed successfully on scheduled time and the remaining 182 projects experienced delays in their implementation. However, even if the implementation delay occurred in project financed by DBE, the time of delay is different from project to project. Therefore, the total population of the study are 182 projects with their time of delay since the bank schedule project implementation time on monthly based. It is very expensive in terms of money and time to collect data from these entire projects or contacts. Sekarar (2003) presented a simplified formula to calculate sample sizes of finite population. A 95% confidence level is assumed for this formula to determine the sample size, at  $e=0.05$  and the sample size for the study is determined as follows:

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

where 'n' is the required sample size,

N is the population size and

E is the level of percision

Applying the above formula,  $n = \frac{182}{1 + 182(0.05)^2} = 125.085 = 125$  rounding to nearest integer. Hence the sample size for this research included 125 projects financed by Development Bank of Ethiopia. Therefore, the project managers of 125 projects are considered to be the population of the study.

### 3.3. Data Type and Source

For the completion of this study, both primary and secondary types of data are used. The primary data for this research is acquired from sample respondent project manager who are selected from the project financed by case bank. The

secondary data was used (referred) from project file or recorded documents by case bank.

### **3.4. Data Collection Instruments and Data Collection Procedure**

The instrument of data collection employed was a questionnaire. The questionnaire has part I giving the background information of the respondent. They were also requested to state Company/Project currently you manage. Part II ranking of determinants mentioned based on their contribution in project delay. Part III of the questionnaire sought the data on previous projects that the respondent had handled. The specific data asked included project initiation, project planning/Design system, implementation, project monitoring, and evaluation and controlling system, communication, project closure related issues. Also asked was the reason for each project delay. A last question sought the respondents' personal opinion on the cause of projects completed delay.

Because of the pre-determined sample population and the nature of the study, the sampling methodology used was non-probability. Purposive or judgmental sampling and snow-balling sampling methodologies were therefore applied in this study. The sampling procedure was also guided by the records available on the registered professionals in the construction industry who formed the population. The identified project managers were issued with the questionnaire. When they recommend fellow project managers that the researcher could give questionnaires they were further requested to fill the research questionnaire.

### **3.5. Data Analysis Method**

After collecting data from primary sources it was appropriately checked. In addition to that in-house editing was made by the researcher to detect errors committed by respondents during completing the questionnaires. Then the edited data was coded and manually enter in to the computer. In the study both qualitative and quantitative methods of data analysis techniques was employed.

Analysis of data in this research was done by using statistical tools like correlation and multiple regressions. In the study six hypotheses were analyzed using methods of statistical inference. Multiple regression analyses were also conducted to determine by how much percent the independent variable i.e. delay factors explain the dependent variable which is project implementation delay. Tables were employed to present the data and statistical package for social science (SPSS) version 24 were used to support the analysis.

## **4. RESULT AND DISCUSSION**

### **4.1. Ranking of Delay Factors**

Table 1 shows the ranking of the delay factors based on the mean values. The factors with mean values exceeding 3.8 present a fairly high agreement of the respondents. Based on the ranking, the three most influential factors of project completion are: Poor Project Initiation (PPI) (mean = 3.847); Poor Project Monitoring, Evaluation and Controlling System (PPMECS) (mean = 3.661); and Poor Project Planning/Design System (PPPDS) (mean = 3.657). It is easy to find that PPI is the factor having the highest value of the means. The information delays and lack of information exchange between the parties are serious problems when the project is running and encountering with deadline or important milestones. These problems lead to the different understanding about the project objectives between the parties. Conflicts can occur when the information is not updated in time to one of the parties. The old information could be done by the contractor. Completed works could not meet the owner's requirements, also caused schedule delays and cost overruns. The two factors that have the lowest means with comparing to other factors are: (IPC) improper project closure (mean = 3.592), and (II) improper implementation (mean = 3.567).

**Table 1: Ranking of Delay Factors**

Code	The Delay Factors	Mean	Rank
PPI	Poor project initiation	3.847	1
PPMECS	Poor project monitoring, evaluation and controlling system	3.661	2
PPPDS	Poor project planning/Design system	3.657	3
PC	Poor communication	3.616	4
IPC	Improper project closure	3.592	5
II	Improper implementation	3.567	6

Source: Author's survey result

#### **4.2. Relationship between Project Implementation Delay Factors and Project Delay**

The regression analysis was conducted to know by how much the independent variable explains the dependent variable. In this study, regression was employed to examine the effect of the independent delay factors such as poor project initiation, poor project planning/design system, improper implementation, poor project monitoring, evaluation and controlling system, poor communication and improper project closure on dependent variable project delay. The model was checked for multicollinearity problem using VIF (Variance Inflation Factor). According to Pallant (2007), the inverse of tolerance value should have a value of less than 10 to avoid any concerns of co-linearity. Hence, the values in the Table 2 indicated low co-linearity.

The multiple regression analysis model the relationship between the independent variable and dependent variable. The coefficient of determination ( $R^2$ ) and correlation coefficient (R) shows the degree of association between the two. The results of the adjusted  $R^2=0.943$  indicates that there is a positive relationship between independent variable (and dependent variable (project delay)). Further, it can be argued that poor project initiation, poor project planning/design system; poor project monitoring, evaluation and controlling

system, poor communication and Improper project closure jointly determine (explain) 94.3% of the variance in project delay. Whereas 5.7% of the project implementation delay/project completion delay was explained by the variables which were not included in the study.

**Table 2: Determinants of Project Implementation Delay (n=125)**

Variables	Unstand. Coeff.		Stand. Coeff.	t	Collinearity Statistics	
	B	Std. Err.	Beta		Tolerance	VIF
Constant	1.35***	0.10		13.44		
Poor project initiation	0.24***	0.04	0.24	5.93	0.29	3.41
Poor project planning /design	0.18**	0.03	0.07	2.12	0.49	2.03
Poor project monitoring, evaluation and controlling system	0.47***	0.04	0.55	10.85	0.12	5.38
Poor communication	0.36***	0.04	0.47	10.21	0.23	4.33
Improper project closure	0.14***	0.03	0.17	4.47	0.33	3.0

\*\*\*Significant at  $p < 0.01$  and \*\*Significant at  $p < 0.05$

**Source:** Author's survey result

The values of the unstandardized Beta Coefficients ( $\beta$ ) indicate the effects of each independent variable on dependent variable. Furthermore, the values of the unstandardized Beta Coefficients in the Beta column of the Table 4.10 above, indicate which independent variable (determinants of delay) makes the strongest contribution to explain the dependent variable (project delay), when the variance explained by all other independent variables in the model is controlled. The  $t$  value and the sig ( $p$ ) value indicate whether the independent variable is significantly contributing to the prediction of the dependent variable.

The study's hypothesis testing was made based on  $\beta$ ,  $t$ , and  $P$  values. Hence using those coefficient results, the proposed hypotheses for this study were tested as follows.

### **Hypothesis 1: Poor project initiation and project completion**

The results of multiple regressions, as presented in Table 2 revealed that poor project initiation had a positive and significant effect on project delay with ( $\beta = 0.235$ ,  $t = 5.934$  &  $p < 0.01$ ). Thus, the proposed hypothesis was accepted. This statistics infer that if the owner of the project increased its focus to project initiation by one %, then its project delay would decreased by 23.5%. Therefore, poor project initiation had a negatively affect the project completion time. The findings agree with Chan and Kumaraswamy (1997) who argues that the factor that always happen relate to the poor project initiation are: improper define the project scope, lack recruit appropriate staff, unforeseen ground conditions, low speed of decision making involving all the project team, poor job description for a project manager, lack of comprehensiveness of feasibility study and Analysis.

### **Hypothesis 2: Poor project planning/design and project completion**

The results of multiple regressions, as presented in Table 4.5 above, revealed that poor project planning/design had a positive and significant effect on project delay with values ( $\beta = 0.176$ ,  $t = 2.199$ ,  $p < 0.01$ ). Thus, the proposed hypothesis was accepted. Here also the beta coefficient implies that if the attention is given to poor project planning/design by one %, by keeping the other variables constant its project delay would decreased by 17.6%. Therefore, poor project planning/design had a negatively affect the project completion time. The findings concur with Olatunji (2010), Wambugu (2013) and

Sambasivan & Soon (2007) that points out the factors always happen relate to poor project planning/design are; inadequate resource and finance allocation, inadequate estimation of project completion schedule, lack of complete and proper design and specification of projects at right time, contractors improper planning.

### **Hypothesis 3: Poor project monitoring, evaluation and controlling system and project completion**

The results of multiple regressions, as presented in Table 2 revealed that poor project monitoring, evaluation and controlling system had a positive and significant effect on project completion with values ( $\beta = 0.469$ ,  $t = 10.854$ ,  $p < 0.01$ ). Thus, proposed hypothesis was accepted. In this case the beta coefficient describe that keeping the other variables constant, in this model a one % change in the overall project monitoring, evaluation and controlling system, the consequence would be made change time in project completion by 46.9 %. Therefore, poor project monitoring, evaluation and controlling system had a negatively and significant effect on project completion. The findings concur with Chism and Armstrong (2010) and Kwak & Ibbs (2002) that points out the factors always happen relate to poor project monitoring, evaluation and controlling system are; no proper inspection/supervision, poor quality control, inadequate supervision and inspection of work, inadequate site inspection, lack of effective monitoring and feedback.

### **Hypothesis 4: Poor communication and project completion**

The results of multiple regressions, as presented in Table 4.5 above, revealed that poor communication had a positive and significant effect on project

completion with values ( $\beta=0.361$ ,  $t = 10.212$ ,  $p < 0 .01$ ). Thus, the proposed hypothesis was accepted. Here also the beta coefficient implies that if communication is changed by one %, by keeping the other variables constant its project completion would increase by 36.1%. Therefore, poor communication had a negatively and significant effect on project completion. This finding is also supported findings of by (Bilczynska and Wojcik, 2014 and Kwak & Ibbs, 2002) in which identified that distance and lack of face-to-face communication, lack of common rules, misinterpretation of written text, lack of communication expectations, lack of communication plan, information distribution path, progress reporting, and information sharing system for management have a negatively and significant influence on project completion time.

### **Hypothesis 5: Improper project closure and project completion**

The results of multiple regressions, as presented in Table 4.5 above, revealed that improper project closure had a positive and significant effect on project completion with values ( $\beta=0.140$ ,  $t = 4.466$ ,  $p < 0 .01$ ). Thus, the proposed hypothesis was accepted. Here also the beta coefficient implies that if the project closures improper differ by one %, by keeping the other variables constant its project delay would increase by 14%. Therefore, improper project closure had a negatively and significant effect on project completion. The findings concur with Oyetunji and Anderson (2006) that points out the factors always happen relate to improper project closure are inadequate project delivery system and incomplete a post implementation review.

Generally the results of multiple regression analysis supported the six hypotheses constructed to test a positive and significant influence that each determinants have on project delay.

#### **4. CONCLUSION AND RECOMMENDATIONS**

The study concludes that poor project initiation, poor project planning/design system, poor project monitoring, and evaluation and controlling system, poor communication and improper project closure was affect the project completion negatively. This is in line with past findings (see for example, Chan and Kumaraswamy 1997; Wambugu, 2013; Theodore, 2009; Dainty *et al.*, 2003; Bilczynska and Wojcik, 2014; Oyetunji and Anderson, 2006). Lack of project planning/design system seems to be the main constraint which project completion. It has also shown that improper implementation; the constraints of building materials, labor, and construction equipment's have been unable to provide adequate funding to a reasonable and affordable standard schedule time.

The results of this study revealed that poor project initiation, poor project planning/design system, poor project monitoring, and evaluation and controlling system, poor communication and improper project closure negatively influences project completion. Hence, it can be concluded that project completion time scheduled was affected due to poor project initiation, poor project planning/design system, poor project monitoring, and evaluation and controlling system, poor communication and improper project closure negatively. Regarding the relative influence of an individual component of delay factors on project completion is concerned; the result of multiple regression coefficient shows that poor project initiation is the most dominant factors in determining the project completion. The study also concludes that the practices that lead to reduction in delay on implementation of projects financed

by DBE are use of efficient project-specific activate, assigning well trained workers for specific tasks, good project planning and controlling, conflict resolution during project implementation, establishment of good governance, good public accountability, management and good forecasting of work plan, estimation project duration, assigning specific tasks to project teams and also assigning projects to specific teams. Aligned with the above conclusion, the researcher proposes the following corrective measures that should be considered by concerned stake holders in order to reduce project implementation delay regarding DBE financed projects. These include:

- ❖ As finding of the study shows poor project initiation is the most determinants of project delay so that any business initiators should select project those are more familiar and interesting for them and scope of project should be established, controlled and must be clearly defined and be limited. This includes the amount of the systems implemented and amount of projects process reengineering needed.
- ❖ As far as planning/design system, monitoring, and evaluation and controlling system, communication and project closure should be improved to have basic indicators for project implementation as opposed to the current practice where mostly observation and project manager appointed staff are solely relied on to certify a project as duly completed. In addition an individual or group of people who participate in those activities should be given responsibility to drive success in project implementation.
- ❖ Further, there should be stringent monitoring and evaluation at all stages of project implementation including concept and design stages, thorough project feasibility studies, formulation of appropriate planning, monitoring of procurement process, adequate and proper design of projects, proper specialization of duties, tasks and

responsibilities, transparency and accountability of workers, proper closure of project and capacity building for staff.

- ❖ As far as those deterrents are identified as factors for project delay the lending bank and project owners should be committed to improve the deficiency and to enhance the project completion against its time schedule.

