



**ST. MARY'S UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**THE RELATIONSHIP BETWEEN LEADERSHIP STYLE'S AND EMPLOYEE'S  
ORGANIZATIONAL COMMITMENT AT DEVELOPMENT BANK OF ETHIOPIA,  
HEAD OFFICE**

**BY: YEWUBNESH BEKELE**

**A THESIS SUBMITTED TO SCHOOL OF GRADUATE STUDIES ST.MARRY  
UNIVERSITY FOR PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE  
DEGREE OF GENERAL MASTERS OF BUSINESS ADMINISTRATION**

**JUNE, 2016**

**ADDIS ABABA ETHIOPIA**

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BY  
YEWUBNESH BEKELE

APPROVED BY BOARD OF EXAMINERS

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## DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Tesfaye Wolde (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Yewubnesh Bekele

\_\_\_\_\_

Name

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St. Mary`s University college, Addis Ababa

June, 2016

## ENDORSEMENT

This thesis has been submitted to St. Mary`s University, school of Graduate studies for examination with my approval as a university advisor.

TESFAYE WOLDE (PhD)

\_\_\_\_\_

Advisor

St. Mary`s University college, Addis Ababa

Signature

June, 2016

## **ABBREVIATIONS & ACRONYMS**

<b>DBE</b>	Development Bank of Ethiopia
<b>OC</b>	Organizational Commitment
<b>AC</b>	Affective Organizational Commitment
<b>MLQ</b>	Multi Factor Leadership Questionnaire
<b>OCQ</b>	Organizational Commitment Questionnaire
<b>SPSS</b>	Software Package For Social Science
<b>HO</b>	Head Office
<b>IB</b>	Idealized Influence Behavior
<b>IA</b>	Idealized Influence Attribute
<b>IM</b>	Inspirational Motivation
<b>IS</b>	Intellectual Stimulation
<b>IC</b>	Individual Consideration
<b>CR</b>	Contingent reward
<b>MBEA</b>	Management by Exception Active
<b>MBEP</b>	Management by Exception Passive



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## **ABSTRACT**

*Creating good supervisor and subordinates relationship is vital for accomplishing organizational objective and goals. The aim of this study was to examine the relationship between leadership styles and organizational commitment in Development Bank of Ethiopia (DBE). Quantitative research approach and a cross sectional survey design were used. The researcher adapted Multifactor leadership Questionnaire (MLQ) developed by Bass and Avolio, (2004) for measuring leadership style and organizational commitment Questionnaire (OCQ) developed by Allen and Meyer, (1990) for measuring employees organizational commitment. The study was conducted on DBE head office and the sample of the study consisted of 168 professional employees that were above Trainee junior level and have served the bank at least a year. Data were analyzed using both descriptive and inferential statistics. Descriptive statistics such as frequency, percentages, mean and standard deviations were used while inferential statistics, Pearson correlation were used. The two-tailed correlation analysis further revealed that there is a positive and significant relationship between transformational leadership style and organizational commitment (affective commitment and continuance commitment) but the relationship was not strong. Transactional leadership style had a weak but significant and positive relationship with affective, continuance and normative commitments. From the results, it was possible to conclude that both transformational and transactional leadership style were positively related with affective, continuance and normative commitments. Finally, the study recommended that both transformational and transactional leadership style can play a major role in developing and improving affective, continuance and normative commitments at DBE.*

# CHAPTER ONE

## INTRODUCTION

This chapter tries to discuss the background of the study, statement of the problem, tries to raise research question based on that it formulates its objective and provides hypothesis. It tries to show the scope of the study, limitation of the study, significance of the study and organization of the study.

### **1.1. Background of the study**

Financial institutions are intermediary that facilitate the flow of funds from surplus to deficit. They support national economy by channelizing fund. Revised credit policy, (2006) states that Development bank of Ethiopia is one of government owned financial institution. Since its establishment in 1909, the bank has been playing a significant role in promoting overall economic development of the country. when the first attempts of its kind known as The Societe Narionale d' Ethiopie Pour le Development de l' agriculture et de Commerce (The Society for the promotion of Agriculture and Trade) was established in the Menelik II era. Since then the Bank has taken different names at different times although its mission and business purpose has not undergone significant changes except for occasional adjustment that were necessitated by change in economic development policies of the country. In long years of existence, DBE has established recognition at national and international levels .Nationally, it is the sole Bank with reputable experience in long term investment financing .Internationally, and it is recognized as an important on leading channel for development program financed by bilateral and/or multilateral sources. Currently the key mandate of the Bank is the provision of development credit to viable priority area projects along with technical support and advice by mobilizing resources from domestic and foreign sources. DBE continued to extensively provide financial and technical support to government priority economic sectors i.e commercial agriculture, agro-processing, manufacturing and extractive industries. DBE is in the way to implement lease financing to SME (small and medium micro enterprises).

National bank of Ethiopia set a motion banks to expand and to open new branches throughout the country. In order to maintain its good reputation as it has been doing for over hundred years and in order to remain dedicated in assisting the development endeavors of the country through availing financial and technical assistance to viable projects in accordance with government policies, DBE needs to has skilled, competent and committed employees.

Employees would tend to leave their companies for slightly better pay due to low commitment. According to Nijhof, de Jong and Beukhof (1998), the achievement of an organization does not only rely on how the organization utilizes its human capitals and competencies but also on how it incites commitment to the organization. It incorporates thoughts of being connected, attached and going beyond the basic requirements of the job which tend to improve organizational efficiency and effectiveness, Williams & Anderson (1991).

It is commonly believed that committed employees will also work harder and be more likely to “go the extra mile” to achieve organizational objectives. If employees are committed, they are satisfied and usually not appealed to look for other opportunities. Employees who are not committed, absenteeism and turnover will increase in the organization, which have ultimately negative effect on the performance of the organization. “Commitment-based organizations believe that staff’s organizational commitment contributes to workforce stability and better customer service, hence increase business performance Retaining talented employees is an ambitious challenge for any organization”, Dunnagan, Maragakis, Schneiderjohn, Turner, & Vance (2013). Retaining knowledgeable and experienced employees is required to respond proficiently to market challenges such as customer satisfaction.

