



ST. MARY'S UNIVERSITY
SCHOOL OF POST-GRADUATE STUDIES

**THE EFFECT OF LEADERSHIP STYLE ON EMPLOYEE
PERFORMANCE IN THE CASE OF AWASH BANK S.C
HEADQUARTERS**

By
SOLIANA SOLOMON

JANUARY, 2025
ADDIS ABABA, ETHIOPIA



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DECLARATION

I hereby declare that the thesis entitled **THE EFFECT OF LEADERSHIP STYLE ON EMPLOYEE PERFORMANCE IN THE CASE OF AWASH BANK** is my original work prepared under the guidance of support of my advisor Zemenu Ayandis .It has been carried out and submitted in partial fulfillment of the requirement for the Degree of Masters of Art Business Administration to the Institute/Department of Business Administration ; collage of st marry university .I also would like to confirm that it has not been previously submitted to any diploma or degree to any college or university as well as all the sources of material used in the study is duly acknowledged.

Signature _____

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Approval (Advisor's Approval Sheet)

This thesis entitled **THE EFFECT OF LEADERSHIP STYLE ON EMPLOYEE PERFORMANCE IN THE CASE OF AWASH BANK** submitted by **SOLIANASOLOMON** in partial fulfillment of the requirement of the award of Master's Degree in Business Administration to the Institute/ Department of Business Administration has collage of St. Mary's University has been carried out under my supervision . Therefore, I hereby approved and recommend that it has fulfilled thesis requirements and can be submitted to the department for examination as the advisor.

Zemenu Ayandis

Advisor

St. Mary's University, Addis Ababa

Signature

January, 2025

CIRTIFICATION

APPROVED BY BOARD OF EXAMINER

We here under as a member of examining board of the final MA open defense have read and evaluated the thesis entitled THE EFFECT OF LEADERSHIP STYLE ON EMPLOYEE PERFORMANCE IN THE CASE OF AWASH BANK HEADQUARTERS submitted by SOLIANA SOLOMON. We clarify /recommend that it has fulfilled the requirements for the partial fulfillment of requirement for Masters Degree in MASTERS IN BUSINESS ADMINISTRATION in St Marry University to the institute /Department of Business Administration collage of St Marry University

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Abstract

Effective leadership is crucial for enhancing employee performance in organizations. This study investigates the impact of various leadership styles on employee performance at Awash Bank S.C. The primary objective of the study was to analyze how different leadership approaches- specifically Participative, transformational, transactional, and laissez-faire, servant, and process leadership affect employee productivity and engagement. To achieve this, this researcher employed a quantitative research design using a convenience sampling from the 622 of study population distributing a total of 243 questionnaires to employees of different departments in Awash Bank headquarters located in Addis Ababa Mexico. Out of these, 235 completed questionnaires were returned, yielding a high response rate of 96.7%. The analysis utilize both descriptive and infernal statistical to evaluate the relationship between leadership style and employee performance. The findings reveal that transformational leadership had the most significant positive impact on employee performance, followed closely by participative and transactional leadership style. This study underscores the importance of adopting leadership practices to enhance organizational effectiveness and employee satisfaction. Also explores the organizational culture of the company and how important leadership is included. By identifying the leadership style that most positively affect performance, this research provides valuable insights for management at Awash Bank S.C and contributed to the boarder literature on leadership in the banking sector.

Key Words: Organization culture, Employee performance, leadership style

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Relationships among leaders' behavior or style and employees have gained bigger focus from different communities. Hence, the type of leadership style has positive or negative impact on how organizations cope with improving productivity by strategic vision of the organization (Khajeh, 2018). Leadership style impacts the whole operating performance of efficiency, effectiveness, income, market share and as well as the company commitment to meet its mission. The yielding of most companies usually relies on employee performance that is a critical element in all successful productivity, and it is because of developing the best leadership style. Employee performance refers to the effectiveness and efficiency with employee carry out their responsibilities and contributes to organizational goal. High levels of employee performance are characterized by increased productivity, innovation, and a commitment to quality .factors influencing performance include motivation ,job satisfaction, and the ability to collaborate effectively within teams

Transformational leadership, for instance, inspires employees by creating a compelling vision and fostering a supportive environment, which can lead to higher morale and creativity. Transactional leadership, on the other hand, relies on structured reward and clear expectations, motivating employees through defined goals and performances metrics. Participative leadership encourages employees to be involved in decision-making fostering a sense of ownership and commitment that enhances performance.

By examining these leadership styles and their effects and their effects on employee performance, this study aims to provide actionable insights for Awash Bank's management. Understanding how different leadership approaches can optimize employee performance will help the bank cultivate a high performance culture , align individuals and organizational goals, and ultimately enhance its competitive advantage edge within the Ethiopian banking sector .this researcher thus seeks the foundation for improving leadership practices that can lead to sustainable growth and success for both the employees and the organization as whole. It is supportive to businesses to identify great leaders that can advance performance of the organization and lead the organization to great success.

1.2 Statement of the Problem

According to Khalida (2022), an organization without effective leadership is like a ship without a captain, where resources are wasted despite their scarce nature. Leaders are expected to demonstrate appropriate behaviors that align with the culture and general conditions of the organization. The achievement of organizational objectives largely depends on effective leadership and the optimal utilization of human resources. Organizations are fundamentally managed and staffed by people; without them, no organization can exist or function effectively. An effective leadership style encourages greater participation from the entire workforce and positively influences both individual and organizational performance. Consequently, the success of an organization is heavily reliant on leaders' abilities to optimize human resources (Kokebu, 2017).

This investigation aims to fill the research gap specific to the Ethiopian banking sector, particularly with in Awash Bank, by analyzing how different leadership approaches can foster a productive work environment. Understanding these dynamics will provide valuable insights for bank management to enhance leadership practices and improve overall employee performance.

The indicative previous research has primarily concentrated on different organizational settings outside Ethiopia, which may not account for the cultural and contextual factors influencing leadership effectiveness in local banking industry. Therefore ,this study aims to fill this gap by investigating the specific ways in which leadership style include transformational ,transactional, participative, servant and laissez-fair leadership , impact employee performance at Awash Bank S.C increase the contribution to the boarder literature on leadership in Ethiopian banking sector by choosing Awash Bank the researcher believes that the company has broad departments and broad performance to be tested on how leadership is being practiced .

1.3. Research Question

This study attempted to answer the following research questions;

1. How do different leadership styles practiced at Awash Bank S.C influence employee performance outcomes?

2. How dose transformational leadership influence employee performance of Awash Bank S.C.?
3. What is the relationship between participative leadership and employee performance at Awash Bank S.C.?
4. In what way dose transactional leadership impact employee performance of Awash Bank S.C.?
5. How dose servant leadership affect employee performance outcomes of Awash Bank S.C.?
6. How does the process leadership style affect the performance efficiency and effectiveness of at Awash Bank S.C.?

1.4 Objectives of the Study

1.4.1 General Objective

The main objective of this study was to investigate the effect of leadership style on employee performance in the case of Awash Bank S.C.

1.4.2 Specific Objectives

1. To comprehensively evaluate the influence of diverse leadership style on employee performance outcome at Awash Bank S.C identify specific performance indicators affected by each style.
2. To investigate the specific pathways through which transformational leadership enhances employee performance metrics, including productivity, job satisfaction and overall engagement at Awash BankS.C
3. To analyze the impact of participative leadership on employee performance by exploring its role in promoting collaboration and participatory decision- making within teams at Awash Bank S.C.
4. To examine how transactional leadership practices , including structured reward system influencing employee motivation and performance levels at to employee performance at Awash Bank S.C.
5. To analyze the impact of servant leadership on employee performance outcomes focusing on aspects such as employee morale, engagement, and retention rates at Awash Bank S.C.

6. To investigate the effects of process leadership on employee performance indicative to how it enhances efficiency and effectiveness through improved workforce and alignment with organizational goal at Awash Bank S.C.

1.5 Significance of the Study

Findings from this study lies potential to enhance understanding of how various leadership styles impact employee performance within the Ethiopian banking sector ,specifically at Awash Bank S.C. By investigating the relationship between leadership approaches- and employee outcomes, This research aims to fill existing gaps in literature. The findings will not only contribute to academic discourse but will also provide practical insights for organizational leaders, enabling them to adopt evidence based strategies that foster a productive work environment.

Furthermore, this study will have implications for improving employee job satisfaction, engagement, and retention within Awash Bank S.C . By identifying which leadership style are most effective in promoting positive employee outcomes, the research can guide management practices and training programs. Ultimately aims to enhance organizational performance competitiveness in banking sector, making it relevant for policymakers and business leaders.

1.6 Scope of the Study

The scope of this study is focused on examining the effect of leadership style on employee performance at the headquarters of Awash Bank S.C in Addis Ababa, Ethiopia. The geographical scope is intentionally limited to (Headquarter ,Mexico, Addis Ababa) to allow for an in-depth analysis of leadership dynamics within a single organizational context, which is essential for understanding the unique challenges and opportunities faced by the bank. The study considers a diverse range of leadership styles including transformational, transactional, process, participative, process, servant, laissez-faire the styles affect various aspects of employee performance.

The researcher used an descriptive and explanatory research design and both qualitative and quantitative research approach. The study also used a sampling method of data collection instead of serving; this is due to the limitation of time and finance.

1.6.1 Limitations of the Study

As an academic survey, this thesis has a number of limitations. Among the major geographical scope restricts the ability draw border conclusions about the influence of leadership style on

employee performance across different organizational context as it is limited to the headquarter of the bank. The study primarily relied on the self-reported data from employee through questionnaire

1.7 Organizational Culture

Organizational culture refers to the shared values, beliefs, norms, and practices that shape the behavior of individuals within an organization. It encompasses the underlying assumptions and unwritten rules that influence how employees interact, make decisions, and approach their work. In the banking sector, particularly in Addis Ababa, organizational culture plays a crucial role in defining how banks operate and achieve their objectives.

1.7.1 Organizational Culture in Awash Bank S.C

At Awash Bank S.C., the organizational culture is characterized by a commitment to customer service, integrity, and teamwork. The bank emphasizes:

- **Customer-Centric Approach:** Employees are trained to prioritize customer satisfaction, reflecting a culture that values relationships and service quality.

Ethical Standards: Integrity is a core value; employees are expected to conduct their duties transparently and responsibly, fostering trust both internally and externally.

- **Collaboration and Teamwork:** The bank promotes a collaborative environment where employees are encouraged to work together, share ideas, and support each other in achieving common goals.

Leadership Styles and Their Impact on Organizational Culture

The leadership styles practiced at Awash Bank, such as transformational, participative, and servant leadership, are instrumental in shaping this organizational culture:

- **Transformational Leadership:** Leaders inspire and motivate employees to embrace the bank's vision, fostering a culture of innovation and continuous improvement. This leadership style encourages employees to exceed their potential, aligning personal goals with organizational objectives.

- **Participative Leadership:** By involving employees in decision-making, this style enhances engagement and commitment. It cultivates a culture where employees feel valued and empowered to contribute to the bank's success.
- **Servant Leadership:** This approach prioritizes the needs of employees, promoting a supportive and nurturing work environment. It helps in building strong relationships and trust, which are essential for a positive organizational culture.

Organizational culture serves as a moderating variable in the relationship between leadership styles and employee performance. Here's how:

Influence on Leadership Effectiveness: The alignment between leadership styles and organizational culture can enhance or diminish the effectiveness of those styles. For instance, transformational leadership may thrive in a culture that values innovation and adaptability, thereby maximizing employee performance.

Facilitation of Employee Engagement: A strong, positive organizational culture can amplify the effects of participative leadership. When employees feel they are part of a collaborative environment, they are more likely to engage actively, leading to improved performance.

Cultural Fit: Leadership styles that resonate with the organizational culture can lead to higher employee satisfaction and retention rates. Conversely, a misalignment can result in dissatisfaction and decreased performance.

In the organizational culture at Awash Bank S.C. is vital in shaping employee behaviors and performance. It facilitates the implementation of various leadership styles, enhancing their effectiveness. By fostering a strong organizational culture that aligns with leadership approaches, Awash Bank can better achieve its goals and maintain a competitive edge in the banking sector of Addis Ababa. This interplay between leadership styles and organizational culture underscores the importance of adapting leadership practices to fit the cultural context, ultimately leading to improved employee performance and organizational success.

1.8 Organization of the Study

This study was organized into five chapters, the first chapter included introduction, background of the study, research gap, research question, objectives, significance and scope of the study. The second chapter deals with review of related literature in terms of theoretical, empirical and conceptual framework. The third chapter comprises the research methodology while the fourth

chapter dealt with data analysis and interpretation. Finally, the fifth chapter holds the summary of the findings, conclusions and recommendation.

