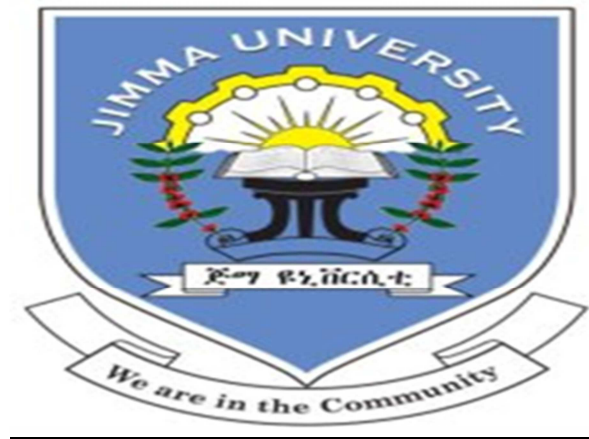


*Effect of leadership style on employee performance: In the case of  
Pharmaceutical fund and supply agency south western Jimma cluster  
Ethiopia.*

*A Thesis Submitted to the School of Graduate Studies of Jimma  
University in Partial Fulfillment of the Requirements for the Award of  
the Degree of Master of Public Management (MPM).*

**BY: AYALEW ASSEFA MOLA**



**JIMMA UNIVERSITY  
COLLEGE OF BUSINESS & ECONOMICS  
MPM PROGRAM**

**JUNE, 2019  
JIMMA, ETHIOPIA**

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*By: Ayalew Assefa Mola*

**Under the Guidance of Dr. GirmawAssemie**

**Mrs. GadisseAmensisa**



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## **DECLARATION**

This is to certify that the thesis entitles “Effect of leadership style on employee performance: In the case of Pharmaceutical fund and supply agency south western Jimma cluster Ethiopia”, has been carried out by me under the guidance and supervision of main advisor Dr. Girmaw Assemie and co-advisor Mrs. Gadsisse Amensis.

The thesis is original and has not been submitted for the award of any University or institutions for a similar or any other degree award.

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Mrs. Gadsisse Amensis	_____	_____

## CERTIFICATE

This is to certify that the thesis entitles “Effect of leadership style on employee performance: In the case of Pharmaceutical fund and supply agency south western Jimma cluster Ethiopia”, submitted to Jimma University for the award of the Degree of Master of public Management (MPM) and is a record of research work carried out by Mr. Ayalew Assefa Mola, under our guidance and Supervision.

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

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Mrs. Gadisse Amensis	_____	_____

## ABSTRACT

*The main purpose of this study is to examine the effect of Leadership styles on employee performance. The study design for this study was both descriptive and explanatory. Depending on the nature of the research problem and the research perspective, researcher guided by mixed research design that is qualitative and quantitative approaches. By using proportional allocation, the sample sizes for different strata are 43, 38 and 29 respectively which is in proportion to the sizes of the strata viz., Jimma 59 : Neqemte 53 : Gambella 39. The study data were collected from both primary and secondary data sources. To collect the primary data the study used questionnaire as instrument of data collection. The data obtained through questionnaire first edited for their completeness, categorized, registered. Based on this the data were analyzed using descriptive and inferential statistical analysis techniques. The study used SPSS software package in the entire analysis part. The results from the regression model summary and analysis of variance above indicate that autocrat, laissez-faire, transformational, transactional and democratic leadership could slightly contribute towards the  $R^2$  value, which is a statistical measure of how close the data are to the fitted regression line Based on the  $R^2$  value of 0.795, these five variables could explain 79.5 % variation in the employee performance. The slop of autocrat, laissez-faire, transformational, transactional and democratic leadership which are -0.058, -0.051, .267, .367 and .335 means that employee performance changes (increases or decreases) by -0.058, -0.051, .267, .367 and .335 when autocrat, laissez-faire, transformational, transactional and democratic leadership respectively increases or decreases by 1. The findings showed that transformational, transactional and democratic leadership had a significant positive effects on the staff performance and performance was lead to increased and between these three, transactional leadership style is associated with higher relevant. Thus, this could suggest as transactional leadership commonly practiced style and relationship exists between employee performance and leadership styles (democratic, transactional and transformational) on the study area. The researcher recommended that the Cluster would advocate for the better employee performance that uses different leadership styles depends on the situation of organizational goals and followers.*

**Keywords:** *Autocrat leadership, Laissez-faire leadership, Transformational leadership, transactional leadership and employee performance.*

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## **ABBREVIATIONS**

**FDREG:** Federal Democratic Republic of Ethiopia Government

**NGO:** Non- government Organization

**PFSA:** Pharmaceuticals Fund and Supply Agency

**SWC:** South Western Cluster

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the study

Leadership is a special type of influential activity. It may be seen in effect in all kinds of social situations, and it is especially apparent where the situation demands that people work together toward common goals. In Organizations, leadership is a managerial activity the purpose of which is to direct the employees in one immediate chain of command toward the accomplishment of work goals. Leadership represents a combination of behaviors exhibited by one who occupies an elected, appointed, or designated position of influence in a social system. Leadership behavior is therefore officially sanctioned either formally or informally and the leader is looked to for guidance and direction by those who recognize in his or her power.

The term leadership therefore can be defined as the exercise of influence in a social situation in which the followers' (influences) attribute leadership qualities to the leader (influencer). Leaders are leaders because other people view them as such. It must be noted that not all leaders are effective managers and not all managers are effective leaders. In other words, leadership has been described as a process of persuasion where the leader (or team of leaders) act as an example for a group in order to motivate and induce the group to pursue the objectives of the leader and the organization. In this regard, it is important to realize the culture of their working environment. They are integral parts of the system in which they arise yet dependent upon two-way communication with constituent and the forces that create the circumstances in which they emerge. In addition, leaders are accountable for the performance of their organization or the success of the government, which is dependent on employee's productivity. The role of leadership in management is largely determined by organizational culture of the company. It has been argued that manager's beliefs, values and assumptions are of critical importance to the overall style of leadership they adopt. (Maxwell, 2002) Says that 21<sup>st</sup> century leader is one who empowers others to be leaders. Managers and supervisors must know the techniques, challenges and benefits of facilitative leadership. According to him, "the old world was composed of bosses who told you what to do and think and made all the decisions. In the new world, no manager can know everything or make every decision now to be successful; a manager has to work in partnership and in collaboration with everyone, in order to tap everyone's ideas and intelligence.