Leadership is one determinant factor for the way employees behave. If a leader and his style are seen as trustworthy, employees are willing to follow their leader in accomplishing the organization’s goals. This leads to positive results for the organization which in time affects job satisfaction and organizational commitment. Positive influences are essential to strengthening employee commitment. Thus, Leadership is one factor that affects the employee’s organizational commitment. It is the fundamental to inspire, motivate and

create commitment to the common goal of the organization. As a result of this, it is become important for leader to pay more attention to the organizational commitment.

In today's growing competitive banking industry, banks face new challenges regarding the development of organizational commitment. If employees are committed, they are liable to increase their performance and devote their time to the organization. Due to the impact on performance and the success of an organization, leadership styles and organizational commitment received a lot of attention in workplace studies.

In this study the researcher tried to address the issue of the current challenge. I.e. money banks lose their key employees Due to the new expansion of banks throughout the country; there is high demand in the market for those who have abundant skill. The need of employees for better pay off also contributes for such challenges. This paper conducted in development bank of Ethiopia to investigate on the relationship of leadership style and organizational commitment.

## **1.2. Statement of the problem**

Human resource is one of the most effective resources for one organization success. When the organization workforce has abundant skill and high competency the organization can achieve its strategy and objectives successfully. One way of maintaining this competent resource is by enhancing their commitment to the organization.

According to Meyer and Allen, (1997) employees that have affective commitment are emotionally attached to the organization and according to Hall, (1970) goal of the organization and goal of committed employees are congruent. They see their organization objective and goals as their own. They are highly motivated and dedicated in achieving the organization objectives. Panayiotis et al. (2011) expressed that when employees has high commitment they stop finding other opportunities, their job satisfaction and job performance will enhance but if employees has less commitment then job insecurity, low trust, high stress, uncertainty, absenteeism and turnover will increase in the organization, which have ultimately negative effect on the performance of the organizations.

One way to increase employee's commitment is to create good work relation among supervisors and subordinates. Leaders plays a vital role in communicating and implementing of organization plans and strategy, inspire and motivate their followers, and in creation of successor in the future. Therefore, the leadership style would have significant relationship with organizational commitment. Brockner, Tyler and Scheneider (1992) suggested that organizations largely depend on leadership style to implement business strategies, to gain competitive advantage, to optimize human capital and to encourage organizational commitment.

Due to growth in banking industry and emerging new entrants in the market, retaining qualified and experienced employees is the major challenges that banks are facing today. According to business focus report (2014), on article of staff retention: the way Ethiopian banks do, Employees in Ethiopian financial institutions switch working places primarily in search of better pays and benefit packages. This was aggravated as banks, particularly public-owned ones, didn't put in place effective staff retention strategies.

Based on DBE's change management study conducted by Hailemichael et.al (2013) Poor Employee-supervisor relation, in some units/processes, due to lack of tolerance, rough approach of some supervisors, poor support and supervision, inappropriate social relation, and lack of respect (E.g.: b/n bachelor degree holder supervisor and masters' degree holder employee) are sources of employees discontent in DBE. From the past reports DBE had faced employees turnover of 70, 43, 66, 55, 52 and 49 in year 2009/10, 2010/11, 2011/12, 2012/13, 2013/14 and 2014/15 respectively. Employees job satisfaction for the previous years was 66%, 72% and 72% for the year 2012/13, 2014/15 and 2015/16 respectively.

One way of minimizing turn over and increasing employee's job satisfaction is through enhancing employee's commitment. Even though it is one of the challenges that banks are facing today there is no much studies conducted in the subject area in Ethiopia, mainly there is no study conducted on DBE. This study aims filling this gap by availing examination of the relationship between transformational and transactional leadership style with affective, normative and continuance organizational commitment in the case of DBE.



### **1.3. Research question**

In order to achieve the purpose of the study, the following research questions are raised;

1. What type of leadership style (transformational, transactional) is exhibited in DBE?
2. What type of organizational commitment (Affective, Normative and Continuance) do DBE's employees have?
3. What is the relationship between transactional leadership style and employees organizational commitment (i.e. affective, normative and continuance)?
4. What is the relationship between transformational leadership style and employees organizational commitment (i.e. affective, normative and continuance)?

### **1.4. General Objective**

The general objective of the study was to examine the relationship between leadership style and employee's organizational commitment.

### **1.5. Specific objective of the study**

The specific objective of this study was:-

- To assess the leadership style in DBE.
- To analyze the type of employees organizational commitment.
- To identify the relationship between transformational leadership style and organizational commitment (i.e. affective, normative and continuance).
- To identify the relationship between transactional leadership style and organizational commitment (i.e. affective, normative and continuance).

## **1.6. Hypothesis**

Hypotheses are predictions about the outcome of the result. The hypothesis is made based on the relationship between leadership style and employees commitment and it was formulated based on the research question.

H01: There is no significant relationship between transformational leadership style and organizational commitment (affective, normative and continuance commitment) at DBE.

H02: There is no significant relationship between transactional leadership style and organizational commitment (affective, normative and continuance commitment) at DBE.

## **1.7. Significance of the study**

The result of the study could have multiple benefits. One of the most important is that the findings can be used to bring improvements to DBE, in indicating ways enhance employee's organizational commitment. It can help DBE by revealing major leadership style that has positive effect in employee's organizational commitment so as to adapt such style. The outcomes of the study could prove crucial for developing a course of action to identify and reconcile concerns regarding leadership style and commitment levels that will encourage employees to continue their commitment. The study result may help in possible reduction in training costs to an organization, and retaining expertise and knowledge of company operations. This cost reduction may result in benefits to stakeholders including employees, customers, and the government by changes in policies, practices, and systems of a company. Moreover, the results of the study may benefit the bank by adding to the field of knowledge that develops future leaders and business practices.

