

**EFFECTS OF LEADERSHIP STYLES ON EMPLOYEE PERFORMANCE:  
CASE IN ECONOMIC SECTORS OF OROMIA NATIONAL REGIONAL STATE**

*A thesis Submitted to the School Graduate Studies of Jimma University in Partial Fulfillment  
of the required for the Award of the Degree in Masters of Business Administration (MBA)*

**BY:**

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**JIMMA UNIVERSITY  
COLLEGE OF BUSINESS & ECONOMICS  
DEPARTMENT OF MANAGEMENT  
MBA PROGRAM**

**DECEMBER 2018  
JIMMA, ETHIOPIA**

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Under the Guidance of  
Dr. Mekonnen Bogale

And

Megersa Wodajo



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## DECLARATION

I declare that thesis titled “*The Effect of Leadership Styles on Employee Performance in case of Economic Sectors of Oromia National Regional State*” is my original work, prepared under the guidance of my advisors: ***Dr.Mekonnen Bogale and Mr. Megersa Wodajo***. All sources of material used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of earning any degree.

*Researcher's Name*

*Signature*

*Date*

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## CERTIFICATE

*This is to certify that the thesis entitled: “The Effect of Leadership styles on Employee Performance in Economic Sectors of Oromia National Regional State” submitted to Jimma University for the award of the Degree in Masters of Business Administration (MBA) and is a record of valuable research work carried out by **Mr. Getu Hunduma Kasa**, under our guidance and supervision.*

*Therefore, we hereby declare that no part of this thesis has been submitted to any other university or institutions for the award of any degree or diploma.*

*Name of Main Advisor*

*Signature*

*Date*

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*Name of Co Advisor*

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*Date*

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## Abstract

*The main objective of this study was to identify the effect of leadership styles (transformational, transactional, and laissez-faire) on employee performance in Economic Sectors of Oromia National Regional State. To achieve the purpose, quantitative research approach was used in which 186 closed ended questionnaire distributed and 159 (86%) were collected. The leadership styles were measured through the Multifactor Leadership Questionnaire developed by Avolio and Bass (2004) and modified to fit the context of the study. The data was analyzed by using SPSS (Version-20). Descriptive and inferential statistical techniques were used for data analysis. In descriptive by using frequencies, percentages, mean scores, Standard Deviations and in inferential statistics, Pearson's correlation and regression analysis were used to assess both relationships and effects between the leadership styles and Employee Performance. The findings show that transformational leadership style is the most exhibited style in Economic Sectors followed by the transactional and laissez-faire leadership styles respectively. Overall, scores in transformational and transactional leadership styles were found to be strongly correlated with employee performance. However, laissez-faire had a weak correlation with employee performance. The correlation between overall leadership styles and employee performance was strong with a coefficient of  $r=0.673$  and based on the regression analysis 48.8% of the employee performance can be explained by leadership styles jointly. Employee Performance can be predicted more by transformational followed by transactional leadership style. However, laissez-faire leadership was found to be negatively accounted to predict employee performance. Thus, it has been recommended that, for those economic sector leaders to encourage transformational leadership specially the intellectual stimulation by motivating creativity and innovative, individual considerations via paying special attention to each individual follower, to formulate and implement effective reward and recognition systems and to avoid laissez-faire leadership styles so as to improve organizational performance.*

*Key words: Leadership Styles: transformational, transactional, laissez-faire; Employee Performance.*

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## **Acronyms and Abbreviations**

CR:	Contingent Rewards
EP:	Employee Performance
ES:	Economic Sectors
IC:	Individualized Consideration
IIA:	Idealized Influence Attributes
IIB:	Idealized Influence Behaviour
IM:	Inspirational Motivations
IS:	Intellectual Stimulation
LF:	Laissez-faire
LS:	Leadership Styles
MBEA:	Management by Exception Active
MBEP:	Management by Exception Passive
MLQ:	Multifactor Leadership Questionnaire
ONRS:	Oromia National Regional State
ORA:	Oromia Revenue Authority
OTMDB:	Oromia Trade and Market Development Bureau
TF:	Transformational Leadership
TS:	Transactional Leadership

# CHAPTER ONE

## INTRODUCTION

This chapter contains: background of the study, statement of the problem, objective of the study, hypothesis of the study, significance of the study, scope of the study, limitation of the study, Operational definitions and organization of the study.

### 1.1 Background of the study

Organizations are set up to achieve some set goals and objectives. In order to achieve these goals and objectives; the human factor is of utmost importance. Top on the human factor list is the leader and a leader influences organizational members to contribute efforts willingly towards the accomplishment of pre-determined goals and objectives. In other hands, organizations are social frameworks where human resources are the most essential components for effectiveness and proficiency. Organizations need powerful leaders and employees to accomplish their goals and objectives. A leader can be considered as the person who expect hierarchical presence and the person who protect the lastingness and the perseverance of the organization in the objectives it was set up for.

Leadership has been defined by different researchers. Leadership is considered as an interpersonal process through which a leader directs the activities of individuals or groups towards the purposeful pursuance of given objectives within a particular organization context by means of common understanding. Leadership is an influence process between leader and followers, where the leader influences, motivates, and facilitates the activities of an organization group toward goal achievement, through mostly non coercive means (Zagorsek, 2004). Rauch & Behling (as cited in Yukl, 2010), stated that leadership is the process of influencing the activities of an organized group toward goal achievement. Leadership is a process whereby an individual influences a group of individuals to achieve a common goal (Northouse, 2013). Based on this idea the demand for great leaders is growing in modern times, as society and technology is becoming increasingly advanced.

House and Shamir (1993) defined leadership as the ability of an individual to motivate others to forego self interest in the interest of a collective vision, and to contribute to the attainment of that vision and to the collective by making significant personal self-sacrifices over and above the call of duty willingly. Similarly, leadership is the ability to build up confidence and passion among people and to create need in them to be led. It is simply the art of influencing people so that they will strive willingly towards the achievement of goals (Igbaekemen, 2014). Generally, Leadership is the influencing process between the leaders and followers to achieve the goal and objectives of the organization.

There are several leadership styles described by different scholars. Leadership style is the consistent patterns of behavior which one exhibits, as perceived by others, when one is attempting to influence the activities of people and the behavior of a leader tends to be either relationship-centric or task-centric or some combination of the two (Hersey and Blanchard, 1981). Leadership style was defined as the manner and approach of providing direction, implementing plans, and motivating people which include the total pattern of explicit and implicit actions performed by their leader as seen by the employees in the organization Newstrom & Davis (cited by Celestine, A. 2015).

As stated by Northouse (2013) leadership style consists of the behaviour pattern of a person who attempts to influence others. Moreover, According to Bass & Avolio (2004) leadership styles are behaviors or processes that leaders conduct or participate in that enable extraordinary things to be done by the organization. Therefore, leadership in the organizational context of this study is related to the person who is appointed by the organization to follow up the whole or sub activities of the organization as well as the subordinates report to whom in the context of a work place relationship. Leadership styles are seen as approaches that leaders use when leading organizations, departments, or groups and leaders who search for the most effective leadership style may find that a combination of styles is effective because no one leadership style is best (Mehmood & Arif, 2011).

There are many ways of understanding leadership styles and for purposes of this study, full range leadership model is focused. Full-range leadership theory suggests three types of leadership behaviors: transformational, transactional and laissez-faire leadership represented by nine

distinct factors (Avolio & Bass, 2004). The Full Range Leadership Model does not mean that it covers all the dimensions of leadership but it is a model that ranges from passive leadership to a leader who rewards its followers unexpectedly and highly encouraging charismatic role model (Avolio et al. 1999).

Transformational leadership is characterized by leaders' abilities to communicate a vision that inspires and motivates people to achieve something extraordinary and having Five underlying dimensions, all of which are seen by (Bass and Avolio 1994) as the most active and effective behaviours of leadership. These dimensions include Idealized Influence (Attribute), Idealized Influence (Behaviour), Intellectual Stimulation, Individualized Consideration and Inspirational Motivation. Besides, laissez-faire leadership is the avoidance or absence of leadership and most inactive, as well as most ineffective according to almost all research on the style (Bass & Riggio, 2006). Moreover, Transactional leadership is described as leaders who lead primarily by using social exchanges for transactions by factors such as contingent reward, management by exception active and management by exception passive. Laissez-faire is the passive form of leadership style, delays decision, not provide feedback and more off absent from organization. So, this study focuses on three leadership styles: transformational leadership, transactional leadership and laissez-faire leadership styles.

Employee Performance was defined as the successful completion of tasks by individuals, as set and measured by a supervisor or organization, to pre-defined acceptable standards while efficiently and effectively utilizing available resource within a changing environment (Mathis & Jackson, 2009). Organizations need highly performing individuals in order to achieve their goals, to deliver the products and services they specialized in and to achieve competitive advantage. Additionally, employee performance can also be used to view how an enterprise is doing in terms of level of profit, market share and product quality in enterprises. Consequently, it is a reflection of productivity of members of an enterprise measured in terms of revenue, profit, growth, development, effectiveness, satisfaction and expansion of the organization (Koontz and Donnell, 1993).

Regarding the importance of leadership style for performance of individuals Warrick (1999) indicated that leadership styles have significant impact on the performance and satisfaction of

their subordinates and leaders have control on interpersonal and material rewards and punishment. The rewards and punishment controlled by the leader shape employees' performance, motivation and attitude. A leadership style used by leaders can also affect the organizational performance in a positive as well as in a negative way. In this regard, leadership style used by leaders had paramount role in enhancement of employee performance as well as organizational performance.

The Economic sectors of Oromia National Regional state were established as one executive body of the region to enhance the economic development and growth of the region/country. According to proclamation no 199/2008, those sectors have major role in the economic development of the region by having the mandate of registration of trade licenses, collection of tax and revenue, budget disbursement and control, monitoring and evaluation of the whole budget of the region.

Even though, there are different studies on the relationship between leadership styles and employee performance conducted at different countries, but there is no particular research conducted on economic sector of Oromia National Regional State as far as the researcher concerned.

## **1.2 Statements of the Problem**

A large number of organizations spend considerable huge amount of their times on solving managerial problems. Besides, research on management's leadership style and employee performance are limited and personnel do not know enough about management's leadership style and the organizational productivity. Over all organization performance is the main determining factor for the organization success and failures which are the collective effect of individual performance. Tandoh (2011) asserted that, the performance of the employee is what leads to the survival and success of the organization.

Performance of employees in organization is very important to achieve organizational objectives. Leadership styles also play essential role for the effectiveness and efficiency of the organization in general and employees' performance in particular. So, it is logically understood that leadership styles would have relationship with employee performance, even though the nature of relationship is not consistently similar across organizations.



Studies about leadership styles and employees' performance relationship found out leadership styles have a direct effect on employee performance. A study by Babatunde and Emem (2015) revealed that there was significance relationship between leadership style and employees' performance in the attainment of organization goals and objectives. Similarly, Mohammed, et al. (2014) described that there is a significant relationship between leadership styles and employee performance in an organization.

As the leadership is crucial in the achievement of goals and objectives of the organizations effectively and efficiently, a far reaching effort is needed to be exerted in order to improve the gaps in leadership skills and bring about positive change in employee performance. Managers should have the right leadership style to motivate and introduce good work practices in their staff Bartol (2003). Also managers need good people skills to gain the trust of the employees. When managers give direction, they must have the power and motivation to inspire confidence, so that their subordinates have positive attitude towards the tasks and the organization which is necessary to achieve good results in the work place. Moreover, it is imperative that they have the right leadership style as well; so that the organization can achieve the results it wants to achieve.

According to Heurieglet (2004) lack of effective leaderships in the organization create many outcomes such as lack of motivation, dissatisfaction, high complaint, high turnover, poor innovation, inability to meet performance targets, lower profit, poor communication of information, inefficiency and ineffectiveness, lack of cooperation and disintegration, poor growth and development of the institutions (cited by Koech, 2012). Moreover, this outcome happens due to lack of strategic interventions of specific leadership styles to the particular situations are predicted as the problems at hand.

Several organizations today have the problem of leadership styles to be adopted in leading employees. The employee performance can be influenced by different factors related to the person him/her- self, working environment and leadership styles used by leaders within the sectors. From the preliminary investigation and experience of the researcher, the leaders say to apply all leadership styles to enhance their organizational performance. However, there is complaint in the economic sectors regarding the management and leadership practice of the sectors. Employees of the economic sectors raised problems regarding to encouraging employees

to perform as expected, capacity building in the form of training, to make rewarding based on performance and proper performance evaluation timely. Those problems may affect the enhancement of employee performance in order to achieve the goals and objectives of the sectors and this needs research to examine the relationship between leadership styles and employee performance.

Even though, there are leadership researches in different countries, still there is a need to conduct more researches to fill the leadership skill gap and to examine its effect on employee performance. Moreover, the conducted researches can be used as a reference but, since they were not particular to Economic Sectors and target area specially, specific to Oromia National Regional State, making judgments based on those research lead us to missing the context. In other hands, there are no empirical studies which identify the effect of leadership styles on employee performance particular to economic sectors as far as the researcher concerned. Additionally, other leadership styles were more of exhaustively studied by different researchers and there is limited study on transformational, transactional and laissez-faire styles to identify their effect on employee performance.

Hence, the purpose of this study was to identify the relationships and effects of leadership styles on employee performance and in line with to assess the dominant leadership styles in economic sectors.

## **1.3 Objective of the Study**

### **1.3.1 General Objective**

The main objective of the study was to examine the effect of leadership styles on the employee performance in Economic Sectors of Oromia National Regional State (ONRS).

### **1.3.2 Specific Objectives**

This study was intended:-

1. To explain the effect of transformational leadership style on employee performance.
2. To explain the effect of transactional leadership style on employee performance.
3. To explain the effect of laissez-faire leadership style on employee performance.

4. To identify which leadership styles is dominant (transformational, transactional, laissez-faire).

#### **1.4 Hypothesis of the study**

*H1:* Transformational leadership has positive effect on employee performance in economic sectors of Oromia National Regional State.