## REFERENCES

- Abebe D. (2003). *Construction Management and Finance*, Addis Ababa University Press, Addis Ababa, Ethiopia.
- Abdalla M. O. & T B. Hussien (2002). Causes of construction delay: Traditional contracts. *International Journal of Project Management*, 20(1): 67-73.
- Ahmed, S., S. Azher, M. Castillo & P. Kappagantula (2002). Construction delays in Florida: An empirical study. Available at: [https://www.researchgate.net/profile/Salman\\_Azhar3/publication/228584635\\_Construction\\_Delays\\_in\\_Florida\\_An\\_Empirical\\_Study/links/53f3f2830cf256ab87b79be6.pdf](https://www.researchgate.net/profile/Salman_Azhar3/publication/228584635_Construction_Delays_in_Florida_An_Empirical_Study/links/53f3f2830cf256ab87b79be6.pdf)
- Aibinu A.A & G.O. Jagboro (2002). Effects of construction delays on project delivery in Nigerian construction industry. *International Journal of Project Management*, 20(8):593-599.
- Agaba E. (2009). Poor Planning Delaying Government Projects (Business News Pullout), the New Vision, 24: 6.
- Al-Momani H.A. (2000). Construction delay: A quantitative analysis. *International Journal of Project Management*, 18(1):51-9.
- Ashley, D.B., S. C. Lurie & J. E. Jaselskis (2008). Determinants of construction project success. *Project Management Journal*, 18(2). 69-79.
- Assaf, S.A., M. Al-Khalil, & M. Al-Hazmi (1995). Causes of delay in large building construction projects. *Journal of Management in Engineering*, 11 (2): 45-50.
- Assaf, S. A. & S. Al-Hejji (2006). Causes of delay in large construction projects. *International journal of project managements*, 24(4): 349-357.
- Chai, S.C. & A.M. Yusof (2013). Reclassifying Housing delivery Delay Classification. *International Journal of Business Management*, 8 (22): 107-117.

- Chism, N., & G. Armstrong (2010). Project delivery strategy getting it right. KPMG International, pp.1-24.
- Development Bank of Ethiopia (2006). Risk Management process: Report on Loan Recovery Performance of the bank, Addis Abab, Ethiopia.
- Fangel M. (1998). Best Practice of Project Start-up. In: Proceedings of the 14th World Congress on Project Management, IPMA, Ljubliana project, 354-361.
- Fapohunda J.A & P. Stephenson (2010). Optimal construction resources utilization: Reflections of site managers' attributes. *Pacific Journal of Science and Technology*, 11(2) 353-365.
- Geraldine J. K. (2012). Causes and Effects of Delays and Disruptions in Construction Projects in Tanzania. Ardhi University, Tanzania. Available at:  
<https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.844.5717&rep=rep1&type=pdf>
- Jha K.N. & K.C. Iyer (2006). Critical Factors Affecting Quality Performance in Construction Projects. *Total Quality Management*, 17(9): 1155–1170.
- Kouklakis, P.A. & N. Karta (2004). Impact of construction materials on project time and cost in Kuwait. *Journal of Construction and Architectural management*, 11(2):126-132
- Koushki P. A., K. Al-Rashid & N. Kartam (2005). Delays and cost increases in the construction of private residential projects in Kuwait. *Construction Management and Economics*, 23(3):285–294.
- Komi S. S. & M. Tihinen (2005), Lessons learned by participants of distributed software development. *Knowledge and Process Management*, 12(2): 108-122.
- Kraiema Z.M. & J.E. Dieknam (1987). Concurrent Delays in construction project. *Journal of Construction Engineering and Management*, 113(4): 591-602.
- Kwak Y. H. & C.W. Ibbs (2002). Project management process maturity (PM) 2 model. *Journal of Management in Engineering*, 18(3): 150-155.
- Kumaraswamy, M. M. & D.W.M. Chan (1995). Determinants of construction duration. *Construction Management and Economics*, 13(3): 209-217.
- Le-Hoai L., Y.D. Lee & J.D. Lee (2008). Delay and cost overruns in Vietnam large construction projects: A comparison with Other Selected Countries. *KSCCE Journal of Civil Engineering*, 12(6):367–377.

- Lee S., & F. Pena-Mora (2007). Understanding and managing iterative error and change cycles in construction. *SYSTEM DYNAMICS REVIEW*, 23(1): 35-60.
- Manavazhia M.R. & D.K. Adhikarib (2002). Material and equipment procurement delays in highway projects in Nepal. *International Journal of Project Management*, 20:627-32.
- Mengistu B. (2010). Project Management Practices. The case of EECMY-DASSC focusing on planning, scheduling and controlling phase. MBA Thesis Submitted to Unity University, Ethiopia.
- Mohammed A.K. & A.D. Isah (2012). Causes of delay in Nigeria construction industry. *Interdisciplinary Journal of Contemporary research in business*, 4(2): 785-794.
- Mojahed, S. (2005). A project improvement system for effective management of construction projects. Master's Thesis Submitted to Louisiana State University, Louisiana, USA.
- Ndekugri, I., N. Braimah & R. Gameson (2008). Delay Analysis within Construction Contracting Organizations. *Journal of Construction Engineering and Management*, 134(9):692-700.
- Odeh, A.M., & H.T. Battaineh (2002). Causes of construction delay: Traditional contracts. *International Journal of Project Management*, 20: 67-73.
- Paasivaara, M. & C. Lassenius (2003). Collaboration practices in global inter-organizational software development projects. *Software Process: Improvement and Practice*, 8(4): 183-199.
- Samáková, J., J. Šujanová & K. Koltnerová (2013). Project Communication Management in Industrial Enterprises. In: P. Lech (Ed.), Proceedings of the 7th European Conference on Information Management and Evaluation (pp. 155-163). United Kingdom.
- Sambasivan M. & Y.W. Soon (2007). Causes and Effects of Delays in Malaysian Construction Industry. *International Journal of Project management*, 25 (5): 517-526
- Sumner, M. (2009). Critical success factors in project wide information management systems projects. Proceedings of the Americas Conference on Information Systems (AMCIS) Pp.232-4
- Tabishl S. Z. S. & K.N. Jha (2011). Important Factors for Success of Public Construction Projects. A paper presented at the 2nd International

- Conference on Construction and Project Management. September 16-18, Singapore.
- Trauner, T. J., W. A. Manginelli, J. S. Lowe, M. F. Nagata & B. J. Furniss (2009). *Construction Delays: Understanding Them Clearly, Analyzing Them Correctly*. Elsevier Inc., USA.
- Uma S. (2000). *Research methods for business: a skill building approach*. 3rd Ed. New York: John Wiley.
- Wambugu D. M. (2013). Determinant of successful completion of rural electrification projects in Kenya: A case study of Rural Electrification Authority. *International Journal of Social Sciences and Entrepreneurship*, 1(2): 549-560
- Yang, J., Q. Shen & M. Ho (2009). An overview of previous studies in stakeholder management and its implications for the construction industry. *Journal of Facilities Management*, 7(2): 159-175.
- Zinabu T. (2016). Construction Projects Delay and Their Antidotes: The Case of Ethiopian Construction Sector. *International Journal of Business and Economics Research*. 5 (4)113-122.
- Zwikael O. (2009). Critical planning processes in construction projects. *Construction Innovation*, 9(4): 372-387.

## **Determinants of Micro and Small Scale Enterprises Advancement into Medium scale Enterprises: The case of Nifas Silk Lafto Sub-city, Addis Ababa**

**Ashenafi Kinfе\***

Trade and Marketing Extension Team Leader, Trade and Industry Bureau,  
Nifas Silk Lafto Sub-City, P.O.Box 793 Code 1110, Addis Ababa, Ethiopia

### ***Abstract***

*The purpose of this study is to examine the determinants of micro and small scale enterprises advancement into medium scale enterprises. The study used explanatory research design and the total population of the study was 1180 MSEs. Stratified random sampling procedure was used for the selection of 299 MSEs from Nifas Silk Lafto Sub-city. Data were collected by using structured questionnaire from the selected respondents and analyzed by using regression technique. The study shows that the major source of finance for MSE is personal saving. The study shows most of the MSEs are legally sole proprietorship and majority of them complained for insufficient loan to run their businesses. The findings of the study revealed that credit access; marketing and administrative factors affected positively the advancement of small scale microfinance to medium scale enterprises at 5% level of significance. Based on the findings the researcher recommends that locality based approach for solving problems of MSEs through prioritizing the challenges as per their severity; enhancing capacity of the MSE development agency through provision of skill and business training; improving local business environment through provision of sufficient work premises at appropriate location & facilitating access to credit from financial institutions are the major issues.*

**Keywords:** *Micro and Small Enterprises, Advancement, Determinants, Nifas Silk Lafto Sub-city, Addis Ababa*

---

\* The author can be reached through [brukashenafi@yahoo.com](mailto:brukashenafi@yahoo.com)

## **1. INTRODUCTION**

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

From global point of view, Micro and small scale enterprises (MSEs) play a vital role in economic development, as they have been the primary sources of Job/employment creation, output growth and the central focus of the industrial development strategy, not only in less developed countries (LDCs) but also in developed countries. A study conducted by Syed and Mohammed (2009) showed that the MSEs play a vital role in the progress of the economy of the developed nation due to the fact that it reduces the unemployment problems by using lower capital per employment, avoid extra costs for development of industrial infrastructure, reducing the risk of the investments, check imbalance between different sections of the economy and maximize the use of locally available resources.

According to the study of Boaten (2012), the dynamic role of MSEs in developing countries as “necessary engines for achieving national development goals such as economic growth, poverty alleviation, employment and wealth creation, leading to a more equitable distribution of income and increased productivity is widely recognized.” In an attempt to accelerate growth rates in low-income countries, particularly in Africa, many development partners and donors have made the promotion and development of MSEs a major concern. This shows that MSEs are seen as essential facilitator for economic growth, job creation, industrial development and poverty alleviation, equitable distribution of income both in developed and developing countries. Micro and small scale enterprises are the main source of employment in developed and developing countries comprising of over 90% of African business operations and contributing to over 50% of African employment and GDP (Okafor, 2006).

Micro and small scale enterprises are important both to the individual and to the nation. To the individual they provide employment and raise the standard of living of both employers and employees. To the nation, they complement large scale modern sector enterprises, they utilize agricultural and other raw materials that would have gone to serve limited or closed markets that warrant only small scale production, and they mobilize resources. Left out of the mainstream formal mobilization channels and they provide the necessary platform for take-off into large scale modern production (Bwisa, 2011). While the contributions of small businesses to development are generally acknowledged, Micro and small scale enterprises face many obstacles that limit their long term survival and development. Research on small business development has shown that the rate of failure in developing countries is higher than in the developed world (Arinaitwe, 2002). Past statistics indicate that three out of five businesses fail within the first few months of operation (National Statics Bureau of Ethiopia, 2007).

In Ethiopia until 1997, there were no organized policy and support systems catering to the development of the MSEs sector, so structural, institutional, and policy barriers were not being addressed. Premises, markets, finance, supply arrangements, regulatory barriers and legitimization of entrepreneurial activity are among the most urgent (ILO, 2005). Recognizing the significance of this sector, the Ethiopian Government issued the National Micro and Small Enterprises Strategy in 1997 and established the Federal Micro and Small Enterprises Development Agency in 1998. The country's industrial policy in 2003 and the poverty reduction strategy in 2006 have singled out MSEs as major instruments to create a productive and vibrant private sector and reduce poverty among Rural and urban dwellers.

The Micro and Small Enterprises Sectors contribute to the economy of nations“ by creating employment opportunities, production of goods and services and other value added activities. The five year Growth and Transformation Plan envisages ensuring faster and sustained development of the industrial sector and enabling the sector to gradually play a key role in the economy. To this end, particular emphasis is given to the promotion of micro and small enterprises as well as supporting the development of medium and large scale industries. In Ethiopia, especially in Oromia Regional states, small businesses increasingly face competition not only from their peers but also from large corporations participating in niche markets once regarded as a preserve for small businesses (Ntakobajira, 2013). According to Amyx (2005), one of the most significant challenges is the negative perception towards SMEs. Potential clients perceive small businesses as lacking the ability to provide quality services and are unable to satisfy more than one critical project simultaneously. Lack of planning, improper financing and poor management have been cited as the main causes of failure of small enterprises (Longenecker, 2006). The advancement of small scale to medium scale enterprises, changes overtime in their employment and output shares, market orientation and location are usually thought to be related to many factors, including the level of economic development, changes in real income per capita, population growth, and progress in technology. Given this thought, the most important question which to address in this paper would be assessing the determinant factors that limit the advancement of Small Scale to medium scale enterprise in Nifas Silk Lafto Sub-City.

## **1.2 Statement of the problem**

Starting a business is like bringing up a child. As a child needs proper nurture and nourish to grow, the same analogy is true in starting and growing a

business. It's clear that in the initial stage the economic development of small scale business is very slow, as results of this entrepreneur tend to have less initiative and drive to the desired target. Gradually, in visualizing the development pace they become more innovative and enthusiastic (Siva, 2012). Hence, developing a business requires ample trial time, strong commitment and awareness of the opportunity that the environment provides so as to achieve the intended goal. The Ethiopian government adopted the national Micro and Small Enterprise Development Strategy for the first time in November 1997 E.C. The policy identified a number of constraints hampering the development of MSEs. The policy serves as guideline to all stakeholders to stimulate the establishment of new enterprises and enabling the existing ones to grow and become more competitive. This policy identified unfavorable legal and regulatory frameworks, underdeveloped infrastructure, poor business development services, limited access to finance, ineffective and poorly coordinated institutional support as the key constraints that hinders the development of the sector (Federal Democratic Republic of MSEs Development Strategy, 1997).

In addition, the reviewed empirical studies with regard to the sector focused on socio-economic determining factors of MSEs Success and its major challenges and constraints (Solomon, 2004). Most studies, in academic and non-academic institution, focus on factors that hinder the growth of MSEs and the outcome of the program in aggregate forms. Regarding the role of micro and small enterprises in the process of industrial development, empirical studies fail to investigate the transitional development of small scale enterprise to medium scale enterprises. For instance, the research conducted by Solomon (2004) also tried to analyze growth determinants of MSEs and found that product diversification is a major determinant factor for the growth of small enterprises in Addis Ababa. The finding revealed that business

experience is associated with new start-ups calls for the promotion of the culture of apprenticeship and intern experience sharing for the young as a possible area of intervention in employment generation schemes to minimize the extent of unemployment. The researcher holdup to see MSEs contribution in the development of medium scale enterprise by solving their challenges and using their opportunities. From the above mentioned studies, it is possible to learn that factors which determine advancement of Small Scale to medium scale enterprise which are not studied in depth. Therefore, this study tries to assess factors affecting advancement of Small Scale to medium scale enterprise in Nifas Silk Lafto Sub-City and also tries to identify challenges and prospects for the sector and come up with policy recommendations which will be relevant for MSEs advancement from small to medium scale enterprise.