## **1.8. Scope of the study (delimitation)**

Delimitations are factors or characteristics that define the boundaries of one's study which are in the researcher's control. Delimiting factors include the research questions, choice of objectives, theoretical perspectives, variables of interest, and the population one chooses to investigate.

~ The research conducted on Development Bank of Ethiopia Head office only.

DBE's head office population is representative enough that from the total 1359 employee's 1287 employees' works at head office.

- ~ The study covers professional employees that serve a minimum of 1 year in the bank and those employees that are beyond Trainee junior level.
- ~ The study focuses on leadership style with relation to employee's organizational commitment. It doesn't consider other variables.
- ~ The design of this study does not include all level of management.

## **1.9. Limitation of the study**

As per Simon (2011) limitation definition a limitation is a potential weakness of the study that is out of the researcher's control.

- ~ The researcher faces difficulty on obtaining respondents Due to DBE was implementing lease financing policy and opens 75 branches throughout the country, it assign experienced employees to the newly opened branches.
- ~ DBE promotes a big number of employees which may have significant impact on their organizational commitment.
- ~ Results of this study may not be applied to other company.
- ~ The assumption of this research depends on the truthful response of the participants.

## **1.10. Operational Definition of Terms**

**Leadership style:** - in this research leadership style is defined as the pattern of behavior that leaders display in order to achieve organizational goals. For this study, two type of leadership style was used. They are transformational and transactional leadership style.

**Organizational commitment:** - for this research organizational commitment a strong desire to remain member of a particular organization, willingness to exert high level of effort, and to accept the value, belief and goals of the organization to bring desired results.

The organizational commitment classified with three levels: - affective, normative and continuance commitment.

## **1.11 Organization of the study**

This research consists of five chapters. Chapter one includes introduction, background of the study, statement of the problem, general and specific objectives, research question, hypothesis, scope of the study, limitation of the study and operational definition. Chapter two discusses the key concept of leadership styles and organizational commitment and it also tries to show the relationship among leadership style and organizational commitment. It develops the theoretical framework of leadership styles and organizational commitment. Chapter three focus on the research design and methodology. Sampling techniques, sample size, data source and data collection instrument are discussed. In chapter four the finding and analysis are presented. Finally, chapter five summarizes the main findings, provide conclusion and gives recommendations in the problems identified.

# CHAPTER TWO

## LETERATURE REVIEW

This chapter assesses relevant theories concepts of leadership and organizational commitment and few dimensions, definitions, theories and different models, reviews of past findings will be presented. At the end of the chapter the conceptual framework for this study is presented.

### 2.1. Conceptual review

#### 2.1.1. Leadership

Choi (2012) asserted that leadership is having the ability to influence individuals from diverse backgrounds to come together in harmony. “Because of its pivotal role in the relationship between leaders and followers, the concept of leadership has been a riveting topic in the business world” Ruiz & Martínez (2011). “Leadership plays an important role in improving organizational citizenship behavior, job satisfaction, organizational commitment, innovation, and organizational loyalty” Tsai & Su (2011). Yammarino (2013) and Gentry and Sparks (2012) agreed that leadership stimulates the motivation of cohorts to implement change toward an organization’s desired future. “The success of any organization in any domain or field depends on the effectiveness of the leader of that organization” Parris & Peachey (2013).

Bass B. (1990) mentioned that on early stage leadership definitions had the tendency to view leaders as the center or the focus of a group activity. The leader restructures the problems, offers solutions to the problems, establishes priorities and initiates developmental operations. “A leader was seen as a person with many popular traits of personality and character” Bass, (1990); Bingham, (1927). In Bass’s (1998) current definition, leadership is an interaction between one or more members of a group. In another more recent definition of Daft (2005) leadership is a relationship between leaders and followers where they influence each other and they intend real changes and outcomes that reflect their shared purposes.

According to Northouse (2007) leadership as a process means that, as mentioned earlier, it is not a characteristic someone is born with, it is an interaction between leaders. According to Yukl (2005), numerous studies on the theory of leadership can be summarized into five broad theories, namely, trait, behavioral, contingency or situational approach, contemporary integrative approach, and power and influence approach. The trait approach refers to the inherent personal characteristics of the leaders where the original trait conception of leadership was founded on the major assumption that leaders possessed universal characteristics that made them leaders; those traits were seen to be relatively fixed, inborn, and applicable in various situations. The behavioral approach is defined as behaviors of the leaders. Later, contingency or situational approach came into the picture which largely displaced the dominant trait and behavior approach. This approach views leadership effectiveness as dependent upon a match between leadership style and the situation. It also focuses on the degree to which the situation gives control and influence to the leaders. The primary thrust was that the qualities of leaders differentiate in various situations and so were those qualities were perhaps appropriate to a particular task and interpersonal context.

### **2.1.2. New approach to leadership**

According to Northouse (2007) “recently the Relationships between supervisors and their employees are different. Leaders now do not depend as much on their legitimate power to convince people to do as they are told but they participate in an interaction with their employees or they widen and raise the interest of their employees.”

Bass (1985) argued that existing theories of leadership primarily focused on follower goal and role clarification and the ways leaders rewarded or sanctioned follower behavior. This transactional leadership was limited to inducing only basic exchanges with followers. Bass suggested that a paradigm shift was required to understand how leaders influence followers to transcend self-interest for the greater good of their units and organizations in order to achieve optimal levels of performance. He referred to this type of leadership as transformational leadership.

### **2.1.2.1. Transformational leadership**

According to Robbins and Coulter (2007) “a transformational leader is a person who stimulates and inspires (transform) followers to achieve extraordinary outcomes. He/she pay attention to the concern and developmental needs of individual followers; they change followers’ awareness of issues by helping them to look at old problems in a new way ; and they are able to arouse, excite and inspire followers to put out extra effort to achieve group goals.” According to Warrilow (2012), Transformational leadership theory is all about leadership that creates positive change in the followers whereby they take care of each other's interests and act in the interests of the group as a whole.