CHAPTER TWO

REVIEW OF LITERATURE

2.1 Theoretical Literature

2.1.1 Concepts of leadership

Achieving organizational effectiveness in today's complex business landscape, many organizations are increasingly moving away from rigid hierarchical structures and traditional individualized job roles in favor of team-based work models. This shift emphasizes the growing importance of individual initiative and collaboration among employees (LePine, 2002). Consequently, a primary concern for organizations today is how to effectively motivate employees to take initiative and foster strong cooperation, which are essential components for successful organizational functioning.

Leader is defined as an individual who can influence and maintain a central position in a group to achieve organizational goals in a specific setting (Yukl, 2013). This definition highlights the importance of leadership in driving organizational success. Furthermore, leaders can be anyone who has the power to influence others, including their close relatives, friends, or subordinates. The willingness of followers to be led by someone who can help them achieve their desires and aspirations is a crucial aspect of leadership (Northouse, 2018).

Scholars have also emphasized that leaders have the power to influence group members' behavior and shape their actions (Graen & Cashman, 1975). This influence can be achieved through various means, including setting goals and guiding followers towards achieving them. In essence, leaders have the power to shape the behavior and attitudes of their followers (Kotter, 2001).

Widely studied in the fields of psychology and organizational behavior, leadership remains a major topic of research, with a vast body of empirical and conceptual studies contributing to the

field (Zaccaro & Klimoski, 2001). According to Yukl (2013), the consensus among leadership scholars is that effective leadership is a critical factor influencing organizational effectiveness. Leaders are positioned to significantly impact individual and group performance, shaping how employees engage with their work and each other.

Furthermore, effective leaders are capable of inspiring individuals and teams to perform beyond basic expectations, fostering an environment where employees feel motivated and engaged (Ilies et al., 2007). This ability to inspire and motivate not only enhances organizational performance but also contributes to a positive workplace culture, ultimately driving success and sustainability in an increasingly competitive environment (Morgeson, 2010). As organizations continue to adapt to a rapidly changing world, the role of leadership in cultivating initiative and collaboration remains more important than ever.

2.1.2 Definition of Employee Performance Aligned with leadership

Employee Performance refers to how well an individual carries out their job duties and contributes to the organization's goals. Key aspects include:

Quality of Work The accuracy and excellence of tasks completed.

Quantity of Work The volume of work produced in a given time.

Timeliness The ability to meet deadlines.

Skill Utilization Effective use of knowledge and expertise.

In essence, employee performance is about how effectively an individual performs their job and supports the organization's success. When we come to Scholars have also emphasized that leaders have the power to influence group members' behavior and shape their actions (Graen & Cashman, 1975). This influence can be achieved through various means, including setting goals and guiding followers towards achieving them. In essence, leaders have the power to shape the behavior and attitudes of their followers (Kotter, 2001).

In addition, scholars have identified two broad categories of leaders: formal leaders and informal leaders. Formal leaders derive their power and influence from their assigned organizational position (Fiedler, 1967). They have formal authority over their followers and are often referred to as managerial leaders or managers. In contrast, informal leaders derive their power and influence from their relationships with their followers, rather than from their formal position (Hollander,

1958). They are often referred to as non-managerial leaders and may not have formal authority over their followers, but can still influence them through their charisma and leadership style.

Overall, leadership is a complex and multifaceted concept that involves influencing and guiding others towards achieving organizational goals. Whether through formal or informal means, leaders play a critical role in shaping the behavior and attitudes of their followers and driving organizational success.

2.1.3 Leadership Theories

2.1.3.1 Great-man Theory

The explorations toward set a standard of traits that describe leadership was extended over many years and cultures in identifying heroes to set a standard of achievement or failure. The advocator and pioneer of the Great man theory Thomas Carlyle (Antonakis, 2012) argued in the favor of the heroes and said i.e., the history of what man has accomplished in this world, is at the bottom of the history of the great men who have worked here. On the other side, the decision making, or action of the event-making influenced the course of events, the event-making man could not been involved in the process but can make a great deal in his course of action (Tadesse, 2020).

The event-making man course of action is not grounded on the result of extreme capacities of intelligence, will and character rather than the actions or decisions of their distinct action. As one can notice from the history such concepts leadership was not ethically accepted as was the with many dictators (Hitler, Napoleon and the like) of the world. As a result, the credibility of the great man theory became questioned. Such kind of great man become dictator and unnecessary and following the growth and expansion of the organization take the place but in the process under develop the democratization (MacGregor Burns, 2003).

2.1.3.2 Trait Theory

The aforementioned theorists preached that whatever the case the leader is born and gifted with a certain kind of physical appearance and personality character and could shine as a leader from those of non-leader (Tadesse, 2020) traits are heavily rested up on heredity examples of such traits are height, intelligence, attractiveness, and self-confidence. The second kind of trait is

called effectiveness trait this trait is championed through experience and learning such trait comprises mainly charisma as the main component of leadership (Ekvall & Arvonen, 1991).

Max Weber coined the meaning and definition of charisma as follows a power of all the time that can generate new approaches by subordinates and has been a personal commitment to leaders, the followers accept the charisma as blessed with almost supernatural or superhuman intelligence, quality, and power. After many studies emphasized intellectual, physical, and personality traits that distinguished non-leaders from leaders, scholars came up with a finding of research that shows only insignificant variance exists among subordinates and leaders (Burns, 2003).

2.1.3.3. Contingency (situational) Theories

As cited by (Tadesse, 2020), the advocator of this situation theory preached that there is no single and best fit to all leadership styles. This leadership style highly rests upon many factors, for example the setting, the environment, the background of subordinates and other variables. Furthermore, there is no one single best way direct, because there some many dimensions of the environment that need to adjust to specific leadership style.

The birth of the situational leadership approach was 1969, pronounced that there is no single and best fit to all leadership style to lead and the leader must be able to adapt to the situation and transform their leadership style between task-oriented and relationship oriented (Ibid). Many leaders attempt to change employees within the organization; they not only change the dynamics of settings of the organization but indeed the employees also. Many pioneers of the situation theorists pronounced that the leader only emphasized the interaction of leader-subordinate and preached that the subordinate engaged in significant role explaining the interaction. Even though, this leadership mostly emphasized on the leader, it also makes subordinates signify the focus on group dynamics this theory scholar and advocator mostly pronounced that the style of leadership is highly vested in the hands of the maturity of the followers of the leader (Bass B., 1994).

2.1.3.4. Style and Behavior Theory

Proponents of the style and behavior theory pronounce the significance of certain essential leadership capacities that facilitate and serve as enablers for the leader to help the leader act by the previous capacity of a leader. Consequently, before specific acting announce that every single leader has a different style of leadership that is most pleasant for most leaders. This leadership style highly rests upon many factors, for example, the setting, the environment, the

background of subordinates, and other variables. Furthermore, there is no one single best way to direct, because there some many dimensions of the environment that need to adjust to a specific leadership style.

In the late 1990s, Yukl came up with a completely different kind of leadership there. The first one is that in democratic leadership such as leadership, employees practice and possess a high degree of fulfillment, visionary, and creativeness; work with a high degree of encouragement despite leaders' close supervision; practically show a high degree of association between leaders and subordinates. The second type of leader is oppressive leaders mostly motivated by a higher amount of yield. The third one is laissez-faire leadership which is in the contemporary world merely it considered as most valuable while leading a team comprising most experts and interested employees who have outstanding track records in the past (Yukl, 2008).

2.1.3.5. Process Leadership Theory

As literature and studies focused on the theory of process leadership theory pronounced that here the focus area is the servant, the leading organization, principal-focused focused and charismatic leadership with others emerging every year. Greenleaf presented servant leadership in the early 1970s. A renaissance of the conversation of servant leadership was renowned in the early 1990s. Servant leaders were exhilarated to be absorbed in the disquiets of the supporters and the leader ought to empathize with them, take-care of and encourage them. The leadership was communicated on a person who was by nature a servant. The servant leader emphasizes the requirements of the followers and assists them to turn into more independent at liberty and well-informed. The servant leader is also very worried about the disadvantaged and distinguishes them as equal (Greenleaf, 1977).

The leaders in the organizations are to be the agent of the vision of the business and not a servant of the employee within the institution. Leaders in learning organizations simplify and develop the vision and reflect it designate greater than one-self. The leader lines up themselves or their vision with others in the organization or community at large. These process leadership philosophies and others that have arisen often propose that the effort of leaders is to give to the welfare of others with a concentration on some arrangement of social accountability. They act to be a clear development in the study of leadership.

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

2.1.4 Leadership Styles

Based on the number of followers research stated that a variety of leadership styles. Depending on the function of the leader, the followers and the situation, this is the most appropriate leadership style. In case of decision making some leaders cannot work satisfiable with a high degree of follower's participation. In addition to, the specific situation helps determine the most effective style of interactions and some employers lack the ability or the desire to assume responsibility. To immediate solutions without consulting followers sometimes leaders must handle problems that require. By reviewing different literature, the researcher identified three types of leadership styles (Tadesse, 2020).

2.1.4.1 Participative Leadership

The democratic leadership style, often referred to as participative leadership, is rooted in Transformational Leadership Theory, which emphasizes change, visionary guidance, and the enhancement of both individual and organizational outcomes (Burke et al., 2006; Rad & Yarmohammadian, 2006; Vigoda-Gadot, 2007). This approach empowers team members by allowing them to develop their leadership skills and actively participate in decision-making processes. When employees feel that their opinions, suggestions, and ideas are valued, it fosters a sense of ownership and commitment within the team. Research suggests that this leadership style can be more effective than autocratic methods, as it encourages collaboration and creativity among group members (MacBeath, 2005).

Furthermore, democratic leadership is particularly effective in environments where team members are highly skilled, passionate about their work, and satisfied in their roles. In such contexts, employees appreciate the autonomy granted to them, which contrasts with the laissez-faire leadership style that may lead to confusion or a lack of direction. By engaging skilled employees in decision-making and allowing their voices to be heard, democratic leaders can

create a more motivated and satisfied workforce, leading to improved organizational performance and innovation (Vigoda-Gadot, 2007).

2.1.4.2 Transformational Leadership Style

Transformational leadership is a leadership style in which the leader inspires and motivates their subordinates to achieve greater levels of success than they thought possible. This type of leadership involves setting a clear vision for the organization, communicating that vision to employees, and empowering them to make decisions and take ownership of their work. Transformational leaders also act as role models for their team members, exhibiting high levels of integrity and ethical behavior (Bass B. M., 2009).

In the context of banking organizations, transformational leadership can lead to improved employee performance and organizational outcomes. For example, a study by Wong and Davey (2007) found that transformational leadership was positively related to employee job satisfaction and organizational commitment in the banking industry. Additionally, transformational leadership has been linked to increased innovation and creativity among employees, as well as higher levels of customer satisfaction (Gong, 2019).

One of the key components of transformational leadership is the ability to communicate a clear vision for the organization. In banking organizations, this can be particularly important as employees may have a tendency to focus solely on their individual tasks rather than the bigger picture. By setting a clear vision and communicating it effectively, transformational leaders can inspire their team members to work together toward a common goal, which can lead to improved organizational performance (Koh, 2019).

2.1.4.3 Transactional Leadership Style

Transactional leadership is a leadership style that focuses on maintaining the status quo and using rewards and punishments to motivate employees. This leadership style is based on the idea that employees are motivated primarily by external factors, such as salary and job security, and that they will perform their best when they know what is expected of them and are rewarded for meeting those expectations. Transactional leaders use a variety of tools to manage their employees, including performance metrics, bonuses, and promotions (Bass B. M., 2009).

In the context of banking organizations, transactional leadership can be effective in situations where there is a clear set of tasks that need to be completed on a regular basis. For example, in

the operations department of a bank, employees may be expected to process a certain number of transactions each day. A transactional leader in this context would focus on setting clear expectations for the number of transactions that need to be processed and would provide rewards for employees who meet or exceed those expectations (Mukhtar, 2016).

However, transactional leadership can also have negative effects on employee motivation and job satisfaction. Employees may feel that they are being treated like cogs in a machine and that their work is not valued beyond its contribution to the bottom line. This can lead to increased turnover and decreased organizational commitment. Additionally, transactional leaders may be less effective in situations where creativity and innovation are required, as they tend to focus on maintaining the status quo rather than exploring new ideas (Bass B. M., 2009).

2.1.4.4 Laissez-faire Leadership Style

With regard to the laissez-faire leadership style, the leader does not directly supervise the members, and does not rely on regular communication or feedback. Specifically, it allows the members total autonomy and self-rule to make decisions that relate to the completion of the assignment. However, the leader is available to offer guidance at any point should the members request assistance (Daft, 2005).