Managers now are coach, counselors and team builders. Their job is to find people with talent and skill, and help them work together towards common goals. Leadership is influential processes which distinguish a leader by their actions, and also encourage a group of people to more towards a common or shared goal. A leader is an individual, while leadership is the function that the individual performs. Besides, an individual within an organization who have authority are often referred to as a leader, regardless of how they act in their job.

In society today, thousands of individuals are appointed or elected to shoulder the role and responsibilities of leadership. Leadership is practiced in schools and colleges, factories and farms, business enterprises, dispensaries and hospitals, in the civil and military organizations of a country and public life, at all levels, in short in every walk of life. These leaders should promote unity, harmony, strength, prosperity and happiness in society.

The challenges of coping with today's uncertain business environment have put many organizations on their toes to struggle for survival in the heat of competition. The driver of such strategic move towards surviving the competition is the leadership provided by managers who are expected to influence others in achieving organizational goals and also boost employee's performance. (Shafie, 2013) Explain the importance of leadership in organizations and especially on human beings who are apparently the biggest asset of any firm; "The main drivers of organizations are usually employees, they give life to the organizations and provide goals" (Shafie, 2013). It is very paramount to provide workers with direction and psychological satisfaction to get the best from them, this direction can only come from leaders. In fact, leadership is very critical for all organizations in realizing their set objectives. Since leadership is a key factor for improving the performance of many if not all organizations and the success or failure of an organization depends on the effectiveness of leadership at all levels. (Raja, 2012) is in support of this " Leaders play essential role in accomplishment of goals and boost employee's performance by satisfying them with their jobs" (p.55) Leadership is perhaps the most thoroughly investigated organizational variable that has a potential impact on employee performance (Cummings, 1973). "It is a vital issue in every organization primarily because the decisions made by the leaders could lead to success or business failure". Notably, it has been widely accepted that effective organizations require effective leadership and that employee

performance together with organizational performance will suffer in direct proportion to the neglect of this, (Fiedler F. E., 1988). Furthermore, it is generally accepted that the effectiveness of any set of people is largely dependent on the quality of its leadership – effective leader behavior facilitates the attainment of the follower’s desires, which then results in effective performance (Fiedler F. E., p. 1999)

This study reveals that leadership has a significant effect on workers’ performance and organization growth. Therefore, the researcher attempted to investigate the effect of leadership styles on employee performance in the South Westen Ethiopia, Jimma Cluster.

## **1.2. Statement of Problem**

Many reflections have been done on the issue of leadership in Africa. The main challenge to Africa’s development is the lack of an effective and cohesive leadership (Engueleguele, 2014). Leadership is a process of interaction between leaders and followers where the leader attempts to influence followers to achieve a common goal (Northouse, 2010). Organizational achievement depends on the leaders of the organization and their leadership styles. By adopting the appropriate leadership styles, leaders can affect employee’s job satisfaction, commitment and productivity of their work (Engueleguele, 2014). As stated by many authors and scholars, leaders play a great role in accomplishment of the organizational goals and boost employee's performance by satisfying them with their jobs and it became the core issues in worldwide today. This means that the leader is responsible for the harmonization and integration of both human and material resources to produce the output or services. The success of organization depends on the leader's ability to optimize human resources.

In quite recent times, research studies conducted on the effect of leadership style on employee performance by (Sharfie, 2014) confirmed that employee performance is greatly influenced by leadership styles. Moreover, (Al-Hussami, 2008) further suggested that transformational leadership has a higher positive effect on employee job performance.

It has been widely accepted that effective organizations require effective leadership and that Organizational performance will suffer in direct proportion to the neglect of this (Fiedler, F.E. and House, R.J., 1988). Furthermore, it is generally accepted that the effectiveness of any set of people is largely dependent on the quality of its leadership. Effective leader behavior facilitates



the attainment of the follower's desires, which then results in effective performance (Fiedler, F.E. and House, R.J., 1988). Leadership is perhaps the most investigated organizational variable that has a potential impact on employee performance (Cummings, L.L. and Schwab, D.P, 1973). A large body of empirical evidences have demonstrated that leadership behaviors influence organizational performance that strong leaders outperform weak leaders, and that transformational leadership generates higher performance than transactional leadership (Bums, 1978); (Bass B. , 1990); (Howell and Avolio , 1993). (Kirkpatrick S. A and Locke E. A, 1996), Identified many studies reporting positive relationships between leadership and performance.

Many scholars have investigated on effect of leadership style on employee performance. For example, Recent leadership studies have continued to affirm the positive relationship between transformational leadership and performance at various levels ( (Dumdum U. R, Lowe K. B, Avolio B. J, 2002); (Munirat Yusuf, 2017) study findings Concluded that an investigation of the possibility of a significant relationship between leadership style and performance and leadership styles affect subordinates morale, intrinsic satisfaction, motivation, one should expect a highly significant predictor. (Alemu &Getnet 2017) Concluded that the importance of leaders whose behaviors/styles increase job satisfaction and ensure organizational effectiveness. On the other way, leadership positions in Ethiopia public institutions should understand and acquire the skills of transformational leaders.

According to Jember, 2015 pointed out that the democratic leadership style is not really practiced in government institutional and also the laissez-faire leadership did not exist. Similarly, he reached that there was high confusion in an actual practice of leadership due to many leaders are autocrat yet employees practice democratic leadership.