Transformational leaders are proactive, raise follower awareness for transcendent collective interests, and help followers achieve extraordinary goals. Transformational leadership is theorized to comprise the following five first-order factors: (a) Idealized influence (attributed) refers to the socialized charisma of the leader, whether the leader is perceived as being confident and powerful, and whether the leader is viewed as focusing on higher-order ideals and ethics; (b) idealized influence (behavior) refers to charismatic actions of the leader that are centered on values, beliefs, and a sense of mission; (c) inspirational motivation refers to the ways leaders energize their followers by viewing the future with optimism, stressing ambitious goals, projecting an idealized vision, and communicating to followers that the vision is achievable; (d) intellectual stimulation refers to leader actions that appeal to followers’ sense of logic and analysis by challenging followers to think creatively and find solutions to difficult problems; and (e) individualized consideration refers to leader behavior that contributes to follower satisfaction by advising, supporting, and paying attention to the individual needs of followers, and thus allowing them to develop and self-actualize.

The central concept here is change and the role of leadership in envisioning and implementing the transformation of organizational performance. It anticipates future trends, inspires to understand and embrace new possibilities and builds the organization into a community of challenged and rewarded learners. This style also develops others to be leaders or to be better leaders. Its focus is on being proactive, expecting nothing in return, inspiration and motivation of followers to work for goals that go beyond their self-

interest. Learning opportunities are created and followers are stimulated to solve problems. The leaders develop strong emotional bonds with their followers and they possess good visioning and management skills. Past studies have constantly reported that transformational leadership is more effective, productive, innovative, and satisfying to followers as both parties work towards the good of organization propelled by shared visions and values as well as mutual trust and respect (Avolio and Bass, 1991; Fairholm, 1991; Lowe, Kroeck and Sivasubramanian, 1996; Stevens, D'Intino and Victor, 1995). This implies that transformational leaders believed in sharing of formalized power and more often practice the use of personal power.

- This leadership style has four components which are Bodla & Nawaz, Robbins (2010; 2005):

1. **Idealized Influence (II):** Leaders act in such a way that they can be perceived as role models by the people they lead. They are admired, respected and trusted. These leaders are willing to take risks and they are described by followers as having exceptional capabilities, being persistent and determined. They have high ethical and moral standards and can be trusted to do the right thing.

2. **Inspirational Motivation (IM):** These leaders arouse the team spirit and show enthusiasm and optimism. They involve followers in defining the desired future state of affairs which creates commitment to the goals and the shared vision.

3. **Intellectual Stimulation (IS):** The transformational leaders stimulate their followers to be creative and innovative by creating an environment in which they are forced to think about old problems in new ways. Mistakes are not publicly criticized.

4. **Individualized Consideration (IC):** The leaders act as mentors and coaches. Two-way communication is regular and differences are accepted. They respect individual desires and needs. They also delegate different tasks to develop follower skills.

#### **2.1.2.2. Transactional leadership**

This emphasizes on the importance of the relationship between leader and followers and on the mutual benefits derived from a form of 'contract' through which the leader delivers such



things as rewards or recognition in return for the commitment or loyalty of the followers.

Burns (1978) who pioneered the study of transactional leadership indicated that transactional leaders are those who sought to motivate followers by appealing to their self-interests. These leaders motivate subordinates to achieve expected levels of performance by helping them to recognize task responsibilities, identify goals and develop confidence about meeting desired performance levels.

Transactional Leadership, also known as managerial leadership, focuses on the role of supervision, organizing, and group performance; transactional leadership is a style of leadership in which the leader promotes compliance of his followers through both rewards and punishments. Transactional approaches are not looking to change the future; they are looking to merely keep things the same. These leaders pay attention to followers' work in order to find faults and deviations. This type of leadership is effective in crisis and emergency situations, as well as when projects need to be carried out in a specific fashion.

Within the context of Maslow's hierarchy of needs, transactional leadership works at the basic levels of need satisfaction, where transactional leaders focus on the lower levels of the hierarchy. Transactional leaders use an exchange model, with rewards being given for good work or positive outcomes. Conversely, people with this leadership style also can punish poor work or negative outcomes, until the problem is corrected. According to Hargis et al, (2001) ‘‘One way that transactional leadership focuses on lower level needs is by stressing specific task performance’’. Transactional leaders are effective in getting specific tasks completed by managing each portion individually.

Transactional leaders are concerned with processes rather than forward-thinking ideas. These types of leaders focus on contingent reward (also known as contingent positive reinforcement) or contingent penalization (also known as contingent negative reinforcement). Contingent rewards (such as praise) are given when the set goals are accomplished on-time, ahead of time, or to keep subordinates working at a good pace at different times throughout completion. Contingent punishments (such as suspensions) are given when performance quality or quantity falls below production standards or goals and tasks are not met at all. Often, contingent punishments are handed down on a management-

by-exception basis, in which the exception is something going wrong. Within management-by-exception, there are active and passive routes. Active management-by-exception means that the leader continually looks at each subordinate's performance and makes changes to the subordinate's work to make corrections throughout the process. Passive management-by-exception leaders wait for issues to come up before fixing the problems. With transactional leadership being applied to the lower-level needs and being more managerial in style, it is a foundation for transformational leadership which applies to higher-level needs.

In its more constructive form, transactional leadership is supplemented by working with individuals and/or groups, setting up and defining agreements or contracts to achieve specific work objectives, discovering individuals' capabilities, and specifying the compensation and rewards that can be expected upon successful completion of the tasks. In its corrective form, it focuses on actively setting standards. In its passive form, it involves waiting for mistakes to occur before taking action. In its active form, there is closely monitoring for the occurrence of mistakes. According to Bass and Avolio (1994), transactional leaders employ three factors: (1) contingent reward (2) management-by-exception active and (3) management-by-exception passive. In contingent rewards, leader provides followers with material and psychological rewards contingent on the fulfillment of contractual obligations. In either its passive or active form, it focuses on identifying mistakes