Laissez-faire leadership style is characterized by the absence of direction and guidance provided by the leader to their subordinates (Northouse, 2018). In banking organizations, this leadership style can lead to both positive and negative outcomes. On the one hand, it can allow for increased creativity and innovation among team members (Khan, 2019). On the other hand, it can also result in confusion and lack of direction, which may negatively impact employee performance and job satisfaction (Ali, 2020).

2.1.4.5 Servant Leadership

Liden and Henderson (2020) examine the theoretical foundations of servant leadership and its significant impact on organizational culture, employee engagement, and overall performance. Their research highlights how servant leadership fosters a positive work environment, which in turn enhances collaboration among team members. By prioritizing the needs of others, servant leaders create a culture of trust and support that can lead to higher morale and increased productivity within organizations.

In a complementary study, Robin and Liden (2020) explore the adaptability of servant leadership across diverse cultural and organizational contexts. They emphasize the applicability of servant leadership in various settings, including non-profit organizations and corporate environments. This adaptability underscores the relevance of servant leadership in fostering inclusive workplaces that respect and value different cultural perspectives, thus enriching the overall organizational climate.

Neubert and Cady (2021) investigate the psychological and behavioral effects of servant leadership on followers. Their analysis of existing studies reveals how servant leaders positively influence employee satisfaction, organizational commitment, and mental well-being. These leaders exhibit qualities such as patience, kindness, gentleness, empathy, and persuasion, as noted by Covey (2006). Additionally, Carroll and Patterson (2014) identify altruism, humility, trust, vision, empowerment, service, and anapole as critical dimensions of servant leadership. By taking a moral stand for both ends and means, servant leaders help establish an organizational culture that upholds strong values, as articulated by Sendjaya (2008). This commitment to ethical principles reinforces a positive atmosphere where employees feel valued and motivated to contribute.

2.1.4.6 Process Leadership Style

Process Leadership emphasizes the continuous execution of organizational processes while highlighting the importance of adapting those processes to meet evolving needs. Leaders who adopt this style act as facilitators, focusing on creating systematic workflows that empower their teams. Recent studies have shown that an effective Process Leadership approach can significantly enhance both efficiency and innovation within teams (Gordon & Hammersley, 2022). This leadership style aligns closely with agile methodologies, where flexibility and responsiveness are critical for achieving success in dynamic environments.

Furthermore, Process Leadership is characterized by facilitative communication and strategic engagement with stakeholders, which in turn influences team dynamics and overall performance. Research conducted by Grant and Parker (2021) demonstrates the effectiveness of this leadership style in promoting team collaboration, fostering creativity, and improving effectiveness. This review indicates that an environment where leaders prioritize process-oriented communication can lead to more cohesive teams that are better equipped to respond to challenges.

Finally, the role of Process Leadership in managing organizational change is crucial (Kotter, 2022). His findings indicate that leaders who embrace a process-oriented approach are better able to facilitate smoother transitions and engage employees more effectively during periods of change. Similarly, Müller and Turner (2020) have explored the integration of transformational leadership elements within process-oriented frameworks, identifying how adopting a Process Leadership Style can foster a culture of continuous improvement and adaptability in organizations. Together, these studies underscore the value of Process Leadership in driving organizational success amidst constant change.

2.2 Empirical Literature

The empirical review focuses on the existing research regarding the impact of leadership styles on employee performance, particularly within the banking sector. This section synthesizes key findings from various studies to highlight how different leadership approaches can influence employee engagement, satisfaction, and overall performance in organizations similar to Awash Bank S.C.

- **Participative Leadership**

Research indicates that participative leadership, which involves employees in decision-making processes, enhances job satisfaction and performance. Studies have shown that when employees feel their opinions are valued, they are more likely to exhibit higher levels of commitment and motivation (Smith & Hale, 2022). This collaborative approach fosters a sense of ownership, leading to improved outcomes in team-based environments.

- **Transformational Leadership**

Transformational leadership is widely recognized for its positive impact on employee performance. Leaders who inspire and motivate their teams can create a compelling vision that aligns individual goals with organizational objectives. Wong and Davey (2007) found that transformational leadership significantly correlates with increased job satisfaction and organizational commitment in the banking industry. This leadership style has been linked to enhanced employee creativity and innovation, crucial for maintaining competitiveness in the financial sector (Gong, 2019).

- **Transactional Leadership**

Transactional leadership, characterized by structured rewards and clear performance expectations, also plays a significant role in employee performance. A study by Ng and Kim (2022) demonstrated that in high-pressure banking environments, clarity in goals and rewards leads to improved productivity. However, while effective for achieving immediate results, this style may limit long-term engagement and innovation, emphasizing the need for a balanced approach that incorporates transformational elements (Torres & Meza, 2023).

Laissez-Faire Leadership

The laissez-faire leadership style, which grants employees significant autonomy, can yield mixed results. While it promotes creativity among self-motivated employees, it may lead to confusion and reduced performance in less experienced teams (Johnson & Raines, 2021). This duality underscores the importance of context when evaluating the effectiveness of laissez-faire leadership.

- Servant Leadership

Servant leadership prioritizes the needs of employees and fosters a supportive environment. Research by Liden and Henderson (2020) indicates that this leadership style enhances employee engagement and organizational performance by promoting trust and collaboration. Employees who perceive their leaders as genuinely invested in their growth report higher levels of motivation and productivity (Tadesse & Kassa, 2022).

- Process Leadership

Process leadership emphasizes efficiency and adaptability in organizational workflows. Recent studies suggest that a process-oriented approach can significantly enhance team effectiveness and innovation (Cummings, 2022). Organizations that adopt this leadership style report higher employee satisfaction and retention rates, highlighting its relevance in dynamic banking environments (Liu, 2023).

The empirical evidence underscores the critical role of diverse leadership styles in influencing employee performance at Awash Bank S.C. By integrating participative, transformational, transactional, servant, laissez-faire, and process leadership approaches, the bank can enhance employee engagement and drive organizational success. This review provides a foundation for understanding how these leadership styles can be effectively applied to improve performance outcomes in the context of the Ethiopian banking sector.

Ethiopian banks, a study (Mengistu, 2020) on the Commercial Bank of Ethiopia found that transformational leadership had a positive effect on employee performance, while autocratic leadership had a negative effect. Another study (Desta, 2019), on Awash Bank specifically found that transformational leadership had a positive effect on employee job satisfaction, organizational commitment, and intention to stay with the bank.

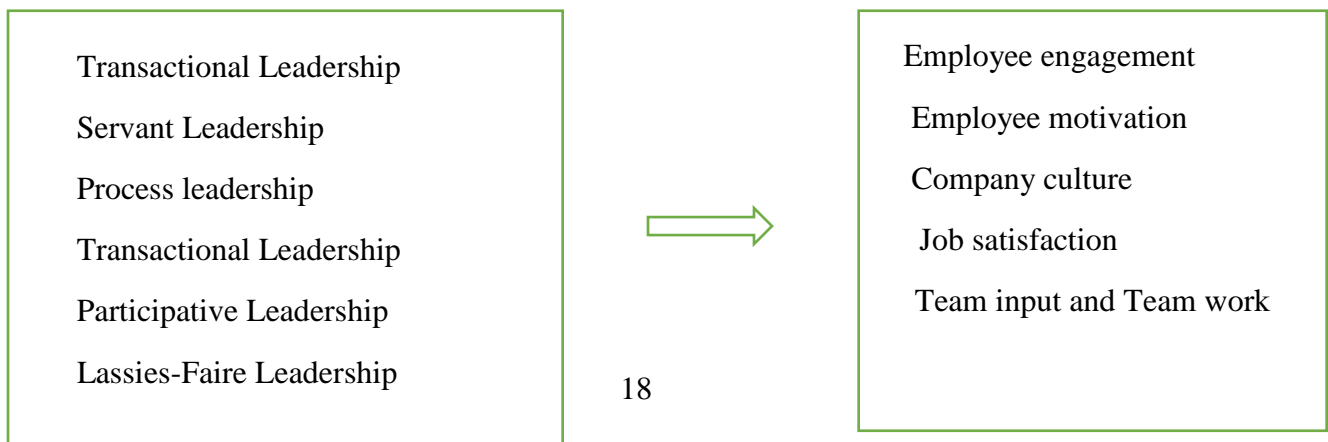
Ethiopian banking industry that influence the relationship between leadership style and employee performance, which should be taken into account in future research. In the context of Awash Bank, there is limited research specifically on the relationship between leadership style and employee performance. However, a study by (Yilma, 2018), examined the effect of leadership style on employee turnover intentions in Ethiopian private banks, including Awash Bank. They found that transactional leadership was negatively associated with employee turnover intentions, while transformational leadership was positively associated with these outcomes. Another study (Girma, 2019), investigated the relationship between leadership style and employee job satisfaction in Awash Bank and found that transformational leadership was positively related to job satisfaction.

2.3 Conceptual Framework

Conceptual framework identifies and defines the key variables, constructs, relationships, and assumptions that are relevant to the specific research problem. It also helps to establish the scope and boundaries of the study, as well as the theoretical perspective or lens through which the research was conducted. In essence, the conceptual framework provides a roadmap for the research project, outlining the theoretical foundations and ensuring that the study is grounded in a coherent and well-established body of knowledge (Panigyrakis, 2017). It helps researchers to formulate research questions or hypotheses, design appropriate research methods, and interpret the findings within the context of existing theories or frameworks.

Independent variable

Dependent variable



Leadership Style

Employee Performance

Figure 2.1 Conceptual Framework

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Research Design

The research design for this study is descriptive and explanatory. The descriptive design provides a snapshot of the current state of leadership practices at Awash Bank S.C., while the explanatory design allows for an examination of the cause-and-effect relationships between leadership styles and employee performance.

3.2 Research Approach

This study employs a mixed-methods research approach, integrating both quantitative and qualitative methods to comprehensively address the research questions regarding the effect of leadership styles on employee performance at Awash Bank S.C. The quantitative component focuses on gathering numerical data to identify patterns and relationships. This approach involves:

Structured Questionnaires: A standardized questionnaire using a five-point Likert scale will be distributed to employees. This scale allows participants to express their level of agreement with statements related to various leadership styles and their perceived impact on performance.

Statistical Analysis: Data collected will be analyzed using statistical techniques, primarily through the Statistical Package for the Social Sciences (SPSS). Descriptive statistics will summarize the data, while inferential statistics, including correlation and regression analyses,

will be employed to test hypotheses and determine the strength of relationships between leadership styles and employee performance.

The qualitative aspect aims to provide deeper insights into employee experiences and perceptions regarding leadership styles. This will include:

- Open-Ended Questions: The questionnaire will also feature open-ended questions that allow respondents to elaborate on their experiences with leadership at Awash Bank. This qualitative data will complement the quantitative findings and provide richer context.
- Interviews: Semi-structured interviews with selected managers will be conducted to explore their perspectives on leadership practices and their effects on employee performance. This method will help identify themes and nuances that may not be captured through quantitative data alone.

Rationale for Mixed Methods

The combination of quantitative and qualitative methods allows for a more comprehensive understanding of the research problem. The quantitative data will provide measurable evidence of the relationships between variables, while qualitative insights will enrich the interpretation of these findings by capturing the complexity of employee experiences and organizational culture.

By employing this mixed-methods approach, the study aims to provide a robust analysis of how different leadership styles impact employee performance at Awash Bank S.C., ultimately contributing to more effective management practices within the organization.

3.3 Target Population

The target population for this study comprises employees working at the headquarters of Awash Bank S.C. in Addis Ababa, Ethiopia. This selection is intentional, as the head office serves as the central hub for the bank's operations and decision-making processes, providing a diverse range of perspectives on leadership styles and their impact on employee performance. The total employee count at the headquarters is approximately 622. This population includes various departments and levels of staff, such as management, administrative personnel, and operational teams, ensuring a comprehensive representation of the organizational structure.

By focusing on this demographic, the study aims to capture the experiences and insights of employees who are directly influenced by the leadership practices implemented within the bank.

Additionally, this population is particularly relevant for understanding how leadership styles affect performance in a dynamic banking environment.

The research will employ a simple random sampling technique to select participants, ensuring that every employee has an equal opportunity to contribute to the study. This approach not only enhances the validity of the findings but also fosters a sense of inclusivity among the workforce, thereby encouraging participation and engagement in the research process.

3.4 Sampling Technique and Sampling Size

3.4.1 Sampling Technique

To ensure a representative and unbiased selection of participants for this study, a ****simple random sampling technique**** will be employed. This method is chosen to guarantee that every employee within the target population of Awash Bank S.C.'s headquarters has an equal opportunity to be included in the research. This approach is particularly effective in mitigating selection bias, thereby enhancing the reliability and generalizability of the study's findings. By randomly selecting participants from the entire employee population of approximately 622 individuals, the study aims to capture a diverse array of perspectives and experiences related to leadership styles and employee performance.

