



Assessments of Leadership Styles and Its Effect On organizational Performance: The case of Top Ten Ethiopian Commercial Banks

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ABSTRACT

This paper involved a study of leadership styles in the realism of commercial banks in Ethiopia using literature that had been written on the subject and examinations of an accurate determination of leadership styles, transformational, autocratic and democratic leadership that contribute to success was able to be achieved. It was concluded that transformational leadership styles are explicitly profitable when dealing with bank employees. For this study a mixed descriptive and explanatory research approaches were employed. To achieve the objective of this study, primary data was collected from Employees from top 10 Commercial bank Head Quarters in the commercial banks Industry of Ethiopia. Structured questionnaires were distributed to the samples of 399 Bank Employees and managers all 90% of respondents are completed and responses were returned. Interviews were also conducted with management bodies of the banks. For this study systematic and purposive sampling techniques has been pursued to collect data. And the descriptive analysis result indicates that there is high level of correlation of transformational leadership from all independent variable and findings also confirm that the result of transformational Variables majority of the respondents responded agree on the statements of transformational dimension and democratic leadership style Variable including they received advice from the leader on what to do and how, that the leader encourages group conversations, that the leader encourages creativity and people are frequently largely engaged in systems and decisions.

Keywords: Leadership style, transformational leadership, organizational Performance, Autocratic leadership, and Democratic leadership

INTRODUCTION

According to RMelo, M Silva, P Parreira, (2014) leadership style is the aspect of a leader's personality that inspires subordinates to follow them. In addition leadership is a universal human phenomenon. The study of leadership is not a new phenomenon, but it is an ancient art. The importance of leadership refers to the fact that the success of an organization is heavily dependent on the quality of its leaders. These leaders play a major role in making decisions that determine organizational goals and how these goals can be accomplished. The organizational performance involves three areas associated with the organization financial performance (return on investments, profits etc.), shareholder return (economic value added, total shareholder etc.) and the product/service market performance (market share, sales etc.)

According to Adare A. et, al, 2016 Leadership style cultivated itself as a significant determinant of workers' organizational performance together with normal skills familiar by supervisors at various level of progressive system according to McGuire,J(2003).Leaders need the ability to lead an organization to achieve the objective set in the given period of time. However, many organizations have immoral and unethical performance, high labor turnover and inability to meet basic required obligations. This could be due to a lack of strong leadership. Mohona B. 2023, many organizations' primary goal is to meet their stated goals, necessitating the need for a skilled leader to effectively manage and encourage their employees. Unfortunately, several businesses are unaware of their managers leadership styles. Similarly, Top ten Ethiopian Banks employees are not active enough to serve their employees as they are expected to do. Based on this situation the researcher is motivated to study the reason behind this problem. Newman, M. A., Guy, M.E., and Mastracci, S.H. (2007).

CONTEMPORARYTHEORIESOFLEADERSHIP

According to Kouzes, J.M.and Posner, B.Z.(2003),leadership and its perspectives continue to evolve and so do the concepts of leadership. This is worth thinking about as the concepts of leadership continue to evolve and become more familiar with the nature of business and the working environments of businesses in this 21st century, where businesses are fiercely competitive to survive in many fields. The understanding of leadership concepts is under pressure from a multitude of definitions and meanings, weighed down by the life stories of those who define leadership due to the lack of precise definition of leadership throughout a century. For example, some people define leadership in terms of what they have understood, internalized, shared a process or related social management activities and experiences. For others, however, it may be their negative attitude toward a process or scope of disclosure involving abuse of power; The positions focus on the end goal from an objective point of view. Thus, in the literature on leadership theory, one can find both (negative and positive) views on life experience and the person's perception of leadership. Contemporary leadership theory now attempts to reform leadership concepts with greater emphasis on moral discourse and social purpose, away from previous leadership theories of management.

CONTEMPORARY APPROACHES

Leadership includes transformative leadership, exchanges between leaders and members, servant leadership, spiritual leadership, and authentic leadership in most literature with a contemporary leadership theme. The transformative leadership approach emphasizes the importance of leadership charisma, inspirational motivation, intellectual stimulation, and individual consideration as methods of influence. The appropriate part of transformational leadership is the transactional leadership approach, in which the manager's focus is on achieving the company goal through the employee. The Leader-Member-Exchange (LMX) The definition of the 21st century as a concept of leadership is therefore attention-grabbing according to (Fairholm, M., (2007).), which can be expressed as:

Authentic leadership; is an approach to the study of leadership that emphasizes the authenticity of leaders and their leadership in the leadership process. is a different type of leader that puts the leader in the role of a servant, focusing on the needs of his followers with caring principles, helping them become more autonomous, more knowledgeable, and like servants themselves; And finally:

Adaptive leadership, where leaders encourage their followers to adapt by confronting and solving problems, challenges, and change after decades of dissonance. Management scholars agree on one point: they could not find a common definition of leadership. Due to factors such as growing global influences and generational differences, leadership was continue to mean different things to different people. The bottom line is that leadership is a complex concept whose clear definition may have been in flux for a long time.