According to Duncan (2014) several researchers have found out that the blend of both the transformational and transactional leadership styles will be the best leadership style in today's ever changing world. Due to some dominant contextual operations, the kind of leadership style may differ in context. In this regard, this study focused on examining the leadership style on employee performance in the Public Sector of Pharmaceuticals Fund Supply Agency of Jimma Cluster.

Therefore the intention of the researcher was to find out how far the leadership styles become parameters impacting employee motivation and commitment and their performance in these selected organizations which are of repute world-wide. The researchers understand the problem existing in agency from lack of commitment of employee and servants' grievances, source: Application of employees on grievances committee, one to five network, semi-annual and Annual meeting of the Agency, Source: Meeting report of management record agenda and Department report. Standing from this ground the researcher is aim to investigate the effects of leadership style on employee's performance in Jimma PFSA cluster. The results of the study would equip the organizational leadership to determine which styles to adopt so that the employees are more committed, performed and motivated and hence have a much better engagement and connect with the organization. Adoption of the appropriate style will help induce trust and loyalty for the organization.

### **1.3. Research Questions**

1. What is the leadership styles being practiced in PFSA Jimma Cluster?
2. What are the kinds of relationships between the leadership styles and employees performance?
3. What are the effects of leadership style on employees' performance?

### **1.4. Objectives of the study**

#### **1.4.1. General objective of the study**

The main objective of the study was to investigate effect of the leadership styles on employees' performance.

#### **1.4.2. Specific Objectives**

The specific objectives of this study are to:

1. Identify the leadership styles being practiced in PFSA Jimma Cluster.
2. Investigate the relationships between the leadership styles and employees performance.
3. Examine the effects of leadership style on employees' performance.

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

The results of the study would equip the organizational leadership to determine which styles to adopt so that the employees are more committed and motivated and hence have a much better engagement and connect with the organization. Adoption of the appropriate style will help induce trust and loyalty for the organization. This, in turn, will help organizations deal better with the challenge of employee retention in the fast growing corporate world.

Inevitably, this study has contributed to the growing body of research on antecedents to leadership styles and employee performance by examining the five important leadership styles and its effect on employee performance. It is believed that this study would have added value to the literatures with serving it as a base line data for other researchers those do their research on the same or related topics. And also, the research would also help the researcher through enriching the goals.

### **1.6. Scope of the Study**

This study was investigating effect of leadership styles on employee's performance. As a result, this study was curbed to PFSA South Western Ethiopia including Nekemte and Gambella hubs. The studies focus on the leadership styles and employee performance in permanent and temporary employees. Therefore, any term found in this study should be interpreted in relation to the leadership styles and employee performance of PFSA South Western Ethiopia, Jimma Cluster. The study was also delimited to the time frame and budget breakdown which was proposed for this study.

### **1.7. Limitation of the study**

Researches give a lot of contributions but it has limitations as well were encountered and should be addressed in future research. Limitation of the paper was the wide geographically coverage's of the study areas in the cluster. As a result it was take long time of data collection from the three branches in the cluster. The second limitation of this study is that there is no research undertaken previously, especially on effects of leader ship style on employees' performance in Ethiopian context Pharmaceuticals institutions and limitation of related review literature and some questionnaires were not collected due to lack of willingness to provide the response.

## **1.8. Organization of the study**

This study contains a total of five chapters. The contents of the chapters presented as follows: Chapter one presents introduction part of the paper. This chapter includes background of the study, the statement of problem, objectives, significance, scope, limitations and how the whole thesis is organized or structured. Chapter two presents review of related literature: This chapter consists of review in detail the literature available in the area leadership style regards to varied leadership styles and employee performance. Chapter three provides the research design and methodology part of the study. This chapter describes different aspects of the methodology that used in the study. Chapter four presents results and analysis of findings. Finally, chapter five presents summaries of major findings, conclusions, recommendations of the paper.

## **CHAPTER TWO**

### **LITRATURE REVIEW**

#### **2.1. Introduction**

The purpose of this chapter is to review the literature in the area of organizational leadership styles. This review of literature establishes a framework, which can guide the study. This chapter is structured along several themes, such as definitions of leadership in general, the important of effective leadership, personal traits of effective, how does leadership affect employee performance and the relationship existing between leadership and employee performance. This section in general is divided in to two separate parts: Theoretical and empirical framework of the study.

#### **2.2. Theoretical concepts of leadership**

Demand for great leaders is growing in modern times, as society and technology is becoming increasingly advanced. The ever changing business environment has created a need for leaders who can meet the demands and challenges of organizations functioning in complex competitive environments, with the world open for trade. There are many ways of looking at leadership, and many interpretations of its meaning, but essentially it is a relationship through which one person influences the behavior or actions of others people. The changing nature of business organizations has placed increasing importance on leadership. The discussion in this chapter initially describes the nature and definition of leadership. Leadership is then discussed in terms of traditional to the new leadership approaches. Traditional leadership theories are discussed in terms of the trait theory, behavioral approaches and situational/contingency approaches. Then the full range leadership development theory, which consisted of three types of leadership styles, namely, Transformational, Transactional and Laissez-faire, is reviewed (Barling,J. Fullagar,C.and Bluen,S., 1983).

#### **2.3. Nature and Definition of Leadership**

According to (Bass, B.M, 1997) and (Hayward,B.A, 2005), leadership has been around for as there have been people to lead. The history of the world abounds with great leaders, from Moses and David in the Old Testament to Napoleon in the 1700s and Nelson Mandela and Martin

Luther King in the 1900s. Generally, leaders are people who are able to turn their beliefs and visions into reality, through the control and influence they practice over other people (Bennis, W. and Nanus, B, 1985) found that the three components of IM are reward (rewarding and motivating employees), development and providing vision. Following organizational development literature, the controllable elements inside the organization are identified as the IM mix that consists of all organizational influence systems inside the organization (Galpin,T &Murray P, 1997).