Implementation Process

1. List Creation: A comprehensive list of all employees at the headquarters will be compiled, ensuring it is up-to-date and accurate.
2. Random Selection: Utilizing a random number generator or similar tool, a predetermined sample size of 243 employees will be selected from this list, as calculated based on appropriate statistical considerations to achieve a confidence level of 95%.
3. Inclusivity: This sampling technique will ensure that employees from various departments, roles, and levels of experience are represented, thereby enriching the data collected and allowing for a more nuanced analysis of the impact of different leadership styles.

By adopting this simple random sampling technique, the study not only emphasizes fairness and equity in participant selection but also strives to enhance the credibility of the research outcomes, ultimately contributing valuable insights into effective leadership practices at Awash Bank S.C.g

3.4.2 Sample Size

A reduced subset of the overall population is referred to as the sample size (Cooper and Schindler 2008). According to Mugenda (2013), the degree of certainty, accuracy, and degree of confidence in data can be determined by the sample size. This means that a researcher can determine the optimal sample size required for their study based on the level of certainty they desire to achieve, the accuracy of their measurements, and the level of confidence they have in their data. A readable representative population sample size was established by using Yamane's (1967) formulas, as follows.

Where, N= Total number of the study population

n= Total sample size, and

e=Margin of error 95% confidence level (0.05)

Then the total sample size of the study population is as follows

$$n = \frac{N}{(1+(Ne^2))} \quad n = \frac{622}{(1+622(0.05)^2)} = 243$$

Therefore, the sample size for the targeted population of the study was 243 employees.

3.5 Data Gathering and Instrument

3.5.1 Source of Data

In this study, the researcher used primary data collection procedures. Primary data was directly collected from employees of Awash Bank S.C headquarters in Addis Ababa through questionnaires. Secondary data which were used to understand and explain the research problem is collected from many sources like library books, articles/journals, and the organization's reports.

3.5.2 Method of Data Collection

The best appropriate method to gather primary data is to hand out a questionnaire. A five-point Likert scale questionnaire was established to deliver the participants comfort for replying to the questions according to their degree of agreement (McLeod, 2008). The qualitative data for this study was gathered through a combination of open-ended questions in the structured questionnaire and semi-structured interviews with selected managers at Awash Bank S.C. These

methods were designed to complement the quantitative findings and provide deeper insights into the perceptions and experiences of employees regarding leadership styles.

Open-Ended Questions

In the structured questionnaire, several open-ended questions were included to encourage respondents to elaborate on their experiences with various leadership styles. These questions aimed to capture nuanced opinions and detailed feedback about:

- Personal Experiences: Employees were invited to share specific instances where they felt positively or negatively impacted by the leadership styles practiced in their teams.
- Suggestions for Improvement: Respondents could articulate what leadership practices they believe could enhance their performance and job satisfaction.

This approach allowed for rich qualitative data that highlighted individual perspectives and shared common themes among employees. In addition to the questionnaire, semi-structured interviews were conducted with a select group of managers. This method provided a flexible framework that allowed for in-depth exploration of the following areas:

Leadership Practice: Managers discussed their approaches to leadership, including how they implement different styles and their perceived impacts on team dynamics and performance.

Challenges and Opportunities: Interviewees shared insights into the challenges they face in applying various leadership styles and the opportunities for fostering a more effective leadership culture within the bank.

The interviews were guided by a set of pre-prepared questions, but the conversational nature allowed for follow-up questions based on the responses, enabling a deeper understanding of the context and implications of leadership styles.

3.6 Data Analysis

All qualitative data collected from the open-ended questions and interviews were recorded, transcribed, and analyzed thematically. This analysis involved identifying key themes, patterns, and insights related to leadership styles and their effects on employee performance. By utilizing qualitative data alongside quantitative findings, the study aimed to provide a comprehensive view of leadership dynamics at Awash Bank S.C., ultimately enriching the overall analysis and conclusions drawn from the research..

The 27th version of the Standard Package for Statistical Analysis (SPSS) was used in the analysis of the collected quantitative data. Descriptive statistics was used to measure (mean, median, and mode) and measure variation (variance, standard deviation, standard error, and percent). On the other hand, inferential statistics was used for correlation, linear, and multiple regression. Linear regression was used from the factors showing a positive relationship. The multiple regression models used are:

Purpose of Beta Coefficients

In the context of this study, beta coefficients (β) in the regression analysis represent the strength and direction of the relationship between each independent variable (leadership styles) and the dependent variable (employee performance). Each beta coefficient quantifies how much the dependent variable is expected to increase (or decrease) when the independent variable increases by one unit, holding all other variables constant.

Importance of Beta Coefficients

1. Interpretation of Results: The coefficients provide insight into which leadership styles have the most significant impact on employee performance. For instance, a higher positive beta coefficient indicates a stronger positive relationship with employee performance.

2. Statistical Significance: The significance of each beta coefficient (represented by the p-value) indicates whether the leadership style has a statistically significant effect on employee performance. A p-value less than 0.05 typically signifies that the effect is statistically significant.

The results indicate that all leadership styles examined have a positive and significant impact on employee performance, with transformational leadership showing the strongest effect. This analysis highlights the critical role of effective leadership styles in enhancing organizational performance and provides a foundation for recommendations aimed at improving leadership practices within Awash Bank S.C.

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + e.$$

Where Y_i = Dependent Variables

X = Independent Variables

When items are mixed, regression is performed to determine the level of significance. The analysis process involves converting the raw data into tables and graphs containing frequency distributions and percentages that answer the research questions. The research data was finally analyzed using the Statistical Package for the Social Sciences (SPSS) V-27.

3.7 Reliability

Reliability refers to the consistency and stability of a measurement instrument, indicating the degree to which it produces stable and consistent results over time. In this study, the reliability of the questionnaire was assessed using Cronbach's Alpha, a widely accepted method for evaluating the internal consistency of survey instruments, particularly those employing Likert scales.

A Cronbach's Alpha coefficient of 0.70 or higher is generally considered acceptable, suggesting that the items within the scale measure the same underlying construct. In this research, the reliability coefficients for various leadership styles were all above the threshold of 0.70, indicating high internal consistency. This suggests that the questionnaire items are reliable and can be trusted to measure the intended constructs effectively.

Additionally, reliability was further examined through test-retest methods, where a subset of respondents completed the questionnaire on two separate occasions. The correlation between the two sets of responses provided additional evidence of the instrument's stability over time. This

multi-faceted approach ensures that the findings of the study are not only reliable but also reflective of true employee perceptions regarding leadership styles.

Table 3.1 Reliability Test

| No | Description | Cronbach's Alpha | No Items |
|----|-----------------------------------|------------------|----------|
| 1 | Participative Leadership style | 0.704 | 4 |
| 2 | Transactional Leadership style | 0.724 | 4 |
| 3 | Laissez-Faire Leadership Style | 0.788 | 4 |
| 4 | Transformational Leadership Style | 0.734 | 4 |
| 5 | Servant Leadership Style | 0.700 | 4 |
| 6 | Process Leadership Style | 0.704 | 4 |

Source researcher survey, 2025

As shown the Table 3.1 for all statements Cronbach's alpha coefficient was greater than or equal to 0.7, according to Hiton's (2004) proposed four reliability thresholds, the result implies that the data have high reliability.

3.8 Validity

Validity refers to the degree to which an instrument measures what it is intended to measure. In this study, content validity was established by having experts in leadership and organizational behavior review the questionnaire. Their feedback was used to refine the items, ensuring that each question accurately represented the constructs of interest. This process involved evaluating the relevance and clarity of each item, thereby enhancing the overall validity of the instrument.

To assess construct validity, the study employed factor analysis to determine whether the items grouped together as expected based on theoretical constructs. This statistical approach provided additional evidence that the questionnaire effectively captured the dimensions of leadership styles and their impact on employee performance.

In summary, the reliability and validity measures applied in this research ensure that the findings are robust and accurately reflect the effects of leadership styles on employee performance at

Awash Bank S.C. The comprehensive approach to both reliability and validity fortifies the study's conclusions and recommendations.

3.9 Ethical Consideration

In conducting this research, ethical guidelines were rigorously followed to ensure the integrity of the study. Key considerations included:

Informed Consent: All participants were provided with clear information about the study's purpose, procedures, and potential risks before participating. Consent was obtained voluntarily, ensuring participants understood their rights to withdraw at any time without penalty.

Confidentiality: Participants' identities and responses were kept confidential. Data was anonymized to protect individual privacy, and only aggregated results were reported. This approach aimed to foster an environment where participants felt safe sharing their experiences and opinions. **Integrity of Data:** The research adhered to principles of honesty and transparency. All data collection methods were clearly outlined, and any potential conflicts of interest were disclosed. The researcher committed to reporting findings truthfully, without manipulation or misrepresentation.

Respect for Participants: The study was designed to minimize any discomfort or inconvenience to participants. Researchers remained sensitive to participants' feelings and perspectives throughout the data collection process. **Ethical Approval:** The research protocol was submitted for review and approval by the relevant ethical review board at St. Mary's University, ensuring that the study met institutional ethical standards. By addressing these ethical considerations, this researcher aimed to uphold the highest standards of academic integrity while contributing valuable insights into the effects of leadership styles on employee performance at Awash Bank S.C.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Response Rate of Respondents

A total of 243 questionnaires were distributed to employees of Awash Bank S.C., with 235 completed and returned, resulting in a response rate of 96.7%. This high response rate enhances the reliability and validity of the findings, as it minimizes potential sampling error and maximizes representativeness. The low non-response rate of 3.2% (8 unreturned questionnaires) indicates strong engagement from participants, thereby allowing for meaningful conclusions. All returned questionnaires met the analysis criteria, further supporting the study's integrity. The implications of this study are significant for both academic research and practical applications in organizational settings:

The findings provide valuable insights into how different leadership styles impact employee performance, contributing to the broader literature on leadership in the banking sector. The study highlights effective leadership practices that can be adopted by management at Awash Bank S.C.

to foster a high-performance culture, enhance employee engagement, and improve overall organizational effectiveness.

The results can inform the development of policies and training programs aimed at cultivating leadership styles that positively influence employee outcomes, ultimately contributing to employee satisfaction and retention. The study identifies gaps in existing literature, suggesting areas for further investigation, particularly regarding the application of leadership styles in different contexts within the Ethiopian banking industry.

Table 4.1 Response Rate of Respondents

| Questionnaire | Frequency | Percentage |
|---|-----------|------------|
| Total number of questionnaires distributed | 243 | 100% |
| Total number of questionnaires returned | 235 | 96.7% |
| Total number of questionnaires unreturned | 8 | 3.2% |
| The total number of questionnaires rejected | -- | -- |

Source: Researcher survey,2025

4.2 Demographic Characteristics of the Respondents

The respondents' gender, age, level of education, and work experience are among their demographic features. The frequency and proportion of respondents from a sample of Awash Bank S.C in Addis Ababa were shown in below table 4.2.

Table 4.2 Demographic Characteristics of the Respondents

| Demographics | | Frequency | Percent |
|-------------------|--------------------|-----------|---------|
| Age of Resonance | male | 173 | 73.6 |
| | female | 62 | 26.4 |
| | Total | 235 | 100 |
| Educational level | 30-39 years | 156 | 66.4 |
| | 40-49 years | 64 | 27.2 |
| | 50 and above years | 15 | 6.4 |
| | Total | 235 | 100 |

| | | | |
|--------------------|----------------|-----|------|
| Qualification | Diploma | 2 | 0.9 |
| | First Degree | 105 | 44.7 |
| | Master | 128 | 54.5 |
| | Total | 235 | 100 |
| Working Experience | 5 and below | 9 | 3.8 |
| | 6-10 years | 152 | 64.7 |
| | 11-20 years | 59 | 25.1 |
| | above 20 years | 15 | 6.4 |
| | Total | 235 | 100 |

Source: Researcher survey,2025

As shown in Table 4.2 the study's findings on the gender of respondents provide valuable insights into the demographic characteristics of the employees of Awash Bank S.C. The result shows that most of the respondents (173 or 73.6%) were male. This implies that among those who participated in the study the bank's employees were dominated by males.

The age distribution of the respondents indicates that most of the respondents were within the range of 30-39 years which was 156(66.4%), followed by 40-49 years 64(27.2%). Fifteen of the respondents were the age of above 49 Years. The age distribution of the respondents suggests that the majority of the bank's employees among who participated in the study were adults individuals.

Regarding the educational background of the respondents, it is depicted that, the majority of the respondents were master degree holders that of 128 (54.5%) out of the respondents. This is followed by first degree holders that was 105(44.7%) of the respondent. This implies that most of the respondents were educated could easily understand the research questionnaires, and could give appropriate answers that were necessary for the validity and reliability of the research. The diploma holders of the respondents were very small as compared to degree holders.

