

EFFECT OF LEADERSHIP STYLE ON DEPOSIT TARGET
PERFORMANCE OF PRIVATE BANKS IN JIMMA TOWN,
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 Business Administration (MBA)*

By:

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Certificates

This is to certify that the thesis entitles “Effect of Leadership style on Deposit target performance of private banks in Jimma town, Ethiopia” submitted to Jimma University for the award of the degree of Masters of business Administration (MBA) which is carried out by Mr. *Melese Gebreab Tekeda*, 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.

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Declarations

I, Melese Gebreab declare that this work entitled “Effect of Leadership style on Deposit target performance of private banks in Jimma town, Ethiopia” is outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the research advisors.

This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of master’s in Business Administration [MBA]

By: Melese Gebreab

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Date _____

Abstract

Leadership is an important element of the directing function of management. Wherever there is an organized group of people working towards a common goal, some types of leadership become essential. The aim of the study was find out the Effect of Leadership style on Deposit target performance of private banks in Jimma town, Ethiopia. The research was described leader ship style in terms of deposit target performance of the private banks in service sector because of the needs of good leadership qualities. Transactional, transformational, and laissez fair leadership was discussed in the literature parts of the research. The research approach applied for this study was quantitative type of research where explanatory research design have been deployed. The target population of this study was private banks of Ethiopia working in Jimma. From 289 total observations of the available private bank respondents which are found in Jimma town, only 241 participants are filled and returned. The researcher purposely selected the private banks which are found in Ethiopia and multistage mixed sampling technique was used to select the sample size. The standardized questionnaires of leadership behavior and deposit target performance were adapted from previous standard questionnaire. Regression Analysis was conducted to test the effect of leadership style on the deposit target performance. The result derived in the study area was the tendencies of both transformational and transactional leadership style are practiced. Likewise, leadership style has both positive and negative correlation as well as effect of deposit target performance of private banks. Therefore, private banks should choose appropriate leadership style so as to achieve their objective and improve the business performance in the competitive business industry.

Keywords: Leadership, Deposit target, Performance

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Acronyms and Abbreviations

CR	Contingent Reward
DT	Deposit Target
IA	Idealized Attributes
IB	Idealized Behaviors
IC	Individualized Consideration
IM	Inspirational Motivation
IS	Intellectual Stimulation
LF	Laissez-Faire
MBEA	Management-by-Exception Active
MBEP	Management-by-Exception passive
MLQ	Multifactor leadership questions
T.L	Transactional leadership
Transf. L	Transformational leadership
VIF	Variance inflation factor
WB	Wegagen Bank

CHAPTER ONE

Introduction

1.1. Background of the study

Leadership is a critical management skill, involving the ability to encourage a group of people towards common goal. Leadership focuses on the development of followers and their needs. Managers exercising transformational leadership style focus on the development of value system of employees, their motivational level and moralities with the development of their skills (Ismail et al., 2009).It basically helps followers achieve their goals as they work in the organizational setting; it encourages followers to be expressive and adaptive to new and improved practices and changes in the environment (Azka et al., 2011).

According to (Michael, 2011) leadership has a direct cause and effect relationship upon organizations and their success. Leaders determine values, culture, change tolerance and employee motivation. They shape institutional strategies including their execution and effectiveness. Leaders can appear at any level of an institution and are not exclusive to management. Successful leaders do, however, have one thing in common. They influence those around them in order to reap maximum benefit from the organization's resources, including its most vital and expensive.

The banking sector is an integral factor of economy in the majority of contemporary societies. It plays intermediary role between investors and savers, associating the need of entrepreneurs or individual to make investment business- with the need of saver to deposit money in a bank, which is interest (Lawson, 2012).

The banking sector in Ethiopia has been subjected to structural reforms since 1991 by easing the internal as well as external constraints in the working of the banks. The increasing presence of private sector domestic banks has led to an unprecedented increase in competition in the banking sector, offering tremendous opportunities of business expansion and diversification nationally as well as globally along with threats from the emergence of new players in the industry. Acute competition with the advent of new

generation private sector banks bringing in latest technology has resulted in putting greater focus on product innovation backed by IT advancement and thrust on customization of products, (Admasu B., 2014).

Effective leadership is viewed as a key factor in attracting, motivating, and maintaining employees in organizations undergoing change and transformation. (Sandhu and Kaur,2003)

Hence, there is high possibility that the leadership styles could matter on private banks performance in Ethiopia. Leadership style can trigger the organization to dedicate their performance beyond the requirement and make them committed to the staffs and organization for a long run. Thus, this study tried to investigate leadership style tried to impact the performance of Ethiopian private Banking Industry.

1.2. Statement of the problem

Leadership in an organization has a strong impact on overall performance of the organization. The role of leadership in today's corporate organizations has changed. The success of any organization is mostly dependent on an organization's management team and the leadership style used (Saleem, 2015). Leadership is a very important and complex issue; and a lot of researchers and scholars have spent a great deal of effort to recognize and improve it. Although administrative styles are very extensive and theoretical, many empirical studies have been performed in order to investigate the different methods of leadership. Transformational, transactional, and liaises-fair leadership have been remarkably supported in different studies (Cetin et al, 2012; Saleem, 2015).

Leadership is one of the most important factors in increasing the organizational efficiency of a company. The leader or boss of a company is responsible for developing and implementing decisions on how to achieve the desirable resources from their employees in order to produce the best products and services with the interest of the shareholders in mind. This awareness and implementation of leadership styles gives a company an advantage over their competitors (Riaz & Haider, 2010).

In recent times, many organizations in the Nigerian banking industry, have recorded cases of immoral and unethical banking practices, gratifications, high labor turnover, inability to meet

basic required obligations, and incessant financial distress syndrome, which has led to many banks being merged and acquired as a result of lack of effective leadership (Ojokuku R.et al, 2012)

In addition to the above reasons various years of private banks annual financial report shows that there is a significant variation of deposit level performance within private banks working in the same market condition and under the umbrella of NBE. So to win the competition leaders have to influence their followers in a better way+ and dig out resources maximum effort on their end.

The limited nature of research findings in this area suggests the need to investigate further the nature of the relationship between leadership style and deposit target performance of private banks. This study is a step in this direction. This study seeks identify the leadership styles adopted by managers, and to examine its impact on organizational performance. On the basis of this background, the research questions that arise in this study are:

- ✚ What type of leadership styles are existed in private banks in the study area?
- ✚ Is there a relationship between leadership style and deposit target performance?
- ✚ Does leadership style have a significant impact on the deposit target performance of private banks working in Jimma town?

1.3. Objectives of the Study

1.3.1. General objective

The main objective of this study is to examine the effect of leadership style on deposit target performance of private banks in Jimma town, Ethiopia

1.3.2. Specific Objectives

- To identify the type of leadership styles employed in the study area
- To identify relationship of leadership style with deposit target performance of private banks in the study area.
- To assess effect of leadership style on the performance measured by deposit target of private banks working in Jimma town.

1.4. Significance of the Study

The result of the study will provide information to planners to come up with strategies, plans and designs that will strategically position them in highly competitive, diverse, and complex business environment that is experienced at present. Similarly, the study will be helpful for other researchers who may be focusing on understanding the concept of effective leadership towards using the findings in this study for future studies that will create a huge impact on society. It also assists the banks to investigate the impacts of leadership styles towards increase their efficiency and effectiveness. As a result, it will assist the leaders in organization of Ethiopia especially in private banks and those in developing countries in general to answer the long standing question of how to enhance leader's performance.

1.5. Scope of the Study

The scope of the study covers only private banks. Thus, the focus of the study is on impact of leader ship style on organizational performance. However, to facilitate a sound grasp of the subject matter within the thought framework of the objectives of the study, the scope of the study covered such issues as the concept of leadership, the effect of leadership style on deposit target It also includes deposit target , and leadership behavior .

1.6. Limitation of the Study

In conducting this research project, the work would have been more thorough if the sixteen branch employees in the country including the Headquarters were covered. However, it was difficult to study all the private banks branch and headquarter due to costs of associated logistics and time constraints. Owing to these constraints, this study focused on the available private bank branches and district senior employees alone. A major limitation to research work in this part of the country is the inability of the researcher to get the necessary information which could have made the work richer were not obtained due to the unwillingness of the officials to give out rich information so the researcher resorted to getting the little to give out rich information so the researcher resorted to getting the little he could from the staff of the branch employees. Also, due to lack of culture of proper record keeping, only very limited data were gotten by the researcher for this work.

1.7. Organization of the paper

This study contains five chapters. The first chapter provides introduction to study which has different parts: Background of the study, statement of the problem, objective of the study, significance of the study, and scope and limitation of the study. The second chapter provides literature review; the third chapter contains the research methodology. Similarly, the fourth chapter contains results and discussions; while the fifth chapter deals with conclusion and recommendations. Finally list of references and appendixes are included.

CHAPTER TWO

Literature Review

2.1. Theoretical (Conceptual Review)

2.1.1. Definition of leadership

Leadership is not a new concept and has been discussed for years (Bass, 1990). Many definitions of leadership exist in literature (Bass, 1990; Boehn *et al.*, 2003). One main difference between leadership and management is the process of obtaining results through individuals. Management relates to planning, organizing, controlling and implementing work to obtain desired results. Leadership takes the process a step further by involving how the employees think and feel (Boehn *et al.*, 2003).

According to Bass, the following definition provides an overall view of leadership: Leadership has been conceived as the focus of group processes, as a matter of personality, as a matter of inducing compliance, as the exercise of influence, as particular behaviors, as a form of persuasion, as a power relation, as an instrument to achieve goals, as an effect of interaction, as a differentiated role, as initiation of structure, and as many combinations of these definitions. Writing about and studying leadership is thought to have been around for thousands of years, dating as far back as the philosophical writings of Aristotle (Bass, 1990). Many writings about leadership exist but not a consensus on defining leadership. Leadership maybe compared to life in general; being a leader is always in progress (Sample, S.B, 2002).

Contingency theory directed the study variables by the assertion that; the leader's ability to lead is contingent upon various situational factors, including the leaders' preferred style, the capabilities and behaviors of workers that depend heavily on the situational factors. This theory propounds the intimate approach to management by focusing on situation first rather than organizational means, to apply a specific leadership style that will stimulate individual performance.

The first assumption here is that; an individual who attempts to influence others must use both directive (task) and supportive (relationship) behaviors. However, this assumption did not cater for the inherent change in human behaviors that necessitated different

approaches in management and thus this left a gap in the researcher's field to try and bridge the gap by testing for the impact of this assumption to employee behavioral scenarios in performance. The second assumption here is that any leadership style depends on a specific situation; by this Fiedler implied that; the behavioral patterns of the leader will help him / her acquire competences needed for effectiveness in using the styles in their relevant situations and thus effectiveness in performance. However, the second assumption in this theory left a lot to be desired, since situations were determined by both external and internal factors that affected the way employees responded to the situations presented to them. It was believed by most respondents that approaches hugely influenced leadership styles that matched different situations but the challenge was for the team leaders to know which leadership styles to use (Fielders, 1964).

2.1.2. Theories and Background of Leadership

In studying leadership, scholars and theorists have developed many different theories and approaches in their attempts to explain leadership. It has been noted that until the 20th century, research on leadership was not based on scientific inquiry (Chemers, 1997).The following sections include a review of the most popular theories and approaches to leadership.

1. The Great Man Theory

Early research on leadership attempted to identify those traits which differentiated great persons in history from the general masses (Stogdill, 1974). The concern of 18th and 19th century philosophers focused on great men rather than on situations (Spotts,1964).The Great Man Theory assumes that leaders have unique qualities not found amongst masses. It also assumes that leaders are born, not made. This theoretical perspective is considered to be the simplest, oldest, and most widely held notion of effective leadership. The theory ignores the past achievements of an organization and magnifies the greatness of executives in the organization. In other words, the theory implies that the success of an organization depends entirely on the greatness of its executives. According to this theory, it could be assumed that history was shaped solely through the efforts of great men such as (Moses, Churchill, and Lenin Bass ,1981).

2. Trait Theory

During the first half of the 20th century, trait theory was considered to be the dominant theory of leadership (Chemers, 1997; Gordon, 1981). The trait approach sought to determine the personal, psychological, and physical traits of strong leaders. The theory held that if leaders were endowed with superior traits or characteristics that differentiated them from their followers, it should be possible for these traits or characteristics to be isolated (Bass, 1981).