Based on the review of the literature and elements of Gilpin's organizational influence system, the elements of the IM mix used in this study are: Strategic rewards, internal communications, Training and development, organizational structure, senior leadership, Physical environment, staffing, selection and succession, Inter- functional coordination, Incentive system, Empowerment and Operational/process changes. These controllable elements (i.e. the IM mix) are used to influence the key target groups that are identified as employees (or internal customers) equivalent to the key customer segments in external marketing. The term "internal marketing mix" is preferred over Gilpin's term 'the influence system' as it is a better indicator of the controllable nature of these elements and their need to be mixed appropriately to get the desired results (Galpin,T &Murray P, 1997).

## **2.4. Leadership `Theories**

In attempting to understanding the nature of leadership and its different aspects, it is necessary to discuss the different theories of leadership that have developed over time, as various schools of thought their differing ideas and knowledge to this discipline. There are various theories of leadership, the nature of leadership, or the consequences of leadership. These theories attempted to identify various leadership styles, which is the manner in which leadership is exercised (Barling,J. Fullagar,C.and Bluen,S., 1983).

### **2.4.1. Traditional Leadership Approaches**

(Senior, 1997), mentioned as the three traditional leadership approaches that have been developed over time are the trait approach, the behavior and the situational/Contingency approach. Each of these leadership approaches describes detentions of leadership, and has its own effect on the association between the leader and his followers.

### **2.4.2. Trait Approach**

The first approach assumes that leaders are born and not made. Leadership consists of certain inherited characteristics, or personality traits, which distinguish leaders from their followers: the so-called Great person theory of leadership. The qualities approach focuses attention on the man or woman in the job and not on the job itself. It suggests that attention is given to the selection of leaders rather than to training for leadership (Mullins, 1999).

The leadership trait model was established in the early 1900s, with its associated theories and perspectives. In essence, this was the first attempt at the theoretical understudying of the nature of leadership. Most leadership research before 1945 suggested that certain traits were inherent in all leaders and were transferable from one situation to another (Hersey, P. and Blanchard, K.H., 1988)

According to Maude 1978 the trait approaches attempt to explain, leadership effectiveness in terms of the personality and psychological traits of the leader. These traits included emotional intelligence: having an extrovert personality (charisma); dominance; musicality and conservatism and being better adjusted than non-leaders. Numerous studies identified emotional intelligence as a critical element for the success of a leader and as a vital resource for any group (Hayward, B.A, 2005). The fact that leaders were naturally born and developed meant that selection would be the key to effective leadership within an organization, rather than other factors such as training and development (Robbins, 1997). The trait approach, however, focuses almost entirely on the physical and personality characteristics (Gerber, 1996)

### **2.4.3. Behavioral Approach**

Behavioral theories of leadership are theories proposing that specific behaviors differentiate leaders from non-leaders. The difference between trait and behavioral theories, in terms of application, lies in their underlying assumptions. If trait theories were valid, then leadership is basically inborn. You either have it or you don't. On the other hand, if there were specific behaviors that identified leaders, then we could teach leadership we could design programs that implanted these behaviors patterns in individuals who desired to be effective leaders. This was surely a more exciting avenue, for it meant that the supply of leaders could be expanded. If training worked, we could have an infinite supply of effective leaders (Robbins, 1997).

Alternative approaches to leadership began to develop after the decline in popularity of trait theories (Swanepoel)

Researchers moved away from assessing individuals in terms of traits, and focused on assessing how leaders' behavior contributes to the success or failure of leadership(--). But the move away from the trait approach ignited research where leaders were studied either by observing their behavior in laboratory settings or by asking individuals in field settings to describe the behavior of persons in position of authority, then applying different criteria of leader effectiveness to these descriptions. This resulted in the development of a leadership behavior model which led to the establishment of the "behavioral school of leadership". Extensive research has been done in the area of behavioral approaches to leadership. The main behavioral theories include Ohio State studies, University of Michigan studies, the Managerial Grid and Scandinavian studies (Byrkit, 1987).

The most comprehensive and replicated of the behavioral theories resulted from research that began at Ohio State University in the late 1940s. These researchers sought to identify independent dimensions of leader behavior. Beginning with over a thousand dimensions, they eventually narrowed the list into two categories that substantially accounted for most of the leadership behavior described by subordinates. They called these two dimensions initiating structure and consideration. Initiating structure refers to the extent to which a leader is likely to define and structure his or her role and those of subordinates in the search for goal attainment. Consideration is described as the extent to which a person is likely to have job relationships that are characterized by mutual trust, respect for subordinates' ideas, and regard for their feelings (Mullins, 1999)

Extensive research, based on these definitions, found that leaders high in initiating structure and consideration (a "high-high" leader) tended to achieve high subordinate performance and satisfaction more frequently than those who rated low on consideration, initiating structure, or both. However, the "high-high" style did not always result in positive consequences. In conclusion, the Ohio State Studies suggested that the "high-high" style generally resulted in positive outcomes, but enough exceptions were found to indicate that situational factors needed to be integrated into the theory (Bartol and Martin 2008).