Bass (1985) emphasized that by providing contingent rewards, a transactional leader might inspire a reasonable degree of involvement, loyalty, commitment and performance from subordinates. On the other hand, management-by-exception is whereby the leader is vigilant and ensures that followers meet predetermined standards. In management-by-exception passive, leader intervenes with followers only after noncompliance of standards has occurred or when mistakes have already happened. The focus is on basic management processes like controlling, organizing and short-term planning. This style is more responsive and deals with present issues. It also relies on inducement of rewards, punishment and sanction for unacceptable performance and the ability of the leaders to motivate followers by setting goals and promising rewards for the desired performance. An

exchange takes place between leaders and followers to achieve the desired performance. These exchanges involve four components of Transactional Leadership namely Bass (1990; 1999):

- 1) **Contingent Reward (CR):** Leaders explain their expectations, provide the needed resources, set shared goals and link them to various rewards for doing well.
- 2) **Management by Exception Active (MBEA):** Here leaders specify rules and standards. Furthermore they observe the work of the employees, watch for deviations and take corrective actions when mistakes or errors occur.
- 3) **Management by Exception Passive (MBEP):** Leaders do not intervene until problems occur. They wait for things to go wrong before they take action.

### **2.1.3. Organizational commitment**

Porter, Steers, Mowday & Boulian (1974), define organizational commitment as “the strength of an individual’s identification with and involvement in a particular organization”. They characterize it by three psychological factors: desire to remain in an organization, willingness to exert considerable efforts on its behalf and belief in and acceptance of its goals and values hold. According to Allen and Meyer (1990), organizational commitment is defined as ‘a psychological state that characterizes the employee’s relationship with the organization and has implications for the decision to continue employment with the organization’. It is the psychological bond of the employees with the organization because of shared beliefs and values. In relation to this, organizational commitment is the relative strength of the employee’s identification with and involvement in a particular organization. According to Allen et al., (1990) Employees who are strongly committed are those who are least likely to leave the organization. Due to this commitment, employees who has positive contribution to the success of the organization by devoting full time, accepting and implementing the organizational goals and objectives. In other words they are ready to work extra time for the sake of the success of the organization.

### **2.1.4. Models of organizational commitment**

A search in the literature shows that the study of organizational commitment can be classified into various models. Models are important in the study of organizational commitment as they explore the different perspectives studied and documented and how they are expressed in an organizational setting. The various models classify organizational commitment as either unidimensional or multidimensional. The following paragraphs will explore these models in detail.

#### **2.1.4.1. O’Reilly and Chatman’s model**

O’Reilly and Chatman (1986), as discussed in Meyer and Herscovitch (2001 p 305), developed their multidimensional framework based on the assumption that commitment represents an attitude toward the organization, and that there are various mechanisms through which attitudes can develop. Based on Kelman’s (1958) work on attitude and

behavior change, O'Reilly and Chatman (1986) argued that commitment takes on three forms, namely: Compliance: This occurs when attitudes and corresponding behaviors are adopted in order to gain specific rewards.

Identification: This occurs when an individual accepts influence to establish or maintain a satisfying relationship.

Internalization: This occurs when influence is accepted because the attitudes and behaviors an employee is being encouraged to adopt are congruent with existing values. The employee's psychological attachment can reflect varying combinations of these three psychological foundations (O'Reilly & Chatman, 1986). Organizational commitment is thus multidimensional and takes on three forms namely: compliance, identification and internalization.

#### **2.1.4.2. Morrow's major commitments**

In her book, Morrow (1983) identifies five major commitments which she thinks have a reciprocal influence on each other. These five commitments are divided into two main groups. The first group examines commitments that influence work attitude with no relation to the organization in which the worker is employed. It includes commitments such as: Protestant work ethic (Mirels & Garret, 1971), Career commitment (Greenhaus, 1971) and Job commitment

The second group includes commitments that are influenced directly by the organization in which the worker is employed, including both continuance and affective organizational commitment (Allen & Meyer, 1993). According to Morrow (1983), career commitment is connected to continuance and affective commitment to the organization. In turn, continuance commitment to the organization relates to affective commitment, and both of these commitments influence job involvement. Morrow (1983) argued that there is a reciprocal connectedness between the different levels of commitment.

#### **2.1.4.3. Etzioni's model**

Etzioni's model encompasses three perspectives, namely: Moral commitment, Calculative commitment and Alienative commitment. These perspectives will be explored in the paragraphs below:

### **(a) Moral commitment**

Moral commitment represents one of the two affective perspectives of organizational commitment. Calling it moral commitment, Etzioni (1961), viewed it as emanating from a symbolic compliance structure. Moral commitment is characterized by the acceptance of and identification with organizational goals (Patchen, 1970). According to Hall (1970), it may be thought of as a kind of organizational identification. Wiener (1982) labeled such forms of affective organizational attachment (e.g. moral involvement), commitment. He used this label because of his association of organizational identification with the commitment work of Porter and his colleagues (Porter, Steers, Mowday & Boulian, 1974; Steers, 1977). Thus measures such as those of Hall (1970) and Porter (1974) are currently intended to operationalise affective dimensions of commitment, similar to Etzioni's (1961) moral involvement.

### **(b) Calculative commitment**

Calculative commitment is based on the employee receiving inducements to match contributions. Etzioni (1961) saw this type of organizational attachment as typical compliance systems which are based on an exchange. Thus, it is conceptually rooted in the exchange theory of Barnard (1938) and March and Simon (1958). Calculative commitment needs not be reduced to willingness to retain organizational membership. It may be thought of in the broader terms of an instrumental organizational attachment. In fact, retention or forfeiture of organizational membership – the traditional concept of calculative commitment may be more closely associated with an affective form of organizational commitment. For example, a willingness to forfeit organizational membership may be the result of anger (negative affect) towards the organization. Consistent with Etzioni's (1961) model, such feelings emanate from alienation (affective organizational attachment) rather than a calculative commitment. Moreover, retention of membership may reflect a personal identification with the organization, and such positive affect may be more appropriately associated with moral involvement in the Etzioni model (Etzioni, 1961).