## **2. LITERATURE REVIEW**

### **2.1. Determinants of Growth of SMEs**

In spite of the major role, the significance and contributions of the small-scale enterprises to the national economy, this set of enterprises are still battling with many problems and certain constraints that exist in promoting their development and growth. For instance, (International Labor Organization, 1994) study shows that inadequate entrepreneurial talent affects the development of small-scale manufacturing and processing industries. While large-scale industries are established with expatriate capital, small-scale industries need to have a domestic entrepreneurial and industrial base. Other problems that hinder the advancement of small-scale enterprises are the persistent low level of technology, the shortage inadequate entrepreneurial skills of operators and the absence of an effective management technique. Small-scale enterprises tend to concentrate on traditional industries where low

entry barriers, low minimum production scales, and relatively large labor force are the potential advantages.

However, the traditional industries have not been immune to the recent technological revolution taking place in the field (Adubifa, 1990). Hanshom (1992) and McCormick (1998) stated that African small enterprises are found to be unorganized in production activities. Low capital investment on capital goods and lack of division of labor in production makes these enterprises remained weak. It is a clear fact that many micro, small and medium-scale enterprises are dying out owing to lack of financial support from the government and other citizens. Mills (1990) stated that the major pre-occupation of all developing countries these days is simply how to improve social, economic and political status of the people. According to Uma (1974), it involves the improvement of the living standards of the mass of the low income population and making the process self-sustaining. Improving the living standard of the people involves the setting of priorities in the mobilization and the use of resources available. In some rural areas, the working and living conditions of women for instance, have not been able to be ameliorated by many recent programs designed to improve their economic status. Many writers have pointed out the detrimental effects on women of technological and socio-economic changes in the process of development (Dey, 1975; Zeidenstein, 1975; Palmer, 1978; Whitehead 1985; Stevens 1985). There has not been a total consideration and enough provisions for some rural entrepreneurs in the development process. Many of these entrepreneurs are left out in the provisions of the government toward the advancement of their enterprises. SMEs globally face difficulty in accessing finance from conventional financial institution. However, International Finance Corporation and World Bank efforts at improving their financial problems reveal contextual finance problems requiring homegrown strategies

to manage and overcome this predicament. Most SMEs have difficulty accessing loans from banks; most credit officers lack an in-depth understanding of SMEs business cycles, and are averse to lending to them (Du & Banwo, 2015).

Limited access to finance faced by SMEs has drawn considerable attention from both academics and practitioners for many decades. Literature on this subject suggests that better financial access for SMEs contributes to economic growth, reduced income inequality and reduced poverty (World Bank, 2008). Small enterprises and most of the poor population in Sub-Saharan Africa have very limited access to deposit and credit facilities and other financial services provided by formal financial institutions. For example, in Ghana and Tanzania, only about 5–6 percent of the population has access to the banking sector (Basu *et al.*, 2004). Other studies have in developing economies have found funding as the major problem of SMEs. These studies have made varying recommendations, but SMEs continue to be constrained by funding as suggested by the empirical studies cited earlier on. Whereas some countries have set up small business equity markets to help raise equity capital, others have set up state grants and develop a list of business angels to assist small businesses. Park *et al.* (2008) further argued that SMEs face financing gaps probably because of a combination of reasons originating from both the supply and demand sides. The supply side refers to providers of finance (financial institutions and investors), while the demand side is composed of SMEs who require financing from financial institutions and other providers of finance. The financing gap for SMEs is most prominent in capital market financing. Most countries, including the developed ones, have problems in SME financing through capital markets (Park *et al.*, 200).

Women face startup difficulties such as lack of a source of initial capital. Many women find their initial financing by way of borrowing from formal sources. However, the major difficulty for entrepreneurs, especially for women, is accessing credit due to collateral requirements of the banks. Even if they can access financial credit, the money borrowed is rarely sufficient to address the financial gap or expand their businesses (Wasihun & Paul, 2010). Entrepreneurship is recognized as an important driver of economic growth, productivity, innovation, and employment. Entrepreneurship is related to the functional role of entrepreneurs and includes coordination, innovation, uncertainty bearing, capital supply, decision-making, ownership, and resource allocation in their organization (Munyori & Ngugi, 2014). Most of the prevalent areas in which MSE faces a problem are sales or marketing, human resource management, and general marketing research and training (Kefale & Chinnan, 2012).

Marketing problem has been widely acknowledged as being the most important of all activities and critical for the survival and growth of MSEs. However, many studies found owner/managers of MSEs as having a very limited understanding of the marketing concept generally to be little more than advertising and public relations and lacking adequate marketing skills. Specifically, MSEs frequently encountered problems in promotion and marketing research. These problems include the selection of promotional media, low purchasing power of customers, advertising, content design and format of the promotional materials, market size, location and addresses of potential customers (Kefale & Chinnan, 2012). According to Useem (2001: 297), it is essential to support and guide small business enterprises in the early stage of establishment by providing them with supervisory and skills-related support and supervision. White (2005: 41-42) has found that small and medium-sized enterprises often experience costly bureaucratic and

administrative challenges. In South Africa, small and medium-sized enterprises are set up with minimal support and guidance from the national Government although the duty of the national Government is to create an enabling economic environment. The study was conducted against the background of the need to obtain vital information that explains why more than half of all newly established small and medium-sized enterprises fail in the first three years of their establishment. The legal and regulatory system that calls for complex registration and licensing requirements demands tedious and costly reporting practices imposing heavy costs on MSEs and hence reduce their profitability of the business. Unpredictable government policies coupled with grand corruption, high taxation pose great threat to growth of MSEs. They are disincentive to increasing the size of business operations (Nganwa, 2013).

Many African countries do not have a legal and regulatory framework that supports growth of MSE sector. Unpredictable government policies coupled with grand corruption, high taxation pose great threat to growth of MSEs. They are disincentive to increasing the size of business operations. In the case of Uganda, an extensive number of outdated and cumbersome laws and regulations had increased the transaction costs of MSEs, thereby hampering their economic performance and growth. In Ethiopia, the complexity of the customs system and the many forms and declarations required had a negative impact on the general business climate, diverting entrepreneurs' efforts from more productive tasks (Nganwa, 2013). Small and micro enterprises face problems of policy and regulatory frameworks, and structural and institutional indiscretions, lack of smooth supply of raw materials and lack of working premises, lack of sufficient capital, and marketing problems. These problems call for government intervention by recognizing and paying due attention to the promotion and development of MSEs. It is also important to formulate

strategies in a way to address the challenges of unemployment, economic growth and equity, and overall poverty in the country. Numerous studies have shown persistence of poverty and the unparalleled level of unemployment that characterizes Ethiopia in general and urban areas in particular.

## **2.2. Empirical Literature**

Eshetu and Zeleke (2008) conducted a longitudinal study to assess factors that affect the long-term survival and viability of 25 enterprises by using a random sample of 500 MSEs from 5 major cities in Ethiopia. The findings of the study revealed that businesses that failed were characterized by inadequate finance (61%), low level of education (55%), poor managerial skills (54%), shortage of technical skills (49%), and inability to convert part of their profit to investment (46%). Mulugeta (2011) also identified the critical problems of MSEs as market-related problems, institution-related problems, operator-related shortcomings, MSE-related challenges and finally society-related problems. In addition to the above study, Workeneh (2007) in his study in Addis Ababa identified lack of adequate training, unfavorable regulatory policy of the government institutions, problem of premise, and inadequate training in the area of marketing and bookkeeping affect the performance and contribution of the sector. Abebe (2011) analyzed the relation between personal related success factors and business related factors on the performance of MSEs in Addis Ababa. He analyzed the data using descriptive and inferential statistics. The ANOVA result indicated there is no significance variation in the performance of MSEs in relation to the variations to each of the eight independent variables of the study.

Goshu (2015) examined the determinants of MSE growth in terms of profitability of MSE business in Nekemte town. The study showed that the major source of finance for MSE is personal saving. The study showed that

MFI loan term is too short to run the business. Most of the MSEs that are operating in government-owned shades complained for its sufficiency and suitability of the locations for running business. The result of regression analysis showed that sources of finance for MSE operators, loan term that MSEs borrowed from MFI, previous business experience of the operators, marketing skill of members of the business, source of raw materials of the MSE, and major customers of the product or services of MSEs affects positively the growth of profitability of MSEs business significantly at 1% level of significance. Tefera *et al.* (2013) investigated the growth determinants of MSEs based on a survey covering 178 randomly selected MSEs from Mekelle city. They adopted logistic regression to identify factors that significantly affect the growth of MSEs using change in employment size since startup as a measure of firm growth. The binary choice logit model result showed that there is a significant gender difference on the growth of MSEs with male owner growing faster than those owned by female. In addition, the initial investment on the firm, the location and the sector in which the MSEs operates matter a lot for the growth of these enterprises.

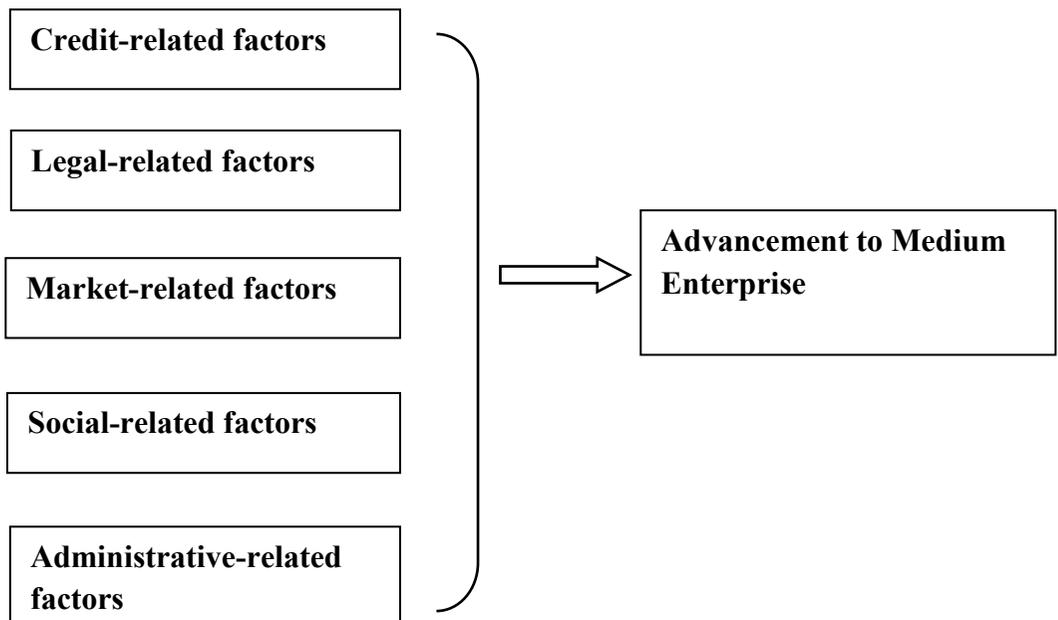
Gebreeyesus (2007) investigated the determinants of success among micro-enterprises in six major towns in Ethiopia. Firm's initial size and age are inversely related with growth providing evidence that smaller and younger firms grow faster than larger and older firms and consistent with the learning hypothesis but contrary to the Gibrat's law.

Abera (2012) investigated factors affecting the performance of MSEs with a special emphasizes on textile and garment, food processing and wood and metal work sectors in Arada and Lideta sub-cities, Addis Ababa. The empirical study elicited inadequate finance, lack of working premises, marketing problems, inadequate infrastructures, poor management practices,

and technological, entrepreneurial and politico-legal problems including bureaucratic bottlenecks system as determinants of performances. Hamu (2017) also identified factors determining the financial performance of MSEs with a special attention to manufacturing, service, construction and trade sectors in Asella Town. The findings revealed that MSEs lacked financial support, technological, customer relationship and marketing skills in order for them to be competitive and well performed.

### **2.3. Conceptual Framework**

Following the information available in the literature the following conceptual model was developed.



**Source:** Researcher's own construction

### **3. RESEARCH METHODOLOGY**

#### **3.1. Research Approach and Design**

A mixed method approach is used to answer the research questions because this type of research design blends elements of qualitative and quantitative research approaches to provide a broader and/or deeper understanding of a central phenomenon. This process was accomplished by collecting and analyzing qualitative and quantitative data at specified phases within a single study. The core premise of this methodological design was that use of a combination of qualitative and quantitative approaches had resulted in a more complete understanding of the research topics understudy than either approach would in isolation (Creswell & Plano Clark, 2011; Greene *et al.*, 1989). Furthermore, explanatory research design was employed to answer the stated research questions.

#### **3.2. Source of Data and Data Collection Methods**

The study was conducted by collecting data from both primary and secondary sources. Primary data were collected from the respondents based on a structurally designed questionnaire. It was included both closed ended and open-ended questions. Secondary data were collected from different related document. Questionnaire was employed for selected enterprises. The structured interview is used to get information from officials and leaders in the enterprises. Therefore, the data collection instruments employed to this study was structured questionnaires. The *Nifas silk Lafto* sub-city was purposely chosen among the 10 sub-cities of Addis Ababa purposively for its proximity and convenience to collect data in short time. Although there are different sectors in which the MSE operators have been engaged in, the sectors selected for this research are manufacturing (metal work, wood work, pottery, and weavers), construction and service, urban agriculture, and trade

sector because of large concentration of MSEs compared to other sectors in the sub-city. In addition, it is difficult to reach the operators/or owners managers of other sectors such as municipality service, parking and etcetera which will make data collection infeasible. A five point Likert scale 1(Strongly disagree) to 5 (Strongly agree) was developed.

### **3.3. Sampling Design and Sampling Procedure**

The study employed stratified random sampling method to select the intended institutions. This is because the population for the study does not have a homogenous group. Kothari (2004) pointed out that stratified random sampling is commonly used probability sampling method if the population from which a sample is to be drawn does not have a homogenous group. The population was stratified into a number of non-overlapping sub population (strata) and sample items are selected from each stratum. With this technique the strata's were sectors of MSEs such as manufacturing (metal work, wood work, pottery, and weavers), construction, and service, urban agriculture, and trade. Sampling frame was formally acquired from registered MSEs until April 2017 by Nifas Silk Lafto Sub-City Micro and Small scale Enterprises Development office. The total population of the study constitutes 1180 from which (180) medium scale enterprises and (1000) micro and small scale enterprises. Following Yemane (1996) sample size determination formula, it was possible to determine the sample size at 95 % confidence level and 5% precision levels. Thus, the sample size was determined to be 299. This total sample size is proportionally distributed to each stratum. Therefore, 46 SMEs out of 180 and 253 MSEs out of 1000 were selected.