3. Situational Leadership Style Theories

In the 1960s, behavioral theories were found to be insufficient approaches for studying leadership (Ivancevich et al., 1977). By this time, researchers had come to recognize that situational factors such as characteristics of leaders and subordinates, the nature of the task, and group characteristics must be considered in the study of leadership effectiveness (Ansari, 1990). The implication was that the determination of successful leadership behavior depended on the situation (Schermerhorn et al., 1982). Situational or contingency theories held that there was no universal leadership behavior that could be applied to all situations. The current review will highlight the main contingency theories: Fiedler's Contingency Theory, Path-Goal Theory, and the Vroom-Yetton Model.

4. Fiedler's Contingency Theory

The first comprehensive contingency leadership theory was developed by Fred Fiedler. The basic tenet of the theory is that group effectiveness is dependent upon the proper match between the leader's personality or style and the demands of the situation. The model further suggested that task-oriented and employee-oriented were the two major styles of leadership. To determine whether the leader was task-oriented or employee oriented, Fiedler developed an instrument called the Least-Preferred Co-worker (LPC) Questionnaire (Fiedler, 1967). To arrive at an LPC score, the leader is asked to think of the person with whom he or she has worked least well in accomplishing some task, using a series of bipolar adjectives rated on an 8-point scale (e.g., friendly-unfriendly, pleasant-unpleasant). A high LPC leader who describes his least preferred co-worker in relatively positive concepts is people-motivated. A low LPC leader who uses relatively negative concepts is task-motivated (Siegel & Lane, 1982). According to Fiedler, leaders

who are characterized as task-oriented will be effective in favorable and unfavorable situations.

2.1.3. Recent Theories of Leadership Styles

A new theory of leadership emerged in the 1970s. Transactional and Transformational leadership styles were first introduced by (Burns, 1978). A few years later, (Bass, 1985) expanded the theory and came up with the Multifactor Leadership Questionnaire (MLQ). The full range of leadership models that was introduced by (Avolio and Bass, 1991) gave more advancement to the theory. This theoretical model included three styles of leadership: (a) transactional, (b) transformational, and (c) Laissez- Faire. According to (Hartog et al., 1997), Bass's theory or the new leadership approach integrates ideas from trait, style, and contingency approaches of leadership and also incorporates and builds on work of sociologists such as (Weber, 1947) and political scientists such as Burns, 1978). The three styles of leadership mentioned above are essential elements in this research and are discussed in greater detail below.

2.1.3.1 Transactional and Transformational Leadership Styles

In distinguishing between transactional and transformational leadership. (Burns, 1978) noted that transactional leadership refers to a type of leadership that is based on an exchange relationship between leader and follower. Burns felt that this exchange could take different economic, political, or psychological forms. Such leadership, he argued, does not bring leaders and followers together to pursue higher purposes.

According to (Bass, 1990), transactional focus on the clarification of task requirements and the specification of contingent rewards.

Transformational leaders interact with their followers in such a way that both leader and followers raise each other to higher levels of motivation and morality (Burns, 1978). In Leadership and Performance beyond Expectations, Bass (1985) expanded the theory of transactional and transformational leadership. While Burns (1978) had focused on the application of the theory in political setting, (Bass, 1985) was concerned with its application to business organizations. According to (Bass, 1985), transformational leaders are those who motivate followers to do more than originally was expected. That could be achieved, Bass argued, through anyone of the following steps: (1) increasing followers

awareness and consciousness of the importance of designated outcomes and the steps that lead to these outcomes, (2) encouraging followers to transcend their own self-interests, and (3) expanding or altering followers needs and wants according to Maslow's Hierarchy of Needs.

In distinguishing between the Burns and Bass theories of transformational leadership, (Carlson and Perrewe,1995) stated that: "The main difference between these two theories was that Burns restricts this type of leadership only to leaders who appeal to positive moral values. On the other hand, Bass argues that a transformational leader is one who increases commitment regardless of the final effect on the follower. Regardless, when transformational leadership is enacted, members of organizations no longer seek merely self-interest, but that which is beneficial to the organization as a whole.

(Fiedler and House, 1988) proposed that transformational theories seek to address the actions of leaders that cause followers to change their values, needs, goals, and aspirations. In making the distinction between transactional and transformational leadership forms, Burns (1978) viewed these leadership forms as independent dimensions. In other words, Burns (1978) viewed Transactional and Transformational forms of leadership as polar constructs while Bass (1985) viewed them as complementary constructs. Bass viewed successful leaders as both transactional and transformational

who differ in degrees. In his conclusion, Bass expressed the notion that .to be transactional is the easy way out; to be transformational is the more difficult path to pursue.

Transactional behaviors involve structuring performance environment to assist subordinates in achieving organizational objectives and receiving rewards, while transformational behaviors focus on creating changes in followers` values, self-perceptions, and psychological needs (Fein et al, 2010). Generally speaking, studies conducted on transactional and transformational leadership have added important value into the nature of leadership effectiveness.

As a pointer for differentiation, transactional leadership is a process in which the relationship leader-follower is reduced to simple exchange of a certain quantity of work for an adequate price. Contrary to this, transformational leadership is far more complex process, the

realization of which requires more visionary and more inspiring figures (Bowditch and Buono, 1990).

2.1.3.2. Relationship of Transformational, Transactional and Laissez-Faire Leadership Styles to Organizational Performance

According to research background, the organization' administration must be changed by using the reform to adapt with strategy, vision, knowledge skills, and so on. The personality of leadership is different depends on characteristics and situation as there is no single leadership style that is effective in all situations. Rather, certain leadership styles are better suited for some situations than for others. However, we cannot discriminate against any person into completely either and each person is a various mixture in any way, but rather than focus on it. Over the last two decades, in both profit and non-profit organization they measured effectiveness and efficiency in administration by leaders or chief executives in organization.

There are two leadership styles that still exist and could display leader behaviors in obviously and also contemporary is transactional, transformational and laissez-faire leadership style. How difference between transformational leadership theory and transactional and the transformational leader. Transactional leadership focuses on role and task requirements and utilizes rewards contingent and punishment on performance with monitoring and intervention process.

By contrast, transformational leadership focuses on development mutual trust, foster the abilities to lead others and to set goals that go beyond the requirements short-term of the team. Transformational leadership theory identifies by Bass, are four aspects of effective leadership including charisma, inspiration motivation, intellectual stimulation, and individual consideration. According to Bernard Bass, transformational leadership occurs when a leader transforms, or changes, his or her followers in three important ways that together result in followers trusting the leader, performing behaviors that contribute the achievement of organizational goals, and being motivated to perform at a high level.

Transformational leaders: a) Increase subordinates' awareness of the importance of their tasks and the importance of performing well. b) Make subordinates aware of their needs for personal growth, development and accomplishment. c) Motivate their subordinates to

work for the good of the organization rather than exclusively of their own personal gain or benefit. Leadership can be best understood as either a transactional or a transformational process (Burn J.M, 1978). Transactional suggests that most managers engage in a bargaining relationship with employees (Hollander, E. F. J. 1978), using a system of rewards and punishments. Transactional leadership is often used in business; when employees are successful, they are rewarded; when they fail, they are reprimanded or punished.

For public organization also utilized both things to implementation for subordinate but the different way because they have to drive follow the act. The leader views the relationship between managers and subordinates as an exchange. Furthermore, rules, procedures, and standards are essential in transactional leadership. Followers are not encouraged to be creative or to find new solutions to problems. Research has found that transactional leadership tends to be most effective in situations where problems are simple and clearly defined. Also, (Robbins,1994) defined the transactional leadership as “leaders who lead primarily by using social exchanges for transaction” Several researchers have indicated that chief executives leadership influence organizational performance. Chief executive Leaders have a direct and significant effect on their organization's performance.

They further noted that because organizations are open systems and must interact with their environments leaders affect organizational performance. Most of the researcher comparing transformational, transactional and laissez-faire leadership style has used MLQ. The MLQ is a multi-rater survey tool that asks the respondent the frequency with which a particular leader exhibits particular behaviors or traits. The tool assesses the full range of specific behavior associated with the two leadership styles through self-reporting, perception of colleagues and supervisors or self-reporting and perception of colleagues and supervisors. The empirical findings exhibit some leader' characteristics they displayed in two styles especially both transactional and laissez-faire that is mentioned by Tannenbaum & Schmidt and Kurt Lewin. The leaders do not want to carry many styles but they need properly styles that suit to the crisis so sometimes the results would show in more one form.

2.1.4. Leadership styles

It refers to consistent behavior pattern of a leader as perceived by people around him. Every leader develops a pattern in the way he handles his subordinates and followers in various situations. The leadership style is the result of philosophy, personality and experience of the leader. It also depends upon the type of followers and the conditions prevailing in the organization. (Mosadeghrad,2003) described that leadership style is based on a leader's thinking, behavior and organizational environment. It can be viewed as a series of managerial attitudes, behaviors, characteristics and skills based on individual and organizational values, leadership interests and reliability of employees in different situations.

(Newstrom, 2007) highlighted that leadership style is the total pattern of explicit and implicit leader's action as observed by employees. It shows a consistent, each style also reflects, implicitly or explicitly, a manager's beliefs about a subordinate's capabilities (Theory X or Theory Y). The way in which a leader uses power also establishes his leadership style-autocratic, delegate, and participative. Autocratic leaders centralize power and decision making in them. They structure the complete work situation for their employees, who are expected to do what they are told and not think for themselves. The leader takes full authority and assumes full responsibility. Participative leaders decentralize authority. The leader and the group are acting as a social unit. Employees are informed about conditions affecting their jobs and encouraged to express their ideas, make suggestions, and take action.

(T.V.Rao and Raju Rao, 2012) in their investigation found that developmental style of leadership is the most desirable style. It is associated with the creation of empowerment, growth, learning, high morale and satisfaction on the part of employee. In Goleman's term this style creates resonance while the critical climate created dissonance. Benevolent or relationship dominant style has the potential of creating not only dependence but also resentment and avoidance of work. They have strongly recommended that in future focus should be laid on the developmental style of leadership as a desirable style.

(Finlay,2000) described two leadership styles which emphasized on task and relationship of leader with its subordinates as 'autocratic' high task oriented and low people oriented and 'human resource oriented' low task oriented and high people oriented. Some

researchers tried to develop and examine leadership styles purely from the perspective of business world particularly focusing on the service industry. (Wilderom and van den Berg, 1997) diagnosed the effectiveness of different leadership styles particularly in the service sector organization. The researchers developed four leadership styles as 'transactional' high task oriented & a low people oriented, 'transformational'-high people oriented and a high task oriented, 'human relations' high people oriented and low task oriented, and 'laissez faire' low people oriented and low task oriented.

(Khoury and As-Sadeq, 2005) investigated that transactional leadership style was found to be the most frequently used leadership style; transformational leadership was exhibited less frequently; and laissez -faire was noted as the least commonly occurring leadership style and more frequently among the leaders with low educational background, low previous managerial experience, and employee leaders. The various styles of leadership can be broadly understood as mentioned below:

1. Autocratic style stated that in which leader solves the problem or makes decision by him/her using the information available at the time (Richard and Robert, 2009)
2. Democratic style/ Participative style is a style of leadership in which the leader shares the problem with the team members as a group. This style of leadership is used when group participation is involved. (Parker, 2003).(Mullins, 2005) described participative leadership as consulting with subordinates and the evaluation of their opinions and suggestions before the manager makes the decision. It is associated with consensus, consultation, delegation, and involvement (Bass, 1981).
3. Laissez fair leadership style is that style of leadership where the authority and power is given to employees to determine the goals; the manager provides little or no direction to employees. (Richard and Robert, 2009)
4. Declarative leadership style Delegate leaders allow group members to make decisions. This style is best used in situations where the leader needs to rely on qualified employees. The leader cannot be an expert in all situations, which is why it is important to delegate certain tasks out to knowledgeable and trustworthy employees.

5. Directive leadership style involves letting subordinates know exactly what is expected of them and giving specific directions. Subordinates are expected to follow rules and regulations. (Mullins, 2005). Directive leadership has been described as autocratic, task-oriented, and persuasive and manipulative (Bass, 1981).
6. Transformational leadership style was pioneered by (Burns, 1978);(Jung, Yammering and Lee, 2009); transformational leaders are good mentors and provide coaching to their followers. (Chu and Lai, 2011) revealed that transformational leaders are those who brought change and innovation and cultivate staff in the organization. They may have identified and divided as Idealized influence, Individualized consideration, Inspirational motivation, Inspire Intellectual stimulation.