Leadership studies undertaken at the University of Michigan's Survey Research Center, at about the same time as those being done at Ohio State, had similar research objectives: to locate behavioral characteristics of leaders that appeared to be related to measures of performance effectiveness. The Michigan group also came up with two dimensions of leadership behavior that they labeled employee oriented and production oriented. Leaders who were employee oriented were described as emphasizing interpersonal relations: they took a personal interest in the needs of their subordinates and accepted individual differences among members. The production oriented leaders, in constant, tended to emphasize the technical or task aspects on the job their main concern was in accomplishing their group's tasks, and the group members were a means to that end (leftish. 2001)

The conclusion arrived at by the Michigan researchers strongly favored the leaders who were employee oriented in their behavior. Employee-oriented leaders were associated with higher group productivity and higher job satisfaction. Production-oriented leaders tended to be associated with low group productivity and lower join satisfaction (Hughes.T, 2005)

A graphic portrayal of a two- dimensional view of leadership style was developed by Blake and Mouton. They proposed a Managerial Grid based on the style of "concern for people" and "concern for production," which essentially represent the Ohio State dimensions of Consideration and initiating structure or the Michigan dimensions of employee oriented and production oriented. The grid has nine possible positions along each axis, creating 81 different positions in which the leader's style may fall. Based on the findings of Blake and Mouton, managers were found to perform best under a 9,9 style, as contrasted, for example, with a 9,1 (authority type) or 1,9 (country club type) style. Unfortunately, the grid offers a better framework for conceptualizing leadership style than for presenting any tangible new information in clarifying the leadership quandary, since there is little substantive evidence to support the conclusion that a 9,9 styles is most effective in all situation (Blake and Mouton 1985).

The previous behavioral approaches developed in between 1940s to 1960s focused in on only two behaviors may not appropriately capture leadership in the 1990s. In the belief that these studies fail to capture the more dynamic realities of today, researchers in Finland and Sweden have been reassessing whether there are only two dimensions that capture the essence of leadership behavior. Their basic premise is that in a changing world, effective leaders would

exhibit development-oriented behavior. The restrictions of these behavioral theories are their omission 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 operate, or the type of people employed by the organization(Bloisi et at., 2007)

Dissatisfaction with the trait and behavioral gave rise to the situational/contingency approach to leadership. The situational approach concentrates on the importance of the situation in the study of leadership. The situational approach emphasizes the situation as the dominant feature in considering the characteristics of effective leadership (Mullins, 1999). Prominent among these theories are Fiedler's Contingency Model, Path-Goal Theory, Hersey and Blanchard's Situational Theory, Leader-Member Exchange Theory, Leader-Participation Model (Time-Driven Decision Tree Group Problems) (Robbins, 1997).

The result of situational aspect of theory showed individuals who prefer relations-oriented behaviors should lead groups where conditions are neither nor low in favorability (medium structure and power), and individuals who prefer task-oriented behaviors should lead groups where conditions are very unfavorable (high structure and power) or unfavorable (low structure and power) (Fiedler F. , 1967).

House's Path-Goal Theory, which evolved from the expectancy theory of motivation, suggests that leadership behaviors that increase the opportunities for goal achievement will result in greater employee motivation and satisfaction. The essence of such behaviors includes clarifying goals for employees as well as explaining the paths to achieving those goals. He posited that both the leadership behaviors of consideration (relations-oriented) and initiating structure (task-oriented) influenced employee satisfaction and motivation to pursue goals (House, 1971).

Paul Hersey and Ken Blanchard have developed a leadership model that has gained a strong following among management development specialists. This model called Situational Leadership Theory. Situational Leadership is a contingency theory that focuses on the followers. Successful leadership is achieved by selecting the right leadership style, which Hersey and Blanchard argue is contingent on the level of the followers' readiness, i.e. the extent to which people have the ability and willingness to accomplish a specific task. Situational leadership uses the same of two

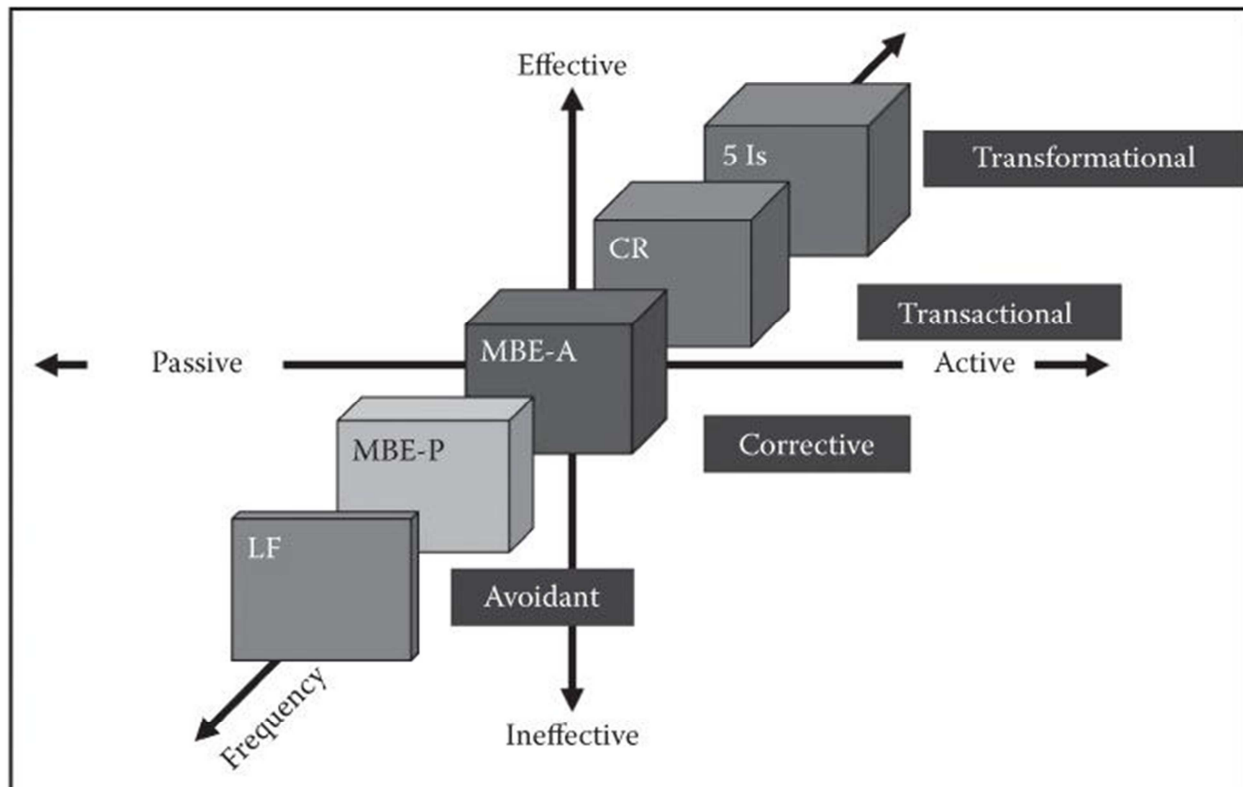
readership dimensions that fielder identified: task and relationship behavior (Hersey, P. and Blanchard, K.H., 1988)