### 3.4. Data Analysis Technique

The data collected were analyzed using descriptive statistics (measures of central tendency and measures of variations) and logistic regression econometric tool. In this study MSEs are assumed to be either advanced or not advanced. Hence, the binary choice logistic regression model that assumes dichotomous dependent variable which takes either 1 or 0 value depending on  $Y^*$  is used. The logit model based on cumulative logistic probability function is used in this study since it is believed to offer better explanation on underlying relationship between firm growth and the factors affecting on it. The dependent variable in this case is dummy variable since Micro and small scale enterprises are assumed to be either advanced or not. The binary logistic regression model can mathematically be specified as follows:

$$P_i = E(Y=1|X_i) = \beta_0 + \beta_i X_i$$

Where  $Y_i$  represents growth of a firm

$X_i$  is a vector of independent variables

$\beta_0$  is the constant and  $\beta_i, i = 1, 2, \dots, n$  are the coefficients of the independent variables to be estimated.

$$P_i = E(Y = 1/X_i) = \frac{1}{1 + e^{-(\beta_0 + \beta_i X_i)}}$$

$$P_i = \frac{1}{1 + e^{-Z_i}} = \frac{e^{Z_i}}{1 + e^{Z_i}}$$

$$\text{Where } Z_i = \beta_0 + \beta_i X_i$$

If  $P_i$  is the probability of being surviving and  $(1-P_i)$ , the probability of growth of a firm

$$1 - P_i = \frac{1}{1 + e^{Z_i}}$$

Therefore, we can re-write this equation as:

$$\frac{P_i}{1 - P_i} = \frac{1 + e^{Z_i}}{1 + e^{-Z_i}} = e^{Z_i}$$

Later  $\frac{P_i}{1 - P_i}$  is the odds ratio of growth of enterprise with the ratio of the probability that a given firm grow to the probability that a firm grow. Then, if we take the natural logarithm of equation (e) we obtain:

$$L_i = \ln\left(\frac{P(i)}{1 - P(i)}\right) = \ln(e^{\beta_0 + \sum_{i=1}^m \beta_i X_i}) = Z_{(i)c}$$

If the disturbance term  $U_i$  is taken in to account the logit model becomes

$$L_i = Z(i) = \beta_0 + \sum \beta_i X_i + U_i$$

Consequently,  $L_i$ , which is the log of odds ratio, is called logit or logit model (Gujarati, 2004). Hence, the above Logit Model is employed to estimate the effect of the hypothesized explanatory variables on advancement of enterprises.

## 4. RESULT AND DISCUSSION

### 4.1. Results of Descriptive Statistics

With a response rate of 93.65% 280 questionnaires were completed and collected back successfully. The analysis was done on the basis of 280 responses.

**1) Employment and Legal Ownership of the Enterprises:** The legal ownership statuses of the establishment were classified in to five Sole ownership, Joint ownership, Family business and Cooperative. 44.29 percent of the enterprises were established as sole ownership, 17.14 of them were join ownership, and 29.64 percent of the sample enterprises were established as cooperative, 2.14 was established as family business. Overall the sampled enterprises were created a job opportunities for 2134 employees; likewise, 29.64 percent of the enterprises create a job opportunity for 1 to 5 employees, 57.5 percent of the enterprises create a job opportunity for 6 to 10 employees 10.71 percent of the enterprises create a job opportunity for 11 to 15 employees and the rest 2.14 percent of the enterprises were created a job opportunity for more than 15 individuals. In addition to these, out of the total enterprises 86.07 percent of them were small scale enterprises and the rest 13.93 were medium scale enterprises. Micro enterprise, according to the strategy in use, consist of employees (including the owner or family) not greater than 5 and while small scale enterprise is an enterprise which has 6-30 employees (Federal Democratic Republic of Ethiopia, 2011).

Initially, 52.86 percent of the respondents start their business with their own personal saving, 17.14 percent of them initially funded by family, 13.57 percent of the sample enterprises were funded by microfinance institutions; the rest were starts their business through borrowing from relatives and friend. The constraint of finance for MSE affects their advancement directly or indirectly. There are studies which support this finding. Lack of financial resources is often reported as the major obstacle and limiting factor that is experienced by SMEs in developing countries. Therefore, funding is a problem (Millicent & Reginald, 2014:61). Moreover financial institutions find it difficult to provide funding to SMEs because most small businesses do not

have assets to secure collateral securities (Moaisi, 2005). However, according to Wiese (2014), the ultimate source of finance was gained through sole ownership, spouse/partner salary, income from another job, cooperative and family business contributions.

**2) Credit-related Factors:** Accordingly, more than 48 percent of the respondents replied that they were not satisfied with the financial access given by microfinances and other lending institutions. More than half of the respondents also confirmed that the amount of loan size borrowed from MFIs and other lending institutions were not sufficient to operate their business. In conformity with the finding of Terfasa *et al.* (2016) the problem of access to finance is more severe for MSEs as the loan requirement of microfinance institutions (MFIs) is complicated. A large proportion of both micro and small enterprises do not apply for a loan or credit due to cumbersome bureaucracy, limited working premises, and high collateral requirement.

There are studies which support this finding. Lack of financial resources is often reported as the major obstacle and limiting factor that is experienced by SMEs in developing countries. Therefore, funding is a problem (Millicent & Reginald, 2014). Moreover financial institutions find it difficult to provide funding to SMEs because most small businesses do not have assets to secure collateral securities (Moaisi, 2005). Likely, 66 percent of the sampled respondents said that they didn't have the opportunity to get machinery and equipments. The mean score of this variable was 2.48 which approach to disagree level, which suggests that the enterprises are challenged by credit and loan related problems.

**2) Market-related Factors:** Around 54 percent of the respondents mentioned that they had access to different business trainings. Around 65 percent of the

respondents also responded that they didn't have access to information to exploit business opportunities. More than 68 percent of the respondents replied that there is no fair competition in the market. Moreover, more than 66 percent of the respondents replied that there is no adequate infrastructure such as power and water supply which helps to operate their business.

**3) Social-related Factors:** Social factors concerns how the entrepreneurs are interacting with the society and community. Accordingly, the majority (69%) feel that they are socially accepted entrepreneurs. Close to 57 percent of the respondents also mentioned that they had better contacts and networks with outsiders. Almost all (93%) of the respondents replied that the attitude of the societies towards their products and services was positive. Likewise, close to 85 percent of the respondents confirmed that they had access to clear division of duties and responsibility among employees and also they had a positive relationship with the workforce. The results of the mean score suggest that the businesses activities of the enterprises are accepted by the society, meaning that the communities are willing to buy and use their products. MSEs had got a special focus by the government. It comprised the largest share of total enterprises and employment in this sectors. In recognition of the important role MSEs have to play in generating income and creating job opportunities and reducing poverty, the government drafted its first Micro and Small Enterprise Development Strategy in 1997.

**4) Legal-related Factors:** Legal factors concerns about how the enterprises are connected with and supported by government. More than 75 percent of the respondents confirmed that they have never encountered political intervention from regulatory bodies. Furthermore, around 78 percent of the respondents said that they had accessible information regarding government regulations

that are relevant to their business, and also they were beneficiary of government incentives. About half of the respondents complain that the tax levied on their business was not reasonable and fair. This variable has got a mean score of 3.44 which fall in the range of neutral to agree. Although considerable number of respondents had reservation on legal services, in general terms the entrepreneurs were more or less comfortable with the current legal services of government offices. There is no doubt that there is a direct or indirect benefit of legitimate political participation (Huntington, 1968). Not only that, for the sake of the success of businesses, they must update with new policy and strategy made by both national and city administration government.

**5) Administrative-related Factors:** More than 55 percent of the respondents didn't agree that they had business support from government bodies. Around 56 percent of the respondents disagreed that they had encountered bureaucracies and red tapes. More than 75 percent of the respondents replied that they have benefited from government incentives. Around 53 percent of the respondents felt that they had never faced unfavorable working environments. The mean score of this variable was 3.31, which is closer to disagree level, which suggested that the enterprises are not getting good administrative services.

#### **4.2 Results of Regression Analysis on Factors Affecting Advancement of Micro Enterprises**

Before presenting and discussing the estimation results of the regression equation, it is worth to discuss the model performance and in terms of meeting assumptions.

**1) Multicolliniarity test:** Multicollinearity is a problem that happens when the explanatory variables have significant association. A VIF test was used to test the assumptions of multicollinearity. The result of the test indicates the highest VIF is 2.76 which indicate the model performed with no major multicollinearity problem among the explanatory variables (Table 1).

**Table 1: Multicollinearity Test Result**

Variable	VIF	1/VIF
Admin	2.76	0.362583
Marketing	2.42	0.413708
Social	1.89	0.528365
Legal	1.33	0.749693
Credit	1.11	0.903129
Mean VIF	1.90	

**Source:** Author's analysis result

**2) Heteroskedasticity Test:** The assumption of Heteroskedasticity states that the variance of each disturbance term  $u_i$  conditional on the chosen values of the explanatory variables should be some constant number (Gujarati 2003). In order to test the problem Breusch-Pagan test for was employed. Accordingly, the data is free from the problem of Heteroskedasticity since the p value is greater than 5% (Chi2 (1) = 4.47; Prob> chi2 = 0.344).

As projected in the theoretical sections, the key research question was to test how the anticipated variables affect the advancement of small scale enterprises to medium scale enterprises. Specifically, this study analyzes how credit and marketing factors, legal and administrative and social factors determine the advancement of small scale enterprises. Binary logistic

regression model was used to estimate. The coefficient of determination ( $R^2$ ) for the model was 0.52 showing that the model explained 52% and the overall model is statistically significant. The results of the econometric model estimation revealed that credit, marketing and administrative factors had significant effect on the advancement of small scale enterprises; whereas, social and legal factors didn't show significant relationship with dependent variable.

**Table 2: Estimation Results of the Logit Model**

Number of obs = 280		LR chi2(5) = 2.71			
Log likelihood = -111.67358		Prob> chi2 = 0.0341			
		Pseudo R2 = 0.5241			
<b>Variables</b>	Coef.	Std. Err.	Z	P>z	Odds ratio
Constant	0.65	0.98	0.66	0.51	0.52
Credit-related factors	0.05	0.08	0.57	0.04	1.05
Market-related factors	0.01	0.06	0.19	0.05	0.99
Social-related factors	0.05	0.05	0.96	0.34	0.95
Legal-related	0.07	0.09	0.78	0.44	.094
Administrative-related factors	0.05	0.08	0.59	0.045	1.05

**Source:** Author’s analysis result

Accordingly, the variable credit had positively and significantly associated with the advancement of small to medium scale enterprises. Furthermore, given all the other variables in the model held constant, odds ratio greater than one suggested that, credit factor more likely contribute for the advancement of small scale enterprises to medium scale enterprises, which means increasing

the access of credit for microenterprises and increases the probability of small scale enterprises advancement to medium scale enterprises. Since the odds ratio of this variable is greater than one it is the indication of this variable plays very significant role to advance microenterprises to medium scale. In line with this study, Hadiyati (2010) also mentioned that related to the development of micro and small enterprises difficulties in marketing and the tight competition are the main challenges of their development. One can understand from the stated literatures the marketing and credit facilities are the critical factor for the success of micro and small enterprises.

The other significant variable that influences the advancement of microenterprises is the access of organized market. The analysis shows that, the marketing factor influences positively and significantly the advancement of microenterprises. Given all other variables constant, increasing the access of marketing for microenterprises increases the probability of microenterprise advancement; furthermore, odds ratio less than one indicated that even if the variable marketing influences the advancement of microenterprises however, the extent of the influence is small as related to credit facility. Munizu, (2016) also mentioned that marketing is the critical success factor of micro and small scale enterprises. Financial problems, lack of managerial skills, workplace and marketing problems are among the problems the development of small and micro enterprises face (Gebremariam, 2017).

The regression result revealed that administrative-related variable was also positively and significantly associated with small scale enterprises advancement. Given all the other variables in the model held constant, an odd ratio greater than one suggested that administrative factors are more likely determines the advancement of small scale enterprises to medium scale enterprises. The other variables which were hypothesized are the social factor. On the other case all the other variables in the model held constant, an odd

ratio less than one suggested that legal and social factors are less likely determines the advancement of small scale enterprises to medium scale enterprises. In line with this study Abeiy (2017) concluded that business startup environment and registration process found to be simple and easy, but still there is confusion on the administrative issues among MSE operators regarding VAT registration, getting TIN identification number and Certification of competency application. Enterprises considered these issues as challenging tasks that makes business start up in the sector very tough. Majority of MSE operators rated infrastructure access has not been improved and hugely affecting their performance; getting working premises is still a time consuming and challenging task for them (Abeiy, 2017). The other two variables legal and social factors didn't show a significant association with microfinance advancement.

## **5. CONCLUSION AND RECOMMENDATION**

This research was carried out to investigate the determinants of small scale enterprises advancement to medium scale enterprises. Explanatory research design and logistic regression was used to analyze the data. The descriptive analysis suggested that there was a problem of sufficient loan, business related trainings, fair competition in the market place and in adequate infrastructure such as power and water supply. Apparently, the enterprises are boarding from government offices bureaucratic services and unreasonable taxes. Furthermore, the regression analysis suggested that credit access; marketing and administrative factors are the main determinant factor for the advancement of micro and small enterprises to medium scale enterprises. On the other hand, results also reveal, MSEs that comes to business with higher initial investment shows better growth than those MSEs that started business with lower initial investment. Previous researches in the country made the

same conclusion, finance as one of the main factors that affect starting, success, performance and growth of MSEs (Habtam, 200; Admasu, 2012; Berhane, 201; Mulugeta, 2011). MSEs do not have enough access to loan to start and they need to have pre- credit compulsory saving before acquiring business loan. Supporting this, the major source of startup finance and working capital is own saving, family and friends followed by microfinance and *equb* (Selamawit *et al.*, 2014).

The finding shows that majority of MSEs operators in the study area do not have convenient working places. Because of this, the MSEs operators do not perform their business related activities effectively and efficiently. And also, the location of the working premises is not suitable for attracting new customers. This means the working places restricts access to market. Finally, the research clearly illustrates that, even if the degree of those critical factors are not uniform across the enterprise, most of the factors are considerably common for all enterprise. It has been noted that the factors that are prevalent to the financial performance of businesses such as credit, administrative, and marketing factors had very high effect on the determinant of small scale enterprise advancement into medium scale enterprise in the research area.

The nature of determinants of MSE advancement identified in the study varies in their complexity and severity. Majority of the problems can be solved by the collaborative effort of support institutions and other stakeholders. A major recommendation that the researcher suggest to minimize severity of determinant factors that affects the advancement of MSE is described as follows.