(Bass, 1990) described few personality traits that characterize transformational leaders: self-confidence, determination, understanding of subordinate needs and freedom from inner conflicts. The researcher also acknowledged with four various types of transformational leadership behaviors:

2.1.5. Instrument of Leadership Styles

Leadership styles were measured using the latest version of the Multifactor Leadership Questionnaire (MLQ) (Form -5x-short) developed by (Bass and Avolio,1995). This questionnaire (MLQ), which has been tested and revised over the years, is often used to measure transformational, transactional and Laissez-faire Leadership style. The central thesis of the Multifactor Leadership Questionnaire is derived from Bass's (1985) augmentation theory of transactional and transformational leadership.

According to Bass and Avolio (1990), transformational leadership is a leadership style that strives to elevate the desires of individual followers for achievement and self-development, while also promoting the development of the group and organization. Further, transformational leadership .goes beyond exchanging inducements for desired performance by developing, intellectually stimulating, and inspiring followers to transcend their own self-interests for higher collective purpose, mission, or vision.(Howell & Avolio,1993). With regard to transactional and laissez-faire leadership styles, Burns (1978) viewed transactional as a type of leadership based on an exchange

process between leaders and followers. Laissez-faire leadership represents a style used by leaders who try to avoid responsibility and decision-making (Bass, 1997).

Multifactor Leadership Questionnaire consists of 142 statements about the behavior of the leader. There are two forms of the MLQ -- the Leader Form, which is completed by the leader themselves, and the Rater Form, which is completed by the leader's associates. As the Leader form would naturally contain a bias, the Rater form is considered to be the more important of the two. The Multifactor Leadership Questionnaire has been used in the evaluation of leaders in corporate and public organizations as well as the military.

There are several other tools in existence, although few as prevalent or comprehensive as the Multifactor Leadership Questionnaire. They are:

- Transformational Leadership Behavior Inventory (TLI) – Podsakoff, MacKenzie, Moorman and Fetter (1990)
- Leader Assessment Inventory (LAI) - Warner Burke (1994)
- Transformational Leadership Questionnaire (TLQ) - Alimo-Metcalfe and Alban-Metcalfe (2001)
- Global Transformational Leadership scale (GTL) - Carless, Wearing and Mann(2000)
- Follower Belief Questionnaire and the Attributes of Leader Behavior Questionnaire - Behling and McMillan (1996)
- CK scale - Conger and Kanungo (1988)
- Leadership Practices Inventory (LPI) - Kouzes and Posner (1998)
- 15 item rating scale - Rafferty and Griffin (2004)

Although the Multifactor Leadership Questionnaire is one of the most widespread tools for measuring Transformational Leadership, it would make sense that as the development of this field continues, the use of several tools to measure effectiveness would be wise.

In the present study, employees were asked to rate their immediate supervisors basis their managerial traits. The questionnaires for measurement were taken into account as per the applicability. Therefore, the Multifactor Leadership Questionnaire rater form (5x-short) was used to measure the transformational, transactional and Laissez-faire leadership style as perceived by the employees.

The current study included only 36 items of Multifactor Leadership Questionnaire. The scales related to Transformational Leadership were idealized influence (attributed), idealized influence (behavior), inspirational motivation, intellectual stimulation, and individual consideration. Contingent rewards, management exception (active), management by exception (passive), were associated with Transactional Leadership scales. The remaining four scales indicated laissez –faire leadership. While all the leadership style scale has four items. Each item was rated on a Five point frequency scale ranging from 1 (strongly disagree) to 5 (strongly agree). The Multifactor Leadership Questionnaire scores are the average score from the items on the scale. The score can be derived by summing the items and dividing by the number of items that make up the scale.

The validity and reliability of the Multifactor Leadership Questionnaire have been empirically established. Based on the results of nine studies conducted on various organizations and using the experimental form of the MLQ (5X), the questionnaire showed a satisfactory level of internal consistency. This was checked both during the pilot test and the final survey. Further, the reliability for the total items and for each leadership factor scale ranged from .74 to .94 (Bass & Avolio, 1995) and exceeded the standard reliability cut-off of .70 recommended by (Fornell and Larcker,1981). In general, the Multifactor Leadership Questionnaire (5x-Short) appears to be an adequate test with good construct validity, adequate reliability, and a good research base. This has been proved in ample researches conclusively in the field of leadership and the results have been used widely by subsequent researchers all the world over.

2.1.6. Essence of Leadership

The essence of leadership involves change that result in accomplishing specific goals (Chung & Lo, 2007). Planning is not representative of leadership, because planning involves providing order for present circumstances. Strategic (long-range) planning is representative of leadership, because strategic plans prompt future action (Dean, 2004; Kotter, 1990).

Effective leaders are critical to the success of an organization, and leadership development is important to developing good leaders. The development process is not the primary focus of leadership because leadership is a model that includes individual

relationships (Hernez-Broome & Hughes, 2004). Successful leaders must be proficient in adjusting the attitudes and actions of followers. The impression a follower has of the leader is a major component of leadership (Fisher *et al.*, 2005). Storytelling is a method of bonding with followers and imparting vision (Sample, 2002).

Leaders are human beings who are expected to perform superior (Mavrinac, 2005). Leaders possess various traits such as: intelligence, integrity, trustworthiness and dependability. Leaders possess styles that involve motivating individuals to accomplish desired tasks and establishing relationships with individuals (Spohn, 2005). The ability to control others by using power in a leader and follower situation can develop into a relationship of power abuse. Whether power is abused or not depends on the outcome of the (a) intentions of the leader, (b) actions of the followers, and (c) combined relationship (Whittington, 2004). Whittington argued, “Thus, the greater the level of dependency a follower has on a leader is, the greater the power that leader would have over the follower”. (Infantino,2004) developed 15 general leadership principles for leading without magic that will allow assigned tasks to be completed in time of crisis and improve leadership skills.

2.1.7. Transactional Leadership Dimensions

Transformational leaders are referred to as being charismatic and transactional leaders are non-charismatic leaders. The non-charismatic leaders look for performance from the followers to meet the agreed upon goals (Bryant, 2003). The transactional leader provides the follower with either a reward or punishment for established goals. The relationship becomes much like a monetary transaction for goods and services in the retail market. The three primary characteristics of transactional leaders are:

1. The leader must develop clear, specific and attainable goals, determine an acceptable reward and assure followers get the reward when the goal is met.
2. The leader exchanges rewards and promises of rewards for worker effort.
3. Transactional leaders are responsive to the immediate self-interests of workers if their needs can be met while getting the work done. (Bryant,2003)

Transaction leadership factors include management by exception, expected effort and expected performance, and contingent reward (Avolio and Bass, 2004).

A. Management-by-Exception

(Bass, 1990) defined management-by-exception as “leaders taking corrective actions and intervening only when failures and deviation occur”. (Savatier, 2006) posited, “The highest value you get from a reconciliation system goes beyond the rules engine to the true capacity to quickly and easily manage the exceptions”. Banks are using technology to manage operational risk by exception. The private banking area, which manages investments for high wealth customers, makes use of current technology to manage the area by exception (Savatier, 2006).

Management-by-exception involves establishing performance standards and measurements for workers to follow (Bass, 1990). Customer satisfaction is critical in customer contact areas of banks (Emery & Barker, 2007). Emery and Barker suggested performance in customer contact areas are related to the attitude of individuals working in the areas. A study conducted by Emery and Barker indicated, “employees of both the banks and the food stores preferred transformational over transactional leaders” and “employees view MBE as “disempowerment and micro managing.” The negative aspects of performance are sought and punished when managing-by-exception (Barbuto, 2005; Bass, 1990). As long as performance measures are being met managers tend to remain passive.

B. Contingent Reward

In general, transactional leadership theory is based on followers carrying out the orders of leaders and expecting a reward in return; the relationship is based on rewards and punishments (Kest, 2006). The major downfall to transactional leadership is the leader often fails to be able to control the rewards and thus loses credibility with followers as being an effective leader. Another weakness of transactional leadership is that workers may take shortcuts to get the rewards and quality may become secondary to quantity (Avolio and Bass, 2004).

Bank performance is used as one of the determinants of rewarding CEOs through compensation (Joyce, 2001) Total compensation includes “salary, bonus, and long-term compensation.” The components of bank performance may include: profitability, stock performance, and return on equity, return on assets (ROA) and growth. Profitability as a

measure of CEO compensation is easily manipulated through selection of depreciation and inventory method, capital versus operating leases, and the year-end accounting of borrowed funds (Joyce, 2001).

(Valenti,2007) discussed the use of 401plans as a reward system for employees. The concern that social security benefits will not be adequate for retirement has made employer sponsored retirement plans attractive. Employer plans have shifted from being defined benefit plans; “the funding for benefits is almost always the exclusive responsibility of the employer” Valenti noted, “Several studies have indicated that the perceived value of these benefits on the part of employees is significantly low in comparison to the costs of maintaining these plans” A 401(k) plan allows the employee to assume part of the risk of providing funds for retirement because employers are no longer willing to be solely responsible. Employers use matching contributions, numerous investment options, vesting alternatives, ease of enrollment and educational literature as means to entice employees to participate in the program (Valenti, 2007). The pay structure for tellers varies only slightly with bank size and includes both salary and bonus (Dean, 2004).

2.1.8. Transformational Leadership style Dimensions

Transformational leadership is significant to leadership because of its application to current work situations (Avolio *et al.*, 2004; Beng-Chong & Ployhart, 2004). Beng-Chong and Ployhart suggested, “Organizations must increasingly contend with varying degrees of uncertainty for such reasons as mergers and acquisitions, global competition, and changes in the economy and stock market”. A transformational leader must be able to view the organization as constantly being reinvented to implement change when needed for the better of the organization. An organization should be reviewed from a level that permits the vision and the future of the organization to be clearly interpreted with appropriate goals, objectives and strategic plans being clearly set (Burns, 1978; Tucker and Russell, 2004).

Culture may have a positive or negative effect on an organization; it might prohibit or encourage the growth within the organization. Transformational leaders seek to bring about change within the organization. An organization with a changing culture rather than a static culture will become more productive and efficient as well as will the

followers (Tucker & Russell, 2004). People resist change often because they fear the unknown. A transformational leader is charged with helping the followers rid themselves of the fear within and accepting change and transformation to improve themselves (Barbuto, 2005).

In establishing the distinction, Burns was first to note that transformational leaders recognize followers as individuals with a set of needs (Bass, 1990; McCuiston *et al.*, 2004). The culture of an organization is affected by the relationship of the transformational leader with the followers (Tucker and Russell, 2004). The relationship is affected by: “(a) deep thinking and (b) empathy” (Schuster, 1994). When an organization is performing and progressing, the results are based on the way followers think about the organization. The culture of workers affects their productivity and the way they develop and distribute information (Williamson, 2007). Several scholars (Bass 1990; Bryant, 2003; Chung and Lo, 2007; Harland *et al.*, 2005) noted four factors concerning transformational leadership: (a) charismatic and (b) inspirational leadership, (c) intellectual stimulation, and (d) individualized consideration.

1. Charismatic

Charisma is a component of transformational leadership (Higgs, 2003; Pearce *et al.*, 2003). Charisma encourages workers to have pride in themselves, their work and the organization (Barbuto, 2005). Five characteristics of a charismatic leader are: (a) a mystical gift, (b) there must be a crisis, (c) the leader provides a solution to the crisis, (d) followers feel they are linked to the leader through a transcendent power, and (e) partnership is validated through success. Alden McDonald, Jr. serves as president and CEO of Liberty National Bank in New Orleans, LA. Hurricane Katrina destroyed eight branches and the operations center of Liberty Bank (Smith, 2006). McDonald is guiding Liberty Bank during its rebuilding process and is instrumental in the reconstruction of New Orleans and the economy of the city.

During the aftermath of Katrina, McDonald played an integral role in contacting displaced customers, working with other banks, retrieving electronically backed-up data, opening new branches and responding to employee concerns.

Inspirational Motivation

Businesses and military organizations are both interested in the transformational style of leadership (Charbonneau, 2004). Even though transformational leaders work to bring the followers attitudes and belief in line with the organization, the model is not thoroughly understood. Transformational leaders serve as role models for the followers and those with great inspirational qualities use narratives and symbols to illustrate where the organization is going (Charbonneau, 2004). While transformational leadership inspires, the resources needed to accomplish the desired results must be provided. Transformational leadership empowers and servant leadership often relates to spiritual culture.