Working experience of the respondent 152(64.7%) of the respondents had 6-10 years of experience, followed by 59(25.1%) of the respondents that had 11-20 years of experience. Those the third place was 15(6.4%) have above 20 years work experience. And lastly 9(3.8) individuals have working experience in Awash Bank S.C below 6 years. This implies that, since most of the respondent was experienced or worked with the Awash Bank S.C, they could understand the different types of leadership style practices in the Bank and it allows for a comprehensive

understanding of how different leadership style practices can impact employee performance across various levels of experience.

4.3 Descriptive Analysis

In this section, we summarize the findings related to the perceptions of various leadership styles among employees at Awash Bank S.C. The analysis focuses on the participative, transactional, laissez-faire, transformational, servant, and process leadership styles.

1. Participative Leadership Style: Employees rated this style positively, indicating that they feel involved in the decision-making processes. This engagement fosters a sense of ownership and collaboration. For instance, the mean score for participative leadership was 3.73, reflecting strong employee agreement on the value of their input.

2. Transactional Leadership Style: This style was similarly well-received, with a mean score of 3.80. Employees appreciate the clarity and structure it provides, which helps motivate them through defined expectations and rewards.

3. Laissez-Faire Leadership Style: Rated with a mean score of 3.69, this style offers employees autonomy, allowing them to make decisions independently. While it encourages creativity, some employees may find the lack of direction challenging.

4. Transformational Leadership Style: This style received a mean score of 3.71, indicating that employees feel inspired and supported, which enhances their motivation and engagement.

5. Servant Leadership Style: With a mean score of 3.65, employees value leaders who prioritize their needs and well-being, contributing to a positive organizational culture.

6. Process Leadership Style: This style garnered a mean score of 3.69, highlighting employees' recognition of the importance of structured workflows and continuous improvement in achieving organizational goals.

Confirmatory Notes

Mean Scores: Each leadership style was evaluated using a 5-point Likert scale, where scores above 3 indicate positive perceptions.

Employee Engagement: High mean scores across the board suggest that employees feel valued and motivated under the various leadership styles practiced at Awash Bank.

Impact on Performance: The positive feedback indicates that effective leadership practices contribute significantly to employee satisfaction and overall performance.

These findings underscore the importance of adopting a multifaceted approach to leadership to foster a high-performance culture within the organization.

Descriptive analysis provides a summary of the data collected, offering insights into the perceptions of employees regarding different leadership styles at Awash Bank S.C. The analysis utilizes mean scores and standard deviations to evaluate the effectiveness of each leadership style. The findings indicate that employees rated the participative leadership style positively, with a mean score of 3.73. This suggests that employee's feel valued and included in decision-making processes, fostering a sense of ownership and collaboration within the team.

The transactional leadership style received the highest mean score of 3.80, indicating that employees appreciate the clarity and structure provided by this approach. The presence of clear performance expectations and rewards appears to motivate staff effectively.

The laissez-faire leadership style was rated with a mean score of 3.69, reflecting a generally favorable view. Employees feel empowered by the autonomy granted to them, although some may prefer more guidance

The transformational leadership style was also well-received, with a mean score of 3.71. Employees indicated that this style inspires motivation and innovation, contributing positively to their performance.

The servant leadership style garnered a mean score of 3.65, suggesting that employees value leaders who prioritize their well-being and development. This leadership approach promotes trust and support among team members.

Lastly, the process leadership style received a mean score of 3.69, indicating that employees recognize the value of structured workflows and continual improvement in achieving organizational goals.

All analyses were performed using the Statistical Package for the Social Sciences (SPSS) software version 27. Interpretations were made for all dimensions on a 5-point Likert scale based on: Scale: 5 =Strongly Agree; 4=Agree; 3=Medium; 2=Disagree; 1 = Strongly Disagree. Thus, the scales were averaged and neutral posture “3” was taken as the reference point. That is, the

average you get the same score as above 3 (neutral) if the opinion favors the given view, and below 3 (Neutral) when opinions tend to be unfavorable to a particular point of view.

Moidunny (2009) describes the interpretation of Likert scales, accordingly, in this study the essence of the interpreted data is as follows: 1.0–1.8 = Strongly Disagree, 1.81–2.6 =Disagree, 2.61–3.20 =Medium, 3.21–4.20 = Agree, 4.21–5.00 = Strongly Agree.

Overall, the analysis reveals that all leadership styles assessed are perceived positively, with transactional and participative styles particularly noted for their effectiveness in enhancing employee performance. This highlights the need for management to continue fostering these leadership approaches to maintain high levels of employee engagement and productivity

4.3.1 Descriptive Analysis of Leadership Styles

Table 4.3 Descriptive Analysis of Leadership Styles

| Type of leadership style | N | Mean | Std. Deviation |
|-----------------------------------|-----|------|----------------|
| Participative leadership style | 235 | 3.73 | 0.67 |
| Transactional Leadership Style | 235 | 3.80 | 0.71 |
| Laissez-Faire leadership style | 235 | 3.69 | 0.68 |
| Transformational Leadership Style | 235 | 3.71 | 0.67 |
| Servant Leadership Style | 235 | 3.65 | 0.72 |
| Process Leadership Style | 235 | 3.69 | 0.70 |
| Employee performance | 235 | 3.74 | 0.70 |

Source: SPSS output, 2025

As shown in table 4.3 descriptive statistics of statements related to the Leadership Style in Awash Bank S.C. The respondents agree with related to participative leadership style with overall mean of 3.73, and a standard deviation of 0.67. This shows that employees generally view the participative leadership style positively. This indicates that employees at Awash Bank S.C. feel that their input and collaboration in decision-making are valued, fostering a more inclusive work environment.

The respondents agree with related to transactional leadership style with overall mean of 3.80, and a standard deviation of 0.71. This indicates that employees perceive the transactional approach characterized by structured rewards and clear expectations as effective in motivating

performance. The positive feedback suggests that employees appreciate the clarity and direction associated with transactional leadership.

The respondents agree with related to Laissez-Faire leadership style with overall mean of 3.69, and a standard deviation of 0.68. It implies that employees find this leadership style to be positively correlated with their performance. This suggests that providing employees with a degree of autonomy and minimal intervention can empower them, leading to a favorable perception of this leadership style within the bank.

The respondents agree with related to transformational leadership style with overall mean of 3.71, and a standard deviation of 0.67. This indicates that employees at Awash Bank S.C. generally hold a positive view of transformational leadership, which encourages motivation, innovation, and personal development. The findings reflect that employees feel inspired and supported under transformational leaders, contributing to their overall performance.

The respondents agree with related to servant leadership style with overall mean of 3.65, and a standard deviation of 0.72. This result suggests that employees appreciate the emphasis on service, support, and the well-being of team members that comes with this leadership style. Employees likely feel that their leaders are genuinely interested in helping them succeed, which positively impacts their performance.

The respondents agree with related to process leadership style with overall mean of 3.69, and a standard deviation of 0.70. This implies that employees recognize and respond positively to leadership that prioritizes effective processes and continuous improvement. The positive perception of this leadership style indicates that employees see value in structured, systematic approaches to achieve organizational goals, which can enhance their performance.

The respondents agree with related to process leadership style with overall mean of 3.74, and a standard deviation of 0.70. This suggests that employees at Awash Bank S.C. generally feel that their performance is satisfactory and that they are meeting the expectations set by their leaders. The overall agreement on employee performance implies a favorable outlook towards the effectiveness of the leadership styles employed within the bank, positively reflecting on organizational success.

At Awash Bank, managers and executives predominantly adopt transformational, participative and transactional leadership styles, with transformational leaders inspiring and motivating

employees to exceed their potential, participative leaders encouraging team input in decision-making to foster a sense of belonging and ownership, and transactional leaders emphasizing performance and adherence to procedures, especially in operational roles.

The responses from managers at Awash Bank indicate that various leadership styles significantly impact employee performance and motivation. Transformational leadership is particularly effective in fostering innovation and commitment among employees, while participative leadership promotes teamwork and creativity. In contrast, transactional leadership provides structure and rewards, influencing morale, job satisfaction, and loyalty in differing ways. Among these styles, transformational and participative leadership have proven to be the most effective in driving employee productivity and engagement. Transformational leaders inspire and develop their teams through a compelling vision and growth opportunities, while participative leaders cultivate a collaborative workplace by valuing and incorporating employee input.

To maintain alignment between their strategic vision and daily operations, the bank's leadership team has implemented clear communication channels and structured cascades of objectives. Regular meetings enhance this alignment, ensuring that all employees understand their roles in achieving the bank's goals. Additionally, the design of key performance indicators (KPIs) that reflect strategic objectives across all departments allows for a cohesive approach to performance evaluation and management.

Awash Bank actively collects employee feedback regarding the effectiveness of its leadership through several mechanisms. Regular surveys, feedback sessions, and an open-door policy create opportunities for employees to share their insights openly. Performance appraisal systems that incorporate input from both peers and subordinates further enrich this feedback loop, providing a comprehensive view of managerial performance that is crucial for ongoing development.

The Human Resources (HR) department collaborates closely with the leadership team to identify and nurture high-potential leaders through various talent management programs. These programs include performance evaluations, workshops, and mentoring initiatives focused on succession planning to ensure that the bank is well-prepared for future leadership roles. This strategic approach not only enhances the leadership capabilities within the organization but also fosters a culture of continuous improvement and readiness within the bank's workforce.

4.3.1 Correlation

Correlation measures the strength and direction of a linear relationship between two variables. In this research, the focus is on understanding how various leadership styles (independent variables) relate to employee performance (dependent variable) organizational culture (moderate variable) within Awash Bank S.C.

The correlation analysis aims to quantify the relationships between the independent variables (leadership styles) and the dependent variable (employee performance). This analysis provides insights into how different leadership approaches impact employee engagement, satisfaction, and overall performance.

Key Leadership Styles and Their Correlations with Employee Performance

1. Participative Leadership Style

Correlation Coefficient: $r = 0.876$

Interpretation: This strong positive correlation indicates that as participative leadership increases, employee performance also tends to improve. This relationship suggests that involving employees in decision-making fosters a sense of ownership, leading to higher engagement and better performance outcomes.

2. Transactional Leadership Style

Correlation Coefficient: $r = 0.833$

Interpretation A strong positive correlation shows that structured, reward-based approaches enhance employee performance. Employees respond positively to clear expectations and rewards, which reinforces their motivation and aligns their efforts with organizational goals.

3. Laissez-Faire Leadership Style

Correlation Coefficient: $r = 0.739$

Interpretation: This moderate positive correlation indicates that while some autonomy can boost performance, the effectiveness may vary based on individual employee characteristics. Employees who thrive in self-directed environments may perform better under laissez-faire leadership.

4. Transformational Leadership Style

Correlation Coefficient: $r = 0.927$

Interpretation: The strongest correlation among the leadership styles, this indicates that transformational leadership significantly enhances employee performance. Leaders who inspire and motivate their teams contribute to a culture of innovation and high morale.

5. Servant Leadership Style

Correlation Coefficient: $r = 0.862$

Interpretation: This strong positive correlation suggests that servant leadership, which focuses on the well-being of employees, also leads to improved performance. When employees feel supported and valued, their commitment and productivity increase.

6. Process Leadership Style

Correlation Coefficient: $r = 0.849$

Interpretation A strong positive correlation indicates that a focus on systematic processes and continuous improvement enhances employee performance. Employees benefit from clear structures that align their efforts with the bank's objectives.

Importance of Correlation Analysis in the Research

Understanding Relationships By establishing correlations, the study highlights which leadership styles are most effective in enhancing employee performance. This understanding can guide management practices and inform training programs.

Informing Leadership Development: The results can help Awash Bank identify which leadership styles to promote and develop among its managers to foster a high-performance culture.

Enhancing Organizational Strategy; Insights from the correlation analysis can inform strategic decisions related to employee engagement initiatives, leadership training programs, and organizational change efforts.

In summary, the correlation analysis in this study illustrates the strong and significant relationships between various leadership styles and employee performance at Awash Bank S.C. Understanding these correlations is vital for implementing effective leadership practices that enhance employee engagement and drive organizational success. The findings underscore the

importance of developing leadership strategies that align with the bank's goals and employee needs.

4.3.2 Regression Analysis

Regression analysis, a statistical tool used to examine relationships between variables, employs one or more independent variables to determine their effect on a dependent variable (Albaum, 1997). Often, research aims to establish causal relationships, and regression helps achieve this by quantifying the impact of causative variables on the variable under investigation using collected data. Researchers also typically assess the statistical significance of these estimated relationships, indicating how closely the estimated relationship reflects the true one (Malhotra, 2007).