- MSE support program should have to be based on the identified critical factors. Major problems like insufficiency loan and financial access, access

to different business trainings about demand forecasting, creating market access and value chain and relate and lack of working capital.

- MSE development agency and municipal services should undertake detailed study on the suitability of the location and the sufficiency of work premise size along with nature and type of business before constructing the premises for MSE.
- MFI institution are member of MSE support institution and has to provide credit service for organized MSE through adjusting loan term based on the nature of the business and its capacity of revenue generation.
- Sufficient managerial and marketing skill training has to be provided for MSE to change the traditional way of operating and marketing business in to the modern types of production and marketing.

## **REFERENCES**

- Abebe T. (2011). Analysis of the Success Factors of Micro and Small Business Enterprises in Addis Ababa. A Thesis Submitted to Addis Ababa University, Ethiopia.
- Abera A. (2012). Factors Affecting the Performance of Micro and Small Enterprises in Arada and Lideta Sub-Cities, Addis Ababa. A Thesis Submitted to Addis Ababa University, Ethiopia.
- Alemayehu, D. & Y. Gecho (2016). Determinants of Micro and Small Enterprises Growth : The Case of Durame Town , Kembata Tembaro Zone, Southern Nations and Nationalities and Peoples Region ,. *International Journal of Business and Economics Research*, 5(5), 161–175. <https://doi.org/10.11648/j.ijber.20160505.15>
- Agaje, S. W. (2004). Socio Economic Determinants of Growth of Small Manufacturing Enterprises in Addis Ababa. A Thesis Submitted to Addis Ababa University, Ethiopia.
- Amyx, C. (2005). Small Business challenges- The perception problem: Size Doesn't matter, *Washington Business Journal*, 8(2):4-16.
- Audretsch D.B. (1991). New Firm Survival and the Technological Regime. *Review of Economics and Statistics*, 68(3): 520-526.

- Audretsch, D.B. & S. Klepper (2000). Innovation, Evolution of Industry and Economic Growth. Elgar Reference Collection. International Library of Critical Writings in Economics, Cheltenham, U.K. and Northampton, Mass.
- Basu, A., R. Blavy & M. Yulek (2004). Microfinance in Africa: Experience and lessons from selected African countries. IMF Working Paper WP/04/174. International Monetary Fund.
- Boaten N. (2012). Promoting rural enterprise growth and development: Lessons from four projects in sub-Saharan Africa, International Fund for Agricultural Development (IFAD): Ides de Willebois.
- Bwisa (2011). What Do We Know About Entry. *International Journal of Industrial Organization*, 13(4): 421-440
- Caves R.E. (1998). Industrial Organization and New Findings on the Turnover and Mobility of Firms. *Journal of Economic Literature*, 36(4): 1947-1982.
- Eshetu B. & W. Zeleke (2008). Factors that Affect the Long-term Survival of Micro, Small, and Medium Enterprises in Ethiopia. *South African Journal of Economics*, 10(2): 76-81.
- Federal Democratic Republic of Ethiopia (FDRE), Micro and Small Enterprise Development Agency (2014). The Micro and Small Scale Enterprise Development yearly bulletin (2003-2005E.C), Addis Ababa, Ethiopia.
- Geroski P.A. (1995). What Do We Know About Entry. *International Journal of Industrial Organization* 13(4): 421-440.
- Gort, M. & S. Klepper (1982). Time Paths in the Diffusion of Product Innovations. *Economic Journal*, 92(367): 630-653.
- Green A. (2003). Credit Guarantee Schemes for Small Enterprises: An Effective Instrument to Promote Private Sector-Led Growth? SME Technical Working Paper No. 10. Vienna: UNIDO.
- Gebreeyesus M. (2007). Growth of Micro-Enterprises : Empirical evidence from Ethiopia. Ethiopian Development Research Institute (EDRI), 1-21.
- Goshu F. (2015). Determinants of Micro and Small Enterprises Growth in Ethiopia : The Case of Nekemte Town of Oromia Region, Ethiopia. *European Journal of Business and Management*, 7(13): 92–105.
- Holtmann M., I. Rühle & A. Winkler (2000). SME Financing: Lessons from Microfinance. *SME Issues*, 1(1): 8-25.

- ILO (2005). Support for Growth-oriented Women Entrepreneurs in Ethiopia, ILO Publications: Geneva.
- Jovanovic B. (1982). Selection and the Evolution of Industry. *Econometrica*, 50(3): 649-670.
- King K. & S. McGrath (2002) Globalization, Enterprise and Knowledge: Educational Training and Development. *International Review of Education*, 50(1): 74-76.
- Kothari (2004). Research Methodology: methods and techniques. New Delhi: New Age International.
- Longenecker J. G., C.W. Petty, J.W. Moore & L.E. Palich (2006). Small Business Management, An entrepreneurial emphasis. London: Thomson South Western.
- Malhotra M., Y. Chen, A. Criscuolo, Q. Hamel & Y. Savchenko (2007). Expanding Access to Finance: Good Practices and Policies for Micro, Small and Medium Enterprises. Washington DC, World Bank.
- Mead D. C. (1998). Micro and Small Businesses tackle poverty and growth (but in different proportions). Paper presented at the conference on Enterprises in Africa: between poverty and growth. Centre for African Studies, University of Edinburgh, 26-27 May
- Minister of Trade and industry in Ethiopia (2006). Economic development through creating enterprises in different part of Ethiopia, BirhaninaSelam printing press: Addis Ababa.
- Mulugeta Y. F. (2011). The Livelihoods Reality of Micro and Small Enterprise Operators: Evidences from Woreda One of Lideta Sub-city, Addis Ababa. Master's Thesis Submitted to Addis Ababa University, Ethiopia.
- National Statics Bureau of Ethiopia (2007). The Merits of Micro and small scale enterprises in the development process of Ethiopia, Mega printing press: Addis Ababa.
- Parker R.L, R. Riopelle & W.F. Steel (2008). Small Enterprises Adjusting to Liberalization in Five African Countries, World Bank Discussion Paper No. 271, African Technical Department Series.
- Solomon W. (2004). Socio Economic Determinants of Growth of Small Manufacturing Enterprises in Addis Ababa A Thesis Submitted to Addis Ababa University. Ethiopia.

- Sutton J. (1997). Gibrat's Legacy. *Journal of Economic Literature*, 35(1): 40-59.
- Syed M. Q. & N.A. Mohammed (2009). Constraints to MSEs: A Rotated Factor Analysis Approach. *A research Journal of South Asian Studies*, 24(2):37-55.
- Tefera H., A. Gebremichael & N. Abera (2013). Growth Determinants of Micro and Small Enterprises: Evidence. *Journal of Economics and Sustainable Development*, 4(9):127-134.
- Thinji B. M. & P.R. Gichira (2017). Entrepreneurial Factors Influencing Performance of Small And Medium Enterprises in Ongata Rongai Town, Kajiado County, Kenya. *Strategic Journal of Business & Change Management*, 4(3):339-364.
- Workeneh F. (2007). The constraint of micro and small enterprise in addressing employment opportunity: The case of Kolfe Keranio sub-city, Addis Ababa University. A Thesis Submitted to Addis Ababa University, Ethiopia.

**Effects of Leadership Styles on Employee's Commitment: The Case of St. Mary's University**

**Mesfin Lemma\***

PhD and Associate professor at the International Leadership Institute,  
Ethiopia

**Kiflom G/Michael**

Lecturer, Unity University, Addis Ababa, Ethiopia

***Abstract***

*This study aimed at examining the effect of leadership styles on employee's commitment in the context of St. Mary's University. Explanatory research design and quantitative research approach were adopted. Using stratified and simple random sampling techniques, 222 participants were chosen to participate in the study. Data were collected using the Multifaceted Leadership Questionnaire (MLQ) and Employee Commitment Poll Questionnaire (OCQ). Data were subjected to multiple linear regression analysis. The results indicated that transformational and laissez-faire leadership styles have positive and significant relationships with the dimensions of employees' commitment (affective, normative and continuance. However, there is no significant relationship between transactional leadership and dimensions of employee commitment (affective, normative and continuance). Based on the findings of the study, the researchers recommends to St. Mary's University to emphasize more on transformational and laissez-faire leadership behaviors which can help improve the commitments of their employees.*

***Keywords:*** *Employee commitment, lassie-faire leadership, transactional leadership, transformational Leadership, Ethiopia*

---

\* Corresponding author and can be reached through: [mesfin138@yahoo.com](mailto:mesfin138@yahoo.com)

## **1. INTRODUCTION**

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

Employee commitment has become an imperative issue since it is linked with several outcomes. If an employee is committed to his work, he is satisfied, and does not usually appeal to look for other opportunities. He is less likely to leave the organization (Gao & Bai, 2011). Nevertheless, employee commitment is a strong term that is easy to observe but overly critical in real implementation. For any employee, it is not easy to commit to an organization for over years. These days everyone looks for a better opportunity and moves out whenever a better alternative comes in the way. According to Njoroge (2015), there is a need for leaders to embrace an integrative leadership style as it significantly affects employee commitment. To increase employee commitment, leaders should employ both transformational and transactional leadership styles as they are complementary but not contradictory.

According to Bass and Avolio (1997), we discussed the three leadership styles such as transformational, transactional and laissez-faire styles based on the demand of their role and nature of the task which needs to be achieved according to the desired standards). Both styles have their own pros and cons depending on the situations a company is facing at the current moment. Thus, one leader may be exposed to both transformational and transactional approach based on his/her standards. Transformational leaders try to get into the matter themselves and help their subordinates to perform the task in a better way. These leaders follow the concept of conflict solving and encouragement (McElroy, 2001). While transactional leadership is more focused on transactional and gives/takes approach (Bass, 1985), a transactional leader is more focused on process and follows the system in which he/she controls the tasks based on their targets and reward subordinates based on their

performance. Different from the two aforementioned, Laissez-faire leadership is an inactive sort of leadership style. It is a hands-off approach to leadership (Northouse, 2004). The Laissez-faire leader is one who trusts in the opportunity of decision for the workers, disregarding them so they can do as they need. There is no relationship trade between the pioneer and the devotees.

Leadership styles have a significant relationship with employee's commitment. When an employee leaves the organization, a series of recruiting, selecting, and training process would be carried out in getting a new employee. According to Teshome (2011), both transformational and transactional leadership styles have been found to have a significant and positive relationship with employee commitment, the institutions should attempt to maintain these leadership styles within their organizations as a committed employee are most desirable. On the other hand, Yishitila (2014) revealed that leaders were not displaying an ideal level of transformational leadership behaviors, Defense University must prepare and implement leadership development programs to provide knowledge and awareness about transformational leadership behaviors.

## **1.2 Statement of the Problem**

According to the data gathered from the Human Resource Management (HRM) Department of St. Mary's University, there is high employee turnover in which 25% of them left their job in the final year of 2016 (St. Mary's University, 2017). Due to the existence of the above-perceived problem, this study empirically aimed to examine the effect of leadership style on employee commitment at the University. A study by Tsedey (2011) stated that St. Mary's University has a gap that needs to be filled concerning leadership practice. St. Mary's University needs to carry out to have a healthy work environment and to be successful. The University leaders should improve the relationship

between them and their staff members through clear communication and free discussion in a friendly approach. Finally, the researcher observed that there were no studies that specifically focused on investigating the effect of leadership styles on employee commitment at St. Mary's University.

Although, there are several studies that have been conducted globally on the subject matter (see for example, Clayton and Hutchinson, 2001, Nyengane, 2007, Manetje & Martins, 2009, Lumley, 2011), factors applicable in one country many not fit on other countries. In light of this, the researcher initiated to conduct this research to show the cause and effect relationship at St. Mary's University context. On the other hand, the methodology employed by various studies conducted in Ethiopia on the same issues seems inadequate to display the reality on the ground. According to Bekele (2016), most studies directed on the effect of leadership on employee commitment in higher education institutions in Ethiopia were based on descriptive survey design. Therefore, this study aims at filling up the exiting knowledge gap by adopting appropriate research design and analysis method in the context of St. Mary's University. This study has, thus, answer the following research questions:

1. What is the level of employee's commitment as it is perceived by their subordinates at St. Mary's University?
2. What is the effect of transformational leadership on the dimensions of employee's commitment as it is perceived by their subordinates?
3. What is the effect of transactional leadership on the dimensions of employee's commitment as it is perceived by their subordinates?
4. What is the effect of lassie-faire leadership on the dimensions of employee's commitment as it is perceived by their subordinates?

## **2. LITERATURE REVIEW**

### **2.1 The Concept of Leadership Behavior and Types of Leadership Style**

The inceptions of the terms chief, leadership and lead are from the somewhat English Saxon term “lead” which implies a street, away or the course of a boat adrift. To go to head out or to lead or to have done so are the causative structures identified with the action word heavy. The boat's addition in initiative stems from the term shape, which intends to offer shape to something (Karadag, 2015). As of now, the idea of leadership is one of the most well-known territories of study in the field of hierarchical conduct and leadership investigations. Various types of writing show that it has added a noteworthy effect on subordinates' mentalities to work (Leonard, 2013). Leadership is one of the most watched and least comprehended marvels in the advanced association. In this way, it is not amazing that there are a few potential meanings of the initiative. These definitions change extraordinarily because they center on various components of the build (Awan & Mahmood, 2009). Moreover, Kohler (2016) declared that initiative in multicultural associations is a procedure with common impact among administrators and representatives.

There are three different types of leadership styles such as transformational, transactional and *laisse faire*. A full descriptions of them is presented below.

1) **Transformational leadership:** it depends on the possibility of motivation and incitement. A pioneer who is following this style adds that the style propels, empowers, and accommodates. The pioneer considers the representatives to accomplish the aggregate objectives and rouses the workers with thankfulness, group coordination and individual consideration (Masood *et al.*, 2006). A pioneer with this style realizes how to hold its representatives and how to oversee outstanding tasks at hand in an even more well-disposed and agreeable

way. Since this pioneer is increasingly drawn in with the laborers, along these lines, laborers likewise feel good and happy with their work (Allix, 2000). If a laborer is getting the correct supervision in a well-disposed manner, at that point he/she is increasingly connected with the organization's objectives and goals. The earth in an association matters a great deal and is one of the main reasons individuals remain or leave wherever of employment.