Dr. T. B. Boyd, III, chairman and majority shareholder of Citizens Savings Bank & Trust Company (Citizens Bank), Nashville, Tennessee serves as an inspiration to minority bankers across the country due to his bank being the country's oldest minority-owned bank (Lovett, 2007). Boyd showed further inspiration to the banking community, specifically in Nashville, by appointing Nashville's first female president of a full service commercial bank in 1995. Lovett noted that Boyd III received special permission from the U.S. Comptroller of the Currency to serve on two bank boards at the same time.

2. Intellectual Stimulation

Transformational leaders are required to influence the thinking of followers as to understanding how the organization operates and the opportunity for change within the organization. Growth and progress are important to a transformational leader. Transformational leaders strive to increase the potential of their followers to take them and the organization in new directions and to achieve success (Tucker and Russell, 2004). The focus of transformational leaders is on intrinsic, non-material accomplishments such as ethics and values (Covey, 1991).

3. Individualized consideration

Means understanding and sharing others 'concern and developmental needs, and treating each individual follower uniquely. Leaders act as coaches and advisors to not only identify and satisfy each individual follower's current needs, but also to attempt to expand

and elevate the needs in order to assist followers become fully actualized. By emphasizing on followers' personal career needs and providing them with a sense of increased competence to carry out duties, leaders could further enhance followers' commitment.

Transformational leaders do not act in the present; they are constantly looking forward with self-assurance (Hernez-Broome and Hughes, 2004). Followers are inspired through communicating the desire for them to move to a higher level. Problem solving is encouraged through intellectual stimulation and followers are cared for, shown concern, developed and provided with personal attention through individualized consideration (Bryant, 2003).

The way to obtain excellent performance is to transform the values and attitudes and motivate followers to achieve a higher thinking level (Krishnan, 2004). Innovation is a key concept denoting the difference between transformational and transactional leadership. A transformational leader is innovative and creates new ways of doing a job in an organization while a transactional leader is one who operates within an existing structure (Aaron, 2006; Barbuto, 2005). Change can create resistance within an organization; a transformational leader works to encourage change while a transactional leader works with the organizational command model that is present within the organization.

Transformational leaders must constantly be involved in transformational innovation. Transformational innovation is a system of introducing new product, services and ideas into an existing system of an organization to provide for the future existence and not an organized and systematic process. An adequate analysis of ideas emerging from transformational innovation should not be ignored. Peers and followers must be persuaded to believe in the ideas. The new ideas,

products or services must provide customer value and must be logical (Denning, 2005). Peers and followers must be convinced to take risk and move from the standard operating methods; they must be able to see the benefit of embracing risk taking and change (Denning, 2005).

2.1.9. Laissez-faire Leadership

The manager delegates almost all authority and control to subordinates. There is no person of authority in the organization. The manager leads the organization indirectly; he/she does not make decisions; rather he/she abides by popular decisions. There is no setting of goals and objectives by the manager. Tasks are done the way the manager thinks it should be done, but he/she gets involved on request and this may lead to the digression from broad organizational policy. Thus, this style of leadership may be effective with well-motivated and experienced employees (Dubrin, 1998), but could lead to failure when subordinates are deceptive, unreliable and untrustworthy. Laissez-faire style is associated with managers with dissatisfaction, unproductiveness and ineffectiveness (Deluga, 1992).

2.1.10 Factors Affecting Style of Leadership

(Tannenbaum and Schmidt, 1973) and (Mullins, 2007), argued that attention to the manager's style of leadership has come about because of a greater understanding of the needs and expectations of people at work. It has also been influenced by such factors as:

- Increasing business competitiveness and recognition of efficient use of human resources;
- changes in the value system of society;
- Broader standards of education and training;
- Advances in scientific and technical knowledge;
- Changes in the nature of work organization;
- Age of leaders

Pressure for a greater social responsibility towards employees, for example through schemes of participation in decision-making and work/life balance; and government legislation.

2.2. Ways to measure organizational performance

Measuring and analysis of organizational learning has become widely popular and play a very important role in the success of the organization. Lot of work has been done on this.

The performance is usually evaluated by calculating the values of qualitative and quantitative performance indicators like profit, cost, and clients.

It is quite important for a company to determine the relevant indicators how they relate to the company goals and their dependence on the performed activities. Currently lot of managers recognize this and put the necessary effort to define the company goals, performance indicators and evaluate them. However practically such analysis is done in an informal way and will benefit more from the systematic approach. The initial step towards an improvement in this area is to make explicit the available knowledge on performance indicators and how they are related.

In order to use this knowledge in a modern framework for organization modeling it is necessary to validate the concept of a performance indicator together with its characteristics, relationships to other performance indicators and relations to other formalized concepts such as goals, processes and roles. This will not only contribute to the design and analysis of organizations and the evaluation of their performance but will also enable reuse, exchange and alignment of knowledge and activities between organizations (for example supply chains). “Managers must stimulate innovation in the core strategy, Business, Model, processes, policies and productivity.”(James B hangstefer Nov 1999).

A company can easily measure its growth by some new metrics called momentum indicators. One of the most important indicators is revenue margin. Revenue margin is the profit from revenue and is only the source of operating profit. An unsatisfactory trend in revenue margin shows that company’s market position as compared to competitors is not strong.

Along with them there are other specific momentum indicators both quantitative and qualitative necessary to create a picture of things if working accurately or not. These indicators are used to measure the three drivers of performance market position strength, organizational vitality and productivity gain. They are also measuring the outcomes financial performance and stake holder value produced. According to the research life cycle model is found which shows seven different stages of the organizational growth in this model growth is basically shown as revenue (for profit) or budget (not for profit). Basically organization is said to have a successful transition if its infrastructure has

developed and supports the size successfully otherwise if it does not comply with the size the organization would face growing pains.

Leadership is not only an in born personality trait. There are different types of leader. Such as; strong autocratic leaders: The leaders who set their goals without considering the opinion of their followers then command their followers to execute their assigned tasks without question. Consultative leaders: They consider opinions and ideas of their followers in the goal setting process. They do get other's opinion but don't include it in decision making. Democratic leaders: Leaders participate equally in the process with their followers and let the group make decisions. Charismatic leaders: This type develops the feeling of oneness between the two people or the personal

attraction to be like the other the stronger the attraction is the stronger would be the power. (Bass 1990);(Harris and House, 1999).

2.3. The Impact of Leadership style On Organizational Performance

Assuming “the essence of leadership is influence”, leadership could broadly be defined as “the art of mobilizing others to want to struggle for shared aspirations” (Kouzes and Posner, 1995). However, it could be argued this “influence, mobilization and struggle” is of little value in an organizational context unless it ultimately yields an outcome in line with the “shared aspiration” for leadership to be deemed successful. Peter Ducker captures this notion by simply stating: “Leadership is all about results”. Creating results in today's ever changing and increasingly competitive world requires a very different kind of leadership from what was studied in the past. While leaders in the past managed perhaps complex organizations, this was in a world of relative stability and predictability. In today's globalized world, with organizations coping with rapidly changing environments, leaders face a new reality. Working in flexible contexts and connected by real-time electronic communication, increasingly mobile employees have themselves become the critical resource of their organizations (Reger, 2001).

What is now needed are leaders who simultaneously can be agents of change and centers of gravity, keep internal focus and enable people and organization to adapt and be successful, while at the same time never letting go of the customer focus and external perspective (Alimo Metcalfe, 1998). (Furnham, 2002) assert that 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 organizational performance in the current study represented the degree to which a company achieved its business objectives.

2.4. Empirical Review

(Burns, 1978) Developed the theory of transformational leadership. Transformational leaders would encourage followers to make great changes personally and also generated great changes and challenges for the organization. The characteristics of transformational leadership include increasing confidence and motivation, clarifying follower's directions of work in obtaining organizational goals, sharing beliefs and benefits, and being open to employee's feedback and suggestions. Transformational leadership signifies strong influences on relationship between leaders and followers that instills power for achieving performance objectives and work goals.

(Burns, 1978) First proposed transactional leadership, which focuses on exchanging benefits to satisfy the needs of both side of followers and leaders. Transactional leadership focuses more on daily practices of work.

It's important to note that the good leadership styles and right adoptions are necessary for provision of teamwork and ensuring everyone understands their roles within the bank. It means therefore, that staffs that are properly motivate and guided by the management to work to achieve the desired results leads to increased efficiency, reduction of costs and improved performance. Transformational leadership style had positive but insignificant effect on performance.(Akpala,1998) also observed that leadership style as one of the factors that exert negative effect on organizational performance in Nigeria.

Transformational leadership has been shown to have a significant relationship to a wide range of organizational outcomes (Howell and Avolio, 1993); (Kavanagh and Ashkanasy, 2006); (P. K. C. Lee, et al., 2011); (Sarros, Cooper, and Santora, 2008).

(Bass &Avolio, 2004) They attributed Laissez-faire leadership to the leaders who avoid interfering when serious issues arise, this could also be described as non-leadership.

One of the most researched outcomes is financial performance. In fact, (Parry, 2003) stated that decades of research have provided consistent evidence (i.e., correlations of 0.30 or higher) that transformational leadership has a significant positive impact on the financial measures of organizations. It was also shown to affect employee perception of firm's financial standing relative to industry peers (Zhu, et al., 2005).

Investigation about the effect of leadership style on organizational performance in Nigerian banks (Ojokuku *et al*, 2012) the results of the study revealed that there is strong relationship between leadership style and organizational performance. On the basis of the findings of this study, it can be concluded that leadership style has both positive and negative effect on organizational performance. The study found that transformational and democratic leadership style, in which employees are allowed to have sense of belonging, carry out higher responsibility with little supervision, and followers are helped to achieve their visions and needs enhance organizational efficiency. It is concluded that transformational and democratic leadership styles are the best for the management of Nigerian banks to be adopted in order for them to wax stronger in a global financial competitive environment.

(Dimitrios Belias and Athanasius Koustelios, 2014) an effective leader is considered to be flexible, offering guidance to employees, *yet allowing* them to be initiative and creative. Ineffective leaders, on the other hand, are considered to be more goal-focused, less caring for their subordinates' individual needs or absent from the process of decision-making.

For this reason, transformational leadership is considered to be one of the most effective styles, implemented in different workplaces and settings and followed by bank and business managers. In the banking sector, transformational leadership has proven to be quite appropriate and effective, having a positive influence on several aspects, like employees' performance, job satisfaction and job commitment. Finally, transformational leadership is most common in western-type societies and is considered to affect the employees' motivation, vision and empowerment as well as the banks' total function and well-being. However, the reciprocal relation between transformational leadership and job satisfaction in the banking sector should be investigated more extensively, in bigger-scale studies, for the formation of interesting results.

(Albert Puni¹, Samuel B. Ofei¹ and Abednego Okoe, 2013) Democratic leadership is associated with financial performance due to the co-operative atmosphere created among leaders and followers. The above evidence also presents a supporting claim that democratic leaders are often transformational because transformational leaders are visionary and enthusiastic, with an inherent ability to motivate subordinates towards high performance (Bycio *et al.*, 1995; Howell and Avolio, 1993). Though few studies have responded to the observation of (Porter and Mckibbin, 1988) that much of the research reported as supporting this claim is either inconclusive or empirically suspect, there is no doubt that transformational and democratic leadership can create committed and inspired followership that result in financial performance.

(Albert Puni¹, Samuel B. Ofei¹ & Abednego Okoe, 2013) For laissez faire leadership style from the result is an indication that leaders in the two banks do not accept the philosophical assumption that naturally human beings are unpredictable and uncontrollable and trying to understand people is a waste of time and energy. Though there is no statically significant predictive relationship among the various styles of leadership and firm performance, it can be argued from the results that leadership in the two banks believe more in democratic leadership approach since it offers motivated work force and financial performance.

According to (leparleen Cindy samaitan,2014) conclusions The major finding of the study is that there was a strong positive relationship between managers helping their staff develop themselves, managers guiding their staff on how to do their work in order to be rewarded, managers being satisfied with their staff if they meet the agreed upon targets, staff receiving recognition and rewards for performance, setting the standards of working to their staff members and managers not asking for more information than what is essentially required. Thus, the study concludes that leadership styles positively affect the financial performance of commercial banks in Kenya.