### **(c) Alienative commitment**

Alienative commitment represents an affective attachment to the organization. Etzioni

(1961) originally described alienative involvement as typical of a prison or military basic training camp in which a coercive compliance system is prevalent. Alienation can be viewed as a basis for organizational commitment if one thinks of an employee's commitment to the organization as a consequence of

- a) A lack of control over the internal organizational environment and
- b) The perceived absence of alternatives for organizational commitment (Etzioni, 1961).

Etzioni (1961) borrowed the word alienation from the work of Karl Marx who gave alienation its classic definition, a lack of control which is a perceived inability to change or control the organization in this context. To the alienatively committed worker, rewards and punishment may seem random rather than a direct result of the quality or the quantity of work (Etzioni, 1961). The employee's perceived sense of randomness provides the sense of loss of control.

Thus the negative affective attachment to the organization, ascribed by Etzioni to the alienatively involved employee develops. An employee who is alienatively committed to the organization may stay because of lack of alternatives or fear of serious financial loss. Thus, according to Etzioni (1961), alienative commitment is a negative organizational attachment which is characterized by low intensity of intentions to meet organizational demands coupled with intentions to retain organizational membership.

Organizational commitment is thus classified into various models, namely O' Reilly and Chatman's model, Morrow's major commitments and Etzioni's model. In the following few paragraphs, Meyer and Allen's three component model will be explored further. This is the model used in the current study.

#### **2.1.4.4. Meyer and Allen's three-component model**

Meyer and Allen made the biggest contribution to the organizational commitment literature, with over fifteen studies published from 1984. Meyer and Allen's three component model of commitment was chosen for this study, because it has undergone the most extensive empirical evaluation to date (Allen & Meyer, 1996).

Meyer and Allen (Allen & Meyer, 1990; Meyer & Allen, 1984) developed their three component model from an identification of common themes in the conceptualization of commitment from existing literature. Common to all conceptualizations, they argued the belief that commitment binds an individual to an organization and thereby reduce the likelihood of turnover. The key difference is in the mindset presumed to characterize the commitment. The mindsets reflected three distinguishable themes: Affective attachment to the organization, labeled Affective commitment, perceived cost of leaving, labeled Continuance commitment and obligation to remain at the organization, labeled Normative commitment (Allen & Meyer, 1990).

Meyer and Allen (1991 p 67) noted that organizational commitment is the view that commitment is a psychological state that a) characterizes the relationship with the organization, and b) has implication for the decision to continue membership with the organization. They describe these three components as affective, continuance and normative. The components are explored in the paragraphs below.

**(a) Affective orientation (affective)**

The first component of organizational commitment in the model is affective commitment. According to Meyer and Allen (1997) affective commitment is the employee's emotional attachment to, identification with, and involvement in the organization. "Organizational members who are affectively committed to the organization continue to work for the organization because they want to" Meyer & Allen (1991). "Members who are committed on an affective level stay with the organization because they view their personal employment relationship as congruent to the goals and values of the organization, Beck & Wilson (2000).

Kanter (1968, p 507) defines it as the attachment of an individual's fund of affectivity and emotion to the group. According to Sheldon (1971), it is an attitude or an orientation toward the organization, which links or attaches the identity of the person to the organization.

Hall (1970) defines the affective component as the process by which the goals of the organization and those of the individual become increasingly congruent. It is also viewed



as a partisan, affective commitment to the goals and values of the organization, to one's role in relation to goals and values, and to the organization for its own sake, apart from its purely instrumental worth (Buchanan, 1974 p 533). Gould (1979) observed that some employees put effort into their work beyond what appears to be instrumentally required for the expected reward, and attributed this to the affective component of organizational commitment. Meyer and Allen (1997) further indicate that affective commitment is influenced by factors such as job challenge, role clarity, goal clarity, and goal difficulty, receptiveness by management, peer cohesion, equity, personal importance, feedback, participation, and dependability.

Affective commitment development involves identification with the organization and internalization of organizational values (Beck & Wilson, 2000).

**(b) Cost based (continuance)**

The second component of Allen and Meyer's model of organizational commitment is continuance commitment. Meyer and Allen (1997, p 11) define continuance commitment as "awareness of the costs associated with leaving the organization". Kanter (1968, p 504) supports this definition and states that it is the "profit associated with continued participation and a cost associated with leaving the organization". "It is calculative in nature because of the individual's perception or weighing of costs and risks associated with leaving the current organization" Meyer & Allen (1997). Meyer and Allen (1991) further state that employees whose primary link to the organization is based on continuance commitment remain because they need to do so.

"Continuance commitment can be regarded as an instrumental attachment to the organization, where the individual's association with the organization is based on assessment of economic benefits gained" Beck & Wilson (2000). Another view to continuance commitment is that it is a structural phenomenon, which occurs because of individual-organizational transactions and alterations in side bets or investments over time, Hrebiniak & Alutto (1972, p 556).

Meyer et al (1990, p 715) also maintain that "accrued investments and poor employment alternatives tend to force individuals to maintain their line of action and are responsible for

these individuals being committed because they need to". Individuals stay in the organization because of the investments they accumulate due to the time spent in the organization, not because they want to. This is different to affective commitment wherein individuals stay in the organization because they want to, and they identify with the organization and its values.

**(c) Obligation or moral responsibility (normative)**

The last component of the organizational commitment model is normative commitment. Meyer and Allen (1997) define normative commitment as a feeling of obligation to continue employment. Internalized normative beliefs of duty and obligation make individuals obliged to sustain membership in the organization. According to Wiener and Gechman (1977) commitment behaviors are socially accepted behaviors that exceed formal and/or normative expectations relevant to the object of commitment. Normative commitment is also viewed as the totality of internalized normative pressures to act in a way which meets organizational goals and interests (Wiener, 1982, p 421).

The integration of the forms of commitment sensitized researchers to the multidimensional nature of commitment. What differentiates the various dimensions of commitment in the multidimensional conceptualization is the nature of the underlying mindset. Meyer and Allen (1991) argued that affective, continuance and normative commitment are components of organizational commitment, rather than types because the employee-employer relationship reflects varying degrees of all three. The multi-dimensional framework or conceptualization does not seem to be incompatible. Meyer and Allen (1991) suggested the lack of consensus in the definition of commitment contributed greatly to its treatment as a multidimensional construct.