*H2:* Transactional leadership has positive effect on employee performance in economic sectors of Oromia National Regional State.

*H3:* Laissez-faire leadership has positive effect on employee performance in economic sectors of Oromia National Regional State.

*H4:* Overall Leadership styles had effects on employee performance in economic sectors of Oromia National Regional State.

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

The beneficiaries of this study are the managers, process owners, team leaders and employees of the sectors, other similar organizations, future researchers and academicians. This study findings will assist different leaders/managers, process owners and team leaders in identifying the best and the most appropriate leadership style to use in relevant situations for better employee performance like: to increase efficiency and effectiveness, satisfaction, motivation and productivity. So, those leaders would consider the importance of leadership styles for employee performance while leading the work of subordinates.

The study also has significance in bring up the objective and the useful information about the importance of leadership styles on employee performance which may help the organizations to achieve its goal. This helps the organization in awareness creation concerning the problems related to leadership styles and its impact on employees as well as organizational performance. After determining the relationship between leadership styles and employee performance, economic sectors and other similar organizations will be in a better position to use the findings of this research to develop leadership styles that will see leaders acquire relevant leadership skills for effective management and improve employee performance.

It also helps the employees to know as leadership style has role in the employee performance in terms of motivating, satisfying employees in proper way. Additionally, the findings of this research will initiate and helps other interested researchers to undertake further study under this domain.

## **1.6 Scope of the Study**

The study was not designed on all public sectors of Oromia National Regional State, but limited to Economic sectors considering the effect of Leadership styles on employee performance. The economic sector includes Finance and Economic Cooperation, Revenue Authority, Trade and Market Development Bureau which are at regional level and they were selected purposively by the researcher due to linkage of their mandate. The respondents of the study are the managers/leaders, process owners, team leaders and employees of the sectors.

The key variables of the study are transformational, transactional and laissez faire leadership styles as independent variables and employee performance as dependent variable. The research methodology used to determine the sample size was stratified sampling, quantitative approach and data was collected from respondents by using questionnaire. Lastly, the study was analyzed by using descriptive and inferential statistical techniques.

## **1.7 Limitation of the study**

The study has faced the following limitations:

- The limited sample size, conclusions and generalizations could be made. Because the target participants in this study were in a certain sectors of the region and generalization of this research topic was difficult to make to other populations/sectors;
- The research limited on the three leadership styles (variables) and there would be other styles which can have effect on employee performance;
- The research used only questionnaire and quantitative approach. The researcher would have used both quantitative and a qualitative approach to get a comprehensive view of the research.
- The research used only cross sectional research design to identify the effects of leadership styles.

## 1.8 Definitions of Key terms

The following words or phrases are the conceptual definitions with their respective meaning as used in the study by the researcher:

***Contingent Reward:*** is an exchange process between leaders and followers in which effort by followers is exchanged for specified rewards. (Northouse, 2013).

***Economic Sectors:*** Government organizations which have a mandate to register trade licenses, to collect tax and revenue, to disburse and control budget performance of the region. (Specifically Revenue Authority, Finance and Economic Cooperation, Trade and Market Development Bureaus)

***Employee Performance:*** Successful completion of tasks by individuals, groups as set and measured by a supervisor or organization (Mathis & Jackson, 2009).

***Idealized Influence-Attribute:*** Followers identify with and follow those leaders who are trusted and seen as having an attainable mission and vision (Avolio & Bass 2004).

***Individualized Consideration:*** provision of support, encouragement, training, counsel and paying special attention to each individual follower (Avolio & Bass 2004).

***Inspirational Motivation:*** A leaders who communicate high expectations to followers, inspiring them through motivation to become committed to and a part of the shared vision in the organization (Northouse, 2013).

***Intellectual Stimulations:*** Leaders stimulating their followers' effort to be innovative and creative and always seeks differing perspectives when solving problems (Avolio & Bass, 2000).

***Laissez-Faire Leadership:*** is a leader who absent when needed, avoids making decisions, not give feedback and delays responding to urgent questions. (Avolio & Bass, 2004).

***Leadership Styles:*** approaches that leader's use when leading organizations, departments, or groups (Mehmood & Arif, 2011).

***Management by Exception-Active:*** leader monitors follower performance and takes corrective action when performance deviates from the norm or standard expectations, (Avolio & Bass, 2004).

***Management by Exception-Passive:*** failing to interfere until the problem becomes serious and waiting for things to go wrong before taking action (Avolio & Bass, 2004).

***Transformational Leadership:*** leaders encouraging followers to rise above their self-interest, inspire followers to achieve extraordinary goals (Avolio & Bass, 2004).

*Transactional Leadership*: An exchange process based on the fulfillment of contractual promises. (Antonakis, 2003).

## **1.9 Organization of the Study**

This research has five chapters. Chapter one constitutes introduction part, which includes background of the study, statement of the problem, objective of the study, hypothesis of the study, significance of the study, scope of the study, limitation of the study, definition of key terms and organization of the study. Chapter two contains review of related literatures including theoretical, empirical literatures and conceptual framework. Chapter three presents research design and methodology which includes sample design, target population, sample size, sampling techniques, type and source of data, data collection instruments and procedures, method of data analysis and ethical considerations. Chapter four contains research findings, analysis and interpretations. Finally, chapter Five presents summary of major findings, conclusions and recommendations.

# **CHAPTER TWO**

## **REVIEW OF RELATED LITERATURE**

The chapter presents a review of both theoretical and empirical literatures related to the study. Past studies are important as they guide the researcher on other studies done in the same topic. From this review, a conceptual framework using the dependent and the independent variables in the survey was developed, which lays a framework for the study.

### **2.1 Theoretical Framework**

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

The topic of leadership has been the focus of studies for more than two decades and gradually became a topic of great interest. This interest sprung forth out of the fact that leaders provide guidelines and they have to motivate their followers to accomplish tasks (Gill, 1998). As noted by Bass (1997) there are almost as many different definitions of leadership as there are persons who have attempted to define the leadership concept. Over the years, researchers have generated a surplus of work and data that adds value in the field of leadership research. Leadership is just an expression that is often used in conversation and is frequently described by various adjectives such as good leadership, influential leadership, effective leadership and poor leadership.

Although leadership has been well researched over the years, there are different definitions and still there is lack of universally accepted definition. According to Stogdill (1974) there are almost as many definitions of leadership as there are persons who have attempted to define the concept. As identified by Yukl (1998) leadership is the process of influencing others to understand and agree about what needs to be done and how it can be done effectively, including the process of facilitating individual and collective efforts to accomplish the shared objectives. Similarly, Zagorsek (2004) defined leadership as an influence process between leader and followers, where the leader influences, motivates, and facilitates the activities of an organization group toward goal achievement, through mostly non coercive means. As described by Sundi (2013) leadership is the ability to convince and mobilize others to work together as a team under his leadership to achieve a certain goals. Leslie et al. (2013) asserts that leadership is the ability to influence people to willingly follow one's guidance or adhere to one's decisions. On the other

hand a leader is one who obtains followers and influences them in setting and achieving objectives. Similarly, as described by Kumar (2014) leadership is a process by which a person influences others to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent. These are accomplished through the application of leadership attributes, such as beliefs, values, ethics, character, knowledge, and skills. Leadership is the integrated sharing of vision, resources, and value to induce positive change.

Memon (2014) defines leadership as a process by which an individual influences the thoughts, attitudes and behaviors of others. In other hands, as indicated by Northouse (2010) leadership characterized as a procedure where leaders impact their employees to accomplish organizational targets. Similarly, Bass (1990) expressed leadership characterized as a procedure of connection among people and gatherings that incorporates an organized or rebuilt circumstance, individuals' desires and recognitions.

As summary, Even though leadership had defined by different scholars in different ways, the main concept is to express the influence process between the leaders and followers to achieve the objective and goal of the organizations/institutions.

Leadership takes place in a variety of situations, from military to education, from business organizations to state administrations, and from informal groups to large formalized organizations Bass, (2004). For the purpose of this study, the focus of the review based on organizational leadership that occurs in formal organizations and is usually executed by managers/leaders.

### **2.1.2 Leadership Theories**

A review of the leadership literature reveals an evolving series of 'schools of thought' from Great Man and Trait theories to Contingency theory. The Trait Approach that endured up to the late 1940s claimed that leadership ability is inborn. From 1940s to late 1960s Behavioral Approach became dominant advocating that effectiveness in leadership has to do with how the leader behaves. In the late 1960s to the early 1980s the Contingency Approach became popular suggesting that effective leadership is dependent upon the situation. To understand the nature of leadership and its different aspects, it is important to discuss different theories of leadership that



have developed over time. Hence, in this study the researcher reviews theories and researches related to the research topic such as trait theory, behavioral theory and contingency/situational theory.

### **A. Trait Theories**

Leadership trait theory is the idea that people are born with certain character trait. Carlyle, (1993) described in his "great man theory" that leaders are born and that only those men who are blessed with heroic qualities could ever emerge as leaders. Since certain traits are associated with proficient leadership, it assumes that if you could identify people with the correct trait theories abound to explain what makes an effective leader. The oldest theories attempt to identify the common trait or skill that make an effective leader can temporary theories concentrate on action of leader rather characteristics underling the trait approach is the assumption that some people natural leader and are endowed with certain traits not possessed by other individual. Stogdill (1948) described that leadership situations vary and place different significantly on leaders, destroyed trait theory leading to the emergence of behavioral and contingency/situational approaches.

### **B. Behavioural Leadership theory**

The failure of the trait approach and the growing emphasis on behaviourism led researchers to direct their attention to the behaviour of leaders. This new approach prompted scholars and researchers to look beyond leader traits and consider how leaders' behaviours predicted effectiveness. The behavioural model to leadership suggests that the leader's behaviour, not the leader's personal characteristics, influence subordinates job performance. Researchers and scholars of this model focused on observing leaders behaviour by asking individuals in the field settings to describe the behaviour of persons who are in positions of authority, then applying different criteria of leader effectiveness to these explanations.

A behavioural theory focuses on the actions of leaders rather than on mental qualities or internal states with the belief that great leaders are made, not born. According to this theory, people can learn to become leaders through teaching and observation. Behaviour theories examine whether the leader is task oriented, people oriented or both. The studies conducted at the University of Michigan and Ohio State University in 1945, established two major forms of leader behaviour:

employee-centered and production-centered (Hersey and Blanchard, 1988). The belief is that the leader can become an effective leader through observation, teaching and experience (Robbins, 2003).

The limitations of behavioral theories are their oversight of situational factors on the level of leader effectiveness. One concern is whether one particular method of leading is appropriate for all situations, regardless of the development stage of the organization, the business environment in which it operates, or the type of people employed by the organization.

### **C. Contingency /Situational Theory**

Contingency/situational theory is an approach to leadership in which leadership effectiveness is determined by the interaction between the leader's personal characteristics and aspects of the situation. Contingency theories are based on the assumption that the relationship between leadership style and organizational outcomes is moderated by situational factors related to the environment and therefore the outcomes/performances cannot be predicted by leadership style, unless the situational variables are known (Cheng and Chan, 2002). Similarly, according to Fiedler (1964) contingency theory asserted that, the leader's ability to lead is contingent upon various situational factors, including the leaders preferred style, the capabilities and behaviours of workers that depend heavily on the situational factors.

Fiedler's (1984) contingency theory postulates that there is no single best way for managers to lead and situations will create different leadership style requirements for a manager. The solution to a managerial situation is contingent on the factors that impose on the situation. For example, in a highly routine (mechanistic) environment where repetitive tasks are the norm, a relatively directive leadership style may result in the best performance, however, in a dynamic environment a more flexible, participative style may be required. In other hands, Senior (1997) described as the perception of leadership progressed past the opinion that there is one best way to lead, and the theorists began to focus on how a leader ought to behave in order to be effective. Although, each study emphasizes the importance of different factors, the general tenet of the situational and contingency perspectives is that leadership effectiveness is dependent on the leader's diagnosis and understanding of situational factors followed by the adoption of the appropriate style to deal with each circumstance.

### **2.1.3 Leadership Styles**

Leadership style is different from leadership theory. Leadership style reflects what leaders do and how they behave, while leadership theory reflects what leaders 'are'. Leadership style is the consistent patterns of behavior which one exhibits, as perceived by others, when one is attempting to influence the activities of people and the behavior of a leader tends to be either relationship-centric or task-centric or some combination of the two (Hersey and Blanchard, 1981). Similarly, Cuadrado et al. (2007) described leadership style as consistent set of behaviours proposing two dimensions in leaders behaviour, structure initiation which includes task oriented leaders and consideration which includes relation oriented leaders. Mill operator et al. (2002) view leadership style as the example of cooperation amongst leaders and subordinates.

Leadership styles are seen as approaches that leaders use when leading organizations, departments, or groups (Mehmood & Arif, 2011). Moreover, leadership style was defined as a leader's approach of providing direction, motivating people and implementing plans. Thus, leadership style is defined in terms of how a leader interacts with his or her followers in order to accomplish objectives.

Many leadership theories and approaches emerged and evolved, but no single style of leadership has been identified as being 'best' for all situations; so, there is no one style that can be considered as having all the answers, but as described by Darling & Leffel (2010) leaders who search for the most effective leadership style may find that a combination of styles is effective because no one leadership style is best.

There are a number of different leadership styles based on different theories. The literature has identified a wide range of leadership styles that correspond to specific organizational or business conditions, and which have specific actions, structures and expectations of leaders.

### **A. Transformational Leadership Style (TF)**

According to Bass (1997) transformational leader transforms the follower by helping them understand the importance of organizational outcomes, encouraging them to rise above their self-interest to achieve organizational goals, and inducing their higher order needs. In other hands, transformational leaders are proactive; skillful at transforming people from followers into leaders and influence followers to excel self-interest for the greater good of their organization, focus on being a leader and more importantly they inspire followers to achieve extraordinary goals (Avolio& Bass, 2004).