The regression analysis was conducted to examine the impact of various leadership styles on employee performance at Awash Bank S.C. This statistical method aimed to quantify the relationships between the independent variables, which include different leadership styles, and the dependent variable, employee performance.

The regression model demonstrated a high level of explanatory power. The correlation coefficient (R) was found to be 0.955, indicating a very strong relationship between the variables. The coefficient of determination (R^2) was 0.912, suggesting that approximately 91.2% of the variance in employee performance could be explained by the leadership styles included in the model. The adjusted R^2 value of 0.910 further confirmed the robustness of the model, indicating that the leadership styles accounted for a significant portion of the variability in employee performance.

The analysis of variance (ANOVA) results revealed an F-statistic of 394.876, with a significance level (p-value) of 0.000. This indicates that the model is statistically significant, confirming that the leadership styles collectively have a meaningful effect on employee performance.

The coefficients from the regression analysis provide insights into the individual impact of each leadership style on employee performance.

Transformational Leadership emerged as the most influential style, with an unstandardized coefficient of 0.416 and a standardized coefficient (β) of 0.398. This strong positive effect

suggests that transformational leaders significantly enhance employee performance by inspiring and motivating their teams.

Participative Leadership and Transactional Leadership also showed notable positive effects on employee performance, with coefficients of 0.160 ($\beta = 0.153$) and 0.151 ($\beta = 0.152$), respectively. These results indicate that involving employees in decision-making and providing clear performance expectations can effectively boost productivity.

Servant Leadership had a positive influence with a coefficient of 0.173 ($\beta = 0.178$), suggesting that prioritizing employee needs contributes to enhanced performance.

Process Leadership demonstrated a positive but more modest effect, with a coefficient of 0.098 ($\beta = 0.098$), indicating that effective process management also plays a role in improving employee performance.

Laissez-Faire Leadership yielded a coefficient of 0.065 ($\beta = 0.063$), reflecting a weak positive relationship. While it allows for autonomy, its effectiveness may depend on individual employee characteristics.

The regression analysis underscores the critical role of leadership styles in shaping employee performance at Awash Bank S.C. All leadership styles analyzed were found to have a positive and statistically significant impact on performance, with transformational leadership being the most effective. These findings provide valuable insights for management, suggesting that adopting and fostering diverse leadership practices can contribute to cultivating a high-performance culture within the organization.

4.3.3 Assumption Test

In the context of this research, several assumption tests were conducted to ensure the validity and robustness of the regression analysis. These tests focused on key statistical assumptions necessary for reliable results. The following assumptions were evaluated:

1. Linearity

The relationship between the independent variables (leadership styles) and the dependent variable (employee performance) should be linear. This means that changes in leadership styles should result in proportional changes in employee performance.

Test Method: Scatter plots were generated to visually assess the relationship between each independent variable and the dependent variable. A straight-line pattern in the scatter plot indicates linearity.

Result: The scatter plots exhibited a linear relationship, validating the assumption of linearity for the regression analysis.

2. Normality:

The residuals (the differences between observed and predicted values) should be normally distributed. This assumption ensures that the model's predictions are unbiased and that the statistical tests are valid.

Test Method: A histogram and a Q-Q plot of the residuals were created to visually inspect their distribution. A bell-shaped curve in the histogram indicates normality.

Result: The histogram displayed a bell-shaped distribution, confirming that the residuals were approximately normally distributed.

Multicollinearity:

Multicollinearity occurs when independent variables are highly correlated with each other, which can distort the results of the regression analysis. It is essential to ensure that each independent variable contributes unique information.

Test Method: Variance Inflation Factor (VIF) values were calculated for each independent variable. A VIF value above 10 indicates a multicollinearity problem.

Result: All VIF values were below 10, confirming that multicollinearity was not an issue in this study.

Homoscedasticity:

Homoscedasticity refers to the assumption that the variance of the residuals should be constant across all levels of the independent variables. This ensures that the model's predictions are equally reliable across all values.

Test Method: A scatter plot of the standardized residuals versus the predicted values was created. The absence of patterns in this plot indicates homoscedasticity.

Result: The scatter plot showed a random distribution of residuals, indicating that the assumption of homoscedasticity was met. The assumption tests conducted for this research confirmed that the necessary statistical conditions for regression analysis were satisfied. The linearity, normality, absence of multicollinearity, and homoscedasticity assumptions were all upheld, providing a solid foundation for the validity of the findings regarding the impact of leadership styles on employee performance at Awash Bank S.C. To ensure the validity and robustness of the research's regressed results under multiple regression models, fundamental assumptions must be met. Therefore, prior to conducting the regression analysis, the researcher in this study undertook testing of the necessary assumptions. Specifically, assumption tests, including multi-collinearity, linearity, normality, and heteroscedasticity, were carried out.

4.3.3.1 Linearity

As stated by Hayes (2012), to perform a linear regression analysis, the relationship between the independent and dependent variables must be a linear function. Consequently, as shown below in Figure 4.1, scatter plots illustrate the relationship between the two variables (IV and DV).

SPSSV-27 Software was used to test the linearity of the relationship between independent and dependent variables. The residuals scatter plot shows that the points were arranged from bottom left to top right in a fairly straight line. As such, it exhibits linearity. Regression analysis relies on the fundamental premise that there is a linear relationship between the variables, meaning that the patterns formed by the points in the straight-line plot can be roughly represented by a straight line.

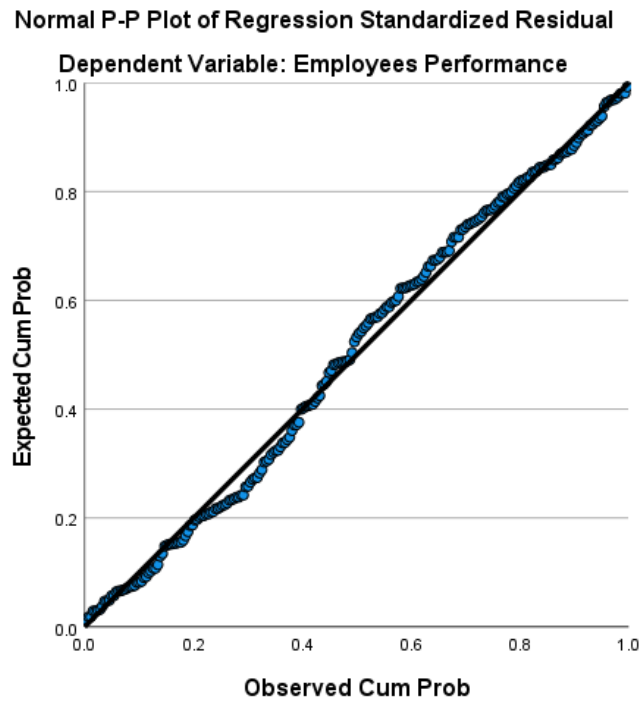


Figure 4.1 Linearity Test

Source: SPSS output (2025)

4.3.3.2 Normality Test

The assumption of normality assumes whether the error terms are normally distributed or not. In a regression analysis, the normality of errors is indicated when the standardized residual becomes bell-shaped (Gujarati, 2004). Figure 4.2 below shows the errors are normally distributed since the histogram result indicated bell-shaped. So we can say that the errors are approximately normally distributed.

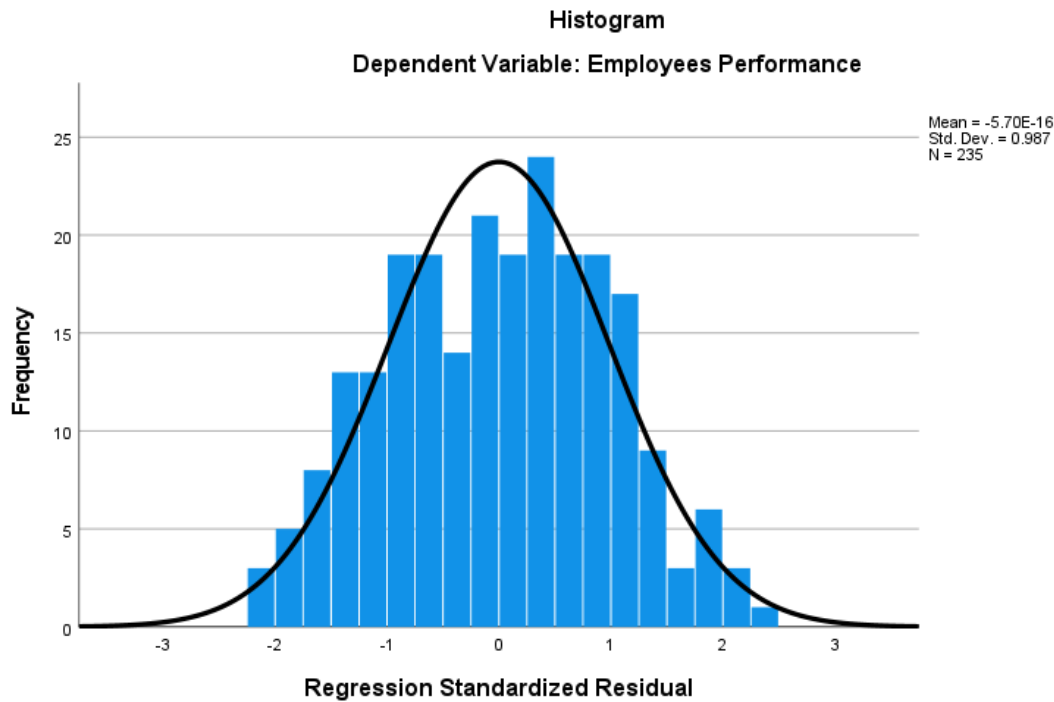


Figure 4.2 Normality Test

Source: SPSS output (2025)

4.3.3.3 Multicollinearity

Multicollinearity is a problem that occurs from high correlations between the explanatory variables included in a multiple regression model. Technically, multicollinearity is caused by independent variables in the regression model that contain common information. In a very extreme case, two or more variables may be perfectly correlated. The result of this would be that some variables are fully explained by others and, thus, provide no additional information. In most problems in finance, however, the independent variables are not perfectly correlated but may be correlated to a high degree (Gujarati, 2004; Greene, 2008).

The independent variables employed for this research are verified that free of multicollinearity of explanatory variables. As it indicated table 4.5 below the Variance inflation Factor (VIF) of all variables are below 10.

Table 4.5 Variance Inflation Factor

| Model | | Collinearity Statistics | |
|--|-----------------------------------|-------------------------|-------|
| | | Tolerance | VIF |
| 1 | (Constant) | | |
| | Participative Leadership Style | 0.213 | 4.688 |
| | Transactional Leadership Style | 0.311 | 3.217 |
| | Laissez-Faire Leadership Style | 0.437 | 2.288 |
| | Transformational Leadership Style | 0.130 | 6.526 |
| | Servant Leadership Style | 0.253 | 3.959 |
| | Process Leadership Style | 0.251 | 3.990 |
| a. Dependent Variable: Employees Performance | | | |

Source: SPSS output, 2025

4.3.3.4 Test of Heteroscedasticity

This assumption justifies that the variance remains constant for all observations. This assumption of constant variance is referred to as homoscedasticity (Gujarati, 2004). Homoscedasticity can be Determined by the visual pattern of a plot of the standardized residuals by the regression standardized predicted value (Osborn & Waters, 2002). If the disturbance terms are distributed randomly with no certain pattern then the problem is not appropriate for analysis.

As we saw the Graph 4.3 below the pattern of the scatter plot justifies the standardized residuals in this research are varied constantly, and distributed evenly which indicates heteroscedasticity is not a serious problem for this data.