Transactional leadership helps organizations achieve their current objectives more efficiently by linking job performance to valued rewards and by ensuring employees have the resources needed to get the job done. The level of integration and interdependencies that are needed for the new work environment as well as global competition require leadership that goes beyond the more basic transactional styles, which involve contingent reinforcement and management-by-exception active, to styles that are more intellectually

stimulating, inspirational, and charismatic (Avolio 1999, Bass 1997 and Bass & Avolio 1993). Further, transformational leaders create a strategic vision, communicate that vision through framing and use of metaphor, model the vision by “walking the talk” and acting consistently, and build commitment towards the vision (Avolio 1999 and McShane & Von Glinow 2000).

This view suggests that transformational leadership will result in high levels of cohesion, commitment, trust, motivation, and performance in these new organizational environments. Previous empirical research and Meta analyses have indicated that transformational leadership has a positive effect on individual performance and organizational outcomes (Howell & Hall-Merenda 1999). Numerous studies have reported positive relationships between transformational leadership and outcomes at the individual level and firm levels (Avolio 1999 and Kirkpatrick & Locke 1996). Most recently, many empirical studies have reported that transformational leadership has a positive impact on follower performance and firm outcomes (Avolio, 2003 Jung & Sosik ,2002 MacKenzie, 2000 and Walumbwa 2002). A number of comparative studies (Waldman Ramirez House & Puranam, 2001) have also reported that transformational leadership behaviors are more positively related to subordinate effectiveness in a variety of organizational settings than are transactional behavior.

The most important recent studies on the impact of leadership on organizational performance are noted in literature Boehnke *et al*, (2003); Obiruwu *et al.*, (2011); Lee and Chuang, (2009). Lee and huang, (2009) analyzed 525 Chinese firms to study the role of leadership on organizational performance. Consequently, their study identified two types of leadership behaviors- relational behavior, and task behavior. Further in their study, organizational performance is measured as profitability, sales growth, market share, and competitive advantages. They found that leader’s task related behavior is directly related to organizational performance (Obiruwu *et al*, 2011). There is no single measure of performance that can fully explicate all aspects of the term (Lee and Chuang, 2009).

Similarly, organizational performance refers to an organization’s ability to attain its goals by using resources in an efficient and effective manner (Onikoyi and Awolusi, 2014); (Das, 2002).However, the definition of organizational performance, as stated by (Lee and Chuang, 2009), was adopted in this study. In their study, organizational performance was measured in terms of profitability, sales growth, market share, and competitive

advantages. The findings of prior studies about the role of leadership in increasing organizational performance are mixed. Some studies (e.g. Lee and huang, 2009); (Das, 2002) suggest that the role of leadership is critically important for an organization to achieve a high level of performance. However, some other studies (Akpala, 1998; Densten, 1999) suggest that role of leadership is not so important in achieving the organizational performance.

The research model is illustrated below:

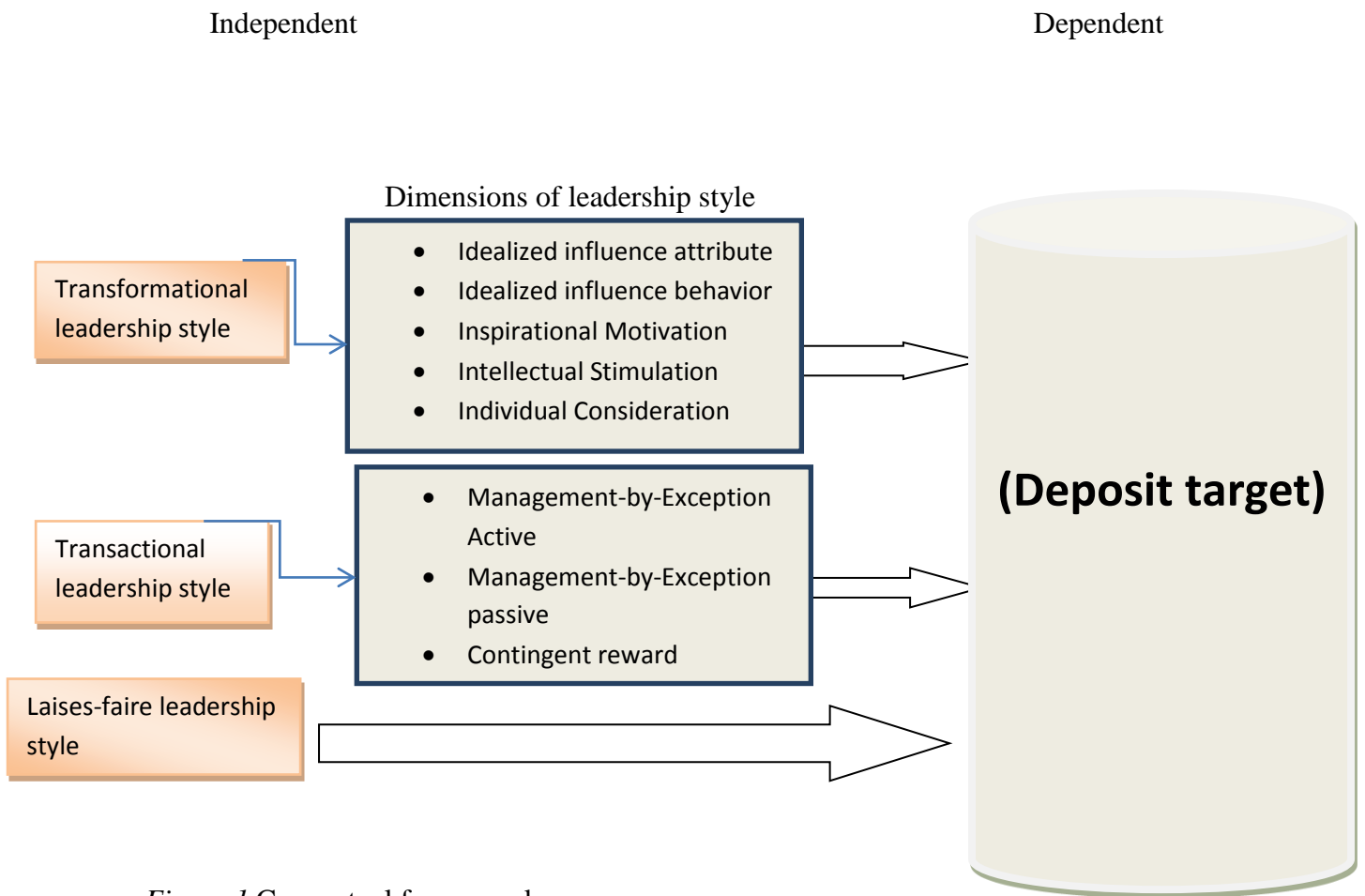


Figure 1 Conceptual frame work

Source: - Developed by the researcher after reviewing similar literatures.

CHAPTER THREE

Research Design and Methodology

3.1. Research Design

The primary purpose of this study is to explore the effect of leadership style on deposit target performance of private banks in jimma town.

According to (Kothari, 2004), a research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact, research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. Explanatory research design method was used to meet research objectives. Accordingly, the research approach employed in this study was quantitative. Quantitative approach was applied to identify impact of leadership style on deposit target performance.

3.2. Population and Sample Size Determination

The study was carried out the population of private banks in Ethiopia working in Jimma town. For this study multi-stage mixed sampling techniques was employed to select respondents; hence, at first stage Jimma City was selected purposively because of conveniences and availability of more private bank branches; then at second stage census approach was used to select the private banks which is all available private banks finally at the third also census approach is used for the determination of sample size among the total of 289 respondents' of senior employees only 241 respondents only properly returned

Total of 289 selected private banks respondents for the study. This is done by according to the number of branches available in the study area. This was ensured that the target groups within a population are adequately represented in the sample, and to improve efficiency by gaining greater control of the composition of the sample.

Therefore, in order to arrive at a statistically valid conclusion, 289 questionnaires were administered but only (83.39%) were responded which made the total number of valid responses to 241.

3.3. Instrument of Data Collection

Five scale Multifactor Leadership Questionnaire MLQ (5x-Short Form) is used as instrument for collecting data from participants. Where responses are used as predictor variable. The instrument was comprised of 41-items of which 36 items are used for leadership style; one item for deposit performance and the rest demographic (sex, age, service year, and educational status). Respective data were collected after grant for the designed bank branch employees for satisfying ethical principle of institutional approval.

Nine independent leadership traits namely (idealized influence behaviors(IIB), idealized influence attributes(IIA), inspirational motivation(IM), intellectual stimulation(IS), individual consideration(IC), management by exception active(MBA), management by exception passive(MBP), contingent reward(CR), and laissez faire(LF)) were used to measure aspect of transformational, transactional and laissez faire leadership style each of these independent variables is measured on continuous scale with a range of 1(strongly disagree) to 5(strongly agree). The leadership trait scores were computed as the average of the appropriate questions from the MLQ, as detailed in the MLQ scoring manual and literature review part. For each of the independent variables, a low score indicates respondents whose self-perception is that they possess little of the leadership attribute while a high score indicates a self-perception that the leaders possess more of the attribute.

3.4. Validity and Reliability of instrument

Validity and reliability are two fundamental elements in the evaluation of a measurement instrument. Reliability refers to the consistency, stability, or repeatability of results (Christiansen, 2004). In other words, the reliability of the data is the extent in which the measures yield the same results on other settings. Likewise, if similar results have been found by other researches. That is, the reliability is high if the results are the same each time they are tested (Saunders et al, 1998).

Table 1 The Cronbach's alpha(s)

Factor Cronbach's alpha	Factor Cronbach's alpha
Transactional	0.865
Transformational	0.781
Liases fair	0.728
Deposit target	0.865

In Table 1 Cronbach's alphas are above (Nunnally's,1978) 0.70 threshold, suggesting adequate reliability.

Validity is achieved when the methodology and research data that is shown in the survey is accurate and true. (Wainer and Braun, 1998) describe the validity in quantitative research as "construct validity". The construct is the initial concept, notion, question or hypothesis that determines which data is to be gathered and how it is to be gathered. They also assert that quantitative researchers actively cause or affect the interplay between construct and data in order to validate their investigation, usually by the application of a test or other process. In this sense, the involvement of the researchers in the research process would greatly reduce the validity of a test.

3.5.Data analysis technique

Before the actual data analysis, questionnaires were checked for completeness and consistency. Descriptive analysis, correlation and multiple regression analysis was used for data analysis of the study.

The descriptive statistical results were presented by tables, frequency distributions and percentages to give a condensed picture of the data. This was achieved through summary statistics, which includes the means and standard deviation values which are computed for each variable in this study.

Inferential statistics allow researchers to infer from the data through analysis of the relationship between two variables; differences in a variable among different subgroups; and how several independent variables might explain the variance in a dependent variable. According to (Kothari ,2004), when there are two or more than two independent

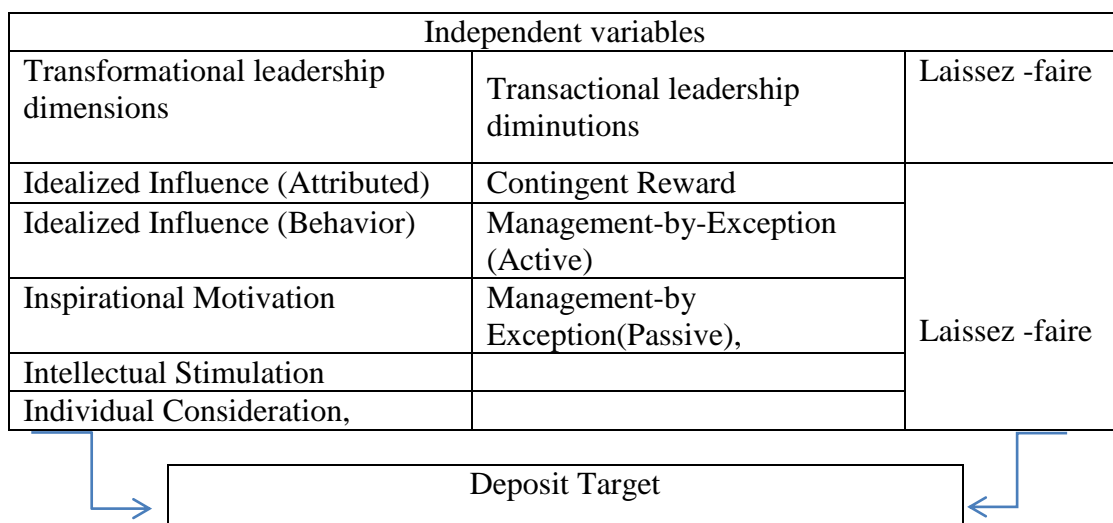
variables, the analysis concerning relationship is known as multiple correlations and the equation describing such relationship as the multiple regression equation.