As described by Cherry (2012) transformational theories focus upon connection formed between leaders and followers. Similarly, Northouse (2013) defined transformational as which concentrate on the connection developed between leaders and their subordinates, are able to inspire followers to change their expectations, perceptions and motivations and to work towards common goals.

As stated by Howell & Avolio (1993) Transformational leaders also possess the ability to motivate their subordinates to commit themselves to performance beyond expectation and this may occur in the following three main ways: firstly by raising the level of awareness of the objective of the organization and how it is to be achieved, secondly by encouraging co-workers to place the organization's objectives above their own personal interests and, lastly, by satisfying and stimulating people's higher-order needs.

There are Four dimensions or subscales of transformational leadership namely idealized influence (including both idealized influence attribute and idealized influence behaviour), individualized consideration, intellectual stimulation and inspirational motivation (Avolio, Bass and Jung, 2004)

#### **Idealized Influence (II)**

According to Bass and Riggio (2009) leaders behave in ways that allow them to serve as role models for their followers. Followers identify with the leaders and want to emulate them; leaders are endowed by their followers as having extraordinary capabilities, persistence and determination, admired, respected and trusted. The leader demonstrates high standards of ethical and moral conduct and avoids using power for personal gain (Avolio& Bass, 1994). In other

hands, Idealized influence includes leading by example and making sacrifices, but this behavior may be used to manage follower impressions and gain their trust (Yukl, 2010).

Bass and Avolio (1990) classified idealized influence as idealized influence attributes and idealized influence behavior. Idealized influence attributes occur when followers identify with and follow those leaders who are trusted and seen as having an attainable mission and vision. Whereas, idealized influence behavior refers to a leader behavior which results in followers identifying with leaders and wanting to emulate them.

### **Individualized Consideration (IC)**

The leaders behavior demonstrates acceptance of individual differences (Bass & Riggio, 2006). This conduct incorporates the provision of support, encouragement, training, assignment, counsel and input for use in the adherents' self-awareness. In other hands, it refers to leader behaviors that pay special attention to each individual follower's needs for achievement and growth by acting as a coach or mentor. Followers and colleagues are developed to successively higher levels of potential. Individualized consideration is practiced when new learning opportunities are created along with a supportive climate. Individual differences in terms of needs and desires are recognized. It can be used in an authentic way to build subordinates loyalty (Yukl, 2010).

### **Intellectual Stimulation (IS)**

As described by Bass & Avolio (2000) Intellectual Stimulation involves leaders stimulating their followers' effort to be innovative and creative by questioning assumptions, reframing problems and approaching old situations in new ways. Similarly, Yukl (2010) argued that intellectual stimulation can be used to increase creative ideas that will enhance the leader's reputation. In this manner, they are empowered to be inventive and creative, challenge both their own particular and their leaders' convictions and qualities, in addition to those of the organization itself. Besides, they are urged to go out on intellectual risks and inquiry presumptions. Similarly, in intellectual stimulation new ideas and creative problem solutions are solicited from followers, who are included in the process of addressing problems and finding solutions. Followers are encouraged to try new approaches and their ideas are not criticized because they differ from the leaders' ideas and this component may be exhibited when leaders motivate employees to create

new things to achieve the goals of the organization effectively and efficiently (Bass & Riggio, 2006).

### **Inspirational Motivation (IM)**

According to Northouse (2013) it is descriptive of leaders who communicate high expectations to followers, inspiring them through motivation to become committed to and a part of the shared vision in the organization. In practice, leaders use symbols and emotional appeals to focus group members' efforts to achieve more than they would in their own self-interest. Team spirit is enhanced by this type of leadership. Thus, the above five factors of transformational leadership styles were considered to investigate whether correlate or not with employee performance.

### **B. Transactional Leadership Style (TS)**

As defined by Antonakis (2003) transactional leadership is an exchange process based on the fulfillment of contractual obligations and is typically represented as setting objectives, monitoring and controlling outcomes. Similarly, Bass (1997) describes the basic nature of transactional leadership as the exchange or transaction between the leader and employees. The employee would receive rewards such as salary increase or promotion if he/she fulfills the requirement or meet the leader's expectation. Whereas, the employee would receive punishment like pay cuts or demotion if he/ she fails to accomplish tasks or meet the requirement.

Robbins (2007) also defined transactional leadership as leaders who lead primarily by using social exchanges for transactions. This approach emphasizes the importance of the relationship between leader and followers, focusing on the mutual benefits derived from a form of 'contract' through which the leader delivers such things as rewards or recognition in return for the commitment or loyalty of the followers. The objective of the transactional leader is to ensure that the path to goal attainment is clearly understood by the internal actors, to remove potential barrier within the system and to motivate the actors to achieve the predetermined goals (House, 1997).

There are three dimensions/subscales of transactional leadership styles such as: Contingent Rewards, Management by Exception-Active and Management by Exception Passive (Bass and Avolio, 2004)

### **Contingent Rewards (CR)**

Transactional leaders clarify expectations, exchange promises and resources for support of the leaders, arrange mutually satisfactory agreements, negotiate for resources, exchange assistance for effort, and provide commendations for successful follower performance. From this perspective, contingent reward is a constructive. It can be both transformational when a reward is psychological, for example a praise and transactional when reward is material, like a bonus (Bass & Riggio, 2006). Similarly, as stated by Northouse (2013) contingent reward is an exchange process between leaders and followers in which effort by followers is exchanged for specified rewards. With this kind of leadership, the leader tries to obtain agreement from followers on what must be done and what the payoffs will be for the people doing it.

### **Management by Exception Active (MBEA)**

When using this transactional style the leader monitors follower performance and takes corrective action when performance deviates from the norm or standard expectations (Bass and Riggio 2006). Active management by exception may be required and effective in some situations, such as when safety is paramount in importance.

### **Management by Exception Passive (MBEP)**

As described by Bass and Riggio (2006) this style does not respond to situations and problems thoroughly. It implies waiting passively for deviances, mistakes, errors to occur and then taking corrective action. A leader using passive form intervenes only after standards have not been met or problems have arisen. An example of passive management-by-exception is illustrated in the leadership of a supervisor who gives an employee a poor performance evaluation without ever talking with the employee about her/ his prior work performance. Managers using this leadership style adhere to the opinions that if it isn't broken, don't fix it and corrective actions are most of the time punitive (Bass, 1995; Avolio & Bass, 2000).

### **C. Laissez-Faire Leadership Style (LF)**

Laissez-faire leadership style was described by inability to take obligations regarding overseeing and exhibits a kind of leadership style which is none value-based in which there is no one time and quick choices to be made, activity have delay, the obligations of administration all are overlooked and there is an abused power (Bass,1999). Similarly, laissez-faire style was described

as a negative form of leadership in which leader doesn't get involved in important decision making process. Alternatively, employees are at their own decision in the time of crisis or problem and look for assistance from other sources, or employees take their own decisions to manage crisis situation (Dubinsky, Yammarino and Jolson 1995).

In other hands, laissez-faire is a leader as one who avoids involvement when important issues arrive, is absent when needed, avoids making decisions, delays responding to urgent questions, lacks direct supervision of employees and fails to provide regular feedback to those under his or her supervision and highly experienced and trained employees requiring little supervision. However, not all employees possess those characteristics and this leadership style hinders the production of employees needing supervision (Bennett, 2009).

#### **2.1.4 Concepts and Definition of Employee Performance (EP)**

Before defining employee performance one has to know the meaning of performance. As stated by Gibson and Donnelly (2006) performance is an organizational behavior which is directly related to goods production or service delivery. Similarly, Mohamed (2013) considered performance as a major multidimensional construct aimed to achieve results and has a strong link to strategic goals of an organization. According to Aguinis (2009) performance does not include the results of an employee's behavior, but only the behaviors themselves. Performance is about behavior or what employees do, not about what employees produce or the outcomes of their work. Perceived employee performance represents the general belief of the employee about his behavior and contributions in the success of organization.

Employee performance was defined by different scholars. Mathis & Jackson (2009) associated employee performance with quantity of output, quality of output, timeliness of output, presence/attendance on the job, efficiency of the work completed and effectiveness of work completed. As stated by Robbins (2001) employees' performance is a function of the interaction between the ability and the motivation. Performance in an organization takes part in the overall organization's performance and can determine the performance of that organization. The success or the failure of the employees' performance gained by that organization will be affected by the individual's or group's levels of performance.



According to Mathis & Jackson (2009) employee performance is a term typical to the human resource field where employee performance can refer to the ability of employees to achieve organizational goals more effectively and efficiently. In other hands, employee performance is the successful completion of tasks by individual or individuals, as set and measured by a supervisor or organization, to pre-defined acceptable standards while efficiently and effectively utilizing available resource within a changing environment. Organizations need highly performing individuals in order to achieve their goals, to deliver the products and services they specialized in, and to achieve competitive advantage.

Gungor (2011) described as employee performance plays an important role for organization and it is what an employee does or does not do. Performance of employees could include: quantity of output, timeliness of output, presence at work, cooperativeness. However, it should be noted that, the nature of performance is determined by the organization itself.

### **2.1.5 Leadership Styles and Employee performance**

A relationship between leadership style and employee performance has been studied in both leadership and management literature. Different studies about leadership styles and employees' performance relationship found out leadership styles of leaders have effect on employee performance. Fiedler (1996) indicated that the effectiveness of leadership to a large extent is responsible for employee performance and he has provided a recent treatise on the importance of leadership by arguing that the effectiveness of a leader is a major determinant of the success or failure of a group, organization or even an entire country.

Lee and Chuang (2009) explain that the excellent leader not only inspires subordinate potential to enhance efficiency but also meets their requirements in the process of achieving organizational goals. Luthans (2008) maintained that an employee perceives employers as the image of the organization and an employee therefore internalizes the culture and becomes part and parcel of the organization. Partharch (2005) confirmed the impact of the leadership styles on employee's performance and further found a strong relationship between leadership styles and employee performance. Organizational success or failure is largely dependent on the leadership style.

Leadership styles are important to enhance employees' performance. Thus effective leadership enables greater participation of the entire workforce, and can also influence both individual and organizational performance (Mullins, 2010).

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

Transformational leaders are expected to enhance the performance capacity of their followers by setting higher expectations and generating a greater willingness to address more difficult challenges (Avolio and Bass, 1999). In other hands, transformational leader encourages subordinates to have vision, mission and organization goals, encouraging and motivating to show maximum performance, stimulates subordinates to act critically and to solve problems in new ways and treat employees individually (Butler, 1999).

According to Suharto (2005) more frequent transformational leadership behavior implemented brings significant positive effect to improve psychological empowerment quality of subordinates. Similarly, as stated by Yukl (2006) transformational leadership style can improve performance because transformational leadership style wants to develop knowledge and employees potential.

### **Transactional leadership and Employee Performance**

Transactional leadership styles can affect positively or negatively on performance based on employee assessment. Positive effect can occur when employees assess transactional leadership positively and a negative effect can occur if employee considers that transactional leadership styles cannot be trusted because they do not keep their promises. Transactional contingent reward leadership should also relate positively to performance in that such leaders clarify expectations and recognize achievements that positively contribute to higher levels of effort and performance Yulk (2006).

### **Laissez-faire leadership and Employee Performance**

According to Kumar (2005) under this type of leadership maximum freedom is allowed to subordinates. Kerns (2004) conferred the relationship of values to organizational leadership and hugely in support of the laissez-faire style in bridging the gap between the organization and employee on the fact that laissez-faire would create a positive environment through which employees and employers felt like a family regardless of their positions. In other hands, the appropriate measurement outcome from leadership quality is effectiveness (reflecting the

leader's efficacy in achieving organizational outcomes, objectives, goals and subordinates' needs in their job). Thus, the measure of employee performance in the current study represented the degree to which a company achieved its objectives (Furnham, 2002).

### **2.1.6 The Multifactor Leadership Questionnaire (MLQ)**

The Multifactor Leadership Questionnaire (MLQ) was developed by Avolio and Bass (1995) and published and commercialized by Mind Garden. The instrument is developed to measure a broad range of leadership styles from passive leaders to leaders giving contingent rewards to their employees, to leaders' who transform and empower their employees and give them a chance to be leaders themselves (Mind Garden, 2012). The MLQ tool has existed for more than two decades and is widely used within public and private organizations, such as banks, manufacturing facilities, educational organizations, insurance companies, information technology firms, hospitals, health clinics, military units, and government agencies, from CEOs of major corporations to non-supervisory project leaders (Mind Garden, 2012).

The aim of the MLQ is to create a leadership development plan based on the results of the MLQ report. The instrument provides accurate and appropriate feedback that tells something about the manager's ability to lead the organization, its development teams and individuals on various levels. The feedback gives useful information on the type of leader that exists at the present time and how well it works in relation to promoting efficiency, satisfaction and the highest possible performance at work (Avolio& Bass, 2004).

MLQ had advantages and one of the advantages is that it is much broader than other leadership surveys. The MLQ is used to assess effectiveness of leadership at all levels of management, including clients and customers as sources of ratings, and the MLQ factors can be applied across cultures. Another principal advantage is its emphasis on personal and intellectual development, and directions the leader may pursue to be more effective. Except from attempting to comprise a wider scope of leadership behaviours, the MLQ also differentiates effective leaders from ineffective ones by focusing on individual behaviours observed by associates and assessing behaviours of a leader that motivate associates to achieve expected degrees of performance (Avolio& Bass, 2004). Scores from the MLQ instrument can be helpful in identifying candidates for training programs, promoting to leadership and supervisory positions for which they are best

suited and for which they will not require much training. These are positions where they have a chance to show their leadership behaviour, for example, project or group leaders. It is best for them to be rated by the peers who know them well enough (Mind Garden, 2012).