**2) Transactional leadership:** Transactional leadership which is otherwise called partner authority requires the foundation of relations between the pioneer and those representatives who work under the leader's supervision. Right now, a pioneer accepts that the efficient routine was constrained the representatives to meet the desire and consequently when they got rewards, they feel progressively spurred towards their work. The essential undertaking of the laborers is to adhere to and comply with the guidelines of their pioneer and buckle down for meeting the ideal objectives (Ghalandari, 2013).

**3) Laissez faire leadership:** it is an aloof sort of initiative style. It is a hands-off way to deal with initiative. The free enterprise pioneer is one who has confidence in the opportunity of decision for the workers, disregarding them so that they can do as they need (Northouse, 2004). Laissez faire leadership style is the place the leaders see that individuals from the gathering are functioning admirably all alone. It is, however, accessible if help is required (Mullins 2005). The initiative credited by the pioneers who abstain from meddling when significant issues emerge and the pioneers were seen as latent and portrayed by maintaining a strategic distance from duty and dynamic, this could likewise be depicted as non-leadership (Ghose, 2014).

## **2.2 The Concept of Employee's Commitment**

As indicated by Allen and Meyer (1990) duty has been conceptualized and estimated in different manners. Basic to all the conceptualizations of duty found in the writing is the relationship with turnover; workers who are firmly dedicated are the individuals who are more averse to leave the association. Employee's commitment is the force and degree of each individual associated with an association and his/her feeling of having a place and feeling of personality towards the association which will at last lead to the advancement of his/her gathering reliance and citizenship behavior.

**Affective Commitment:** Emotional responsibility gauges the degree of connection and friendship that an individual has with the organization. Workers in some cases get sincerely joined to their organization and this can be because of a few reasons, for instance, great inside relations, great climate, inviting condition and friend inspiration (Van Knippenberg & Sleebos, 2006). Workers with this measurement, for the most part, have an uplifting demeanor towards the accomplishment of the organization's objectives as, there is to remain in the organization that did not depend on financial components (Powell & Meyer, 2004).

**Normative Commitment:** This sort of representative stays faithful to the organization as they might suspect their organization is furnishing them with advantages and addressing their requirements, so they ought to be faithful to their organization in any capacity. It shows that this kind of representative remains in the association regardless of whether they are not happy with their occupations or regardless of whether they improve openings they will adhere to their organization (Gellatly *et al.*, 2006). Subsequently, this measurement

interfaces the social and good obligations of people with their organization's objectives (Powell & Meyer, 2004).

**Continuance Commitment:** This hypothesis portrays that if the employees are given better open doors, they may leave the organization for their advantages and we think about them as their need. This measurement is progressively identified with the dangers and expenses related when one leaves an association. This measurement quantifies the necessities of the employees for which they are remaining in an association. A worker probably will not leave the firm because of the examination, pay, clinical and other monetary advantages or not so distant future advancement. Along these lines, they remained in the firm since they need those advantages (Powell & Meyer, 2004). This measurement discloses to us that the employees are staying because they don't have better other options and substitutes for the present place of employment and that they have an elevated level of interests (as far as time, endeavors, future additions) at their present place of employment (Meyer *et al.*, 2004).

### 2.3 Empirical Literature Review

Transformational leadership practices were found to significantly affect instructor's responsibility (Amoroso, 2002). The aftereffects of an Iranian examination by Aboodi *et al.* (2013) indicated a positive connection between worker responsibility of medicinal services staff and the transformational conduct of their leaders. Different past investigations spread various parts of leadership and its relationship with organizational commitment. Interestingly, the analyst found a negative relationship between leadership style and organizational commitment. Awan and Mahmood (2009) in the investigation results on the relationship among initiative style, hierarchical culture and organizational commitment in the College library show that laissez-reasonable

leadership style does not influence hierarchical responsibility. A few scientists found that the components of leadership style (transformational, value-based, and laissez-reasonable) have a positive relationship with organizational commitment. For example, Ponnu and Tennakoon (2009) demonstrated that moral initiative conduct positively affects representatives' organizational commitment. Thus, some explored the representatives' view of leadership style among pioneers and its effect on hierarchical responsibility and afterward found that leadership style assumes a significant job in the workers' organizational commitment. Garg and Ramjee (2013) infer that the leadership style of leaders can prompt a higher proportion of organizational commitment.

Fasola *et al.* (2013) investigated the connection between transformational and transactional leadership styles and examined their measurements on the organizational commitment utilizing multifaceted leadership poll (MLQ) and hierarchical responsibility survey (OCQ). The discoveries of the examination indicated a positive connection between Transformational, transactional leadership and leadership responsibility. The achievement of an association relies upon the nature of leadership it has embraced. A reasonable leadership style to a specific setting is a vital instrument to infer and animate adherents towards objective accomplishment (Lussier and Achua, 2011) which inevitably subject to employees' commitment. This supposition animates further evaluations of administration styles applied by chiefs in their everyday exercises. Leadership and adequacy can primary determinant of the impact of the initiative on associations' dedication. An association that has not a decent initiative style, the representatives cannot be focused on their errands and lessen the profitability of the association. Because of this explanation, various types of writing could attest initiative styles' certain relationship on employee's worker duty (Karadag, 2015).

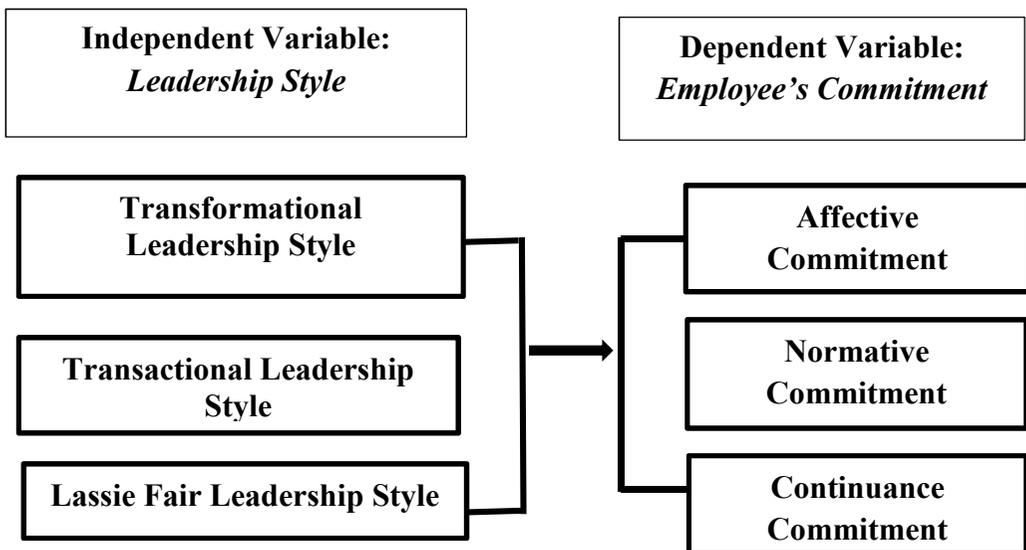
A connection between commitment and leadership style has been accounted for in the worker and the board writing. A few investigations found a positive connection between the two factors. For example, Ponnu and Tennakoon (2009) demonstrated that moral initiative conduct positively affects employee commitment and worker trust in pioneers. Along these lines, it is basic to know how a specific leadership style influences the structure and levels of employees' commitment. To come into that end, it is vital to build up at the start of the predominant prevailing initiative style portraying a specific association (Bass, 1999). For that reason, the full scope of leadership styles (transformational, transactional and lassie faire), known to affect employee commitment (Awan & Mahmood, 2009) have been thought of.

Transformational pioneers have an extraordinary capacity to impact worker responsibility by advancing the qualities which are identified with the objective achievement, by stressing the connection between the representative's endeavors and objective accomplishment and by making a more noteworthy level of individual duty on part of both followers. As pioneers, they work for the accomplishment of extreme regular vision, strategic objectives of the association. Wiza & Hlanganipai (2014), and Bupinjnieno & Škudieno (2008) in their investigation additionally affirms that transformational leadership has a positive relationship with full of feeling and continuance commitment however unique for that of regulating duty.

## **2.4 Conceptual Framework of the Study**

This conceptual framework tried to show the effect of all the aforementioned variables. It illustrated a clear picture of the variables used in the study, their effects, impact, and changes. It helped the reader understand the concept in a short and precise figure. This conceptual framework is showing the crux of the whole study and making the subject clearer. This model would help in

providing a greater understanding of the mechanisms by which antecedents of leadership style are linked to employee commitment. In line with these theoretical reviews, the model is developed based on Bass’s (1996) Revised Full Range Leadership Model. It is of paramount importance, therefore, that Ethiopian Leaders make every effort to understand the context in Ethiopia before adopting any kind of leadership style. Understanding the situation and the needs of various stakeholders to decide when and how to use transformational, transactional, and lassie-faire leadership will ultimately determine how effective the leader was in his/her leadership role. The following model of leadership style (see Figure 1) would be tested in the current study. It is in this context, that the effect of leadership style on employee commitment (affective, normative and continuance commitment) of the employee in St. Mary’s University would be investigated.



**Figure 1:** Conceptual Framework of Leadership Styles and Employee’s Commitment

Source: Adopted from Bass (1996)

### 3. RESEARCH METHODOLOGY

#### 3.1 Research Design and Approaches

The study adopted descriptive and explanatory research designs. The researchers preferred descriptive research as it is convenient for description of the variables such as leadership styles and dimensions of employee's commitment. Explanatory research design was chosen as it is convenient for an explanation of cause and effect relationship between the dependent and independent variables. In addition, this research adopted quantitative research approach using a structured questionnaire as a data collection and regression analysis as a data analysis tools.

#### 3.2 Target Population and Sample Size

The target population of this study were employees of both academic and supportive staff of St. Mary's University working at the Head office and main campus located in Mexico square. It has a total of 497 employees. Out of the total population, 222 employees were selected using stratified (Academic and support staff as criteria of stratification) simple random sampling procedures. The samples were selected using simple random sampling; i.e the researchers picked the name of employee blindfolded and questionnaire were distributed to the randomly selected employee. Then the sample size of each stratum is calculated proportionately as shown in Table 1. Sample size is determined following Yamane (1967) with 5% precision level. The formula and the sample size determined is presented below:

$$n = \frac{N}{1 + N(e)^2}$$
$$n = \frac{497}{1 + 497(0.05)^2} = 222$$

Where:  $n$ = sample size;  $N$ = total number of an employee of St. Mary University working at Head Office and main campus; and  $e$ = level of precision, which was set at 5%.

**Table 1: Population and Sample Size of St. Mary's University**

Category	Target Population(N)	Sample size	Proportion size
Academic staff	183	82	37%
Supportive staff	314	140	63%
Total	<b>497</b>	<b>222</b>	<b>100%</b>

**Source:** St. Mary's University Human Resource Department (2017)

### **3.3 Data Collection Tools and Procedures**

Primary data were collected using a well-designed self-administration questionnaire which is designed on an ordinal scale of measurement. Based on the context of St. Mary University, 27 items (3 items of each leadership sub-scales) were selected by excluding the least relevant to this study. The excluded items are more related to cost, efficiency, and outcomes. The items were measured using a 5-point Likert scale marked as 0= Not at all, 1=Once in a while, 2=Sometimes, 3= fairly often and 4= frequently, if not always. A high score shows the high viability of leadership style perception while low score suggests low adequacy perception in the scale.

The Allen & Meyer's (1990) OCQ was adopted to measure employee's commitment for this study. The OCQ consisted of three dimensions such as affective, continuance and normative commitment. It is a self-scoring questionnaire and the responses to each of the 12 items (4 items for each dimensions) were rated using a 5-point Likert scale labeled as 1 = strongly

disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, 5 = strongly agree.

### 3.4 Methods of Data Analysis

Descriptive statistics such as frequency, percentages, mean and standard deviation of leadership style and employee commitment were used. To ascertain the presence of statistically significant relationship between leadership style dimensions (transformational, transactional, and lassie-faire leadership behavior) and employee commitment (affective, continuance and normative commitment), the Pearson Product Moment Correlation Coefficient was used.

In a bid to identify the effect of independent or predictor variables (transformational, transactional, and lassie-faire leadership behavior) on the dependent variable (affective, continuance and normative commitment) multiple linear regression was adopted. The model specification of multiple regression is presented as:  $Y_i = \alpha + \beta_i X_i + e$ . The left-hand variable  $Y_i$  denotes the dependent variable (i.e, employee commitment measured as affective, continuance and normative commitment).  $\alpha$  is the intercept term and,  $\beta_i$ s represent the coefficients of all  $X_i$ s ( the independent variables). Empirically the multiple linear regression model is specified as follows:

$$\text{Affective Commitment (AC)} = \alpha + \beta_1 \text{TRL} + \beta_2 \text{TRAL} + \beta_3 \text{LZL} + e$$

$$\text{Continuance Commitment (CC)} = \alpha + \beta_1 \text{TRL} + \beta_2 \text{TRAL} + \beta_3 \text{LZL} + e$$

$$\text{Normative commitment (NC)} = \alpha + \beta_1 \text{TRL} + \beta_2 \text{TRAL} + \beta_3 \text{LZL} + e$$

TRL is Transformational Leadership style

TRAL is Transactional Leadership

LZL is Lassie faire leadership Style

e is the error term

### 3.5 Validity and Reliability

It is important to make sure that the instrument that we adopted to measure a particular concept is indeed accurately measuring the variable. Therefore, the content validity for this study was addressed through the review of the literature and by adapting instruments used in previous studies (Hair, 2007). To confirm the reliability of the instruments, we computed the Cronbach's alpha ( $\alpha$ ) using data from 30 participants. The reliability test results are presented in Table 2.

**Table 2: Reliability Test Statistical Result for Leadership Style and Employee's Commitments Items**

Variables	Cronbach's Alpha
Idealized Influence (Attribute)	0.873
Idealized Influence (Behavior)	0.821
Inspirational Motivation	0.901
Intellectual Stimulation	0.897
Individual Consideration	0.700
Transformational Leadership	0.994
Contingent Reward	0.882
Management by Exception Active	0.799
Management by Exception Passive	0.934
Transactional Leadership	0.800
Laissez Faire Leadership	0.749
Affective commitment	.936
Continuance Commitment	.944
Normative Commitment	.945

**Source:** Authors' analysis result (2017)

As can be seen in Table 2, the independent variables scored from excellent to acceptable alphas. Bass and Avolio (2004) collected and analyzed data from

2,154 individuals to test the reliability of the MLQ instrument. They discovered reliabilities for all the items in a range between 0.74 and 0.94. Our reliability test results are also consistent with Bass and Avolio (2004). Similarly, Meyer *et al.* (2002) performed a meta-analysis of OCQ and checked for the reliability of the items. Their test result showed a mean value of 0.82 for affective, 0.73 for continuance and 0.76 for normative commitment. Our test results for employee's commitment dimensions fall above the results of Meyer *et al.* (2002).