The correlation and multiple regression of this study are generally built on the dependent variable Deposit target and independent variables (transformational, transactional and laises-fair leadership dimension). The basic objective of using these inferential statistical tools on this study is to make the researcher more effective at describing, understanding, predicting, and controlling the stated variables. Statistical Package for Social Science (SPSS) version 20 was employed to present the data through the statistical tools used for this study.

3.6. Model specification and Description of study variables

Nine independent leadership traits namely (idealized influence behaviors(IIB), idealized influence attributes(IIA), inspirational motivation(IM), intellectual stimulation(IS),individual consideration(IC), management by exception active(MBA), management by exception passive(MBP), contingent reward(CR), and liaises fair(LF)) have been selected as an independent variables and deposit target is dependent variables . The independent and dependent variables selected for this study are presented in the table below and mathematically to demonstrate their relationship as follows.

Table 2 *Independent and Dependent Variables of the study*



Hence, Deposit target (Y) is a function of Idealized Influence (Attributed) (X₁), Idealized Influence (Behavior) (X₂), Inspirational Motivation (X₃), Intellectual Stimulation (X₄), Individual Consideration (X₅), Contingent Reward (X₆), Management-by-Exception (Active) (X₇), Management-by-Exception(Passive) (X₈), and Laissez –faire(X₉).

Deposit target = f (Idealized Influence (Attributed), Idealized Influence (Behavior), Inspirational Motivation, Intellectual Stimulation, Individual Consideration, Contingent Reward, Management-by-Exception (Active), Management-by-Exception(Passive), Laissez -faire)

$$Y=f(X_1, X_2, X_3, X_4, X_5, X_6, X_7, X_8, X_9)$$

$$\text{Mathematically } Y=\beta_0+\beta_1X_1 +\beta_2 X_2+\beta_3 X_3+\beta_4X_4+ \beta_5X_5+ \beta_6X_6 +\beta_7X_7+ \beta_8X_8+ \beta_9X_9 +e$$

Where Y is the dependent variable- deposit target; X₁, X₂, X₃, X₄, X₅, X₆, X₇, X₈, X₉ are the nine independent variables “β₀” is the y-intercept term- it gives the mean or average effect on Y of all the variables excluded from the equation, although its mathematical interpretation is the average value of Y when the stated independent variables are equal to zero. β₁, β₂, β₃, β₄, β₅, β₆, β₇, β₈, β₉ refer to the coefficients of their respective independent variables which measures the change in the mean value of Y, per unit change in their respective independent variables. The “e” is the error term, which is used to calculate statistical significance.

After the nine independent leadership dimensions are transformed in to the respective leadership style (transformational, transactional and laisses-fair leadership style) the multiple regression would be as follows:

$$Y=\beta_0+\beta_1X_1 +\beta_2 X_2+\beta_3 X_3 +e$$

Where: Y is the dependent variable

“ β_0 ” is the y-intercept

- X_1, X_2, X_3 independent variables(Transformational, Transactional, and Laissez-fair leadership style)
- $\beta_1, \beta_2, \beta_3$ coefficients of the respective leadership style.

3.7. Ethical Considerations

In this part, ethical considerations were discussed those were taken during the research study process. (Creswell,2012) stated that research ethics should be primary consideration rather than an afterthought, and it should be at the front of research agenda.

Thus, to collect data, ethical issues like voluntary participation, informed consent, risk of harm, confidentiality and anonymity were taken in to considerations.

CHAPTER FOUR

Results and Discussions

4.1 Results

This chapter presents the analysis and findings of the study as set out in the research methodology. The analysis is divided into three major sections; descriptive statistics, correlation and regression analysis to establish how leadership style correlates and its effect on private banks performance. Data was collected from professional employee of the available private banks in Jimma town. These respondents were specifically chosen since they are in charge of the branches, exercise leadership and observe leadership behavior in their respective bank branch, and the fact that they have in-depth knowledge of the bank.

4.1.1 Respondents Profile

The profiles of the respondents, besides giving background information of the respondents based on gender, age and educational background it helps to assess the level of credibility and acceptability of the answers analyzed in this study.

Table 3: Respondents Profile based on educational back ground and gender

		Educational background			Total	%
		Diploma	BA /BSc	MA /MSc		
Gender	Male	23	78	27	128	53
	Female	16	92	5	113	47
Total		39	170	32	241	100
% of educational back ground		16	70	14	100	

Table 3 above shows that of the 241 respondents 47% of the sample respondents are female and 53% of the respondents were male. This implies that there is a close proportion of male to female respondents and hence makes the analysis representative of both genders. It also depicted the age distribution along with educational back ground in table 3 below, across the 4 age groups. 75% of the respondents are within the age of 25-35, 13% fall within the age of 36-46, 10% are from 46-55 and the rest 2% old. In terms of their educational background, the majority (70%) have higher education than Diploma (16%) and MA/MSc (14%). As most of the employees work experience of more than 6 years, it can be concluded that employees are aware of their organization.

Table 4 Respondents Profile based on educational back ground and age distribution

		Educational background			Total	%
		Diploma	BA /BSc	MA /MSc		
Age	25-35	26	141	14	181	75
	36-45	9	15	7	31	13
	46-55	4	14	7	25	10
	56-65			4	4	2
Total		39	170	32	241	100

4.1.2 Descriptive statistics of leadership behavior

Here descriptive statistics was used to identify the tendency of leadership behavior employed. Appendix (C, D &E) reflects the statistics for all MLQ scale scores indicating the number of valid responses as 241 and missing as 0. The standard deviation, and average (mean), are indicated for each MLQ score for the traits of the transformational, Transactional and Laissez-faire leadership style.

Table(5) we can see that Transformational leadership having traits of Idealized Influence (attributed), Idealized Influence (behavior), Intellectual Stimulation, Individualized Consideration, Inspirational Motivation the value of valid 241 reveals that the mean of 3.411 and the standard deviation 0.501 transformational leadership and transactional leadership style mean of 3.904 and the standard deviation of 0.321 while Laissez-faire leadership style a mean of 2.24 and standard deviation of .623 from the result we can infer that higher mean and lower standard deviation signifies high existence of leadership style in the study area.

Therefore, the overall result shows that an existence of transformational, transactional, and liaises- fair leadership style in private banks in the study area. But the high tendency of transactional leadership style having the highest mean and the lowest standard deviation relative to transformational and liaises fair leadership style. Moreover, contingent reward and management by exception active having the traits of transactional leadership have the largest mean (3.96) and the lowest standard deviations (.348) and mean(3.47) and standard deviations (0.382) respectively. details are show in the appendix (D) which suggests that private banks use rewarding system like annual

profitability bonus, salary increment, promotion, and special reward system to their employees to achieve target deposit level to feel employees sense of belongingness etc.

4.1.3. Relationship between leadership style and Deposit target performance

Pearson's correlation (r) was used to determine whether correlation exists between transformational, transactional and laissez fair leadership traits scores (independent variables) and deposit target (dependent variable) of private banks.

The Pearson's correlation measures the degree to which two variables is related (Cohen, 1998). Pearson's correlation is a measurement of a linear relationship between +1.0 and -1.0; very seldom is the results 0. (Cohen, 1998). A result of +0.7 to 1.0 is normally considered a strong positive relationship between the two variables (Winks, 2008). A result of -1.0 to -0.7 is considered a strong negative relationship (Winks, 2008).

Table 5 Pearson correlation: Showing the relations of leadership style and deposit target performance.

	Mean	Std. Deviation	DT	LF	TL	Transf. L
DT	7.9719	.024	1			
LF	2.240	.623	-0.108	1		
T.L	3.904	.321	0.727**	-.023**	1	
Transf. L	3.411	.501	0.553	-.030	.023	1

** . Correlation is significant at the 0.01 level (2-tailed).

From the table 5 it can be infer that from the three leadership style (transformational, transactional, and liaises fair) nine leadership behaviors are examined in this study, which are named as: idealized influence (attribute), idealized influence behavior, individual consideration, Inspirational Motivation, intellectual stimulation, contingent reward, management by exception active management by exception passive and laissez fair). It is clear that transformational leadership behaviors have moderate positive relationship were as transactional leadership dimensions have weak to strong positively correlated with deposit target performances. On the contrary, laissez fair leadership has a weak negative relationship with deposit target performance. Appendix (F). The result also revealed that private banks use more of contingent reward system which is the traits of transactional leadership style than other. Therefore, leadership styles have both positive and negative relationship with Deposit target.

4.1.6. Multiple regression Analysis

Regression analysis was employed to examine the impact effect of leadership style on Deposit target. In order to determine the extent to which the explanatory variables explain the variance in the explained variable, multiple regression analysis was performed. The below regression model shows independent variables: transformational(X_1), transactional (X_2), and laissez-fair (X_3),.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Table 6 Regression Model Summary

Model Summary ^b									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.884 ^a	.782	.771	.291	.782	190.59	3	237	.000

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

b. Dependent Variable: Deposit target

From the table 7, R^2 and adjusted R^2 of the model is 0.782 and 0.771 respectively. It shows that approximately 78.2% of variance in the dependent variable (deposit level) can be explained by the linear combination of the independent variables (transactional, transformational, and laissez fair leadership style) while the remaining 21.8% of variation in deposit level can be attributed to other variables which are not considered in this study. If another factor is presented, it would further explain 77.1% as shown by the Adjusted R square.

Table 7 ANOVA table

ANOVA ^a					
Model	Sum of Squares	D f	Mean Square	F	Sig.
1 Regression	682.694	3	227.565	190.59	.000 ^b
Residual	283.083	237	1.194		
Total	965.777	240			

- a. Dependent Variable: deposit target Performance
- b. Predictors: (Constant), laissez-faire, Transformationnel, Transactionnel

The ANOVA table showed that the value of F statistics, indicating that using the model is better than guessing the mean. The below table portrays $F = (3, 237) = 190.59$, $P = 0.000$; which means that the value of $F(190.59)$ at 3 and 237 degrees of freedom with P value (0.000) less than the threshold 0.05 shows statistically significant relationship between independent and dependent variables. Hence, it is possible to conclude that, the independent variables (transformational, transactional, and laissez faire leadership style) were simultaneously contributing to the variation in the dependent variable Deposit target.

Table 8 : Regression on independent variables on dependent variable

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	7.972	.002		4.643	.000*	7.968	7.972
	Transactional	.292	.028	.284	1.751	.000*	.146	.725
	Transformational	.286	.039	.206	3.179	.002*	.289	.369
	laissez-faire	-.021	.042	-.402	-6.605	.004*	-.059	-.129

Dependent Variable: deposit target * sig. at 0.01 $p < 0.05$

The above table shows independent variables significantly contributed in variation of the leadership style at 5% significance though the relative importance of each independent variable was different. Since the “P” value is less than 0.05, coefficients are significant and the linear regression equation would be:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

From the predictors transformational leadership and transactional leadership are positively related with organizational performance were as laissez-faire leadership is negative relationship with deposit target. It has below quantitative association indicating all of them have influence on deposit target.

Constant or the y-intercepté $\beta_0 = 7.972(\alpha < 0.05)$

Transactional $\beta_1 = 0.284(\alpha < 0.05)$

Transformational $\beta_2 = 0.206 (\alpha < 0.05)$

Laissez-faire $\beta_3 = -0.402(\alpha < 0.05)$

Hence, $Y = 7.972 + 0.284X_1 + 0.206X_2 - 0.402X_3 + e$

Thus, transactional, transformational and laissez faire leadership have positive and negative effect on the deposit target, indicating 78.2% of variation in the organizational performance. Looking at standardized coefficients in the above table, both transactional and transformational leadership style have positive influence on Deposit target were as laissez faire leadership style has negative effect on deposit target.

Furthermore, the standardized coefficients in the above table and the mathematical model further explained as, if all the values of the independent variables are equal to zero, then, the value of deposit target performance is the constant value 7.972 units. On the other hand, one percent of change in transactional leadership leads to .284 increases in deposit target performance and one percent of change in transformational leadership to 0.206 increases in deposit target performance. On the contrary, one percent of change in Laissez fair to -0.402 decreases in deposit target performance, this implies that, the leadership styles have both positive and negative influence on deposit target performance of the study area.