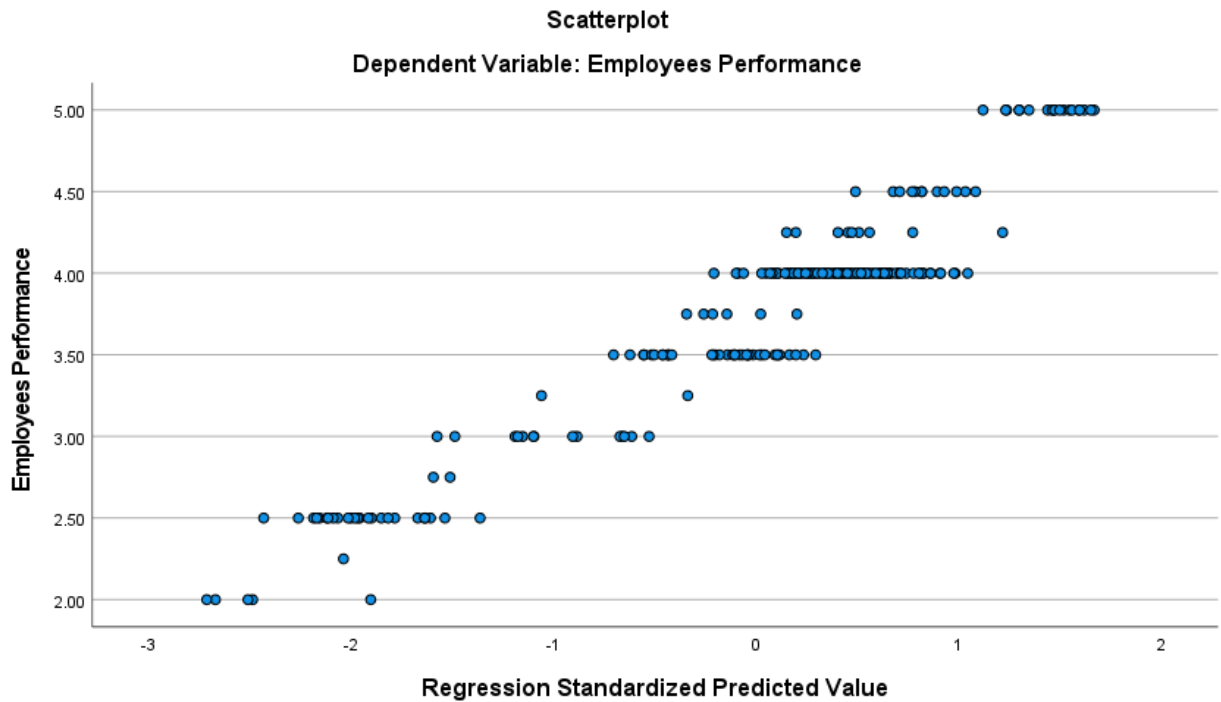


Figure 4.3 Heteroscedasticity test

Source: SPSS output (2025)

4.3.4 Multiple Linearity Regression Analysis

As the basic aim of the study was to examine the effects of factors of leadership style by Process Leadership Style, Laissez-Faire Leadership Style, Transactional Leadership Style, Servant Leadership Style, Participative Leadership Style, and Transformational Leadership Style over employee's performance of Awash Bank S.C, the researcher obtained the following regression results

Table 4.6 Model Summary

| Model Summary^b | | | | | |
|---|-------------------|----------|-------------------|----------------------------|---------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .955 ^a | 0.912 | 0.910 | 0.20990 | 2.159 |
| a. Predictors: (Constant), Process Leadership Style , Laissez-Faire Leadership Style , Transactional Leadership Style , Servant Leadership Style , Participative Leadership Style , Transformational Leadership Style | | | | | |
| b. Dependent Variable: Employees Performance | | | | | |

Source: SPSS output, 2025

The coefficient of determination R^2 and adjusted R^2 are believed to show the explanatory power of the independent variables included in the model from the total variation in the dependent variable. Thus, Table 4.6 of R^2 and adjusted R^2 indicated in the estimated model here above pointed it out 91.2% and 91% respectively. It can be interpreted as, 91.2% of the total variation in the dependent variable; employee Performance is explained by independent variables included in the model (Process Leadership Style , Laissez-Faire Leadership Style , Transactional Leadership Style , Servant Leadership Style , Participative Leadership Style , Transformational Leadership Style). Most importantly, those explanatory variables included in the model are highly important in explaining the dependent variable.

Table 4.7 Anova

| ANOVA ^A | | | | | | |
|---|------------|----------------|-----|-------------|---------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 104.380 | 6 | 17.397 | 394.876 | .000 ^b |
| | Residual | 10.045 | 228 | 0.044 | | |
| | Total | 114.424 | 234 | | | |
| a. Dependent Variable: Employees Performance | | | | | | |
| b. Predictors: (Constant), Process Leadership Style , Laissez-Faire Leadership Style , Transactional Leadership Style , Servant Leadership Style , Participative Leadership Style , Transformational Leadership Style | | | | | | |

Source: SPSS output, 2025

According to the above Table 4.7 the Anova Result analysis, the F-statistics that is considered as a measure of goodness of fit with the specified model, showed that it is significant at a 1% level of significance and the model formulated in the study is best fitted.

Table 4.8 Coefficients Analysis

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|--|-----------------------------|------------|---------------------------|--------|-------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -0.205 | 0.086 | | -2.390 | 0.018 |
| | Participative Leadership Style | 0.160 | 0.045 | 0.153 | 3.590 | 0.000 |
| | Transactional Leadership Style | 0.151 | 0.035 | 0.152 | 4.320 | 0.000 |
| | Laissez-Faire Leadership Style | 0.065 | 0.031 | 0.063 | 2.133 | 0.034 |
| | Transformational Leadership Style | 0.416 | 0.052 | 0.398 | 7.934 | 0.000 |
| | Servant Leadership Style | 0.173 | 0.038 | 0.178 | 4.556 | 0.000 |
| | Process Leadership Style | 0.098 | 0.039 | 0.098 | 2.494 | 0.013 |
| | a. Dependent Variable: Employees Performance | | | | | |

Source: SPSS output, 2025

The regression analysis in Table 4.8 revealed that all of the independent variables included in the model are significant and relevant in terms of determining employee performance. Based on these results, the regression equation that predicts the effect of leadership style on employee performance was:

$$Y = -0.205 + 0.160 X_1 + 0.151 X_2 + 0.065 X_3 + 0.416 X_4 + 0.173 X_5 + 0.098 X_6$$

WHERE Y=Employee Performance

X₁= Participative Leadership Style

X₂ = Transactional Leadership Style

X₃ = Laissez-Faire Leadership Style

X₄= Transformational Leadership Style

X5= Servant Leadership Style

X6= Process Leadership Style

The first variable employed to represent Leadership Style, Participative Leadership Style had a significant and positive impact on employee performance with ($\beta=0.153$, $P=0.000$). This indicates that Participative Leadership Style is detrimental to employee performance and banks need to be very conscious of Participative Leadership Style to improve its employee performance. The result supported by Elenkov (2023) highlights how participative leaders support a culture of collaboration and idea-sharing, leading to enhanced creative problem-solving. Innovative environments often see a boost in employee performance as workers feel empowered to contribute their unique perspectives and skills.

The second variable in the model, Transactional Leadership Style had a significant and positive influence on employee performance at 5% level of significance ($\beta=0.152$, $P=0.000$). Once Transactional Leadership Style affects employee performance positively and significantly, the bank needs to take care of this variable in line with boosting its employee performance and sustaining its vitality in the market. The results have been supported so far such as Mohammed and Dine (2023), banks that implement transactional leadership principles, such as setting clear performance targets and offering rewards for achieving those targets, experience notably higher employee performance levels. Employees are motivated to meet defined objectives, leading to increased operational efficiency.

The other leadership style, Laissez-Faire Leadership Style had a positive and significant effect on the bank's employee performance with ($\beta=0.063$, $P=0.034$) at 3.4% of the level of significance. Related study by Haileselassie and Woldeyohannes (2022) revealed that while some employees thrive under a laissez-faire approach, enjoying the freedom to innovate and contribute ideas, others may struggle with the lack of structure, leading to confusion and decreased productivity. This duality suggests that the effectiveness of laissez-faire leadership in stimulating employee performance may depend on individual employee characteristics and specific organizational contexts.

The fourth variable in the model, Transformational Leadership Style had a strongly significant and positive influence on employee performance at 5% level of significance ($\beta=0.398$, $P=0.000$). Once Transformational Leadership Style affects employee performance positively and significantly, the bank needs to take care of this variable in line with boosting its employee

performance and sustaining its vitality in the market. Supported by Teshome and Haji (2023) found that transformational leaders significantly enhance employee performance by creating a motivating work environment where individuals feel empowered and valued. This leadership style fosters higher engagement levels, leading to increased productivity and job satisfaction among bank employees.

The fifth variable in the model, Servant Leadership Style had significant and positive influence on employee performance at 5% level of significance ($\beta=0.178$, $P=0.000$). Once Transformational Leadership Style affects employee performance positively and significantly, the bank needs to give special attention to this variable to improve its employee performance. Supported by Tadesse and Kassa (2022), banking employees in Ethiopia report increased motivation and productivity when they perceive their leaders as invested in their personal and professional growth. This empowerment not only enhances individual performance but also contributes to overall team success.

The last explanatory variable included the model, Process Leadership Style had a positive and significant influence over the employee performance of the bank with ($\beta=0.098$, $P=0.013$) at a 1% level of Significance. This result is further supported by Kassa and Bekele (2023), banks that adopt a process leadership approach report higher levels of employee engagement, motivation, and productivity. Employees who feel part of a collaborative process are more likely to take ownership of their roles, resulting in improved performance and customer service outcomes.

4.4 Discussion

Leadership style is a critical independent variable influencing employee performance. Different leadership styles—such as transformational, transactional, participative, servant, laissez-faire, and process leadership—affect how employees engage with their work. For example, transformational leadership can inspire and motivate employees, leading to higher levels of engagement and productivity. Conversely, transactional leadership emphasizes structured rewards and clear expectations, providing employees with a clear pathway to success. This relationship highlights that effective leadership directly contributes to improved employee performance by fostering motivation, job satisfaction, and a sense of ownership among employees. Organizational culture serves as a moderating variable that influences the strength and direction of the relationship between leadership style and employee performance. A positive

organizational culture that emphasizes collaboration, integrity, and customer focus can enhance the effectiveness of various leadership styles.

For instance, a culture that promotes open communication and teamwork can amplify the positive effects of participative leadership, making employees feel more valued and engaged. Conversely, if the organizational culture is rigid or unsupportive, even the most effective leadership styles may struggle to foster high employee performance. This moderating role underscores the importance of aligning leadership practices with the organizational culture to maximize employee performance.

The interplay between leadership style and organizational culture creates a dynamic environment that shapes employee performance outcomes. For example, if Awash Bank's leadership adopts a transformational style but the organizational culture is resistant to change, the potential positive impact on employee performance may be diminished. Conversely, a supportive culture can facilitate the successful implementation of effective leadership styles, leading to enhanced performance.

This research conveys that to drive employee performance effectively, organizations like Awash Bank must not only adopt appropriate leadership styles but also cultivate a positive organizational culture. By recognizing the relationships among these variables, management can develop strategies that align leadership practices with cultural values, fostering an environment conducive to high performance.

The findings contribute to the broader literature on leadership and organizational behavior, providing valuable insights for practitioners seeking to enhance employee engagement and productivity through integrated leadership and cultural strategies. The relationships between employee performance, organizational culture, and leadership style create a framework that highlights the importance of a cohesive approach. By understanding and leveraging these connections, organizations can foster a progressive environment that supports continuous improvement and success.

In conclusion, these findings suggest that a multifaceted approach to leadership can greatly improve employee performance. Banks and organizations should acknowledge the critical role of effective leadership and implement practices that harness the strengths of different leadership styles, fostering an environment that promotes collaboration, goal-oriented motivation, empowerment, and engagement among employees. By strategically developing and adapting

their leadership capabilities, organizations can create a high-performance culture that addresses the diverse needs of their workforce.

4.5 The Relationship of The Variables

In this research, the relationships among the dependent variable (employee performance), the moderating variable (organizational culture), and the independent variable (leadership style) are intricately connected and play a crucial role in enhancing overall organizational effectiveness.

Impact of Employee Performance on Organizational Success; High employee performance directly contributes to organizational effectiveness. When employees are motivated and productive, it enhances the overall performance of the bank, leading to better customer service, increased efficiency, and higher profitability. In the context of Awash Bank, effective leadership that promotes high performance can lead to a competitive advantage in the banking sector, positioning the bank as a leader in service quality and operational excellence.

Organizational culture plays a vital role in shaping employee behavior and performance. A strong culture that emphasizes values such as teamwork, integrity, and customer service can enhance employee motivation and satisfaction. At Awash Bank, the culture fosters collaboration and a customer-centric approach, which aligns with the bank's strategic goals. This cultural alignment ensures that employees are not only aware of organizational objectives but are also committed to achieving them.

Importance of Organizational Culture in Awash Bank The organizational culture at Awash Bank is characterized by a commitment to ethical standards and continuous improvement. This culture supports various leadership styles, enabling leaders to effectively motivate and guide their teams. By prioritizing a culture that values trust, collaboration, and employee well-being, Awash Bank can create an environment conducive to high performance. This cultural framework not only enhances employee satisfaction but also facilitates the bank's ability to adapt to market changes and customer needs, ultimately driving long-term success.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

Descriptive statistics indicated positive perceptions of various leadership styles. The participative leadership style received a mean score of 3.73, while the transactional leadership style scored the highest at 3.80. Transformational leadership also showed strong support with a mean of 3.71, followed by process leadership (3.69) and servant leadership (3.65). The laissez-faire leadership style had a mean score of 3.69, reflecting a favorable view among employees.