The MLQ consist of two forms: The self- rating form, or the leader form, for the supervisors to rate themselves and the rater form for the associates to rate their supervisors. The leader form asks the leader to rate the frequency for its own leader behaviour. The rater form is more appropriate to use because reliability is higher and the correlations between the rating form and the items are better (Avolio& Bass, 2004). Although, the authors of the MLQ tried to make all the components of the full range of leadership model distinct from each other, there still exist consistent correlations among them (Bass & Riggio, 2006). It is argued that the MLQ measures attributes and effects rather than behaviours, although most of the items deal with behaviours, and only a few of them measure attributions or effects Avolio and Bass (2004) studied the relationship of the MLQ leadership factors with such outcomes as effectiveness, satisfaction, motivation, stress and individual and organizational productivity.

## **2.2 Empirical Literatures**

A number of studies have been conducted on the effects of leadership styles on employee performance and the evidences are also varied based on the variables and scope.

According to Meyer & Botha, 2000 the Canadian financial industry it was found that transformational leadership is more strongly correlated with higher employee satisfaction and individual/organizational performance than transactional leadership

In South Africa, Hayward et al. (2003) found transformational leadership to be more effective than transactional leadership in increasing employee performance. The research found a significant positive linear relationship between transformational leadership and employee performance but no significant linear relationship between transactional leadership and employee performance in a South African pharmaceutical organization.

According to Pradeep and Prabhu (2011) leadership is positively linked with employee performance for both transformational leadership behaviors and transactional contingent reward leadership behaviors. The managers, who are perceived to demonstrate strong leadership behaviors, whether transformational or transactional, are seen to be engaging in increasing the employees' performance.

The study conducted by Okwu et al. (2011) was aimed to determine effect of leadership styles on performance in small-scale enterprises. The study followed a survey design, and employed evaluative quantitative analysis method. Analysis was based on primary data generated through a structured Multifactor Leadership Questionnaire (MLQ) administered on respondents. The result showed that while transactional leadership style had significant positive effect on performance, transformational leadership style had positive but insignificant effect on performance. The study concluded that transactional leadership style was more appropriate in inducing performance in small scale enterprises than transformational leadership style and, therefore, recommended transactional leadership style for the small enterprises with inbuilt strategies for transition to transformational leadership style as the enterprises developed, grew and matured.

The study of Koech. (2012) conducted on the Effect of leadership styles on organizational performance at state owned corporations in Kenya by using MLQ and the result shows as

transformational and transactional leadership styles had significantly correlated with organizational performance, but laissez-faire was not significantly correlated. Based on the findings, the recommendations were given: managers should discard laissez-faire leadership style by becoming more involved in guiding their subordinates; public managers should formulate and implement effective reward and recognition systems, managers should strive to become role models to their subordinates; inspire subordinates by providing meaning and challenge to work; stimulate subordinate efforts to become more innovative and lastly pay greater attention to each individual's need for achievement and growth.

The study conducted by Adeyemia M. et al. (2013) focused on to investigate the relationship between transformational, transactional leadership style and their dimensions on the employee performance among Nigerian banks employees. The instrument used for the study was Multifactor Leadership Questionnaire (MLQ) and Organizational Commitment Questionnaire (OCQ). Correlation coefficient and multiple regressions were used to analyze data. The results of the study showed that there is positive relationship between Transformational, transactional Leadership and employee performance. Results also revealed that the impact of transactional leadership styles on the performance is more effective than the transformational style. The study recommended that managers should positively reward the employees with praise or recognition when they perform at or above expectations and negative rewarding approach should also be used in the form of correction, coercion, criticism, and/or other forms of punishment, when performance is below the expected standard. In quite recent times, research studies conducted by Sharfie, Baghersalimi and Barghi (2013) confirmed that employee performance is greatly influenced by leadership styles.

The study by Vincent Mgbeze (2014) was aimed to examine the impact of leadership style on employee performance in selected banks, in Lagos, Nigeria. It provides significant value for both practitioners and academics. According to the study the transformational and democratic leadership style had a positive association with employee performance more than other styles. Transformational leaders produce higher leadership outcomes as well. The study recommended that by applying the results in practice, managers can adjust their leadership styles to support organizations in producing high work performance and increasing organizational outcomes,

whereas the human resource management function of banking industries can also utilize these results for the leadership development effort in their organization.

The study conducted by Celestine Awino (2015) the Effect of leadership styles on employee performance at Bank of Africa by using cross sectional descriptive survey research strategy. The leadership styles were measured by using MLQ, in which both descriptive and inferential statistical techniques were used for data analysis. The findings shows that as transformational leadership style was the most exhibited style at the bank followed by transactional and laissez-faire respectively. Both transformational and transactional are positively correlated with employee performance, while laissez-faire leadership style had positive relationship and statistically insignificant correlation.

Raja and Palanichamy (2015) examined the effect of leadership styles on employee performance in both public and private sector enterprises in India. The result shows that, there is a linear positive relationship and statistically significant between both transformational and transactional leadership and employee performance. However, the study found that laissez-faire leadership had a negative relationship with the employee performance.

Rassol et al. (2015) studied leadership styles and its impact on employee's performance in health sector of Pakistan and concluded that transformational leadership styles have more positive effect on employee performance than transactional leadership. They found out that transformational leadership can perform better in highly organic environment where focus is on competitive advantages. Results of their study also explored that the impact of transactional leadership was not much stronger as compared to transformational leadership on job performance.

The study conducted by Muzaffar (2015) was aimed to find out the dominance of the leadership styles in the concerned Banking companies in India. The descriptive survey research design was operated in order to accomplish the above stated objectives. The findings reveal that only transformational leadership style has significant direct impact on employee performance while transactional the leadership styles showed insignificant impact. Moreover the transformational leadership was the more dominant form of leadership style prevailing in the concerned Banking organizations of Jammu and Kashmir, India. Similarly, most of the literature reviewed is

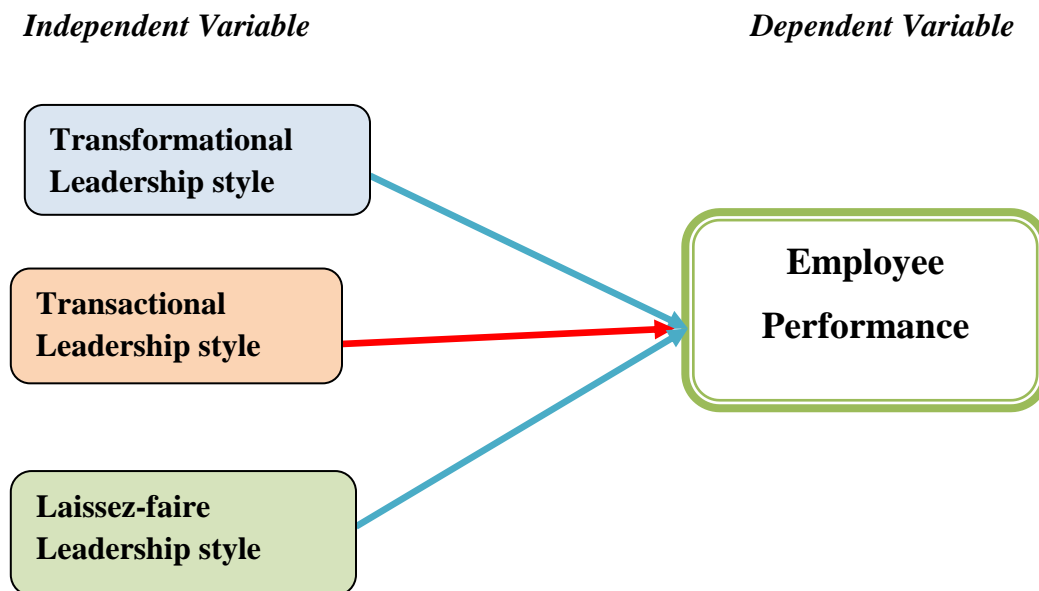
somehow consistent in suggesting that both transformational and transactional leadership styles are significantly positively related to performance and that transformational style effect is more pronounced than that of the transactional leadership style, but the evidence on the relationship between laissez-faire and employee performance is not that straight forward (Rasol, et al. 2015; Tsigu and Rao, 2015).

The research conducted by Seblewongel Solomon. (2016) the effect of leadership styles on employees' performance in selected sub-city education offices of Addis Ababa city administration by using Multifactor Leadership Questionnaires shows that, transactional leadership style has more effect on employees' performance than the transformational and laissez-faire leadership styles. Laissez-faire leadership has statistically insignificant relationship with employees' performance and it was conclude that the sub-city offices of education employees' performance assumed to be enhanced when leaders exercised transactional leadership style.



## 2.3 Conceptual Framework

The conceptual framework of this study was prepared based on the objectives of the study. In this study the three leadership styles (transformational, transactional and laissez-faire) which are independent variables and Employee performance the dependent variable is considered.



**Figure 2.1:** Conceptual Framework Design adopted from Koech M. (2012).

The review of the literature has been analyzed in order to see the relationship and effects between the leadership styles and employee performance.

# **CHAPTER THREE**

## **RESEARCH DESIGN AND METHODOLOGY**

This section presents the overall research design, sample design (target population, sample size and sampling techniques), variables of the study, type and source of data, procedures of data collection and instruments, method of data analysis and ethical considerations of the study.

### **3.1 Research Design**

A research design is the set of methods and procedures used in collecting and analyzing measures of the variables specified in the research problem Andrew. (2016). Research design can be conclusive or exploratory. Exploratory research design is to explore a problem to provide insights into and comprehension for more precise investigation. Whereas, conclusive research design is more likely to use statistical tests, advanced analytical techniques, used a representative picture of the population through the application of valid research instrument. Because of this, the researcher used the conclusive research design.

Since the main objective of the study is to evaluate the effect of leadership styles on employee performance, both descriptive and explanatory research design are appropriate to achieve the objective of the study. Descriptive is a type of conclusive research study which is concerned with describing the characteristics of a particular individual or group. Cohen (1994) stated that descriptive survey inquiry helps to gather data at a particular point with the intention of describing the entire nature of the existing conditions in generalizing from sample to population. Explanatory study is used to explain the relationship between dependent and independent variables that pertains the research problem (Suanders. et al. 2009).

This study used quantitative approach of research to collect data from the respondents to understand and predict some aspects of the behaviour of the population interest. The quantitative research approach basically provides facts and figures about phenomena and involves statistical analysis (Ticehurst, 2000). Under the quantitative research method of data collection, standard questionnaire with modification to fit the context of the study was used to collect data for this study. The researcher used the measure with numbers and then analyses the data with statistics techniques.

## **3.2 Sample Design**

A sample design is a definite plan for obtaining a sample from a given population. It is the technique/procedure the researcher would adopt in selecting items for the sample and it is a framework that serves as the basis for the selection of a sample survey. It contains target population, sample size and sampling techniques as follows.

### **3.2.1 Target Population**

This study tried to identify the relationship between leadership styles and employee performance in economic sectors of Oromia National Regional State. Those Economic sectors are Bureau of Finance and Economic cooperation, Revenue Authority and Bureau of Trade and Market Development; they are selected purposively by the researcher due to linkage of their mandates. The target populations of this study were employees of the sectors and they are 347 in number, out of which 42 of them are management members and 305 are non- managements.

### **3.2.2 Sample Size**

A sample is a way of selecting a portion of the population which adequately represents the entire population (Chandran, 2004). Likewise, according to Kothari (1990) sampling can be defined as, the number of items to be selected from the universe to constitute a sample and the size of the sample should neither be excessively large, nor too small. It should be an optimum to fulfill the requirements of efficiency, representativeness, reliability and flexibility.

The total number of employees in economic sectors at regional level was 347 in number. To determine the average number of respondents from the sector to be included in the sample size was determined by using the formula developed by Yamane (1967). The formula applied with 5% error and 95% confidence level in order to determine the sample size.

Accordingly

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

Where

N = population size,

n = sample size,

e = margin of error at 5% (standard value of 0.05)

**By using this formula the sample size (n) would be:**

$$n = 347 / (1 + 347 * (0.05)^2)$$

**n= 186 (selected sample size)**

### **3.2.3 Sampling Techniques**

Proportionally stratified sampling was used to draw the sampling unit from each of the three Economic sectors. Proportionate stratified sampling is a probability sampling method in which different strata of population are identified and in which the number of elements drawn from each stratum is proportionate to the relative number of elements in each stratum (source: [www.oxfordreference.com](http://www.oxfordreference.com)).

Based on their leadership role in organization, there are two strata as management members and non-management members. Management members and other employees were selected by Stratified sampling technique because of their involvement in the administration of their respective offices and also it is known to be representative of the total population. As stated by Gay (1987) stratified sampling is an appropriate methodology in order to make proportionate and meaningful in the population. Similarly, Robson (1993) also described the stratified sampling as an efficient choice because the means of the stratified samples are likely to be closer to the mean of the population overall and stratified random sample typically reflects the characteristics of the population as a whole. Even though, all the respondents were staff in sectors the respondents from management members and non- managers were selected by using simple random sampling, Therefore, the number of employees taken from each sector was shown in table 3.1 below.

The number of employees in Revenue Authority were 121, (15 are management members and 106 are non-managements), the numbers of employees in Bureau of Trade and Market Development were 94, (15 management members and 79 non-management), whereas the total number of employees in Bureau of Finance and Economic Cooperation were 132, (12 management members and 120 non-management).

Table 3.1: *Total Population and Sample Size of Economic Sectors of ONRS*

Bureaus	Total number of Employees	Total sample size	Sample size for managements	Sample size for non-managers
Revenue Authority	121	$186 \times 121 / 347 = 65$	$15 \times 65 / 121 = 8$	$106 \times 65 / 121 = 57$
Trade and Market Development	94	$186 \times 94 / 347 = 50$	$15 \times 50 / 94 = 8$	$79 \times 50 / 94 = 42$
Finance and Economic Cooperation	132	$186 \times 132 / 347 = 71$	$12 \times 71 / 132 = 6$	$120 \times 71 / 132 = 65$
<b>Total</b>	<b>347</b>	<b>186 (54%)</b>	<b>22 (53%)</b>	<b>164 (54%)</b>

*Source: adopted from Economic Sectors Human Resources Departments, 2018*

In the estimation of sample size based on proportions, it is statistically proved that the maximum representative sample is achieved at  $p = 0.5$  (Seyed, 2010). Accordingly, 22 management members and 164 non-management members, totally 186 (54%) employees were selected as a sample size from the total population of 347. Generally, the sampling technique used in this study was stratified sampling based on proportional to sectors followed by simple random sampling to get each respondents specifically.