Meyer and Allen (1997) use the tri-dimensional model to conceptualize organizational commitment in three dimensions namely, affective, continuance and normative commitments. Allen and Meyer (1996) urged researchers to investigate the dimensionality of organizational commitment across cultures to discern if multidimensional conceptualizations developed in the US are applicable to other cultures or not. Within past decades, a multidimensional approach to the conceptualization and assessment of

organizational commitment has been proposed and refined (Allen & Meyer, 1990; Meyer & Allen, 1984, 1991, 1997).

Many studies have examined the construct validity of the Meyer and Allen's (1991) three component model and its measures. Allen and Meyer (1996) reviewed results from over 40 samples and claimed that construct validity was strong enough to support the continued use of scales.

The Three Components of Organizational Commitment Organizational commitment has been conceptualized and measured in various ways. The most popular conceptualization of organizational commitment is Allen and Meyer's theory. They reviewed the literature and found that organizational commitment comprises three components:

1) **Affective Commitment:** The first dimension of organizational commitment is affective commitment that represents the individual's emotional attachment to the organization. According to Allen et al. (1990), affective commitment refers to an employee's emotional attachment to, involvement in, and identification with the organization and its goals. Affective commitment involves three aspects such as the formation of an emotional attachment to an organization, identification with, and the desire to maintain organizational membership. In this context, affective commitment reflects the identification and commitment situation where the employees stay in the organization with their own will. Allen and Meyer (1990) further argue that individuals will develop emotional attachment to an organization when they identify with the goals of the organization and are willing to assist the organization in achieving these goals. They further explain that identification with an organization happens when the employee's own values are in harmony with organizational values and the employee is able to internalize the values and goals of the organization. Affective commitment is an attitudinal based and in this situation the employees look at themselves as a part of the organization. Individuals with high levels of affective commitment continue employment because they want to. Therefore, it is very important for organizations to have employees feeling affective commitment since strong affective commitment means employees willing to stay in the organization and accepting its objectives and values.

2) **Continuance Commitment:** The second dimension of organizational commitment is continuance commitment. Continuance commitment involves a person's bond to an organization based on what it would cost that person to leave the organization. It originates from the needs of employees to stay in the organization considering the costs of leaving. It refers to an awareness of the costs associated with leaving the organization as well as the willingness to remain in an organization because of the investment that the employee has with "non transferable" investments. According to Allen & Meyer, (1990) Non transferable investments include things such as retirement, relationships with other employees, or things that are special to the organization. they further explained continuance commitment as a form of psychological attachment to an employing organization that reflects an employee's presence in an organization as the high costs involved in leaving the current organization. And again they indicated that, in addition to the fear of losing investments, individuals develop this commitment because of a perceived lack of alternatives and this would be based on perceptions of employment options outside the organization where employees believe they do not have the skills required to compete for positions in another field or who work in environments where the skills and training they get are very industry specific. As a result, such employees could feel compelled to commit to the organization because of the monetary, social, psychological and other costs associated with leaving the organization. Therefore, in order to retain employees who are continuance committed, the organization needs to give more attention and recognition to elements that improve employees' morale to be affectively committed.

3) **Normative Commitment:** The last dimension of the organizational commitment model is normative commitment which involves a feeling of moral obligation to continue working for a particular organization. According to Allen & Meyer (1990) Employees with a high level of normative commitment feel they ought to remain with the organization. They argue that the moral obligation of normative commitment arises either through the process of socialization within the society or the organization. It can be explained by other commitments such as marriage, family, religion, etc. Therefore, when it comes to one's commitment to their place of employment, they often feel like they have a moral obligation to the organization.

The three aspects of organizational commitment have different basis. It can be assumed that the three aspects of organizational commitment can exist at the same time. It is important to realize that the three organizational commitment dimensions are not mutually exclusive. It means that an employee can develop one type of organizational commitment, any combination of them or all of the three aspects of organizational commitment. The three aspects of organizational commitment differ only on the basis of their underlying motives and outcomes, Becker (1992). Employee retention, attendance, organizational citizenship, and job performance are organizational commitment outcomes. According to Meyer and Allen (1997) cited in Gary and Ramjee (2013), there is no guidance about expected, desired, average or ideal means for affective, continuance and normative commitment scores. Mowday and his colleagues develop a perspective that organizational commitment is characterized by:-

- ❖ A strong belief in and acceptance of the organizations goal's and values.
- ❖ Willingness to extent considerable efforts on behalf of the organization.
- ❖ A strong desire to maintain membership in the organization.

Becker (1960) concept of commitment represents a component of attitudinal commitment because he emphasized the awareness of the costs associated with leaving the organization. However, their argument is untenable. Becker defined commitment as a consistent line of activity (i.e., maintaining membership in the organization) and attempted to explain what causes this inconsistency. Therefore, Becker's view of commitment seems to be more congruent with the behavioral rather than attitudinal approach of Porter and his colleagues.

O'Reilly, Chatman & Caldwell (1986) defined commitment as the psychological attachment felt by the person for the organization, reflecting the degree to which the individual internalizes or adopts the characteristics or perspectives of the organization. They argued that one's psychological attachment may be predicted by three independent factors: (a) compliance or instrumental involvement for specific, extrinsic rewards; (b) identification or involvement based on a desire for affiliation; and (c) internalization or involvement predicated on the congruence between individual and organizational values.

Conceptually, O'Reilly, Chatman & Caldwell (1986) made a clear distinction between two processes of commitment, the instrumental exchange one and the psychological attachment one. The compliance dimension that represents the exchange process leads to a somewhat shallower attachment to the organization. The deeper attachment, according to O'Reilly, Chatman & Caldwell (1986), results from the psychological attachment formed by the two other dimensions, namely identification and internalization.