4.1.7. Secondary data interpretation

The data obtained from the available private banks six years deposit target performance from the year 2012 up to 2017. The figure it shows an increase the performance of deposit target. The recent data of deposit target performance shows Awash Bank and Dashen Bank are the highest performance were as Birhan bank and Bunna bank shows the least performers of deposit target with the same year. On the other hand the overall performance shows there are variations of deposit target performance within the same

period which implies that even though there are an existence of the three leadership styles with deferent degree of dimensions and compute in the same available market condition under the control of national bank of Ethiopia. Thus, deferent application of leadership style reveals variations in their target performance..

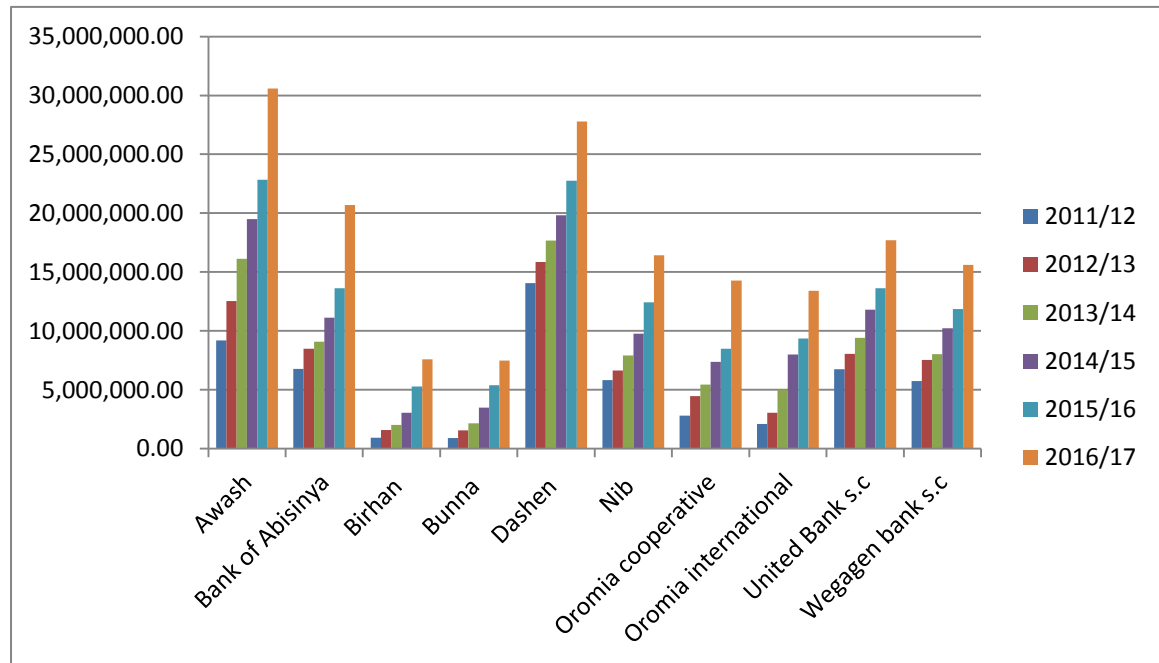


Figure 2 Private Banks deposit target performance for six years

Source: Compiled from annual reports of selected private banks

4.2. Discussions

The objective of this research work was to examine the effect of leadership style on deposit target performance. From the result, it was discovered that there is positive and negative correlation as well as effect of leadership style dimensions on deposit target performance, the model gives good account of dependent variable of Deposit target on leadership style dimensions.

The coefficient of determinant of $R= 0.782$ indicates that 78.2% variation in Deposit target performance is accounted for by good leadership style. This finding agrees with the work of (Howell and Frost, 1989), Fu-Jin et al., (2010), (Obiwuru et al., 2011), and (Jeremy et al., 2011) that leadership style has significant effect on organizational performance. Also result is consistent with the result of (Ojokuku R. M, et al, 2012) which states that the investigation about the effect of leadership style on organizational

performance in Nigerian banks. The results of the study revealed that there is strong relationship between leadership style and organizational performance.

On the basis of the findings of this study, it can be concluded that leadership style has both positive and negative effect on deposit target performance. The study found that transformational and transactional leadership style, in which employees are allowed to have sense of belonging, carry out higher responsibility with little supervision, and followers are helped to achieve their visions and needs enhance organizational efficiency. But liaises-fair leadership style has negative impact on banks' performance. It is concluded that transformational and transactional leadership styles are the best for the management of private banks to be adopted in order for them to be stronger in a global financial competitive environment.

CHAPTER FIVE

Summary, Conclusions and Recommendations

5.1. Summary of findings

In this chapter the aim is to the effect of leadership style on deposit target performance of private banks . The quantitative results were collected from MLQ-5X. The test executed Linier Regression, including analysis of variance (ANOVA), R, R-squared, F, t statistics. Also, Pearson Correlation was performed and these results are described below.

Leadership styles (transformational, transactional) and its relationship with deposit target was positive and laises faire and relationship with deposit target was negative. Moreover, In the other methods of transactional leadership, contingent reward is more fitted to the model which means having a stronger positive correlation with outcomes of deposit target. Overall, the data revealed that private banks in Ethiopia are managed in a somewhat transactional leadership style. Transactional variable means were generally 3.904 on the 5-point scale, and for the transformational variables the means were generally 3.411. Surveyed employees answering to the questionnaire generally indicated that the private banks are operated in a stage between transactional and transformational leadership environment which means they are in a transactional phase.

5.2. Conclusions

Though there are numerous studies (Bono and Judge 2003); (Bass *et al.* 2003); (Nemanich and Keller, 2007) that are extended in the area of leadership; it is quite interesting that universally acceptable conclusions are not arrived yet as to what is actually termed as effective leadership, what are the variables contributes for the effectiveness of leadership and so on.

This study examines the effect of leadership style on deposit target performance of private banks in Jimma town, Ethiopia. The study was conducted via a survey on 241 selected respondents from all the participating banks in the survey. The underline research data were analyzed and tested via descriptive statistics, correlation and regression analysis.

From the findings conclude that a positive relationship between the transformational leadership styles and deposit target performance. It can also therefore be concluded that, there is a strong positive relationship between transactional leadership style and also negative relationship between laissez fair leadership style and deposit target performance. This means that private banks in the study area is more transactional leadership style than transformational leadership style and laissez fair leadership style to increase the performance of banks in Jimma town. Since the study reveals that among the nine analyzed leadership behaviors private banks used contingent reward system which is the traits of transactional leadership style showing the highest frequency. Similarly, transformational leadership traits inspirational motivation show the next highest frequency which shows the tendency of transformational leadership.

In summary, the leadership style has significant relationships and effect on performance outcomes; viz. periodic increment with variation of all private banks deposit level. The study has added some additional knowledge for a better understanding of the preferred leadership approach and appropriate style for using with subordinate in various professional levels. By using the results, leaders can adjust their behaviors in practical ways to enhance the desired performance, thereby gaining increased productivity for their organizations as a consequence.

5.3. Recommendations

Private bank leaders should attempt to choose appropriate leadership styles which may enhance or hinder organizational performance and subsequently, adopt creative applicability of appropriate leadership behaviors.

It would also be better to replicate this study using different performance measures. Since the limitation of the present study was that it relied on only deposit targets. The same research can also be carried out in other countries so that a broad comparison of the concepts of leadership styles as it relate and impact on organizational performance can be made.

Future studies can benefit by including leadership styles and other variables such as financial performances such as profit, assets quality etc. and non-financial performances such as employee turnover and deposit mobilization schemes, etc. Comparisons can also be made between the private and public banks. The findings of this study may not be generalized to the private banks industry or to other types of service organizations in the country. Generalization of the present findings should, therefore, be examined in future research in public banks and other financial organizations with balanced gender, and more heterogeneous samples.

Furthermore, researchers might further examine the particular circumstances under which leadership behaviors might influence organizational performance. Taken as a whole, the suggestions for future research offer additional opportunities to further investigate the amount of variance that the three leadership styles explain in all types of organizational performance.

Finally, private banks should reject laissez-fair leadership and choose appropriate leadership style so as to achieve their objective and improve the business performance in the competitive business industry.

Recommendation for Further Research

1. For further research on the same title, the researcher recommends the effect of leadership styles and other organizational performances with cause and effect relationships.
2. Furthermore, it is advisable to study the relationship of deposit target performance With other type of leadership styles such as democratic and autocratic leadership styles.

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Appendices

Appendix A: Questionnaire



JIMMA UNIVERSITY

COLLEGE OF BUSSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

MBA PROGRAM

Dear Sir\Madam,

I am conducting a Master's Thesis on "The effect of Leadership style on deposit target performance on private Banks in Ethiopia Jimma town." I would like you to fill-up the questionnaire as you have practical experience within the Bank. I believe that your honest response will make this research successful. I assure you that the information provided by you will be kept confidential and will only be utilized for academic purpose.

Part one: Respondents demographic profile

1. Age: ----- Years
2. Education: ----- Diploma -----BSc / BA degree
----- Master Degree / MBA / MSc
3. Gender: -----Male -----Female
4. Service years in the bank: ----- years/months

Part two: Leadership style observed by you:

This questionnaire is to describe the leadership style of your bank (or the person you report to), as you perceive/observe it. Please answer all items on this sheet. If an item is irrelevant, or if you are unsure or do not know the answer, leave the answer blank. Please answer this question anonymously.

Twenty nine descriptive statements are listed on the following pages. Judge how frequently each statement fits the person you are describing. Use the following rating scale by putting (↓) your desired option for rating.

1. Strongly disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly agree

	Leaders behavior	1	2	3	4	5
1	Provides me with assistance in exchange for my efforts					
2	Re-examines critical assumptions to question whether they are appropriate					
3	Fails to interfere until problems become serious					
4	Focuses attention on irregularities, mistakes, exceptions, and deviations from standards					
5	Avoids getting involved when important issues arise					
6	Talks about their most important values and beliefs					
7	Is absent when needed					
8	Seeks differing perspectives when solving problems					
9	Talks optimistically about the future					
10	Instills pride in me for being associated with him/her					
11	Discusses in specific terms who is responsible for achieving performance targets					
12	Waits for things to go wrong before taking action					
13	Talks enthusiastically about what needs to be accomplished					
14	Specifies the importance of having a strong sense of purpose					
15	Spends time teaching and coaching					
16	Makes clear what one can expect to receive when performance goals are achieved					
17	Shows that he/she is a firm believer in "If it isn't broke, don't fix it."					
18	Goes beyond self-interest for the good of the group					
19	Treats me as an individual rather than just as a member of a group					
20	Demonstrates that problems must become chronic before taking action					
21	Acts in ways that builds my respect					
22	Concentrates his/her full attention on dealing with Mistakes, complaints, and failures					
23	Considers the moral and ethical consequences of decisions					
24	Keeps track of all mistakes					
25	Displays a sense of power and confidence					
26	Articulates a compelling vision of the future					
27	Directs my attention toward failures to meet standards					
28	Avoids making decisions					
29	Considers me as having different needs, abilities, and aspirations from others					
30	Gets me to look at problems from many different angles					
31	Helps me to develop my strengths					

32	Suggests new ways of looking at how to complete assignments					
33	Delays responding to urgent questions					
34	Emphasizes the importance of having a collective sense of mission					
35	Expresses satisfaction when I meet expectations					
36	Expresses confidence that goals will be achieved					

Appendix B: Variable of the Study with leadership dimensions Indicators in MLQ

Instrument	Variables	Subscales	code	Indicators
Bass and Avolio's MLQ	Transformational leadership style	Idealized Influence (Attributed)	IIA	10,18,21,25
		Idealized Influence (Behavior)	IIB	6,14,23,34
		Inspirational Motivation	IM	9,13,26,36
		Intellectual Stimulation	IS	2,8,30,32
		Individual Consideration	IC	15,19,29,31
	Transactional leadership style	Contingent Reward	CR	1,11,16,35
		Management-by-Exception (Active)	MBEA	4,22,24,27
		Management-by-Exception (Passive)	MBEP	3,12,17,20
	Laissez –faire leadership style	Laissez -faire	LF	5,7,28,33

Appendix C: transformational leadership dimension observed by the respondents'

Transformational leadership dimension	N	Mean	Std. Deviation
Idealized Influence (Attributed)	241	3.30	.964
Idealized Influence (Behavior)	241	3.40	.351
Inspirational Motivation	241	3.21	.768
Intellectual Stimulation	241	3.30	.838
Individual Consideration	241	3.38	.942