### 3.3. Sources of Data

In this study, primary data was used. The sources of primary data were employees of economic sectors which include the process owners, team leaders and other employees. Employees of these sectors are those who are permanent employees without including contract/causal employees and they were the source of data for the study.

## **3.4 Data Collection Design, procedure and Instrument**

### **3.4.1 Data Collection Design**

In measuring leadership styles the study was designed to adapt the Multifactor Leadership Questionnaire developed by Avolio and Bass (2004) and modified to fit the context of the study. As it has been duly suggested by Emory (1995) from the widely applicable sorts of primary data generating tools a closed-ended questionnaire was used for its higher importance of practicability and easiness in filling out. The questionnaire was distributed and collected by the researcher itself.

### **3.4.2 Procedure of data collection**

Before distribution of the questionnaire to respondents, the researcher provided support letter from Jimma University, Department of Management which deals about the research topic and request for cooperation from the concerned body to conduct the research. Based on the letter of cooperation, contacts were made with leaders of each sectors and asking permission to establish a friendly atmosphere of confidence with respondents. After permission, discussion was made on how to orient, distribute and collect questionnaire to respondents. Then, after orientation the data was collected by the distribution of closed-ended questionnaires. Based on the selected sample size 186 questionnaires were distributed, out of which 159 questionnaires were properly filled and returned. The researcher received 86% of the total attempted responses successfully completed.

### **3.4.3 Data Collection Instrument**

In this study questionnaire was used. According to Best and Kahn (2006), questionnaire is used when factual information is desired (as cited by Celestino, A. 2015). To measure leadership styles, the standardized questionnaire namely the Multifactor Leadership Questionnaire (MLQ) was developed by Bass and Avolio (2004) used by modifying for the context of the study. This instrument is by far the most widely used instrument for measuring leadership styles and it measures an expansive scope of leadership sorts from passive leaders, to leaders who give unexpected prizes to followers, to leaders who change their employees into getting to be leaders themselves.

The MLQ assesses five components of transformational leadership, three components of transactional and one laissez-faire leadership. To measure the factors of Transformational leader behaviour, including Idealized Influence-attribute, Idealized Influence-behaviour, Inspirational Motivation, Intellectual Stimulation and Individualized Consideration. To measure the factors of Transactional leadership includes Contingent Reward, Management by Exception-Active, Management by Exception-Passive and some questions are also designed to measure Laissez-faire Leadership style and Employee Performance.

This questionnaire contains **46** items that identify and measure key leadership styles and employee performance found to be strongly linked to both individual and organizational success. The questionnaire has three parts: Part I to gather data on the demographics of participants, Part II to identify the leadership styles and part III to examine the employee performance. All questions of part II and III were scored along a 5-point Likert scale (1= not at all, 2= once in a while, 3= sometimes, 4= fairly often and 5= frequently, if not always).

The Independent variables are the leadership styles: Transformational, Transactional and Laissez-faire, whereas the dependent variable is Employee Performance. The Independent variables, dimensions and their indicators (categories) are described in table 3.2 below.

Table 3.2: *Leadership styles, dimensions/subscales and indicators*

<i>Leadership styles</i>	<i>Dimensions/subscales</i>	<i>No of items</i>	<i>Indicators (in the appendix questionnaire)</i>
Transformational	Idealized Influence (attribution)	4	1,3,5,7
	Idealized Influence (behaviour)	4	9,11,13,15
	Inspirational Motivation	3	17,19,21
	Intellectual Motivation	4	23,25,27,29
	Individual Consideration	4	2,4,6,8
Transactional	Contingent Rewards	4	10,12,14,16
	Management by Exception (Active)	4	18,20,22,24
	Management by Exception (Passive)	2	26,28
Laissez-faire	Laissez-faire leadership	4	30,31,32,33

*Source: adapted from MLQ of Bass and Avolio, (2004)*

### 3.4.4 Validity and Reliability of the Instrument

Reliability and validity are important aspects of questionnaire design. Over the last two decades, the Multifactor leadership Questionnaire (MLQ) has been developed and validated (Avolio & Bass, 1995). The study adopted scales which had been validated elsewhere. In measuring leadership styles, the study adapted the Multifactor Leadership Questionnaire developed by Avolio and Bass. Accordingly, the MLQ is a well-established instrument in the measure of leadership style as well as being extensively researched and validated. Based on the evidence presented by Avolio et al., the MLQ has demonstrated high reliability and validity.

Since the Multifactor Leadership Questionnaire developed by Avolio and Bass (2004) was modified to fit the context of the study, the researcher distributed a total of 25 questionnaires to the respondents for pilot test of the instrument. Then, the returned 25 questionnaires were coded, analyzed by using SPSS and the result of was identified in terms of Cronbach's Alpha. Reliability analysis (Cronbach's Alpha) was carried out on each of the dimensions of MLQ which were then compared to the conventional cut-off point of 0.70.

A Cronbach's alpha higher than 0.7 indicates internal consistency on the instrument (Field, 2005; Pallant, 2013). The reliability of the questionnaire for this research was also statistically calculated using Cronbach's Alpha. In the study of testing the amounts of Cronbach's Alpha was calculated at 88% of the questionnaire. And each dimensions result shows Cronbach's Alphas ranging from 0.752 to 0.830. These alpha coefficients are all higher than the conventional level of 0.70, suggesting that each subscale used in the study had acceptable internal consistency and hence reliable in measuring what they were designed to measure as shown in the table 3.3 below.

Table 3.3: *Cronbach's Alpha Reliability Coefficients*

<i>Dimension</i>	<i>No of Items</i>	<i>Cronbach's Alpha</i>
<i>Transformational leadership</i>		
Idealized Influence (attribute)	4	0.819
Idealized Influence (behaviour)	4	0.780
Inspirational Motivation	3	0.830
Intellectual Stimulation	4	0.819



Individual Considerations	4	0.766
<i>Transactional leadership</i>		
Contingency Rewards	4	0.824
Management by Exception (Active)	4	0.784
Management by Exception (Passive)	2	0.766
<i>Laissez-faire leadership</i>	4	0.752
Employee Performance	9	0.870
<b><i>Collective Alpha of MLQ</i></b>		<b>0.884</b>

Source: Own survey, 2018

### 3.5 Method of Data Analysis

The collected data were first checked for its consistency, completeness, missing and other errors before the entry process. The data coding make ready the completed and correct questionnaire for analyzing process. A data entry template was organized and data entered in to the appropriately designed program for analysis. Therefore, data has been analyzed by descriptive and inferential statistics using Statistical Package for Social Science (SPSS-version 20). Descriptive statistical indexes like percentage, mean and standard deviation are used for analyzing. Similarly, inferential statistics such as correlation and multiple linear regressions were also used to identify the strength of relationship and the degree of prediction between leadership styles and employee performance.

The Mathematical Model of multiple regressions below was used to determine the quantitative association between the variables:

$$Y = B_0 + B_1x_1 + B_2x_2 + B_3x_3 + B_nx_n + E$$

Where **Y**= dependent Variable,

**X**= represents the explanatory (Independent) Variable in the estimation model

**B<sub>0</sub>**= constant

**B<sub>n</sub>**=Coefficient

**E** = represents the error term

### **Assumption Tests**

Before applying multiple linear regression models, different assumption tests were considered to ensure the appropriate use of data analysis. Those assumption tests include the normality, linearity and multicollinearity tests. Lastly, based on those tests there was no normality linearity and multicollinearity tests problem to proceed to the multiple linear regressions.

### **3.6 Ethical Consideration**

In this study the researcher consciously considered ethical issues in seeking permission, maintaining confidentiality and protecting the anonymity of respondents that encountered during the study. Besides to this, the researcher told the purpose of the study to the respondents and ensured voluntary participation, as it is only for academic purpose with full confidentiality. To avoid any harm on the research participants, the researcher has been careful to abide by the general research ethics. This is because of questionnaire participants may fear (suspect) to be harmed with what they express to the researcher.

# CHAPTER FOUR

## DATA PRESENTATION, ANALYSIS AND INTERPRETATIONS

This chapter contains the demographic results, descriptive statistics, correlation between variables, assumption tests and multiple regression analysis. It displays the analysis and interprets the study which examines the effect of leadership styles (transformational, transactional and laissez-faire leadership) on employee performance. The demographic description contains gender and age distribution, educational background and work position of respondents.

### 4.1 Demographic Descriptions

#### Gender

As shown in table 4.1 below, the Gender composition out of the total 159 respondents, 104 (65.4%) were Male and 55 (34.6%) of them were Female.

Table 4.1: *Gender Distribution*

Gender	Frequency	Percent	Cumulative Percent
Male	104	65.4	65.4
Female	55	34.6	100.0
Total	159	100.0	

Source: Own Survey, 2018

#### Age Distribution

As explained in table 4.2 below, in accordance to the age category; 39 (24.5%) of the respondents were in age category of 20 – 30 years, 77 (48.4%) were between 31-40 years, 33 (20.8%) were between 41-50 years and 10 (6.3%) were above 50 years. From this result unfortunately more of the respondents are categorized in the ages between 31-40 years.

Table 4.2: *Age Distribution*

Age	Frequency	Percent	Cumulative Percent
20-30	39	24.5	24.5
31-40	77	48.4	73.6
41-50	33	20.8	93.7
>50	10	6.3	100.0
Total	159	100.0	

Source: Own Survey, 2018

### **Educational Level**

As explained in table 4.3 below, 118 (74.2%) of the respondents are first degree holders followed by Master’s degree 41 (25.8%) respondents. It is interesting to note that all the respondents have a minimum of first degree and this is less likely reflection of other respondents. In other hands, it indicates as the respondents are those who are not response only about their own leaders’ style and its effect on their own performance but, also who can reflect about other employees who had not participate to express their leaders’ style and the effects on performance.

Table 4.3: *Educational level Distribution*

Educational level	Frequency	Percent	Cumulative Percent
First degree	118	74.2	74.2
Master’s degree	41	25.8	100.0
Total	159	100.0	100.0

Source: Own Survey, 2018

### **Work Position**

Table 4.4 below, provides the details of work positions of the respondents. Accordingly, majority of the respondents 138 (87 %) were experts/employees followed by 21 (13%) were process owners. This implies most of the respondents were who can understand and knows the effect of leadership styles on performance. Additionally, from the sample size selected 21 (95%) of management members and 138 (84%) of employees had responded properly for the

questionnaire. So, the involvement of both management members and other employee were insured. This shows the result of the study can be the reflection of both the leaders/managers and employees of the sectors.

Table 4.4: *work position*

Work Position	Frequency	Percent	Cumulative Percent
Process owners	21	13	13
Experts	138	87	100.0
Total	159	100.0	

Source: own survey, 2018

## 4.2 Descriptive Statistics for Leadership Styles and Employee Performance

The descriptive statistics was used as a way to examine the mean, standard deviation, frequency and other information which are not apparent in the raw data. It was needed to determine the effect of leadership styles on the employee performance. Table 4.5 below, contains descriptive data (mean and standard deviations) for the transformational, transactional, laissez-faire and employee performance.

### 4.2.1 Transformational Leadership

As indicated in Table 4.5 below, the overall mean score and standard deviation of transformational leadership was (M=3.3204, SD =0.79471).The mean score and standard deviation of transformational leadership style dimensions range from 2.9230 to 3.3040 and 0.8420 to 0.92904 respectively. From this leadership style dimensions, the highest mean scores was Inspirational Motivation (M=3.3040, SD =0.88858) followed by Idealized Influence (behavior) (M=3.2296, SD=0.92904). The Third highest mean score Idealized Influence (attribute) (M=3.2248, SD=0.87971) followed by Intellectual stimulation (M=3.1101, SD=0.90077) and the least mean score was Individual Consideration (Mean 2.9230, SD = 0.84520).

Based on the mean score results, inspirational motivation was the most frequently used dimension from transformational leadership style. As stated by Northouse (2013) it is descriptive of the leaders who communicate subordinates enthusiastically about what needs to be

accomplished and future sense of mission, inspiring them through motivation to become committed and a part of the shared vision in the organizations. In other ways, the least mean score of Individual consideration refers to leader behaviors that do not pay special attention to each individual follower's needs for achievement and growth by acting as a coach. Additionally, it was described by Bass & Riggio (2006) individual consideration is the leader's behavior demonstrates acceptance of individual differences and used in an inauthentic way to build subordinates loyalty.

Considering standard deviations of transformational leadership dimensions, it ranged from .84520 to .92904 values. The highest score value was Idealized Influence (behavior) with 0.92904 followed by Intellectual stimulation with 0.90077, the next was Inspirational Motivation which attained 0.88858, and then idealized influence (attribute) with standard deviation of 0.87971 value. Lastly, the lowest standard deviation value was the Individual consideration which attained 0.84520. The highest standard deviation value indicated that a wide spread of responses.