#### **4. RESULTS AND DISCUSSION**

##### **4.1 Descriptive Statistics for Employees Perception on Leadership Styles and Employee's Commitment**

The mean score for the transformational leadership (2.8) was less than what Bass and Avolio (1997) considered acceptable (greater or equal to 3) adequate for effective transformational leadership. From the result presented in table 3, we can argue that leaders were not displaying adequately the ideal levels of transformational leadership behavior. More specifically, This transformational leadership behavior includes instilling pride, inspiring a shared vision, talking optimistically, and encouraging creativity, placing much importance in coaching or training, being a role model for their followers, articulating visions, building commitment and loyalty, increasing motivation and encouraging creative ideas at St. Mary's University (Table 3).

Bass and Avolio (1997) also suggested a mean score of 2 for effective transactional leadership. The mean scores obtained for transactional leadership in this study was 1.92. The overall transactional leadership style at St. Mary's University fall under the range of Bass and Avolio's (1997) suggestion. This indicates that employees perceived their leaders as doing standards, expectations and recognizing accomplishments. Leaders clarify objectives and

exchange rewards for performance. They also inspire a degree of involvement, loyalty, commitment from subordinates. The employees also perceived as leaders specify the standards for compliance or ineffective performance to monitor deviances, mistakes, and errors than taking corrective action quickly.

**Table 3: Mean and Standard Deviation of Leadership Styles and Employee's Commitment Dimensions**

<b>Leadership Styles and dimensions of employee commitment</b>	<b>Grand Mean</b>	<b>Std. Dev.</b>
Transformational Leadership	2.28	0.80
Transactional Leadership Style	1.92	0.77
Lassie-faire leadership Style	1.86	0.84
Affective commitment	2.70	0.87
Normative commitment	2.72	0.61
Continuance commitment	3.36	1.19

**Source:** Authors' survey result (2017)

Bass and Avolio (1997) also suggested a mean score for lassie-faire leadership, ranges from 1 to 0. The mean score obtained for lassie-faire leadership in this study was 1.86. Based on this result, employees at St. Mary's University considered that their leaders were using their authority to decide and accept responsibilities. It sounds logical since each position in St. Mary's University has clear duties, responsibilities, and accountability.

The mean scores for employee's commitment dimensions to their organization is presented in Table 3. The grand mean scores for affective, continuance and normative commitment were 2.7, 3.35 and 2.72 respectively. This means that respondents have an average commitment levels for all the dimensions. Allen & Meyer (1990) did not present any figures about the required or ideal mean

values for affective, continuance, and normative commitment. Instead, they studied to identify the positive and negative relationship between the different types of employee commitment and the outcomes, as well as the pattern for those findings, and their level of influence. The ideal example is the most elevated scores for affective commitment, trailed by normative commitment, at that point continuance commitment. However, the results of this study reflect that the mean scores are not consistent with the abovementioned outcomes that continuance commitment has the highest mean followed by normative commitment, and affective commitment has the least mean. A possible explanation for the low level of affective commitment and high level of continuance commitment could be the unsatisfied economic needs of the respondents. Employees with unsatisfied economic needs do not pursue emotional attachment to their organization, and thus they will have lower affective commitment. The result obtained for the least desired type of commitment, which is continuance commitment, is higher than the desired level. The possible reasons might be an employee with high levels of continuance commitment stay with the organization because the costs of leaving the organization are too high or there are no other job prospects available in the market.

The mean score of normative commitment is 2.72 and it is only slightly higher than the mean score of affective commitment and lower than continuance commitment. According to Demerouti *et al.* (2001) in a collective society, such kind of personal sacrifices to maintain interpersonal relations and to abide by group norms are common. The reason to stay with their organizations, for an employee is a sense of obligation to their organizations and colleagues. Such an employee feels that s/he owes it to the employer to stay out of a perceived

obligation. Generally, the main reason for the employee to stay with their organization is continuance commitment followed by normative commitment.

#### 4.1 Results of Inferential Analysis

##### 1) Results from Pearson Correlation Analysis

Pearson correlation analysis was conducted to examine the relationship between leadership styles and employee commitment. McDanail and Gates (2006) presented ranges to describe the magnitude of relationship as:  $\pm 1$  perfect,  $\pm 0.8$  to  $\pm 0.9$  very strong,  $\pm 0.5$  to  $\pm 0.8$  strong,  $\pm 0.3$  to  $\pm 0.5$  moderate,  $\pm 0.1$  to  $\pm 0.3$  modest, and  $0$  to  $\pm 0.1$  weak. These findings show modest to strong positive relationship between transformational leadership and laissez-faire leadership styles and the dimensions of commitment at St. Mary's University. The result showed that there is no significant relationship between transactional leadership and the dimensions of commitment (Table 4). Jackson (2013) also found that there is a moderate positive correlation between transformational leadership variable and normative commitment.

**Table 4: Pearson Correlation statistics**

Variables	Normative	Affective	Continuance	Remark
Transformational Leadership	0.44***	.358***	.339***	Moderate
Transactional Leadership	-0.058	-0.045	0.054	Insignificant
Laissez-Faire Leadership	0.514***	0.231***	0.329***	Modest to strong

\*\*\*Correlation is significant at  $p < 0.01$  level

**Source:** Authors' analysis result

Chandna and Krishnan (2009) and Aghashahi *et al.* (2013) identified positive and significant relationship between transformational leadership styles and affective commitment in the context of the service industry. The positive and

significant correlation between transformational leadership and continuance commitment at St. Mary's University is also in conformity with Wu (2006). The findings of Saeed (2013) that transactional leadership is not a good predictor of normative commitment is also in conformity with the results from St. Mary's University. Similarly, the insignificant correlation between transactional leadership and affective commitment is in agreement with Nyengane (2007). Further, a study conducted by Teshome (2011) in higher education institutions of Ethiopian reported that there is no statistically significant correlation between transactional leadership behaviors and affective commitment. Our findings revealed a statistically weak and insignificant correlation between transactional leadership and continuance commitment which is also inconformity with Teshome (2011). The findings from St. Mary's University that there is a statistically strong positive and significant correlation between laissez-faire leadership style and normative commitment is supported by Cemaloglu *et al.* (2012). Similarly, a statistically modest positive and significant correlation was found between laissez-faire leadership style and affective commitment. Finally, our findings of a statistically moderate significant correlation between laissez-faire leadership style and continuance commitment is consistent with Alqudah (2011).

## **2) Results of Multiple Linear Regression Analysis**

Multiple linear regression analysis was employed to examine the effect of leadership styles (transformational, transactional and lassie faire) on the dimensions of employee's commitment (such as affective, normative and continuance). Before interpreting the coefficient, the overall model fit in terms of F-statistic and multicollinearity diagnostic tests are discussed below. The multiple linear regression models have no problems of multicollinearity. The F statistics results showed that the models are significant at  $p < 0.01$ . (Table 5).

**Table 5: Multicollinearity Statistics**

Variables	Collinearity Statistics for Model 1: <b>Affection</b>		Collinearity Statistics for Model 2: <b>Normative</b>		Collinearity Statistics for Model 3: <b>Continuance</b>	
	Tolerance	VIF	Tolerance	VIF	Tolerance	VIF
Transformational leadership	0.938	1.066	.938	1.066	0.938	1.066
Transactional Leadership	0.994	1.006	.994	1.006	0.994	1.006
Lassie-faire Leadership	0.940	1.064	.940	1.064	0.940	1.064

**Source:** Authors’ analysis result

**Table 6: Estimation Results of Multiple Linear Regression Model**

Independent Variables	Model 1 (Dependent Variable: Affective Commitment)		Model 2 (Dependent Variable: Normative Commitment)		Model 3 (Dependent Variable: Continuance Commitment)	
	Standardized Coefficients	t value	Standardized Coefficients	t value	Standardized Coefficients	t value
Transformational leadership	0.33	4.59 <sup>***</sup>	0.34	5.59 <sup>***</sup>	0.27 <sup>***</sup>	3.908
Transactional Leadership	-0.06	-0.86	-0.06	-1.063	0.05	.702
Lassie-faire Leadership	0.15	2.14 <sup>**</sup>	0.43	7.10 <sup>***</sup>	0.27 <sup>***</sup>	3.818
Adjusted R <sup>2</sup>	0.15		0.36		0.18	
F Statistics	10.93 <sup>***</sup>		35.96 <sup>***</sup>		13.35	

<sup>\*\*\*</sup>Significant at p<0.01

**Source:** Authors’ analysis result

### **Model 1: The Effect of Leadership Styles on Affective commitment**

As presented in Table 6, transformational leadership is moving affective commitment of employees in a positive way. The standardized coefficients show that change in transformational leadership by one unit can affect affective commitment by 0.33, which is significant at  $p < 0.01$  (Table 6). This is in agreement with Chandna and Krishnan (2009) who found that transformational leadership has a positive effect on follower's affective commitment. Similarly, lassie-faire leadership style is found to have positive and significant ( $p < 0.01$ ) impact on the affective commitment employees at St. Mary's University. The standardized coefficient of lassie-faire leadership indicates that change in lassie-faire leadership by one unit can affect affective commitment by 0.15. However, transactional leadership is found to have insignificant effect on the affective commitment employees at St. Mary's University (Table 6).

### **Model 2: The Effect of Leadership Styles on Normative commitment**

According to the estimation results of Model 2 (see Table 6), transformational leadership affected normative commitment of employees at St. Mary's University significantly ( $p < 0.01$ ) in a positive way. As the standardized coefficient of transformational leadership change by one unit, normative commitment of employees change by 0.34. This outcome is consistent with Ramachandran and Krishnan (2009) who argued that transformational leadership to have a positive effect on follower's normative commitment. Similarly, lassie-faire leadership is found to have significant ( $p < 0.01$ ) positive effect on the normative commitment of employees at St. Mary's University. As the standardized coefficient of lassie-faire leadership change by one unit normative commitment of employees improve by 0.43. However, similar to the case of affective commitment, transactional leadership style is found to have no

significant impact on the normative commitment of employees at St. Mary's University (Table 6).

### **Model 3: The Effect of Leadership Styles on Continuance commitment**

As presented in Table 6 transformational leadership has positive and significant ( $p < 0.01$ ) effect on continuance commitment at St. Mary's University. As the standardized coefficient of transformational leadership change by one unit, continuance commitment by changes by 0.27. Similarly, laissez-faire leadership style has positive and significant ( $p < 0.01$ ) effect on employees' continuance commitment at St. Mary's University. As the standardized coefficient of laissez-faire leadership change by one unit, continuance commitment improves by 0.27. In this case too, transactional commitment is found to have no significant impact on employees' continuance commitment at St. Mary's University. This result is in agreement with a Turkish study by Cemaloglu *et al.* (2012), teachers' affective commitment is positively correlated with principals using laissez-faire leadership styles.

## **5. CONCLUSION AND RECOMMENDATIONS**

The main objective of the study was to investigate the effect of various leadership styles and various employee commitment styles at the St. Mary's University in Addis Ababa, Ethiopia. Transactional leadership behaviors have a negative effect on affective, normative and continuance commitment in the context of St. Mary's University. The findings also revealed that laissez-faire leadership behavior has a positive and significant effect on affective, normative and continuance commitment. Except for transactional leadership behavior, the overall findings from this study suggested that transformational and laissez-faire leadership behaviors do play important roles in determining levels of affective commitment, continuance commitment and normative commitment in the context of St. Mary's University.

Therefore, for effective employee commitment, adopting a transformational leadership style was commendable. The leaders should consider capable of inspiring and motivating employees towards organizational goals and participate employees in the decision-making process and provide employees rewarded for their achievement. Supervisors who are in senior leadership roles should have their vision and development plans for team members, working groups and organizations. They should propel urge adherents to challenge themselves, move out of safe place and investigate the undiscovered potential themselves, move out of their comfort zone and explore the untapped potential.

What is more, the University should take into account the increasing affective commitment behavior of employees, such as emotional attachment with their organization by inspiring them to have a sense of ownership and to have a desire to provide support for the change by encouraging them. Similarly, the University should better consider possibilities, ways to stay employees long with an investment of time. And reduce turnover in the University by increasing salary, facilitate the working environment comfortable and improving a good leadership style. Finally, the organization should strictly concentrate on normative commitment behaviors which are feeling of obligation, maintain loyalty on employees' perception. And the University has invested heavily in employees' attitudes.

The leaders should be good coaches as well, showing the direction to follow, mainly by walking the talk and setting an example. Sympathy and passionate knowledge additionally establish the framework for a viable pioneer adherent relationship. By being change specialists and visionaries and being able to manage multifaceted nature, equivocalness, and vulnerability, they practice a colossal measure of willing control on the presentation of their followers. According to the finding of the study, transactional leadership is an

insignificant leadership style, having a negatively and immaterial effect on employee commitment, and undesirable result with attachment to supervisor and internalization of supervisor's values. To be effective, a transactional leadership style should be employed with the least extent and specific situations when needed. Since the employees have felt less extent of continuance commitment, St. Mary's University should offer employees' rewards like paying university schooling, increasing their payments and other benefits to boost up employee' commitment and work performance. As a result, their goals will be achieved effectively and efficiently. Besides, the top management must be more interested in the conditional reward because it is important for the organization. The University can set certain training programs to develop leadership skills especially for managers who have a big span of control. In any event, tutoring programs and meetings by official mentors help senior pioneers sharpen their abilities. Professionals and trainers can use the results from the current study to develop leadership development training interventions, based on University and individual needs. The University leadership culture should be such that employees are encouraged to get involved in decision making, strategic thinking, and futuristic planning.

## **REFERENCES**

- Aboodi H., M. Javadi & F. Kazemian (2013). Studying the relationship between leadership styles and organizational commitment in the healthcare sector. *International Journal of Research in Organizational Behavior and Human Resource Management*, 1(4): 58-73.
- Aghashahi B., A. Davarpanah, R. Omar & M. Sarli (2013). The relationship between leadership style and organizational commitment: a survey in a Malaysian contact center. *Interdisciplinary Journal of Research in Business*, 2 (11): 1-7.
- Allen N. J. & J.P. Meyer (1990). The measurement and antecedents of affective, continuance and normative commitment to the organization. *Journal of Occupational Psychology*, 63: 1-18.