LEADERSHIP ROLE:

Since the 1930s, it has been over 90 years since role theory has attracted the attention of social scientists of all backgrounds. As role theory has been applied by different social science scholars, disagreements have arisen about the assumptions made in its application from different viewpoints. Role theory, for example, is a branch of functionalism for social scientists and a symbolic interactionism perspective for other applied scientists. (Gary Yukl,(2010)begins his discussion of role theory by presenting a broad human characteristic that is important for the study of human behavior. Biddle also introduces the concept of role in his synthesis of role theory. According to Biddle, defining a role is about the behavioral characteristics of one or more people in context. According to Biddle, role theory, based on Ralph Linton's conceptualization, is a normative conformity style of social interaction in which individuals occupying a particular position perceive the normative expectations of their position to be consistent.

History of Ethiopian Banks and Ethiopian Currency Bank Notes

Ethiopia's first bank was the Bank of Abyssinia, which was founded in 1905. By 1915, the same bank began issuing the first Ethiopian bank notes. Paper money was considered something of a revolutionary aspect and was not immediately accepted by the population at large. Many people of the time claim that as much as twenty five years after the Bank issued the first Ethiopian bank notes, most people outside the capital Addis Ababa were not even using it. Furthermore, it was noted that even the government's post office and customs offices were not using the paper money.

Nevertheless, traders and others would come to realize that a 500 Thayer note was a lot easier to put in a pocket than its equivalent in coins, which would weigh close to 14 kilograms. By 1931, following the liquidation of the Bank of Abyssinia, the Bank of Ethiopia would be formed. They would issue Ethiopian bank notes based largely on the animal motifs used by the now defunct Bank of Abyssinia. By 1964, the National Bank of Ethiopia or the NBE began its operations. The role of this bank to this day is to act as the Ethiopian central bank which issues banking licenses and supervises other banks in the country. Other responsibilities of the NBE include regulating the supply, availability, and the price of Ethiopia's credit and money; manage and administer the country's international reserves, and initiate and Commercial Bank of Ethiopia.

Ethiopia is Africa's fastest growing economy, offering investors a variety of opportunities. With a population of over 120 million, the country is one of the most populous countries in Africa. Ethiopia also has a long and established banking history, with many banks having been in operation since the late 19th century. Ethiopia's banking industry has something for everyone. Boasting a wide variety of commercial banks, credit unions, and other financial institutions, Ethiopia's banking sector has grown considerably over the years. With this growth come more opportunities to save and invest your hard-earned money. In Ethiopia now a days There are thirty (30) commercial banks are available . They are Commercial Bank of Ethiopia,,Development Bank of Ethiopia,Dashen Bank,Wegagen Bank,Bank of Abyssinia,Hibret Bank,Nib International Bank,Cooperative Bank of Oromia,Lion International Bank,Zemen Bank,Oromia Bank,Bunna International Bank,Berhan International Bank,Abay Bank S.C,Addis International Bank S.C,Debut Global Bank S.C,Enat Bank S.C,ZamZam Bank S.C, Goh Betoch Bank S.C,Hijira Bank S.C,Siinquee Bank S.C,Shabelle Bank S.C,Ahadu Bank S.C,Tsedey Bank S.C,Amhara Bank S.C, Gadaa Bank S.C,Sidama Bank S.C,Rammis Bank S.C,Omo Bank Share Company,and Tsehay Bank Share Company. Out of these banks to ensure you get the most out of any Ethiopian bank, we've picked out our top Ten (10) commercial banks in Ethiopia. They are namely : *Commercial banks in Ethiopia(CBE),Awash Bank,Dashen Bank,Wegagen Bank,Bank of Abyssinia,Oromia International Bank,Hibret Bank,Nib International Bank,Zemen Bank, CooperativeBankofOromia*(SOURCE: February 23, 2023https://typical Ethiopian.com/top-10-banks-in-ethiopia/#google_vignette)

GENERAL OBJECTIVE

The main objective of the study was to assess the leadership styles and examine its effect on organizational performance in the case of Top ten Ethiopian Banks.