Table 4. 5: *Mean and SD of leadership styles and EP (N=159)*

<b>Leadership Style</b>	<b>Dimensions/subscales</b>	<b>Mean</b>	<b>Standard De</b>
Transformational	Idealized influence (attribute )	3.2248	.87971
	Idealized influence (Behavior)	3.2296	.92904
	Inspirational Motivation	3.3040	.88858
	Intellectual stimulation	3.1101	.90077
	Individual consideration	2.9230	.84520
	<b><i>Transformational leadership Average</i></b>	<b>3.3204</b>	<b>.79471</b>
Transactional	Contingent Rewards	3.1352	.93868
	Management by Exception (Active)	2.8648	.92723
	Management by Exception (Passive )	2.8396	.90894
	<b><i>Transactional leadership Average</i></b>	<b>2.8673</b>	<b>.70464</b>
Laissez-fair Leadership		<b>2.5770</b>	<b>.88095</b>
Employee Performance		<b>3.4277</b>	<b>.78320</b>

*Note: N=Number, M=Mean, SD=Standard Deviation*  
*Source: Own Survey, 2018*

#### **4.2.2 Transactional Leadership Style**

With regard to transactional leadership style and its dimensions, Table 4.5 above revealed that the overall transactional leadership has mean score and standard deviation ( $M= 2.8673$ ,  $SD= 0.70864$  ) and from transactional dimensions Contingent Reward was the highest mean and standard deviation score ( $M=3.1352$ ,  $SD=0.93868$ ) followed by Management by Exception-Active with mean and standard deviation score value ( $M=2.8648$ ,  $SD=0.92723$ ) and lastly, Management by Exception-Passive was the least mean and standard deviation score which attained ( $M=2.8396$ ,  $SD=0.90894$ ). Based on these results, contingent reward was more implemented than other dimensions from transactional leadership style. The indicators of contingent rewards can be where the leader provides assistance in exchange for employee efforts and express satisfaction when expectations achieved. As described by Bass & Riggio, (2006) it can be both transformational when a reward is psychological like praise and transactional when reward is material like a bonus.

According to Avolio (1999) Contingent rewards are an important leadership instrument in transactional area; they result in bringing followers and group to perform up to standard. From the mean score and standard deviation results of this study we can say that contingent reward was the most frequently exercised dimension from transactional leadership style. Managers who use the contingent reward leadership show the standards and encourage their employees to perform well because the leaders will let their employees know the rewards they will receive if their performance level is high or more than expectation. Subordinates are promised rewards for good performance but if the performance is bad they will receive the punishment (Avolio, 1999).

In other hands, the mean score values of Management by exception-passive was the least score from the three dimensions of transactional leadership. The Management by exception-passive is the descriptive of the leaders who cannot take action until problems become serious and it was explained by Bass and Avolia (2000) as when managers using this leadership style adhere to the opinions that if it isn't broken, don't fix it and corrective actions are most of the time punitive.

#### **4.2.3 Laissez-faire Leadership style**

As it can be observed in Table 4.5 above, laissez-faire leadership style had the least mean score of all leadership styles ( $M=2.5770$ ,  $SD=0.88095$ ). This shows less representation of laissez-faire

leadership styles and leaders exhibited laissez-faire leadership style though to a lesser extent than transformational and transactional leadership styles. As indicated by Northouse (2013) that laissez-faire leadership is a type of leadership style in which leaders are hands-off and allow group members to make the decisions. In other hands, this leader abdicates responsibility, delays decisions, gives no positive or negative feedback, and makes little effort to help followers satisfy their needs.

In general, when the mean score and standard deviation of the three leadership styles compared to each other, the overall transformational leadership had the highest score of  $M=3.3204$ , overall transactional leadership had score of  $M=2.8673$  and laissez-faire leadership style has mean score of  $M=2.5770$ . As observed from the mean score results, comparatively the most frequently used leadership style was transformational leadership style followed by transactional leadership style and laissez-faire was the least frequently used. This implies transformational leadership style is the dominantly exercised in the sectors.

#### **4.2.4 Employee Performance**

As shown in table 4.5 above, the mean score and standard deviation results of employee performance were 3.4277 and 0.78320 respectively based on the measurement set for employee performance. The mean score result of employee performance was higher than the mean score of overall leadership styles. The overall mean score of transformational had more related to this result. Mathis & Jackson (2009) associated employee performance with efficiency of the work completed, effectiveness of work completed, quantity and quality of output, timeliness of output and that employee performance is the successful completion of tasks by individual or groups

Whether leaders' in the Economic sectors exercised the dimensions of the three leadership styles in most effective way or not the current study mean score compared with Bass and Avolio (2004) suggested ideal level validation mean score. For the most effective leadership style, suggested mean scores for research validation norms were considered to compare mean score results obtained from this study. The suggested level for effective leadership style dimensions are shown in table 4.6 below.



Table 4.6: Comparison between Validation Norms and Mean Result of the study

Leadership Dimensions	Validation Norm (Mean)	Mean result of this study
Idealized Influence (Attributes)	2.66	3.2248
Idealized Influence ( Behavior)	3.21	3.2296
Inspirational Motivation	3.08	3.3040
Intellectual Stimulation	3.12	3.1101
Individualized Consideration	2.87	2.9230
Contingent Rewards	3.08	3.1352
Management by Exception-Active	2.43	2.8648
Management by Exception-Passive	1.23	2.8396
Laissez-faire Leadership	0.88	2.5770

Source: Bass and Avolio (2004) & own survey, 2018

In accordance with the ideal suggested level for the most effective leadership style mean score, transformational leadership dimensions validation norms were: Idealized Influence-Attributes 2.66, Idealized Influence- Behavior 3.21, Inspirational Motivation 3.08, Intellectual Stimulation 3.12 and Individualized Consideration 2.87 values. The mean scores of transformational leadership dimensions obtained in this study were ranges from 2.9230 to 3.3040. From those ranges, Idealized influence-attributes mean score 3.2248, Idealized influence- behavior 3.2296, Inspirational motivation 3.3040, Intellectual stimulation 3.1101 and Individualized consideration 2.9230 mean score values.

The comparison between the mean score results above revealed that, the mean scores of all transformational leadership dimensions were more than validation norms except for intellectual stimulation. This shows leaders in economic sectors were applying transformational leadership behavior more than the level of ideal suggestion of Bass and Avolio (2004).

The effective transactional leadership dimensions suggested ideal level were 3.08 mean score value for Contingent Rewards, 2.43 mean score for Management by Exception-Active and 1.23 mean score for management by exception-Passive. The mean scores obtained in this study were: for contingent rewards 3.1352, management by exception-Active 2.8648 and management by

exception Passive 2.8396 values. From this mean score, we can observe that all of dimensions of transactional leadership are more than the range of ideal suggestion. This implies that leaders applied more level of transactional leadership style when compared with the ideal suggested level. But, the validation norm mean score value set for management by exception-passive- was very less relatively to other dimension and in case of this study, it was high and which needs special attention to make lower exercise of this dimension.

According to Bass and Avolio (2004) the validation norm mean score set for laissez-faire leadership was 0.88. Whereas, in this study the results of laissez-faire leadership style mean score was 2.5770 and which is greater than the ideal suggested level. This shows laissez-faire leadership style was exercised above the ideal suggested level.

### **4.3 Correlation Analysis**

A correlation analysis was performed to determine if there were any relationships between the independent variables (Transformational, Transactional and laissez-faire leadership) and the dependent variable (employee performance). To analyze the relationship between variables descriptive techniques are used. As described by Amin (2005) descriptive statistics provides us with the techniques of numerically and graphically presenting information that gives an overall picture of the data collected. To analyze data Pearson's correlation analysis was used and the correlation is significant at 0.05 values.

In order to interpret the results of the correlation there are standards. According to Somekh and Lewin (2005) the criterion for evaluating the magnitude of a correlation was as follows: If the correlation coefficient ( $r$ ) 0.01 - 0.29 the strength of relationship is weak, when correlation coefficient ( $r$ ) 0.30 - 0.49 the relationship is medium/moderate and when the correlation coefficient ( $r$ ) 0.50 - 1.0, the strength of relationship is strong.

The negative sign indicates that as the score of one variable increase, the score of the other variable decreases. A correlation coefficient of 1 or -1 indicates the strong relationship and the Pearson correlation coefficient (r) of zero or if it is very close to zero, it shows as there is no relationship/very weak relationship between variables. So, the correlation results of this study are analyzed based on the above correlation coefficient standards of Somekh and Lewin.

### 4.3.1 The Relationship Among leadership styles

There is relationship among the leadership styles (transformational, Transactional and Laissez-faire). As shown in table 4.7 below, the transformational leadership has relationship with both transactional and laissez-faire leadership with  $r = 0.529$  and  $.357$  respectively. In other hands, transactional leadership has a relationship with laissez-faire with  $r=0.454$ . When their relationship compared, the relationship between transformational and transactional leadership is higher than the relationship between transactional and laissez-faire, Lastly the relationship between transformational and laissez-faire were the least  $r=0.357$  when compared with others.

Table 4.7: *Correlations among Leadership Styles*  $N=159$

Leadership Styles	Transformational	Transactional	Laissez-fair
Transformational leadership	1		
Transactional leadership	.529**	1	
Laissez-fair Leadership	.357**	.454**	1

\*\* Correlation is significant at the 0.05 level

Independent Variables: Transformational, Transactional and Laissez-faire

Source : own survey,2018

Therefore, transformational and transactional leadership style had strong relationship with  $r=0.529$  and the relationship between transactional and laissez-faire was moderate (medium) with  $r= 0.454$ , the relationship between transformational and laissez-faire was slightly moderate with  $r= 0.357$  value.

### 4.3.2 The Relationship between Transformational and Employee Performance

As indicated in table 4.8 below, the relationship between overall transformational leadership and employee performance was highly correlated with  $r = 0.693$ , which shows as there was strong relationship between the overall transformational leadership style and employee performance. According to Meyer & Botha (2000) transformational leadership is more strongly correlated with employee performance.

Table 4.8: *Correlation between Transformational Dimensions and EP (N=159)*

S.N	Transactional dimensions	1	2	3	4	5	6
1.	Idealized influence (attribute )	1					
2.	Idealized influence (Behavior)	.612**	1				
3.	Inspirational Motivation	.583**	.641**	1			
4.	Intellectual stimulation	.622**	.697**	.763**	1		
5.	Individual consideration	.746**	.565**	.590**	.592**	1	
6.	Employee Performance	.526**	.591**	.625**	.680**	.487**	1

*Dependent Variable: Employee Performance*

*Independent Variable: Transformational leadership*

*Source: Own Survey, 2018*

As described in table 4.8 above, there was also relationship between transformational leadership dimensions and Employee performance. The relationship between Intellectual stimulation and employee performance was more correlated than other dimensions with  $r = 0.680$  followed by Inspirational motivation  $r = 0.625$  result. The third and fourth were Idealized influence (behavior) and Idealized influence-attribute  $r = 0.591$  and  $r = 0.526$  respectively. Lastly, the relation between Individual consideration and employee performance shows the least with  $r = 0.487$  and which can be categorized in the moderate/medium relationship.

As summary, the correlation between overall transformational leadership and employee performance was strong ( $r=0.693$ ) and the correlation between transformational dimensions and employee performance was also strong except, with individual considerations  $r=0.487$ , which is below 0.5 value.

### 4.3.3 The Relationship between Transactional and Employee Performance

As indicated in table 4.9 below, the relationship between overall transactional leadership style and employee performance was  $r= 0.626$ , which shows the strong relationship/correlation between the transactional and employee performance.

Table 4.9: *Correlation between Transactional leadership and EP (N=159)*

<b>Transactional</b>	<b>CR.</b>	<b>MBEA</b>	<b>MBEP</b>	<b>EP</b>
Contingent Rewards	1			
Management by Exception (Active)	.491**	1		
Management by Exception (Passive)	.401**	.448**	1	
Employee Performance Average	<b>.667**</b>	<b>.424**</b>	<b>.295**</b>	1

\*\* . Correlation is significant at the 0.05 level  
 Independent Variable: Transactional leadership  
 Source: *Own survey, 2018*

In other hands, each dimensions of transactional leadership have also relationship with the employee performance as shown in table 4.9 above. The relationship between contingency reward and employee performance was higher  $r= 0.667$  than others, followed by Management by exception active  $r= 0.424$  and Management by exception passive has the least  $r= 0.295$  correlation with employee performance. The indicators of the Management by exception passive are the leader who can't take corrective action until the problems become serious and this implies less contribution /weak relationship with employee performance.

In general, the relationship between overall transactional leadership style and employee performance was strong and dimensions result had differences. Thus, the correlation between contingent rewards and employee performance was strong, whereas, Management by exception-

Active has moderate and Management by exception-Passive has weak relationship with employee performance.

#### 4.3.4 The Relationship between Laissez-faire and Employee Performance

Table 4.10 below shows, the relationship between laissez-faire leadership style and employee performance was weak, because as the result indicates the coefficient rate  $r = 0.188$  and which is less than 0.30 value. In other hands, from the three leadership styles, laissez-faire has weak correlation with employee performance than others.

#### 4.3.5 The Relationship between Overall Leadership Styles and Employee Performance

Based on the results of the correlation analysis in table 4.10 below, the relationship between overall leadership styles (transformational, transactional and laissez-faire) and employee performance was strong with  $r = 0.673$  result, which is in between 0.5 - 1.0 value and categorized in the strong relationship.