However, Hersey and Blanchard go a step further by considering each as either high or low and then combining them into four specific leader behaviors: telling, selling, participating, and delegating. They are described as follows: Telling (high task – low relationship) i.e. the leader defines the roles and tells people what, how, when, and where to do various tasks. It emphasizes directive behavior; selling (high task high relationship) i.e. the leader provides both directive behavior and supportive behavior; participating (low ta task high relationship). Delegating (low task – low relationship) i.e. the leader provides little direction or support (Hersey, P. and Blanchard, K.H., 1988).

## **2.5. Full Range Leadership Development Model**

(Bass,B.M & Avolio B.J., 1997), have developed the Full Range leadership (FRL) model which describes leaders as utilizing wide range of different forms of leader behaviors. Starting with transformational leader behaviors to transactional leader behaviors reaching then to the lowest leader interaction of laissez-faire leader behavior, each of these leadership styles have been described to have a direct effect individual and organizational level outcomes (Nyengane, 2007)

Figure 1. 1: A model of the Full Range Leadership Development Theory (Avolio, B & Bass, B, 2002)



## Description

LF- Laissez-Faire

MBE-P-Management by Exception: Passive

BME-A- Management by Exception: Active

CR- Contingent Reward.

In its current form, the FRLT represents nine single-order factors comprised of five transformational leadership factors, three transactional leadership factors, and one non-transactional laissez-faire leadership (Antonakis, 2003).

### **2.5.1. The Transformational Leadership Style**

According to (Antonakis, 2003) Transformational leaders are proactive, raise follower awareness for transcendent collective interests, and help followers achieve extraordinary goals. Transformational leadership is theorized to comprise the following five first-order factors.

- I. Idealized Influence (attributed) : refers to the socialized charisma of the leader, whether the leader is perceived as being confident and powerful, and whether the leader is viewed as focusing on higher-order ideals and ethics; ( (Bass and Avolio, 2005)
- II. Idealized Influence (behavior) : emphasizes collective sense of mission, and talks about values and beliefs; (Bass and Avolio, 2005)
- III. Inspirational Motivation: refers to the way leaders energize their followers by viewing the future with optimism, stressing ambitious goals, projecting an Idealized vision , and communicating to followers that the vision is achievable; (Bass and Avolio, 2005)
- IV. Intellectual Stimulation: stimulates followers to view the world from new perspectives; encourages problem solving, critical thinking, and creativity; (Bass and Avolio, 2005)
- V. Individualized Consideration: refers to leader behavior that contributes to follower satisfaction by advising, supporting, and paying attention to the individual needs of followers, and thus allowing them to develop and self-actualize. (Bass and Avolio, 2005)

Transformational leaders are change agents and visionaries encouraging individual and having the ability to deal with complexity, ambiguity and uncertainty and also tend to be more acceptable to employees job satisfaction level and innovativeness.

### **2.5.2. The Transactional Leadership Style**

(Burns, 1978)Who first conducted the study of transactional Leadership indicate that transactional leaders are those who sought to motivate followers by attracting or appealing to their self-interests. Transactional Leadership is a combination of bureaucratic authority as well as legitimacy in the organization. It is also resulted that transactional leaders follow standards, assignment, and task based goals. They just deeply believe on task completion, rewards and punishment systems in the organization to influence and motivate the employees for achieving their individuals and organization goals. They help the subordinates to achieve their level of goals by recognizing them the task and responsibilities, which further develop the level of confidence in the employees of organization (Avolio and Bass, 1985). So, there is a two ways

communication between the leader and followers, in which ones the followers reached the work objectives, they will be rewarded.

Transactional Leadership is an exchange process based on fulfillment of contractual obligation and is typically represented as setting objective and monitoring and controlling outcomes. Transactional Leadership is theorized to comprise the following three first-order factors

- I. Contingent reward leadership (i.e., constrictive Transactions) refers to leader behaviors focused on clarifying role and task requirement and proving followers with material or psychological reward contingent on the fulfillment of contractual obligations.
- II. Management by –Exception active (i.e., active constrictive Transactions) refers to active vigilance of leader whose goal is to ensure that standard are met; and
- III. Management by –Exception passive (i.e., passive constrictive Transactions) leaders only intervene after noncompliance has occurred or when mistakes have already happened (Antonakis, 2003).

(Avolio and Bass, 1985) Emphasized that managing contingent rewards, transactional leader must encourage a reasonable degree of I involvement loyalty, commitment as well as performance level from followers or subordinates. In general one can conclude that transactional leadership is an exchange relationship that involves the reward of effort, productivity and loyalty and the focus is on role classification.

### **2.5.3. The Laissez-Faire Leadership Style**

Laissez-Faire Leadership should not be confused with democratic, relations- oriented, participative, or considerate leadership behavior. Nor should be confuses with delegation or management by exception. Delegation implies the leader’s active direction of subordinate to take responsibility for some role or task. The active, delegate leader remains concerned and will follow-up to see if the role has been enacted or the task has been successfully completed. The leader who practices management by exception allows the subordinate to continue on paths that the subordinate and the leader agreed on unit problems arise or standard are not met, at which time the leader to intervene make correction (Avolio and Bass, 1985)

Laissez-Faire Leadership represent the absence of a transaction of sort with respect to Leadership in which the leader avoids making decision, abdicates responsibility, and does not use their authority. It is considered active to the extent that the leader “chooses” to pass up taking

action. This component is generally considered the most passive and ineffective from the leadership (Antonakis, 2003).