SPECIFIC OBJECTIVE

The study would have the following specific objective

1. To identify the preferred leadership style of Top ten Ethiopian Banks Administration in headquarters.
2. To analysis the impact of autocratic leadership style on organizational performance
3. To examine the impact of transformational leadership style on organizational performance in the case of Top ten Ethiopian Banks.
4. To analyze the impact of democratic leadership style and organizational performance in the case of top ten Ethiopian Banks.

SIGNIFICANCE OF THE STUDY

The study can assist other scholars who are conducting research on the same topic for academic purposes. This study will be beneficial to identify which leadership style is good for employees and managers in terms of satisfaction for the success of their career and achieving their vision.

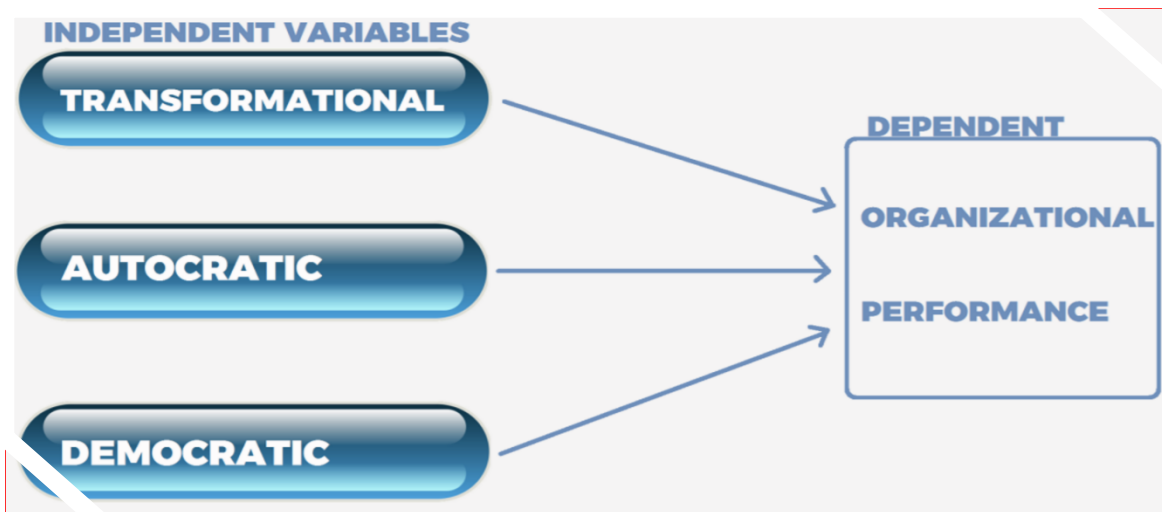
The study can provide information to Top ten Ethiopian Banks on how their leadership style is affecting employees and can help to identify which leadership style will be appropriate to be effective. It can be beneficial for leaders to understand which types of leadership style and its effect on organizational performance for a better performance and how employees can also be motivated through proper leadership.

SCOPE OF THE STUDY

Conceptually the study was limited to concepts of about leadership style and organizational performance. At the same strengthen, there are various forms of leadership styles. However, for the sake of this study, only three forms of leadership styles (i.e. transformational, autocratic and democratic leadership) were used on those top ten banks.

In order to collect the data, self-administrated questionnaire was employed. The sample population of the study was all the population of the study. At the end, both descriptive and inferential statistics was used for the data analysis purpose.

CONCEPTUAL FRAME WORK



RESEARCH METHODOLOGY

RESEARCH APPROACHES AND DESIGN

RESEARCH APPROACH

Creswell (2003) discussed three research approaches, namely quantitative, and qualitative (mixed research approaches), and Explanatory research approaches. In this research quantitative research approach were used. The study is quantitative in nature which is generally associated with especially since it is used with predetermined and highly structured data collection techniques under this study.

RESEARCH DESIGN

The study used explanatory research design to explaining, understanding, predicting and controlling the relationship between variables.

POPULATION, SAMPLE SIZE AND SAMPLING TECHNIQUE

RESEARCH POPULATION AND SAMPLE SIZE

As a general guideline, it can be said that the sample must be of the ideal size, meaning that it should not be neither extremely large nor too small (Kothari, 2004). In a quantitative study, the sample size can be calculated using a specific formula, but in a qualitative study, the sample size is totally up to the researcher's discretion; there are no predetermined guidelines (Bass, B.M.(1990). Thus, a 95% confidence level finite and big population sample size formula developed by Taro Yamane in 1967 was used to obtain a preventative sample for the population. Here is the formula used to determine this sample size to take population:

$$n = N / 1 + N (e)^2$$

Where n denotes the sample size, N the size of the population overall, and e the level of precision of the sampling error

Where:

n = Sample size to be studied

N= Population size

e = margin of error

From the above formula, the sample size for this study is

$$n = 110,378 / 1 + 110,378(0.05)^2 = 398.55 \sim 399$$

Therefore, according to the above calculation, a total of 399 questionnaires and interview questions were distributed to collect relevant data for the study. The totality of people or object being consider employers perform in leadership and working environment in Top ten Ethiopian Banks. The target population for the study consists of 127 managerial and 272 clerical team of workers of Top ten Ethiopian Banks at Headquarters.