Correlation analysis demonstrated strong positive relationships between all leadership styles and employee performance, with transformational leadership showing the highest correlation ($r = 0.927$). Regression analysis confirmed that each leadership style positively influences employee performance, with transformational leadership having the most significant impact ($\beta = 0.416$, $p < 0.001$).

This study investigated the effect of leadership styles on employee performance at Awash Bank S.C. A total of 243 questionnaires were distributed, with 235 completed responses, yielding a response rate of 96.7%. The demographic analysis revealed a predominantly male workforce, with most respondents aged 30-39 and holding master's degrees.

The findings of this study underscore the importance of effective leadership in enhancing employee performance at Awash Bank S.C. Transformational, participative, and transactional leadership styles were identified as particularly impactful, fostering an environment of engagement, motivation, and satisfaction among employees.

These results suggest that Awash Bank should prioritize the development of transformational leadership practices and encourage a participative approach to decision-making. By aligning leadership strategies with employee needs and organizational goals, the bank can cultivate a high-performance culture that drives success in the competitive Ethiopian banking sector.

This research contributes valuable insights not only to Awash Bank's management practices but also to the broader academic discourse on leadership in the banking industry, highlighting the necessity of adaptive leadership styles tailored to organizational contexts. Future research could further explore the nuances of these relationships across different banking institutions in Ethiopia to enhance the understanding of effective leadership practice. Summary of Finding

The objective of the study was to investigate the effect of leadership style on employee performance at Awash Bank S.C. The researcher distributed a total of 243 sample questionnaires, of which 235 were completed and returned, resulting in a response rate of 96.7%. In terms of demographic characteristics, the majority of respondents were male, accounting for 173 (73.6%), while females comprised 62 (26.4%). The age group of most respondents fell between 30 to 39 years, representing 66.4% of the total sample. Additionally, the educational qualifications indicated that 128 respondents (54.5%) held a BA/BSC, while 105 (44.7%) were MSc holders. Most respondents also had work experience ranging from 6 to 10 years.

Descriptive statistics revealed that respondents rated the participative leadership style with an average score of 3.73, indicating a general consensus in favor of this leadership approach. For the transactional leadership style, the mean score recorded was 3.8, suggesting that respondents largely agreed with the questions related to this style, thereby indicating that Awash Bank practices effective transactional leadership. The average score for the Laissez-faire leadership style was reported at 3.69, and for transformational leadership, respondents provided an average response of 3.71. Additionally, the process leadership style received a general agreement with a mean score of 3.66. The overall measurement of employee performance reported an average score of 3.74.

Correlation analysis demonstrated that all indicators of leadership styles including participative, transactional, Laissez-faire, servant, transformational, and process leadership exhibited positive and significant associations with employee performance at a 1% level of significance. This finding underscores the effectiveness of diverse leadership styles in enhancing employee performance within the organization. It reinforces the notion that engaging employees through various leadership approaches can lead to better performance outcomes.

Furthermore, regression analysis revealed that the independent variables representing the different leadership styles had a positive and significant impact on the employee performance of the bank. The study's hypothesis was accepted, and the results were deemed significant at a 5% level of precision. This highlights the importance of understanding and applying multiple leadership styles to foster a more productive work environment, ultimately contributing to improved employee performance at Awash Bank S.C.

5.2 Conclusion

The findings of this study underscore the importance of effective leadership in

Enhancing employee performance at Awash Bank S.C. Transformational, Participative, and transactional leadership styles were identified as Particularly impactful, fostering an environment of engagement, motivation, And satisfaction among employees. These results suggest that Awash Bank should prioritize the development of Transformational leadership practices and encourage a participative approach to decision-making. By aligning leadership strategies with employee needs and Organizational goals, the bank can cultivate a high-performance culture that Drives success in the competitive Ethiopian banking sector. Based on the findings of the study, several conclusions can be drawn regarding the effects of leadership style on employee performance at Awash Bank S.C. Correlation and regression analyses indicated that the transformational leadership style significantly and positively influenced employee performance within the bank. Additionally, the transactional leadership style was found to have a statistically significant positive effect, further supporting the effectiveness of structured incentives and rewards in enhancing employee outcomes.

The study also demonstrated that the servant leadership style had a notably positive and significant impact on employee performance, implies the importance of fostering a supportive and service-oriented approach within the bank. Furthermore, the Laissez-faire leadership style contributed positively to employee performance, suggesting that providing autonomy can empower employees in their roles. The participative leadership style, which encourages collaboration and input from employees, was also shown to significantly enhance performance, indicating its effectiveness in creating an inclusive workplace environment.

Overall, the study revealed that various leadership styles namely, participative, transactional, Laissez-faire, servant, transformational, and process leadership exert a statistically positive and significant influence on employee performance at Awash Bank S.C. This underscores the critical role that diverse leadership approaches play in determining and enhancing employee performance, emphasizing the need for bank management to effectively integrate these styles to foster a high-performance culture.

5.3 Recommendations

Based on the research findings and drawn conclusions the researcher would like to suggest the following recommendations that could potentially benefit the Awash Bank S.C.

1. Enhance Leadership Training: Awash Bank should prioritize the development of Transformational leadership practices through comprehensive training programs. These should Focus on effective communication, mentoring, and emotional intelligence to inspire and motivate Employees.
2. Conduct Regular Employee Feedback Surveys: The bank should establish periodic job satisfaction surveys to gauge employee sentiment and evaluate the effectiveness of leadership styles. Analyzing feedback can help management make timely adjustments to leadership practices.
3. Promote Professional Development Opportunities: The bank should create pathways for professional growth, including workshops, mentorship, and training programs. This will not only enhance employees' skills but also foster a culture of continuous learning.
4. Implement Structured Feedback Systems: Establishing regular performance reviews and feedback mechanisms will help leaders understand their impact on employee performance and allow employees to feel heard and valued.
5. Monitor Leadership Impact Over Time Awash Bank should develop key performance indicators (KPIs) related to leadership effectiveness and regularly assess the impact of various leadership styles on employee performance.

5.4 Recommendation for Future Research

This study provides valuable insights into the impact of leadership style on employee performance at Awash Bank S.C. However, due to the study's case-specific focus, its generalizability is limited to other branches of Awash Bank S.C, private banks, and organizations in the country. Future researchers are encouraged to draw samples from diverse branches and organizations to broaden the applicability of the study's findings, thus enhancing our understanding of the universal relevance of leadership styles in employee performance.

Future research should explore the impact of leadership styles on employee performance across different branches of Awash Bank and other organizations within the Ethiopian banking sector to Enhance generalizability. Additionally, studies could incorporate alternative leadership styles, such as autocratic or situational leadership, to provide a broader understanding of their effects on Employee outcomes. Expanding the scope of research will contribute to a more nuanced Perspective on the complex relationships between leadership styles and employee performance.

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APENDIX



ST.MARY'S UNIVERSITY

SCHOOL OF POST-GRADUATE STUDIES

Dear Participants,

This questionnaire is designed to collect primary data that support my research on the ‘**Effect of Leadership style on employee performance in the case of Awash Bank**’ which I am conducting as a partial fulfillment of the requirements for the Masters of Business Administration.

The findings of the research are will used only for the academic purposes authorized by ST. MARY'S UNIVERSITY.

Sincerely

Part I: Demographic Information of the Respondents.

Please put a tick mark (☐) in the BOX which most closely represents your situation.

Please mark one item only per question.

1. Gender Male ☐ Female ☐
2. Age 18-29 ☐ 30-39 ☐ 40-49 ☐ 50 and above ☐
3. Educational Qualification Diploma ☐ First Degree ☐ Master ☐
PhD ☐

4. Work Experience 5 and below 6-10 years 11-20 years above 20 years

Part ii: Opinion Survey on Effect of Leadership Style on Employee Performance.

Please read each statement carefully and indicate your level of agreement with each statement on a scale of 1 to 5.

Strongly Disagree (SD) =1, Disagree (DA) =2, Neutral (N) =3 .Agree (A) =4, strongly Agree (SA) =5

2.1 Participative Leadership Style

| No | Statements | Scale | | | | |
|----|---|-------|---|---|---|---|
| | | 5 | 4 | 3 | 2 | 1 |
| 1 | My manager actively encourages participation in decision-making processes within the team. | | | | | |
| 2 | My manager values team input and regularly seeks diverse perspectives when making decisions. | | | | | |
| 3 | My manager effectively fosters a sense of ownership among team members regarding their work. | | | | | |
| 4 | My manager creates an environment where team members feel comfortable sharing their ideas and opinions. | | | | | |

2.2 Transformational Leadership Style

| No | Statements | Scale | | | | |
|----|--|-------|---|---|---|---|
| | | 5 | 4 | 3 | 2 | 1 |
| 1 | My manager effectively emphasizes vision and inspires the team to achieve our goals. | | | | | |
| 2 | My manager focuses on the personal development of team members and encourages growth. | | | | | |
| 3 | My manager actively encourages innovation and creativity within the team. | | | | | |
| 4 | My manager builds strong relationships with team members through trust and motivation. | | | | | |

2.3 Transactional Leadership Style

| No | Statements | Scale | | | | |
|----|--|-------|---|---|---|---|
| | | 5 | 4 | 3 | 2 | 1 |
| 1 | My manager communicates the specific goals and performance expectations for our team. | | | | | |
| 2 | I feel that my manager rewards team members based on their performance and achievements. | | | | | |
| 3 | I believe that my manager is focused on maintaining order and structure within the team. | | | | | |
| 4 | My manager provides regular feedback on my performance and recognizes my contributions. | | | | | |

2.4 Laissez-Faire Leadership Style

| No | Statements | Scale | | | | |
|----|---|-------|---|---|---|---|
| | | 5 | 4 | 3 | 2 | 1 |
| 1 | My manager allows me the freedom to make my own decisions in my work. | | | | | |
| 2 | I feel supported by my manager when I choose to take initiative on projects without direct supervision. | | | | | |
| 3 | My manager provides minimal direction, which allows me to explore creative solutions to tasks. | | | | | |

2.5 Servant Leadership Style

| No | Statements | Scale | | | | |
|----|---|-------|---|---|---|---|
| | | 5 | 4 | 3 | 2 | 1 |
| 1 | I feel that my manager builds a trusting relationship with team members. | | | | | |
| 2 | My manager prioritizes the needs of the team and assists us in achieving our goals. | | | | | |
| 3 | My manager actively listens to my concerns and values my input when making decisions. | | | | | |
| 4 | My manager is genuinely interested in my personal and | | | | | |

| | | | | | | |
|--|----------------------|--|--|--|--|--|
| | professional growth. | | | | | |
|--|----------------------|--|--|--|--|--|

2.6 Process Leadership Style

| No | Statements | Scale | | | | |
|----|---|-------|---|---|---|---|
| | | 5 | 4 | 3 | 2 | 1 |
| 1 | My manager consistently establishes clear organizational practices that help the team stay focused and aligned with our objectives. | | | | | |
| 2 | My manager communicates expectations and goals clearly and concisely, ensuring everyone understands their roles. | | | | | |
| 3 | My manager implements structured workflows that enhance our efficiency and allow us to complete tasks effectively. | | | | | |
| 4 | My manager actively seeks and implements strategies to improve our team's workflow and overall productivity. | | | | | |

2.7 Leadership Style versus Employee Performance

| No | Statements | Scale | | | | |
|----|---|-------|---|---|---|---|
| | | 5 | 4 | 3 | 2 | 1 |
| 1 | The decision-making style of my leader in our organization improves the overall productivity of employees. | | | | | |
| 2 | The leadership approach in my organization can create a motivating environment where employees feel valued. | | | | | |
| 3 | The leadership style in our organization fosters a spirit of teamwork and cooperation among employees. | | | | | |
| 4 | Our leaders empower me by giving me autonomy in my work, which enhances my motivation to excel | | | | | |

Part III: Interview Questions

Based on the content of the thesis "The Effect of Leadership Style on Employee Performance in the Case of Awash Bank Headquarters", here are the interview questions that will be asking the bank manager:

1. What are the primary leadership styles adopted by the managers and executives at the Awash Bank headquarters?
2. How would you describe the impact of the various leadership styles on employee performance and motivation at the bank?
3. In your observation, which leadership styles tend to be more effective in driving employee productivity and engagement at the bank?
4. How does the bank's leadership team ensure alignment between the organization's strategic vision/objectives and the day-to-day leadership practices across different departments?
5. What mechanisms does the bank use to gather feedback from employees on the leadership effectiveness and styles of their immediate supervisors?
6. How does the bank's human resources department work with the leadership team to identify, develop, and retain high-potential leaders within the organization?