Table 4.10: *Correlation between leadership styles and EP (N=159)*

<b>Variables</b>	<b>TF</b>	<b>TS</b>	<b>LF</b>	<b>EP</b>
Transformational leadership (TF)	1			
Transactional leadership (TS)	.529**	1		
Laissez-faire leadership (LF)	.357**	.454**	1	
Employee Performance (EP)	.693**	.626**	.188*	1

*Independent Variables: Transactional, Transformational and Laissez-faire*

*Dependent Variable: Employee Performance*

*Source: Own survey, 2018*

Generally, the results of correlation analysis indicated that transformational and transactional Leadership styles had strong and positive correlations with employee performance, whereas laissez-faire leadership style exhibited weak relationship with employee performance. Thus, the correlation between the laissez-faire leadership styles and employee performance are relatively lower than other leadership styles. All transformational leadership dimensions had strong relationship with employee performance except, the individualized consideration. From the transactional leadership dimensions contingent rewards has strong correlation with employee

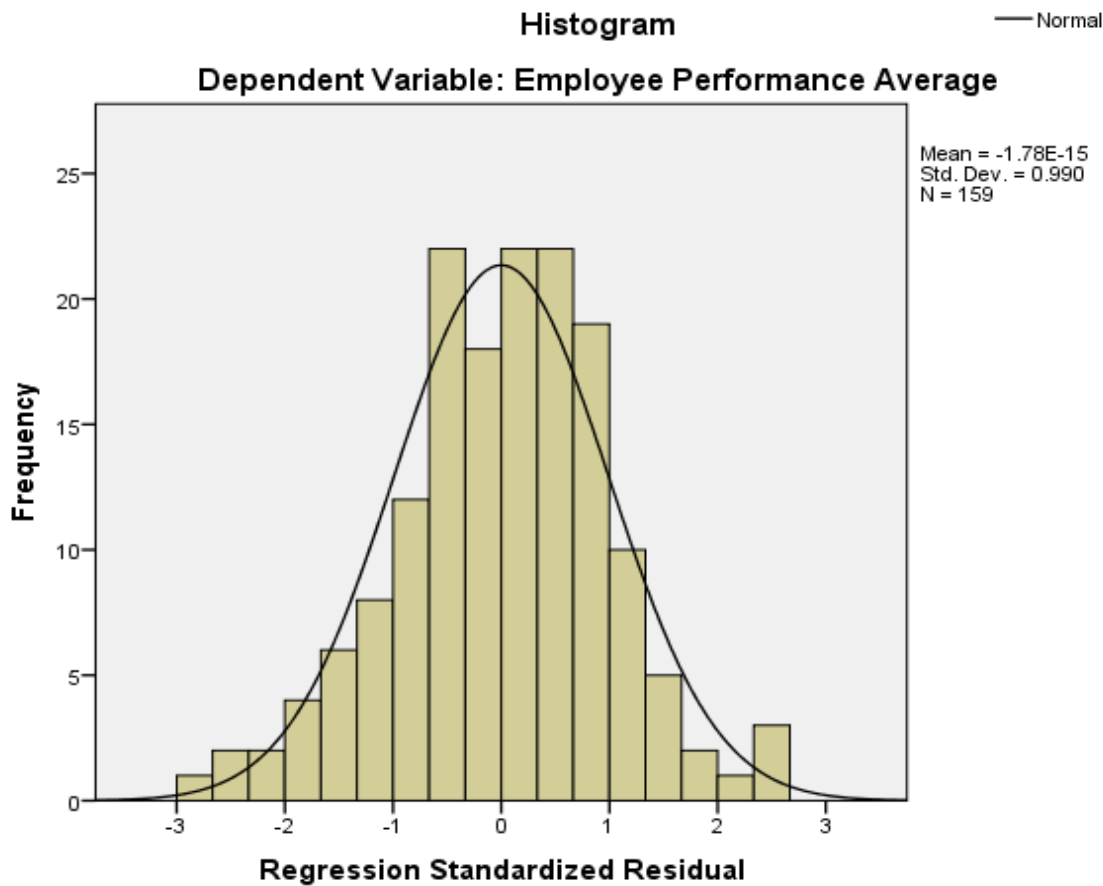
performance, the relationship between Management by Exception-Active and Management by exception-Passive with employee performance was moderate and weak respectively.

#### 4.4 Assumption Tests

Before applying the multiple linear regression analysis to test the effect of leadership styles on employee performance, some tests were conducted in order to ensure the appropriateness of data analysis as follows:

##### 4.4.1 Normality Test

The researcher used histogram method of testing the normality of the data. Histogram is bell shaped which lead to infer that the residuals (disturbance or errors) are normally distributed. The residuals should be normally distributed about the predicted dependent variable score. As shown on figure 4.1 below, dependent Variable is normally distributed for each value of the independent variables.

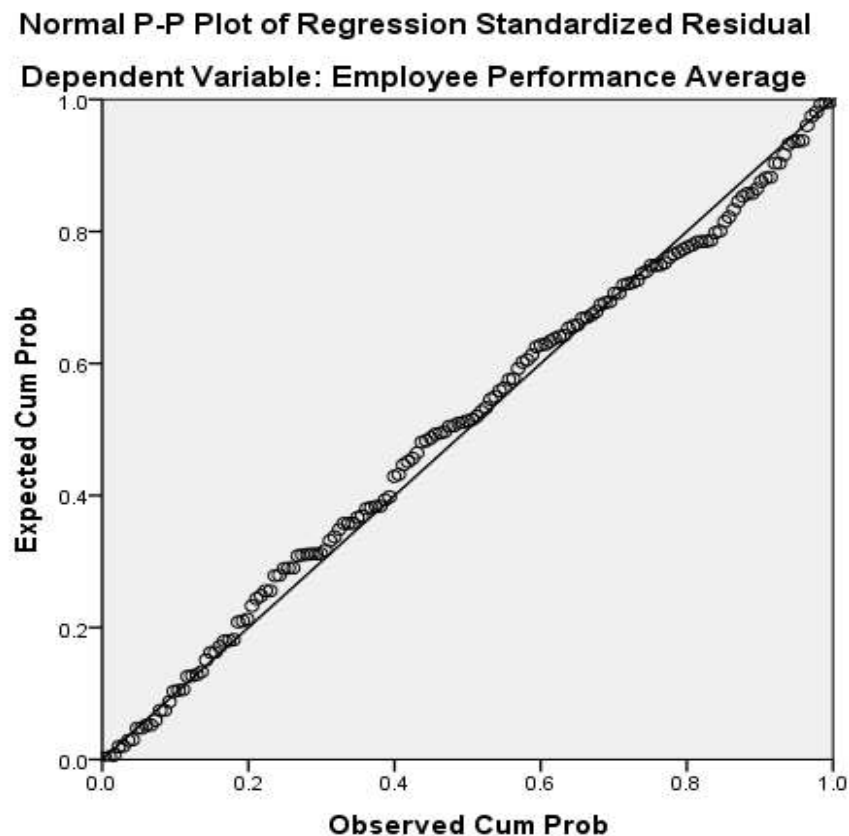


**Figure 4.1 :** The regression model assumption of normality in the study

#### 4.4.2 Linearity Test

Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variables. To determine whether the relationship between the independent variables; Transformational, Transactional and Laissez-faire leadership styles and dependent variable employee performance is linear; plots of the regression residuals through SPSS software had been used. In case of linearity, the residuals should have a straight line relationship with predicted dependent variable scores.

As shown on figure 4.2 below, the change in the dependent variable is more of related to the change in the Independent Variables. Therefore, there is no linearity problem on the data for this study and residual follow at straight line.



**Figure 4.2:** The regression model assumption of linearity in the study



### 4.4.3 Multicollinearity Tests

Multicollinearity can be checked by correlation matrix and Variance Inflation Factors (VIF). A correlation matrix is used to ensure the correlation between independent variables (Explanatory variables) and dependent variable to identify the problem of multicollinearity. In other hands, correlation matrix computing a matrix of Pearson’s bivariate correlations among all independent variables and the magnitude of the correlation coefficients. Whereas the Variance Inflation Factors (VIF) of the linear regression indicates the degree that the variances in the regression estimates are increased due to multicollinearity.

As Hair et al. (2006) argued that correlation coefficient below 0.90 may not cause serious multicollinearity problem. The result in table 4.7 above shows that, there is a correlation among the independent variables and the coefficient of correlation (r) ranged from .357 to .529 values. From those coefficients of correlations (r) the highest correlation is 0.529 and it is less than the stated standard by Hair et al. So, it can be concluded that there is no multicollinearity problem among the independent variables in the model based on the correlation matrix result.

In other hands, the Collinearity statistics shows Variance Inflation Factors (VIFs) ranged from 1.262 to 3.516 and tolerance values ranged 0.284 to 0.792 as described in table 4.11 below,

Table 4.11: *Collinearity Statistics*

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Transformational leadership	.313	3.198
Transactional leadership	.284	3.516
Laissez-faire leadership	.792	1.262

a. Dependent Variable: Employee Performance

b. Independent Variables: Transformational, Transactional, Laissez-faire

Source: Own survey, 2018

As stated by Field (2005) the Variance Inflation Factors (VIF) of the linear regression indicated the degree that the variances in the regression estimates are increased due to multicollinearity and VIF values higher than 10.0 shows as there is multicollinearity problem. In other hands, as

stated by Pallant (2007) Tolerance is a statistical tool which indicates the variability of the specified independent variable from other independent variables in the model and it has no multicollinearity problem if the tolerance is greater than 0.10 values. The results of Tolerance and VIF suggests that multicollinerarity is not suspected amongst the independent variables because the values of Variance Inflation Factors (VIF) are below 0.10 while the tolerance values are above 0.10

Thus, from an examination of the information presented in all the three tests (linearity, normality and multicollinearity tests), the researcher concludes that there is no significant data problem that would lead to say the assumptions of multiple regressions have been violated.

#### 4.5 Multiple Regression Analysis

Upon the completion of the correlation analysis and different model tests (linearity, normality, multicollinearity), regression analysis were run to find any association between the independent variables (leadership styles: transformational, transactional and laissez-faire leadership) and the dependent variable (employee performance). According to Hair.et al. (2007), multiple regression analysis is a form of general linear modeling and is an appropriate statistical technique when examining the relationship between a single dependent variable and several independent variables (predictors).

Table 4.12 below shows, the R value obtained by regression was .706 and the Adjusted R square value was .488 which means that 48.8% variations in employee performance have been explained by the leadership styles jointly and 51.2% was due to other factors.

*Table 4.12: Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.706 <sup>a</sup>	.498	<b>.488</b>	.56028

a. Predictors: (Constant) Transformational, Transactional, Laissez-faire leadership

b. Dependent Variable: Employee Performance

*Source: own survey, 2018*

The Analysis of Variance (ANOVA) results of the regression between predictor variables and employee performance shows that, the probability value of 0.000 ( $p < 0.05$ ) indicates the relationship was highly significant in predicting how transformational, transactional and laissez-faire leadership styles explain employee performance as shown in table 4.13 below.

*Table 4.13: ANOVA Results*

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	48.261	3	16.087	51.247	<b>.000<sup>b</sup></b>
Residual	48.657	155	.314		
Total	96.918	158			

Source: own survey result, 2018

In other hands, the P-value can explain the variation in the dependent variable. That is when the P-value is less than 0.05 the independent variables do a good job explaining the variation in the dependent variable. Whereas, when the P-value is greater than 0.05 then, the independent variables do not explain the variation in the dependent variable. To this effects, since P-value is 0.000 ( $p < 0.05$ ), leadership styles do a good job explaining the variation in the dependent variable (employees performance).

The Beta Coefficient (B) result shows the strength of the effect of each individual independent variable to the dependent variable (employee performance) as shown in table 4.14 below.

*Table 4.14: Multiple Regression Coefficients Result*

Model	Unstandardized Coefficients		Standardized Coefficient	Sig.	95.0% Confidence Interval	
	B	Std. Error	Beta ( $\beta$ )		Lower Bound	Upper Bound
(Constant)	1.177	.205			.772	1.583
Transformational	.539	.100	.547	0.000	.341	.738
Transactional	.247	.119	.222	0.039	.013	.481
Laissez-faire	-.097	.057	-.109	0.091	-.209	.016

*Note: B = Regression Coefficient,  $\beta$  = Standardized Coefficients,  
Dependent Variable: employee performance  
Source: owns survey result, 2018*

The Mathematical Model of multiple regressions below can be used determine the quantitative association between the variables:

$$Y = B_0 + B_1x_1 + B_2x_2 + B_3x_3$$

Where

$Y$  = dependent Variable,

$B_0$  = constant

$B_n$  = Coefficient

$x_n$  = represents the Independent Variables in the estimation model,

In other hands, based on the table 4.14 above, the Beta value (B) of transformational leadership is .539 which means that as transformational leadership increase by 1 percent, the employee performance will increase by 53.9% keeping the other factors constant. Similarly, the Beta value (B) of transactional leadership is .247 which implies that as transactional leadership increase by 1 percent, the employee performance will increase by 24.7% assuming the other variable is held constant. Lastly, the Beta value (B) of laissez-faire leadership style is -.097 which shows as laissez-faire leadership style increase by 1 percent, the employee performance will decrease by -9.7% keeping other factors constant.

Generally, based on the regression coefficient (B) results, transformational leadership can predict more employee performance than other styles followed by transactional leadership and as laissez-faire has negative prediction on employee performance keeping other factors constant.

Regression was also performed to find any effects between leadership styles and employee performance based on correlation coefficient (R), coefficient of determination value ( $R^2$ ) and P-value (Sig.) of the variables as shown in table 4.15 below.

Table 4.15: *Summary of Multiple Regression* (N=159)

Leadership styles	R	R <sup>2</sup>	t	Sig.	F	Sig.
Transformational	.693 <sup>a</sup>	.480	5.378	0.000	51.24	0.000 <sup>b</sup>
Transactional	.626 <sup>a</sup>	.392	2.082	0.039		
Laissez-faire	.188 <sup>a</sup>	.035	-1.698	0.091		

*Note:* R = Correlation Coefficient, R<sup>2</sup> = Coefficient Determination, t = t-value, Sig = P-Value,

*Source:* own survey result, 2018

The regression table above indicates, the transformational leadership has  $R^2$  value 0.480 and P-value 0.000 ( $< 0.05$ ) which shows that 48% of the employee performance can be explained by the transformational leadership style and the remaining balance of 52% was due to unexplained variables in this research. Hence, the regression model is useable for predicting how strong the effect of the transformational leadership is on employee performance. This implies that transformational leadership style was more important in explain employee performance than other leadership styles. In other hands, it has positive effect and statistically significant on predicting employee performance.