SAMPLING TECHNIQUE

Systematic and purposive sampling techniques was used for this study. In non-random sampling, the sample choice follows a specific set of conditions and is normally used in studies where in the sample wishes to be collected primarily based on a specific feature of the population.

DATA SOURCE

In regards to the sources of data, the study used both primary and secondary source of data.

DATA COLLECTION TOOLS

Primary data was gathered using a structured questionnaire and secondary data sources like books, documents, existing research papers, journals and publication, websites, and other relevant journals.

DATA ANALYSIS METHOD

The study to analyze the data and produce results, the software, Statistical Package for Social Sciences (SPSS version 27) was used and also researches was used a descriptive and inferential method to analyze the data.

VALIDITY AND RELIABILITY RESULT

VALIDITY

According to Kothari (2004) content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study. In addition discussions with Fellow researcher as well as feedback from the pilot survey were another way of checking the appropriateness of the questions.

RELIABILITY TEST

Reliability Test Was Conducted to ensure internal consistency of the research instrument and Cronbach's alpha is used to measure the internal consistency of the measurement items. The reliability statistics of the data collected is 0.854. Which is seen as adequate and permitted, for the scale variables.

MAJOR FINDING

The researcher distributed 399 questionnaires and interview to respondents and 90 percent of the respondents data is collected during the study. For the analysis, the respondents were categorized with five demographic variables; age, gender, education level, Experience and Department. In this study there are three independent variables (Autocratic, democratic and transformational leadership style) and one dependent variable (organizational performance).

TRANSFORMATIONAL VARIABLES

From the result of transformational Variable majority of the respondents responded agree on the statements of transformational dimension questions such as the leader considers the moral and Ethical Consequences of decision, the leader expresses confidence that goals will be achieved, the leader Seeks different perspectives when solving problems. Almost all statements are responded with agreement. Therefore, transformational leadership styles were not significantly affecting the organizational performance the Case of Top ten Ethiopian Banks.

DEMOCRATIC LEADERSHIP STYLE

Most of the respondents agreed with the statement of democratic leadership style Variable including they received advice from the leader on what to do and how, that the leader encourages group conversations, that the leader encourages creativity and people are frequently largely engaged in systems and decisions. Therefore, Democratic leadership styles were not significantly affecting the organizational performance the Case of Top ten Ethiopian Banks.

AUTOCRATIC LEADERSHIP STYLE

From descriptive result of Autocratic leadership style variable majority of respondent disagree with Autocratic leadership style questionnaires such as The leader bestowed rewards and gives punishments to Motivate employees to achieve organizational objectives, The leader makes all the major decisions, The leader doesn't get too involved with the team and Doesn't have conversations with them frequently. Therefore, Autocratic leadership styles were significantly affecting the organizational performance the Case of Top ten Ethiopian Banks.

SUMMARY, CONCLUSION

Independent variables	Majority respondents score from descriptive Statistics results	Conclusion
Transformational variable	Agree	Transformational variable don't have significant effect on organizational the performance the case of Top ten Ethiopian Banks
Democratic Variable	Agree	Democratic variable don't have significant effect on the organizational performance the case of Top ten Ethiopian Banks.
Autocratic variable	Disagree	Autocratic Variable have significant effect on the organizational performance the case of Top ten Ethiopian Banks

RECOMMENDATIONS

It is recommended that managers/leaders of Top ten Ethiopian Banks to practice democratic leadership style to have better organizational performance. Since, the research had found, above all measurements of leadership style independent variables, transformational Leadership Style has a very strong and significant impact on Organizational performance in the case of Top ten Ethiopian Banks. Next to transformational leadership style democratic leadership has a very strong and significant impact on Organizational performance in the case of Top ten Ethiopian Banks. Policy makers at the Top ten Ethiopian Banks should consider to motivate democratic leadership style, and transformational leadership style in order to enhance must avoid autocratic leadership style to practice in the banks. Autocratic leadership style should be avoided at all expenses if the banks aimed to enhance the organizational performance

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