(Deluga, 1990) Describe the laissez-faire leader as an extreme, passive leader who is unenthusiastic to influence subordinates' considerable freedom to the point of abdicating his/her responsibility. There is no relationship exchange among the leader and the followers. It can therefore be concluded that, Laissez-faire style of leadership represent a non- transactional kind of leadership style in which necessary decision are not made, action are delayed, leadership responsibilities ignored, and authority unused. A leader display this form of non-leadership is perceived as not caring at all about others' issues (Bass B. , 1990)

#### **2.5.4. Democratic Leadership Style**

The democratic leadership is also known as participative leadership style. It is a leadership style that encourages employees to participate in decision-making process in the organization. A democratic manager keeps his employees informed about everything that affects their work and shares decision-making and problem solving responsibilities (Swarup, 2013). Ushie *et al.*, (2010), state that in a democratic leadership style, the manager delegates" authority to subordinates while retaining the ultimate responsibility. In the various views of Zervas & David (2013) and Iheriohanma *et al.* (2014), democratic leadership style tends to foster responsibility, flexibility, and high morale that will result to improved employees" performance. Despite the benefits associated with democratic leadership style, it is still fraught with some pitfalls. Donna (2011) stressed that the democratic leadership is marked by several drawbacks that must be overcome to ensure its effectiveness in the organization. He pointed out five basic challenges of the democratic leadership style to include: competency, crises, consensus, pseudo-participation, and adherence. He further concluded that overcoming these five negatives of the democratic leadership style will allow organizations to fully benefit from the advantages of this management style such as higher employee performance, satisfaction and better retention rates.

#### **2.5.5. Authoritative Leadership Styles**

Authoritative leader is determined, self-confident, initiating sets individual tasks, independent, ambitious, rewards & punish, controls and task comes first. In this study authoritative a style

includes; Autocratic Leadership, Authoritative and Transactional Leadership Style which will be discussed under this section.

### **2.5.5.1. Autocratic Leadership Style**

This leadership style is often classified as the classical approach (Swarup, 2013). It is a style of leadership where a manager is the most powerful entity, the primary decision maker and authority (Gordon, 2013). This style of leadership is based on the traditional premise that leaders are good managers who direct and control their people. Those followers (employees) are obedient subordinates who follow orders (Ali, Ismael, Mohamed & Davoud, 2011). This position is supported by Gordon (2013) that employees under autocratic leadership style are expected to follow the orders of their manager even if they do not agree or do not receive any explanation. She argued that in order to motivate employees, managers using autocratic leadership styles often employ a set of rewards and punishments that are highly structured. Zervas and David (2013) posit that an autocratic leader accomplishes ends through imparting a clear, compelling vision, sees to it that the vision is built into strategic planning, and that it guides action throughout the organization.

They stress that autocratic leaders provide clear directions, monitor progress closely, and convince subordinates of the position of management. Gordon (2013) stated that organizations with an autocratic style of leadership have instances of employee absenteeism and unusually high turnover. She maintained that employees' problems with autocratic leadership include the idea that managers do not trust their employees, the fact that managers often use punishment or threat to motivate employees, and the fact that employees' input is generally not valued. She further stressed that autocratic leadership often has a negative effect on employees' morale. She went further to state that when talented employees are confronted with an autocratic leader, they become more passive, aggressive, and often tend to leave the organization and, in some cases, the employees may also feel resentful and look for ways to get their managers in trouble, a situation which may lead to paranoia on the part of the manager. Ushie *et al.*, (2010) in support of this position, posit that autocratic leadership style creates two types of behavior. It makes workers to be either aggressive or apathetic and withdrawn. In the overall assessment of the characteristics of autocratic leadership style, it implies that an organization with this style of leadership will witness a high level of employees' discontent which its resultant effect will be



employees", low performance and turnover in the organization. This is because in this knowledge - based economy, employees prefer organizations that will offer them the opportunity for creativity and innovativeness in order to show case their critical talents and skills. This is pertinent because one of the principles of organizational effectiveness is team work and sharing of ideas which help to ossify the bond of relationship and increase productivity in organizations. When employees are provided with such participatory opportunities in workplace, they intend to perform in their optimal level and stay in such organization.

## **2.6. The Employees Performance**

The term performance is elaborated as the ultimate ability of an individual (employee) to use its knowledge and skills efficiently and effectively. So far, according to the research, the performance of employees is strictly related with his/her physical and academic profile (Dvir, T., Eden, D., Avolio, B. J., & Shamir, B, 2002). In this regard, the employees' performance is most significant to bring about the results according to the international standards. The performance of the individuals solely depends upon the policies of the concerned institution about their pay package, rewards, bonuses, yearly increments and other perks and privileges (Bodla, M. A., & Nawaz, M, 2010)) . Still, the academic profile of the employees has the highest standing among all other factors. On the whole, the productivity/ output can be enhanced and sustained by the effectiveness of the leadership and an agile response of the employees (Rizwan, M., Nazar, K., Nadeem, B., & Abbas, Q., 2016). On one hand, the leadership style induces emotional strength, motivation, commitment and the working relationship while on the other side, the employees performs with their utmost ability and diligence. The main attributes extracted from the relevant literature are the efficiency, effectiveness, innovativeness, responsiveness. On the other hand, there are some other attributes related with the employees' performance like the work ethics, communication, creativity, development, professionalism and the commitment. All of them contribute to the effective performance on the part of employees.