- Allix N. M. (2000). Transformational Leadership Democratic or Despotic? *Educational Management Administration & Leadership*, 28(1): 7–20.
- Alqudah T. G. (2011). Leadership style and Organizational Commitment: Project Paper Submitted in Partial Fulfillment of the Requirement for the Degree of, Master of Business Administration. *American Psychologist*, 62(1): 25-33.
- Amoroso P.F. (2002). “The impact of transformational leadership behaviors on teacher commitment and teacher job satisfaction.” Unpublished Doctoral Dissertation. New Jersey, South Orange: Seton Hall University.
- Awan M. R. & K. Mahmood (2009). Relationship among leadership style, organizational culture, and employee commitment in university libraries. *Library Management*, 31, 253-266.
- Bass B. (1985). *Leadership and Performance beyond Expectations*. New York: A Division of Macmillan.[16].
- Bass (1997). Transformational leadership Handbook of Research on Effective Communication, Leadership, and Conflict.
- Bass B. M., & B.J. Avolio (2004). *Multifactor leadership questionnaire sampler set: Manual, forms and scoring key* (3rd ed.). Redwood City, CA: Mind Garden.
- Bass B. M., & R.E. Riggio (2006). *Transformational leadership*. Psychology Press.
- Bekele M. (2016). Leadership Style and Organizational Commitment in Selected Poly Technique Colleges of Addis Ababa City Administration (unpublished)
- Bučionienė I. & V. Škudienė (2008). Impact of Leadership Styles on Employees’ Organizational Commitment in Lithuanian Manufacturing Companies. *SEE Journal*, 33: 57-65.
- Camps J., & H. Rodriguez (2011). Transformational leadership, learning and employability: effects on performance among faculty members. *Personnel Review*, 40(4): 423-442.
- Cemaloglu N., F. Sezgin & A.C. Kiling (2012). Examining the relationships between school principals transformational and transactional leadership styles and teacher’s organizational commitment. *The Online Journal of New Horizons in Education*, 2(2): 53-64.

- Chandna P., & V.R. Krishnan (2009). Organizational commitment of information technology professionals: role of transformational leadership and work-related beliefs, Tecnia. *Journal of Management Studies*, 4(1): 1-13.
- Clayton B. & M. Hutchinson (2001). Organizational commitment of accountants in Australia and South Africa.
- Demerouti E., B. Bakker, F. Nachreiner & B. Schaufeli (2001). The job demands-resources model of burnout. *Journal of Applied Psychology*, 86(3): 499-512.
- Fasola O.S., M.S. Adeyemi & F.T Olowe (2013). Exploring the Relationship between Transformational, Transactional Leadership Style and Organizational Commitment among Nigerian Banks Employees. *International Journal of Academic Research in Economics and Management Sciences* 2(6): 2226-3624
- Gao, F. Y. & S. Bai (2011). The effects of transformational leadership on organizational commitment of family employees in Chinese family business. *2011 International Conference on Economics, Trade and Development*, 7: 43-48.
- Garg A.K. & D.Ramjee (2013). The relationship between leadership styles and organizational commitment at a parastatal company in South Africa. *International Business and economics Research*, 12:1411-1435.
- Gellatly I. R., J.P. Meyer & A.A. Luchak (2006). Combined effects of the three commitment components on focal and discretionary behaviors: A test of Meyer and Herscovitch's propositions. *Journal of Vocational Behavior*, 69(2): 331-345.
- Gerber, P.D., Nel, P.S., & Van, D. P.S. (1996). *Human Resource Management*, Johannesburg: International Thompson Publishing.
- Ghalandari K. (2013). Investigation the relationship between new leadership style (transformational and transactional) with organizational commitment dimensions (affective, continuous, and normative) in Iranian higher education institutions. *Life Science Journal*, 10(4): 17-25.
- Ghose R. (2014). A study on the impact of leadership styles on employee motivation and commitment: an empirical study of selected

- organizations in corporate sector. PhD Dissertation Submitted to PADMASHREE Dr. D.Y. PATIL UNIVERSIT, Navi Mumbai.
- Hair J. F., R.E. Anderson, R.L. Tatham & W.C. Black (2007). *Multivariate Data Analysis*, fifth edition. New Jersey: Prentice-Hall International, Inc.
- Jackson T.A., J.P. Meyer & X.H.F. Wang (2013). Leadership, commitment, and culture: a meta-analysis. *Journal of Leadership & Organizational Studies*, 20(1): 84-106.
- Karadag E. (2015). *Leadership and organizational outcomes: meta-analysis of empirical studies*. Switzerland: Springer International Publishing.
- Leonard S. (2013). *The Role of Psychology in Leadership, Change, and Organization Development*. A John Wiley & Sons, Ltd., Publication.
- Lumley E.J., M. Coetzee, R. Tladinyane & N. Ferreira (2011). Exploring the Job Satisfaction and Organizational Commitment of Employees in the Information Technology Environment. *Southern African Business Review*, 15:100-118.
- Lussier R. N. & C.F Achua (2011). *Effective leadership*. New Delhi: South Western Cengage Learning.
- Manetje O. & N. Martins (2009). The relationship between organizational culture and employee commitment. *Southern African Business Review*, 13(1): 87-111.
- Masood S. A., S.S. Dani, N.D. Burns & C.J. Backhouse (2006). Transformational leadership and organizational culture: the situational strength perspective. *Proceedings of the Institution of Mechanical Engineers, Part B: Journal of Engineering Manufacture*, 220(6): 941–949.
- McDaniel C. & R. Gates (2006). *Marketing Research Essentials* (5th ed.). New Jersey: John Wiley and Sons Inc.
- Mcelroy, J. C. (2001). Managing workplace commitment by putting people first. *Human Resource Management Review*, 11(3): 327–335.
- McNamara, C. (2009). *General guidelines for conducting interviews*.
- Meyer J. P., D.J. Stanley, L. Herscovitch & L. Topolnytsky (2003). Affective, continuance and normative commitment to the organization: A meta-analysis of antecedents, correlates, and consequences. *Journal of Vocational Behavior*, 61: 20–52.

- Meyer J. P., T.E. Becker & C. Vandenberghe (2004). Employee Commitment and Motivation: A Conceptual Analysis and Integrative Model. *Journal of Applied Psychology*, 89:991-1007.
- Mullins, L. (1999). *Management and organizational behavior*. London: Pitman Publishing.
- Mullins L. J. (2005). *Management and Organizational Behavior*. London: FT Pitman.
- Njoroge D. (2015). Effect of integrative leadership style on organizational commitment in technical institutions in Kenya. PhD dissertation Submitted to Jomo Kenyatta University of Agriculture and Technology, Kenya.
- Northouse P. G. (2004). *Leadership: theory and practice (3rd ed.)*. California: Sage Publications.
- Nyengane M.H. (2007). The relationship between leadership style and employee commitment in Eskom Eastern Region: an exploratory study in an electricity utility of South Africa.
- Ponnu C. H. & G. Tennakoon (2009). The Association between Ethical Leadership and Employee Outcomes. *Electronic Journal of Business Ethics and Organization Studies*, 14: 21-32.
- Powell D. M. & J.P. Meyer (2004). Side-bet theory and the three-component model of organizational commitment. *Journal of Vocational Behavior*, 65(1): 157–177.
- Ramachandran S. & V.R. Krishnan (2009). Effect of transformational leadership on followers' affective and normative commitment: culture as moderator. *Great Lakes Herald*, 3(1): 23-38.
- St. Mary's University (2017). *Statistics of Human Resource Management Department*, Addis Ababa, Ethiopia
- Teshome T. (2011). The relationship between leadership styles and employee commitment in private higher education institutions in Addis Ababa city. MBA Thesis Submitted to Addis Ababa University, Ethiopia.
- Tsedey A. (2011). An Assessment of Leadership Practices in The Case of Open & Distance Learning of St. Mary's University College. A Thesis Submitted to St. Mary's University, Ethiopia.
- Van Knippenberg D. & E. Sleebos (2006). Organizational identification versus organizational commitment: self-definition, social exchange, and job attitudes. *Journal of Organizational Behavior*, 27(5): 571–584.

- Wiza M. & N. Hianganipal(2014). The Impact of Leadership Styles on Employee Organizational Commitment in Higher Learning Institutions. *Mediterranean Journal of Social Sciences*, 5(4):135-143.
- Wu T. F., M. Tsai, Y. Fey & R.T.Y. Wu (2006). Study of the relationship between manager's leadership style and organizational commitment in Taiwan's international tourist hotels. *Asian Journal of Management and Humanity Sciences*, 1(3): 434-452.
- Yamane T. (1967). *Statistics: An Introductory Analysis*, 2<sup>nd</sup> Ed., New York: Harper and Row.
- Yeshitila F. (2014). *The Relationship between Leadership Styles and Organizational Commitment at Defense University*. Unpublished MBA Thesis, Addis Ababa University.

**Note to Contributors:**

*All inquiries and submissions should be delivered to the following address:*

The Editor  
Journal of Business and Administrative Studies (JBAS)  
School of Business  
St. Mary's University  
P. o. Box 1211  
E-mail: maru\_shete@smuc.edu.et

**Original research** articles that seek to explore issues in business and administrative sciences should be relevant and significant. Not only should an article explicate and expound what is known about a subject, but it should also reflect questions that are unresolved and deemed to be the focus of future research and of paramount importance to Ethiopian socio-economic development.

**Book reviews** are either commissioned by the Editor or solicited reviews from professionals who are knowledgeable in business, economics and administrative sciences. The underlying purpose of book reviews should be to inform a wide readership what the book is all about, thereby inducing readers to decide reading the book.

**Spelling:** the Editor uses both Oxford and Webster's dictionary. Authors are urged to use the former or the latter throughout the text as consistently as possible for their spelling.

**Abbreviations and Acronyms:** acronyms and abbreviations should be given in full when they occur for the first time, with the abbreviation being placed in brackets. Common abbreviations such as USA, UN, UK, NATO and AU need not be written out even if they first occur.

**Hard Copy:** Two copies of the manuscript should be submitted for both research articles and book reviews. Manuscripts should be typed in English and double-spaced on white A4 paper. All pages should sequentially be numbered. The preferred length is between 10 to 15 pages for research articles, and 3 to 5 pages for book reviews, and double-spaced. At times the length requirements may be waived depending on the nature, complexity and depth of the research.

**Disk/E-mail Copy:** Authors can provide copies of their manuscripts on diskette or by e-mail. Authors should ensure that the electronic version must exactly match the hard copy. *JBAS* will not accept an article that has been published in another journal.

**Abstract and Title page:** Articles should be accompanied by a 100-word abstract. The title should also appear on the same page. The author's name and address should appear on the title page by way of footnote.

**References:** (*see the following examples for listening the references*)

***Chapter in an edited book:***

Boulding, Kenneth 1987. General systems Theory – The Skeleton of Science. In Shafritz, Jay, and Ott, Steven, (Eds). *Classics of Organization Theory*. Chicago: The Dorsey Press.

***Article in a journal:***

Thomson, James 1956. On Building Administrative Sciences. *Administrative Science Quarterly*, vol. 1, no. 1: 102 – 111.

***Book:***

Esman, Milton 1991. *Management Dimensions of Development: Perspectives and Strategies*. Connecticut: Kumarian Press.

If there are more than two authors or editors, use the first author's or editor's name followed by et al.

Example: Green et al (2005) found that the majority...

Or indirectly:

Recent research has found that the majority of ... (Green et al 2005)

***Corporate authors***

Referring to a publication by an association, company or government department, the work is usually cited under the name of the body that commissioned the work:

**Ministry of Education (MoE)  
St. Mary's University College (SMUC)**

It is acceptable to use standard abbreviations for these bodies, that is, MoE or SMUC, in the text, provided the name is written out at the first citing within the text, with the abbreviation in brackets. Nevertheless, the full name is the preferred format in the list of references.

Some reports that are written by groups or committees can be listed under the name of the institute that commissions the work.

**Example:**

St. Mary's University College (SMUC) 2006. *Performance Criteria for Faculty Evaluation at St. Mary's University College*. Center for Research and Quality Assurance: Addis Ababa, Ethiopia.

Federal Democratic Republic of Ethiopia (FDRE) 2002. *Ethiopia: Sustainable Development and Poverty Reduction Program*. Addis Ababa, Ethiopia.

***Internet documents (Name, Title, URL, date accessed):***

World Bank Group. 'Administrative and Civil Service Reform'. Available at:

<http://www1.worldbank.org/publicsector/civilservice/debate1.htm>.23.

Accessed on 19 July 2002.

***Legislation:***

The standard method of citing legislation or act of parliament is by its short title, which includes the year followed by the official name of the organ in which the legislation is published appearing in brackets.

***Proclamation on Higher Education 2004.*** (Negarit Gazeta). Addis Ababa: Ethiopia

***Dissertation/Thesis***

Author

Relevant year

Title of dissertation

Academic level

University, where the study was carried out

Richmond, Julia 2005. Customer expectations in the world of electronic banking: a case study. Unpublished PhD thesis, University of Kansas, Kansas.

Titles of unpublished theses and dissertations appear in roman (not in italics).

Note: Leaving the first line [where the name (s) of the author (s) appear] intact, all other lines should be indented in the bibliography/reference section.

Example:

Boulding, Kenneth 1987. General Systems Theory – The Skeleton of Science. In Shafritz, Jay, and Ott, Steven, (Eds). *Classics of Organization Theory*. Chicago: The Dorsey Press.

Note: Use endnotes for additional explanation in the text. The former are shown at the end of an article or book review and come before the list of the reference section, and are consecutively placed beginning with no. 1.

**N.B:**

According to Ethiopian academic tradition, the first given names of Ethiopian authors appear in the intra-text citations. The list of references section (bibliography) should nevertheless provide first given names followed by the second names. The same shall be maintained in this Journal.

Example:

Dessalegn Rahmeto. 1984. *Agrarian Reform in Ethiopia*. Uppsala: Scandinavian Institute of African Studies.

Shiferaw W/Michael: 1989. *The Law Making Process in Ethiopia*. Faculty of Law, Addis Ababa University: Addis Ababa.



St. Mary's University  
School of Business  
P.O. Box 1211, Addis Ababa, Ethiopia  
Tel: +251115580612  
[www.smuc.edu.et](http://www.smuc.edu.et)