Source: own survey, 2017

Appendix D: transactional leadership dimension observed by the respondents'

Transactional Leadership Dimension	N	Mean	Std. Deviation
Management by exception active	241	3.47	.382
Management by exception passive	241	3.16	.360
Contingent reward	241	3.96	.348

Source: own survey, 2017

Appendix E: *laissez-fair leadership dimension observed by the respondents'*

Laises- fair leadership traits	N	Mean	Std. Deviation
Laises- fair	241	2.43	.82

Source: own survey, 2017

Appendix F: *Correlation analysis of leadership dimension with deposit target performance*

		DT	LF	MBEP	MBEA	CR	IIA	IIB	IM	IS	IC
DT	Pearson Correlation	1									
	Sig. (2-tailed)										
LF	Pearson Correlation	-.029	1								
	Sig. (2-tailed)	.321									
MBEP	Pearson Correlation	.189	.382**	1							
	Sig. (2-tailed)	.108	.000								
MBEA	Pearson Correlation	.432	.037	.025	1						
	Sig. (2-tailed)	.051	.572	.698							
CR	Pearson Correlation	.785**	-.076	-.145*	.028	1					
	Sig. (2-tailed)	.001	.242	.024	.666						
IIA	Pearson Correlation	.495*	-.344**	-.362**	.027	.068	1				
	Sig. (2-tailed)	.013	.000	.000	.677	.292					
IIB	Pearson Correlation	.614*	-.161*	-.170**	.007	.006	.082	1			
	Sig. (2-tailed)	.001	.012	.008	.917	.921	.204				
IM	Pearson Correlation	.593**	-.050	-.038	.059	.041	.136*	.004	1		
	Sig. (2-tailed)	.003	.438	.554	.362	.531	.035	.948			
IS	Pearson Correlation	.625*	.049	-.005	.058	.019	.078	-.002	.060	1	
	Sig. (2-tailed)	.014	.453	.935	.371	.768	.231	.978	.356		
IC	Pearson Correlation	.489*	.108	.045	.025	.023	.094	.091	.129*	.119	1
	Sig. (2-tailed)	.018	.095	.487	.701	.723	.144	.160	.046	.065	

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

(Note: CW- Contingent rewards; MBEA- Management-by-exception: active; Management-by-exception: passive; LF - Laissez-faire; IS- Intellectual stimulation; II- Idealized influence attribute; IM- Inspirational motivation; II- Idealized influence behavior ; IC- Individualized consideration; DT – deposit target performance, T.L stands

for transactional leadership, Transf. L stands for transformational leadership and L.F stands for liaises-faire leadership.

Appendix H: Assumption test of multiple regressions

i) Linearity test /linear relationship: The model is a roughly linear one. This is slightly different from simple linear regression as we have multiple explanatory variables. This time we want the outcome variable to have a roughly linear relationship with each of the explanatory variables, taking into account the other explanatory variables in the model.

Multiple regressions can accurately estimate the relationship between dependent and independent variables when the relationship is linear in nature. The chance of non-linear relationships are high in the social sciences, therefore it is essential to examine analyses for linearity. If the relationship between independent variables (IV) and the dependent variable (DV) is not linear, the results of the regression analysis will under-estimate the true relationship. This under-estimation carries two risks: increased chance of a Type II error for that IV, and in the case of multiple regression, an increased risk of Type I errors (over-estimation) for other IVs that share variance with that IV (Osborne & Waters, 2002).

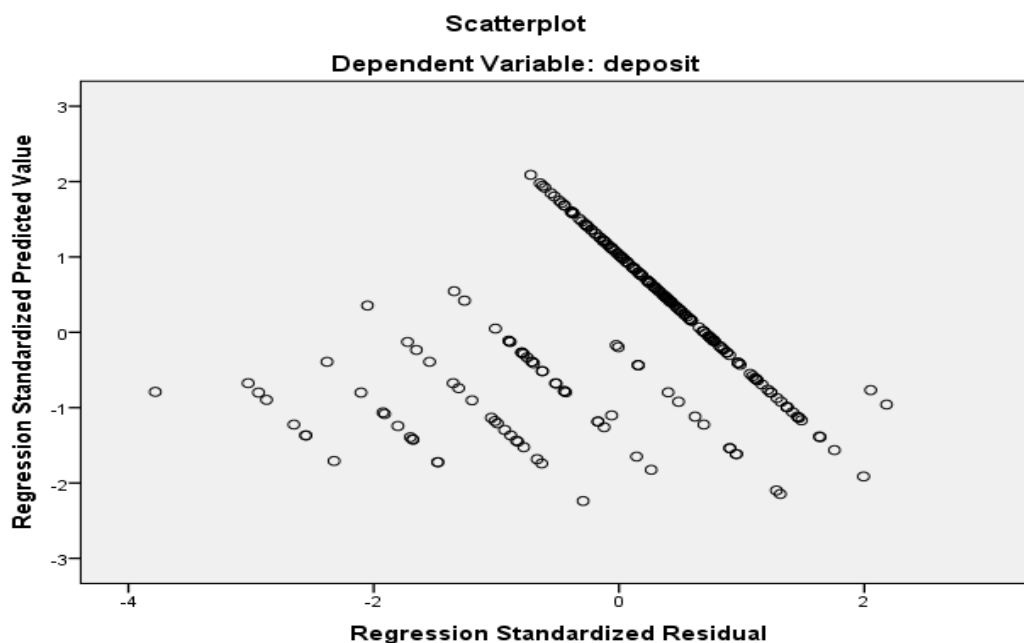


Figure 3 P-P plot of Scatter plots of residuals that indicate linear relationships

This set of assumptions can be examined to a fairly satisfactory extent simply by plotting scatter plots of the relationship between each explanatory variable and the outcome variable. Hence, the study had tested for linear assumption and the above figure shows scatter plots of residuals that indicate linear relationships which suggest that the linear assumption is satisfied.

ii) Normality Test (Variables are Normally Distributed): Regression assumes that variables have normal distributions. Non-normally distributed variables (highly skewed or kurtosis variables, or variables with substantial outliers) can distort relationships and significance tests. There are several pieces of information that are useful to the researcher in testing this assumption. Visual inspection of data plots, skew, kurtosis, and P-P plots give researchers information about normality, and Kolmogorov-Smirnov tests provide inferential statistics on normality. Outliers can be identified either through visual inspection of histograms or frequency distributions, or by converting data to z-scores (Osborne & Waters, 2002)

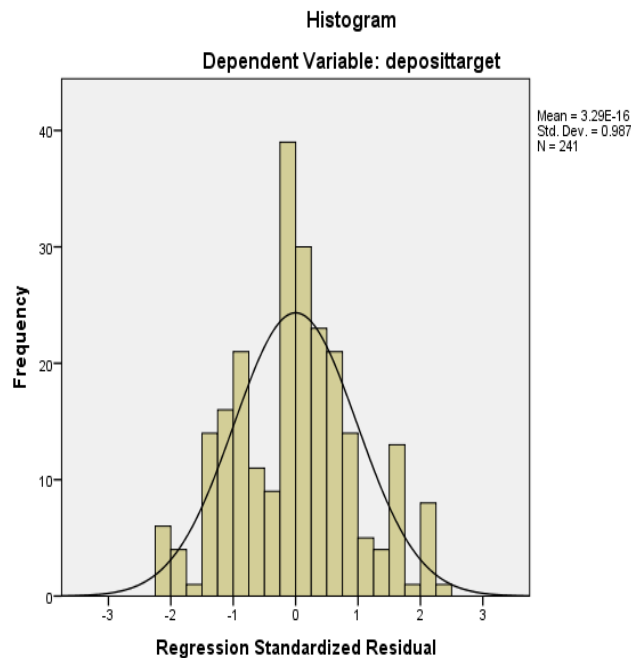


Figure 4 *Histogram with normal distribution*

Normality can be checked through histograms of the standardized residuals (Stevens, 2009). Histograms are bar graphs of the residuals with a superimposed normal curve that show distribution.

A histogram of the residuals (errors) in our model can be used to check that they are normally distributed. However it is often hard to tell if the distribution is normal from just a histogram so additionally we use a P-P plot as shown below:

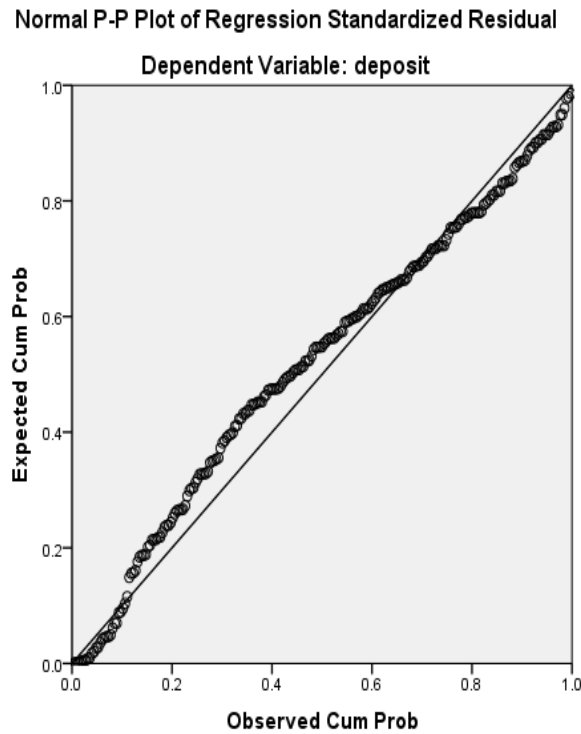


Figure 5 *P-P plot of standardized regression residual*

As can be seen from the above figure, the expected and observed cumulative probabilities, while not matching perfectly, are fairly similar. This suggests that the residuals are approximately normally distributed. In this study the assumption is not violated and the normality assumption is satisfied.

iii) Homoscedasticity: We can check that residuals do not vary systematically with the predicted values by plotting the residuals against the values predicted by the regression model. The model errors are generally assumed to have an unknown but finite variance that is constant across all levels of the predictor variables. This assumption is also known as the homogeneity of variance assumption (Williams, Grajales & Kurkiewicz, 2013).

In the above figure the data points seem fairly randomly distributed with a fairly even spread of residuals at all predicted values.

iv) Multi Colinearity: The simplest way to ascertain whether or not the explanatory variables are highly correlated with each other is to examine a correlation matrix. If correlations are above .80 then it may have a problem. The Variance inflation factor (VIF) and tolerance statistic can also tell us whether or not a given explanatory variable has a strong relationship with the other explanatory variables. (Williams, Grajales & Kurkiewicz, 2013).

Multicollinearity occurs when several independent variables correlate at high levels with one another, or when one independent variable is a near linear combination of other independent variables (Keith, 2006). The more variables overlap (correlate) the less able researchers can separate the effects of variables.

Table 6 *Co linearity Assumption test*

Coefficients ^a			
Model		Colinearity Statistics	
		Tolerance	VIF
1	laissez-faire	.598	1.673
	MBE	.589	1.220
	MBEA	.475	2.105
	IIA	.593	1.687
	IIB	.632	1.583
	IM	.722	1.385
	IS	.646	1.549
	IC	.403	2.479
	CR	.541	1.849

a. Dependent Variable: deposit target

According to (Garson,2012), as a rule of thumb, intercorrelation among independents above .80 signals a possible problem. From the correlation table (table 5), the correlation among deposit level and all the listed independent variables has less than 0.8 which showed us it has not multi colinearity problem.

Moreover, if tolerance value is less than 0.20 and VIF >4, the independent should be dropped out from the analysis due to multi co linearity problem. Likewise, table 5 above showed us the tolerance and VIF values for all independent variables has no Co linearity problem and as a result no variables was dropped out from further analysis.

Appendix I : List of private banks in Ethiopia

No.	List of private Banks	Year of Establishment
1	Abay Bank	2012
2	Addis international bank	2011
3	Awash international bank s.c	1994
4	Bank of Abyssinia	1996
5	Birhan International Bank s.c	2010
6	Bunna International Bank s.c	2009
7	Dashen bank	1995
8	Dehub Global bank	2010
9	Enat Bank	2013
10	Lion bank s.c	2006
11	Nib International Bank s.c	1999
12	Oromia Co-operative bank	2005
13	Oromia international bank s.c	2008
14	United Bank s.c	1998
15	Wegagen bank s.c	1997
16	Zemen Bank	2009

Source: NBE, WWW.nbe.com