The Leadership and Employees Performance: To enhance the performance of an employee, his/her dependence upon the leadership, which is operative, has a definite status. In the same phenomenon, the central role of the leadership along with his credibility becomes most prominent (Bass, B. M , 2012). Actually, the transformational leader is a psychoanalyst, as

he/she learns, comprehend and analyze the minds, thoughts, attitudes and desires of the followers/employees to reach the final decision which help in augmenting the employees level of performance (Qaisar, A., & Sara, Y, 2009). The leadership of this category always pursues democratically and believes to solve every issue in the organization according to the popular will of the employees. The diagnostic skills of the leadership, either they are intrinsic or gained are valuable for the resolving the issues related with the individuals and with the organization as a whole (Durga, D. P., & Prabhu, N, 2011). The employees' performance is directly proportional to the effectiveness of the leadership. Through the powers of comprehension, analysis, planning and motivation, the transformational leaders augments the mercury level of the employees output (Iqbal, N., Anwar, S., & Haider, N, 2015)

## **2.7. Leadership and Performance**

Northouse (2013) asserts that ineffective or inappropriate leadership styles can directly affect the performance and retention of employees in contemporary organizations. According Dale Carnegie Training (2012), argues that leadership enables employees connect with organization and those who emotionally connect in a positive way with an organization feel a sense of ownership and are more likely to stay with it, delivering superior work in less time and reducing turnover costs. Lee &Chuang (2009), explain that the excellent leader not only inspires subordinate's potential to enhance efficiency but also meets their requirements in the process of achieving organizational goals. Fenwick& Gayle (2008), in their study of the missing links in understanding the relationship between leadership and organizational performance conclude that despite a hypothesized leadership-performance relationship suggested by some researchers, current findings are inconclusive and difficult to interpret. Leadership also promotes justice, organizational justice is important because employees who have a perception of organizational fairness are reported to have a higher level of work performance, trust in their supervisor, psychological ownership and organizational commitment (Cheung, 2013). Also leaders who consider work life balance promote performance Work-life balance benefits have the potential to simultaneously improve an employee's quality of life of and organizational effectiveness (Peters &Heusinkveld, 2010). However, according Koubova and Buchko (2013) involvement in multiple roles, be it a family role, work role or some other roles may have either a negative or positive effect on job performance. Suleman *et al.*, (2011) in their contribution, posit that

leadership and its effectiveness is the primary focus for organization to achieve the organizational goals and to create organizational commitment in their employees. Sifuna (2012) found out that in many African Universities that leaders are not recruited and awarded for their leadership potential but for their academic qualifications, research, teaching and community service and rarely receive critical training in strategic planning, budgeting, human resource development and faculty management.

From this review of related literature, it is evident that although some scholars believe that leadership enhances organizational performance while others contradict this, different concepts of leadership have been employed in different studies, making direct comparisons virtually impossible. Gaps and unanswered questions remain. Consequently, the current study is intended to re-examine the proposed leadership-performance relationship and, thus, contribute meaningfully to the body of growing literature and knowledge in this area of study especially in relation to county governance in Ethiopia.

## **2.8. Empirical Studies**

A researched was conducted by Widayanti & Putranto (2015) on Analyzing the Relationship between Transformational Leadership and Transactional Leadership Style on Employee Performance in PT.TX Bandung in Indonesia. The sample size used by the researcher is 92. The objective of this research is to find the relationship between transactional and transformational leadership to employee performance and the significant relationship between these two variables. This research consists of primary and secondary data. Primary data was collected through Multifactor Leadership Questionnaire (MLQ) based on Slovin Theory method. Secondary data was collected from the office assessment of employee performance. Validity and reliability test were used to measure quality of data. Multiple regression analysis is used to find the relationship because it has more than one independent variable. Data was sent for pass the classic assumption tests such as multi-co linearity test, normality test, heteroscedasticity test and autocorrelation test before multiple regression analysis. The result proved that transactional and transformational leadership has positive relationship and it effects to employee performance either concurrently or partially. Akram, et al. (2012) conducted a research title How Leadership Behaviours Affect Organizational Performance in Pakistan. Sample size used by the researchers is 1000, where 500

questionnaires were distributed to managers and another 500 to employees of various private and public sector companies in 66 cities through random selection. Non-probability sampling technique is used in this study. Two questionnaires were designed for managers and employees. Questions were related to leadership behaviors and organizational performance. Five point Likert scale was applied. Correlation analysis and regression analysis were applied to analyze the relationship and the effect of leadership behaviors on performance. SPSS version 16 was used to analyze the reliability of questions, and the reliability was checked in term of Cronbach's Alpha. The findings concluded that leadership behaviours are interrelated and have high positive impact with employee performance.

Nasir, et al. (2014) did a research on The Relationship of Leadership Styles and Organizational Performance among IPTA Academic Leaders in Klang Valley Area in Malaysia. The study used correlation methods to measure the relationship between leadership styles and organizational performance. Five public universities in Selangor were chosen. 201 academic leaders were chosen as the sample size. The questionnaire prepared in a form of closed-ended questions. The survey instruments from Kouzes and Posner Leadership Practices inventory-Individual Contribution Self Survey (1997) and Multifactor Leadership Questionnaire (MQL) had been adapted. Likert-Scale was used. All data were analyzed by using SPSS version 20.0. The hypothesis testing from normality test with Normal Probability Plots for variables and other visual presentation measures such as histogram and box plot. Pilot test is used to test the consistency of questionnaire. Cronbach's alpha is used to test reliability. The findings concluded that leadership behaviours are interrelated and have high positive impact with organizational performance.

Leng, et al. (2014) did research on title in The Impact of Leadership Styles on Employee Commitment in Retail Industry in Malaysia. Sample size used by the researchers is 384. The researchers used questionnaires as the research instrument. SAS software version 9.3 was used to run tests of reliability, Pearson correlation and linear regression. The findings concluded that there was a significant impact of leadership styles towards employee commitment.

Sakiru, et al. (2013) conducted a research on title in Relationship between Employee Performance, Leadership Styles and Emotional Intelligence in an Organization in Malaysia.