In the hypothesis of the study (H1): Transformational leadership has a positive effect on employee performance in economic sectors of Oromia National Regional State. Based on the regression result stated above, transformational leadership has positive effect on the employee performance and it has statistically significant to predict the dependent variable and this lead us to accept the hypothesis stated in chapter one. As previously described in the empirical literatures transformational leadership had positive effect on employee performance and this result of this study coincides with the result of most researchers. As an example, the research done by Celestine, A.A. (2015) at Bank of Africa Kenya, by Koech, M. (2012) on state corporations of Kenya, by Raja and Palanichamy (2015) on public and private sector enterprises in India, Rassol et al. (2015) on health sectors of Pakistan, Muzaffar (2015) in the concerned Banking organizations of India, Pradeep and Prabhu (2011) and Vincent, M. (2014).

The regression analysis of transactional leadership style and employee performance shows that  $R^2$  value 0.392 and P-value 0.039 ( $p < 0.05$ ) describing that 39.2% of changes in employee performance was due to transactional leadership style, while 60.8% change was due to unexplained variability. In other hands the transactional leadership has positive effect and statistically significant in the prediction of employee performance. As stated in the hypothesis study (H2): Transactional leadership style has positive effect on employee performance in economic sectors of ONRS. Based on the regression results of transformational leadership  $p = 0.039$  ( $p < 0.05$ ) and since it has positive effect on employee performance, therefore the hypothesis test of (H2) was accepted.

Similarly, the previous studies in the empirical concept shows transactional leadership style has positive effect and statistically significant with the employee performance and they are coincides with the result of this study. For example the study done by Koech, M. (2012), Raja and Palanichamy (2015), Seblewongel, S. (2016), Celestine Awino (2015) coincides with the result of this study.

The regression analysis of laissez-faire leadership style and employee performance shows that  $R^2$  value .035 , P-value 0.091 ( $p > 0.05$ ) and Beta coefficient (B) of -.097 values describing that 3.5% of changes in employee performance was due to laissez-faire leadership style, while 96.2% change was due to unexplained variability. In other hands the laissez-faire leadership has negative effect and statistically insignificant in the prediction of employee performance. So, this revealed that laissez-faire leadership style was the least important in predicting employee performance than the two leadership styles (transactional and transformational). As stated in hypothesis (H3): Laissez-faire leadership has a positive effect on employee performance in Economic sectors of Oromia National Regional State and Based on the regression results of laissez-faire leadership the hypothesis (H3) was rejected. Therefore, Laissez-faire leadership style has weakly correlated, statistically insignificant and negative to predict the employee performance.

Lastly, as described above the overall leadership styles (transformational, transactional and laissez-faire) had effects on employee performance and the stated hypothesis (H4) was also accepted. Because the result of the regression analysis shows as the overall leadership styles had effects and statistically significant ( $p < 0.05$ ) on employee performance in economic sectors of Oromia National Regional State and it was supported by previous researches like the study by Mohammed, et al. (2014); by Babatunde and Emem (2015) which revealed as there is significance relationship between leadership styles and employees' performance in the attainment of organization goals and objectives.

Overall based on the mean score, correlation and regressions results transformational leadership style is dominant highly correlated and has more effect on employee performance in economic sectors.

# CHAPTER FIVE

## SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter contains the summary of major findings, conclusions and recommendations which are assumed to be useful to enhance the employee performance of economic sectors of ONRS and for other concerned bodies.

### 5.1 Summary of Major Findings

The main objective of the study was to examine the effect of leadership styles (transformational, transactional and laissez-faire) on employee performance in Economic Sectors of Oromia National Regional State.

Transformational leadership style had the largest mean score  $M=3.3204$  followed by transactional with mean score  $M=2.8673$  and laissez-faire has the least mean score  $M=2.5770$ . Likewise, from the transformational leadership dimensions, Inspirational Motivation had the largest mean score followed by Idealized Influence-behavior and Idealized Influence-attribute respectively. The Next largest mean score was from transactional leadership dimensions, Contingent rewards followed by the other dimensions from transformational leadership Intellectual stimulation with and Individual considerations. Management by Exception Active and Management by Exception Passive are the second and lowest mean score from transactional leadership dimensions respectively. The mean score of employee performance ( $M= 3.4277$ ) was greater than the mean score of overall leadership styles.

In accordance with the ideal suggested level for the most effective leadership style mean score suggested by Bass and Avolio (2004), transformational leadership dimensions validation norms were ranged from 2.9230 to 3.3040. The transactional dimensions ranged from 2.8396 to 3.1352 mean score values and 2.5770 for laissez-faire. So, the mean scores of all transformational and transactional leadership dimensions were more than the ideal suggestion mean score level.

The correlation between overall leadership styles and employee performance was  $r=0.673$  which is categorized in the strong relationship. Both transformational and transactional leadership styles and employee performance had strongly correlated with employee performance while, laissez-faire leadership style has weak relationship.

The relationship between Intellectual stimulation and employee performance was stronger followed by Inspirational motivation. The third and fourth were Idealized influence-behavior and Idealized influence-attribute respectively. Lastly, Individual consideration has the least result and it shows moderate/medium relationship. Whereas, the correlation between overall transactional leadership style and employee performance was strong and the relationship with dimensions had differences. Thus, contingent rewards has strong, Management by exception- Active has moderate and Management by exception-Passive has weak relationship with employee performance.

Based on the examination of the information presented in linearity, normality and multicollinearity tests, there is no problem in assumption tests. Based on the regression results, 48.8% variations in employee performance have been explained by the leadership styles jointly and 51.2% was due to other factors. Similarly, based on the  $R^2$  values transformational has 48%, transactional has 39.2% of and laissez-faire has  $R^2$  value of 3.5% explained the employee performance and the remaining values or percentages are due to other factors.

The Analysis of Variance (ANOVA) results of the regression between Independent variables and employee performance shows the probability value of 0.000 ( $p < 0.05$ ) indicates the leadership styles were highly significant in predicting employee performance. Transformational and transactional leadership styles had strong, positive effect and statistically significant with the employee performance. Laissez-faire has weak relationship, negative effect and statistically insignificant with employee performance. So, based on the regression results of the study the first two and the fourth hypothesis are accepted, whereas the third (H3) is rejected.

The beta coefficient value of transformational leadership style is .539 which shows as transformational leadership increase by 1 percent, the employee performance will increase by 53.9% keeping the other factor constant. Similarly, as transactional leadership increase by 1 percent, the employee performance will increase by 24.7% and as laissez-faire leadership style increase by 1 percent, the employee performance will decrease by 9.7% keeping other factors constant.



## **5.2 Conclusions**

Based on the major findings of the study, the following conclusions were drawn:

Transformational leadership has the largest mean score, strongly correlated with employee performance, more changes of employee performance are due to transformational and it can predict more employee performance than others, has positive effect and statistically significant. So, it can be concluded that comparatively transformational leadership style was the most frequently used in economic sectors and has positive effect on employee performance.

Transactional leadership style has the second largest mean score next to transformational leadership, has strong relationship with employee performance, can explain and predict employee performance. Therefore, it can be concluded that transformational leadership has positive effect on employee performance in economic sectors.

Laissez-faire has weak relationship with employee performance, is the least to explain employee performance, statistically insignificant and has negative effect to predict employee performance. So, it can be concluded that laissez-faire leadership style has negative effect on employee performance and that is the indicator of the leader who can't respond urgently, unable to take obligations, absent when needed and employees take their own decision to manage crisis situations.

The findings of this research shows transformational leadership had high mean score, highly correlated had positive effect and statistically significant with employee performance. So, we can conclude that transformational leadership style is the dominant leadership style in the sectors. Generally, Transformational and transactional leadership had positive effect and statistically significant with employee performance. However, Laissez-faire has negative effect and statistically insignificant with employee performance. Therefore, we can conclude that leadership styles had effects on employee performance.

### **5.3 Recommendations**

Based on the findings and conclusions of the study, the following recommendations are suggested:

It is advisable for economic sector leaders to encourage more transformational leadership style to improve organizational performance. Additionally, it is recommendable that the leaders strive to become role models for their subordinates specially focusing on intellectual motivation by stimulating creativity and innovative, stimulating the followers/employees to develop their own abilities. Likewise, individual considerations should be considered by leaders to enhance the employee performance of organization via paying special attention to each individual follower's need for achievement and growth by acting as a coach.

Transactional leadership was the second dominant leadership style in the economic sectors of ONRS. Therefore, the researcher would like to recommend the leaders of economic sectors to formulate and implement effective reward and recognition systems properly. So, it is advisable for the leaders to reward or give recognition for those who accomplish their performance as expected or more than expectation to make them role model for others.

It is advisable for the leaders to avoid laissez-faire leadership style so as to improve organizational performance by becoming more involved in guiding their subordinates. So, the leaders should clarify expectations and provide goals and standards to be achieved for the followers; respond to urgent questions and make decisions promptly and precisely, should monitor and give feedback on time.

The researcher also recommends the economic sector managements and employees to have an organized experience for others, since the change in some sector can be a bench mark for other sectors to implement better leadership which can improve more employee performance.

## **5.4 Suggestion for the future Research**

The current study examined the effect of leadership styles on employee performance in Economic sectors of Oromia National Regional State and the researcher suggested the following titles for further researches.

- The researcher recommends for further researchers in the target area and sample size with broader scope of economic sector structures up to the lower level (i.e. zonal, town administrations and Woreda level); In addition, the future researcher should focus on other organizations-be it government sector or private sectors.
- The high level of employee performance was due to leadership styles, but there are still other factors that would affect employee performance. Future research could focus on other factors that might also affect employee performance and not only the few leadership styles (to include other leadership styles and other leaders behavior variables);
- To identify the Effect of leadership styles on employee performance by using other methodologies and data collection instruments like interview, reviewing different years' performance progress what this study never addressed;
- The study suggests that further research is better to choose a longitudinal research design to examine the cause and effect relationship between different leadership styles and employee performance;

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# APPENDIX - QUESTIONNAIRE

JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

MASTERS OF BUSINESS ADMINISTRATION -MBA PROGRAM

Questionnaires filled by respondents

**Dear Respondents!**

My name is *Getu Hunduma* and I am currently a graduate student at Jimma University, college of business and Economics, Masters of Business Administration (MBA) summer program. My thesis is entitled, “*The Effect of Leadership Styles on Employees Performance: Case Study in Economic Sectors of Oromia National Regional State*”.

My purpose is not to evaluate individual managers, process owners, team leaders or employees: rather it is to investigate and to gain insight of how certain leadership styles have a distinctive effect on organizational performance. Without your response to these questions, it is impossible to achieve the objective of the research. Hence, you are kindly requested to provide your genuine response. Your response is anonymous /nameless and will only be used for academic purpose.

The questionnaire has three parts. **Part I** deals about demographic characteristics, **part II** leadership styles and **Part III** Employees Performance.

*Please tick (✓) your preferences.*

*Thank you for your cooperation and timely response in advance!!*

## Part I: Personal Information

1. Sex :

Male  Female

2. Age :

20 to 30 years  31 to 40 years

41 to 50 years  51 and above

**3. Educational Background :**

Diploma	<input type="checkbox"/>	First Degree	<input type="checkbox"/>
Master's Degree	<input type="checkbox"/>	PhD	<input type="checkbox"/>

**4. Your current work position**

Vice head	<input type="checkbox"/>	Advisor	<input type="checkbox"/>
Communicator (PR)	<input type="checkbox"/>	Process owner	<input type="checkbox"/>
Team leader	<input type="checkbox"/>	Expert	<input type="checkbox"/>

**Part II: Questions related to Leadership Styles**

The following section is about leadership styles. Please tick your preferences on the 5 point Likert scale prepared for this purpose.

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

S. N	Questions/Descriptive statements	Not at all (1)	Once in a while (2)	Some times (3)	Fairly often (4)	Frequently, if not always (5)
<b>My leader /supervisor:</b>						
1	Acts in ways that build my respect					
2	Helps me to develop my strengths					
3	Express a sense of power and confidence					
4	Spends time on teaching and coaching					
5	Goes beyond self-interest for the good of the group					
6	Treats me as an individual rather than just as member of a group.					
7	Instils pride in me for being associated with him or her					
8	Considers me as having different needs, abilities, and aspirations from others					

9	Emphasizes the importance of having a collective sense of mission					
10	Provides me with assistance in exchange for my efforts					
11	Specifies the importance of having a strong sense of Purpose					
12	Expresses satisfaction when I meet expectations be achieved					
13	Considers the moral and ethical consequences of decisions					
14	Makes clear what one can expect to receive when Performance goals are achieved.					
15	Talks about his or her most important values and beliefs					
16	Discusses in specific terms who is responsible for achieving performance targets					
17	Articulates a compelling vision of the future					
18	Directs my attention toward failures to meet standards					
19	Talks optimistically about the future sense of mission.					
20	Focuses attention on irregularities, mistakes, exceptions, and deviations from standards					
21	Talks enthusiastically about what needs to be accomplished.					
22	Keeps tracks of all mistakes.					



23	Gets me to look at problems from many different angles					
24	Concentrate his or her full attention on dealing with mistakes, complaints, and failures					
25	Suggests new ways of looking at how to complete assignments.					
26	Demonstrates that problems must become chronic before taking action.					
27	Seeks differing perspectives when solving problems					
28	Interfere when problems become serious					
29	Re-examines critical assumptions to question whether they are appropriate					
30	Avoid getting involved when important issues arise					
31	Responding to urgent questions					
32	Is present when needed					
33	Is making decisions properly					

**Part III: Questions related to Employees Performance:**

No	Questions/Descriptive statements	Not at all (1)	Once in a while (2)	Some times (3)	Fairly often (4)	Frequentl y, if not always (5)
34	I am doing more than I expected to do					
35	I am effective in meeting my job related needs					
36	My desire is succeed to Heightsens					

37	I am effective in meeting organizational performance					
38	I increases my willingness to try harder					
39	A group I am belonging is effective					
40	I am Working in satisfying way					
41	I am satisfying on methods of leadership					
42	I am representing to higher authority					

*Source: Bruce Avolio & Bernard Bass (2004)*