Bennett & Durkin (2000) concluded quite correctly that internalization and identification appear to be tapping similar constructs and that the compliance dimension does not really reflect psychological attachment to the organization. The literature review argues that most of the approaches to OC developed so far have the potential to contribute to a better understanding of OC and thus cannot be ignored in any re-conceptualization of commitment. Adherence to attitudinal issues will prevent possible negative effects on the construct validity of commitment definitions. Second, in terms of the outcomes of commitment, the benefits of commitment should go beyond turnover, as already suggested by O'Reilly, Chatman & Caldwell (1986). The strong relationship found between commitment and organizational citizenship behavior supports the usefulness of commitment in explaining other valuable outcomes in the workplace. Third, more attentions should be given to the notion of time in the conceptualization of commitment. Fourth, the role of normative commitment and continuance commitment should be re-examined in commitment conceptualizations. The high correlations between normative and affective commitment also found in Meta analysis, and the bi-dimensionality of continuance commitment suggest the need for modifications of these dimensions Ko, Price & Mueller (1997).

#### **2.1.4.5. Leadership and organizational commitment**

Lee (2004) found out that transformational leadership correlates significantly with organizational commitment with samples of research and development professional in Singapore. Hayward, Goss and Tolmay (2004) noted that transformational leadership has moderate positive correlation with affective commitment. Lower correlation coefficients between transformational leadership and normative and continuance commitment were also found. Transformational leadership helps to increase trust, commitment and team efficacy,

Arnold, Barling and Kelloway (2001). Other researchers such as Kent and Chelladurai (2001) posited that individualized consideration has positive relationship with both affective commitment and normative commitment. Similarly, positive correlations was found between intellectual stimulation and both affective commitment and normative commitment. Bass and Avolio (1994) revealed that transformational leaders who encourage their followers to think critically and creatively can have an influence on their followers' commitment. This is further supported by Walumbwa and Lawler (2003) that transformational leaders can motivate and increase followers' motivation and organizational commitment by getting them to solve problems creatively and also understanding their needs. Price (1997) further suggests that employees are far more likely to be committed to the organization if they have confidence with their leaders.

## **2.2. Empirical studies**

Various evidences suggest that leadership style is positively associated with work attitude and behavior at both individual and organizational level Dumdum, Lowe and Avolio (2002). If there is effective leadership, there will be high work performance and the organization will become effective. This shows that leadership is a critical factor to develop organizational commitment in the organization.

According to a research conducted on leadership styles and its relationship with organizational commitment in South Africa, Garg and Ramjee (2013), both transformational and transactional leadership styles positively correlated with organizational commitment.

Almutairi (2013) also confirmed that there is strong positive relationship between transformational leadership and organizational commitment. It means that giving attention to transformational leadership style can increase organizational commitment.

Bučiuėnienė and Škudienė, (2008) on their part indicated that transformational leadership style has a great influence on organizational commitment by creating higher level of value and morale on leaders and followers to common vision, mission and organizational goal.

Bycio, Hackett and Allen (1995) reported positive correlations between leadership

behaviors such as charisma, intellectual stimulation, individualized consideration, and contingent reward on the one hand, and affective, continuance, and normative commitment, on the other hand. The relationship between leadership styles and organizational commitment has been studied by different scholars, for example, Garge and Ramjee (2013), Dumdum, Lowe and Avolio (2002) and Temesgen (2011). The results show that leadership styles have positive relationship with organizational commitment.

Several studies found a positive relationship between leadership behavior and organizational commitment (Agarwal, DeCarlo, & Vyas, 1999; Avolio, Zhu, Koh, & Bhatia, 2004; Çokluk & Yılmaz, 2010; Mathieu & Zajac, 1990; Porter, Crampon, & Smith, 1976; Savery, 1994; Wilson, 1995; Yousef, 2000; Zeffane, 1994). Therefore, leaders should understand that the issue of employees' commitment is a crucial element to be addressed to. The most importance of leaders' role in persuade employees' behavior have been shown by preceding studies (Asgari, Silong, Ahmad, & Abu Sama, 2008; Bhal, Gulati, & Ansari, 2009). Organizational commitment is influenced by the job environment created by the employee's supervisor. This organizational environment, together with the employee's ability, will largely determine eventual performance. According to Stum (2001), employee commitment reflects the quality of the leadership in the organization.

Lorraine Anderson suggests that leadership styles significantly predict the intent to stay. The social change implications include the potential for senior management to create a more desirable workplace, higher job satisfaction, and overall organization environment, making it more desirable to stay with the organization. Lorraine Anderson (2015)

Durkin (2000) stated that the negative effects associated with a lack of employee commitment include absenteeism and turnover. In order to be effective, it is critical for managers to influence their subordinates, peers, and superiors to assist and support their proposals, plans, and to motivate them to carry out with their decisions. Blickle (2003).

Previous researchers on managerial performance such as Kanter (1982) and Pavett and Lau (1983) pointed out that an important component of successful management is the ability to influence others. As such, committed employees are more motivated and dedicated towards meeting and achieving organizational goals Pfeffer (1998).



Transformational leadership had a direct and indirect (through job satisfaction) effect on Organizational commitment. Daniëlle Griffith- Kranenburg febreury, (2013).there are significant strong relationship between the leadership behavior and the organizational commitment. More importantly, there are significant impacts of the leadership behavior on organizational commitment.

Several studies found a positive relationship between leadership behavior and organizational commitment (Agarwal, DeCarlo, & Vyas, 1999; Avolio, Zhu, Koh, & Bhatia, 2004; Çokluk & Yılmaz, 2010; Mathieu & Zajac, 1990; Porter, Crampon, & Smith, 1976; Savery, 1994; Wilson, 1995; Yousef, 2000; Zeffane, 1994). Therefore, leaders should understand that the issue of employees' commitment is a crucial element to be addressed to. The most importance of leaders' role in persuade employees' behavior have been shown by preceding studies (Asgari, Silong, Ahmad, & Abu Sama, 2008; Bhal, Gulati, & Ansari, 2009). Organizational commitment is influenced by the job environment created by the employee's supervisor. This organizational environment, together with the employee's ability, will largely determine eventual performance. According to Stum (2001), employee commitment reflects the quality of the leadership in the organization.

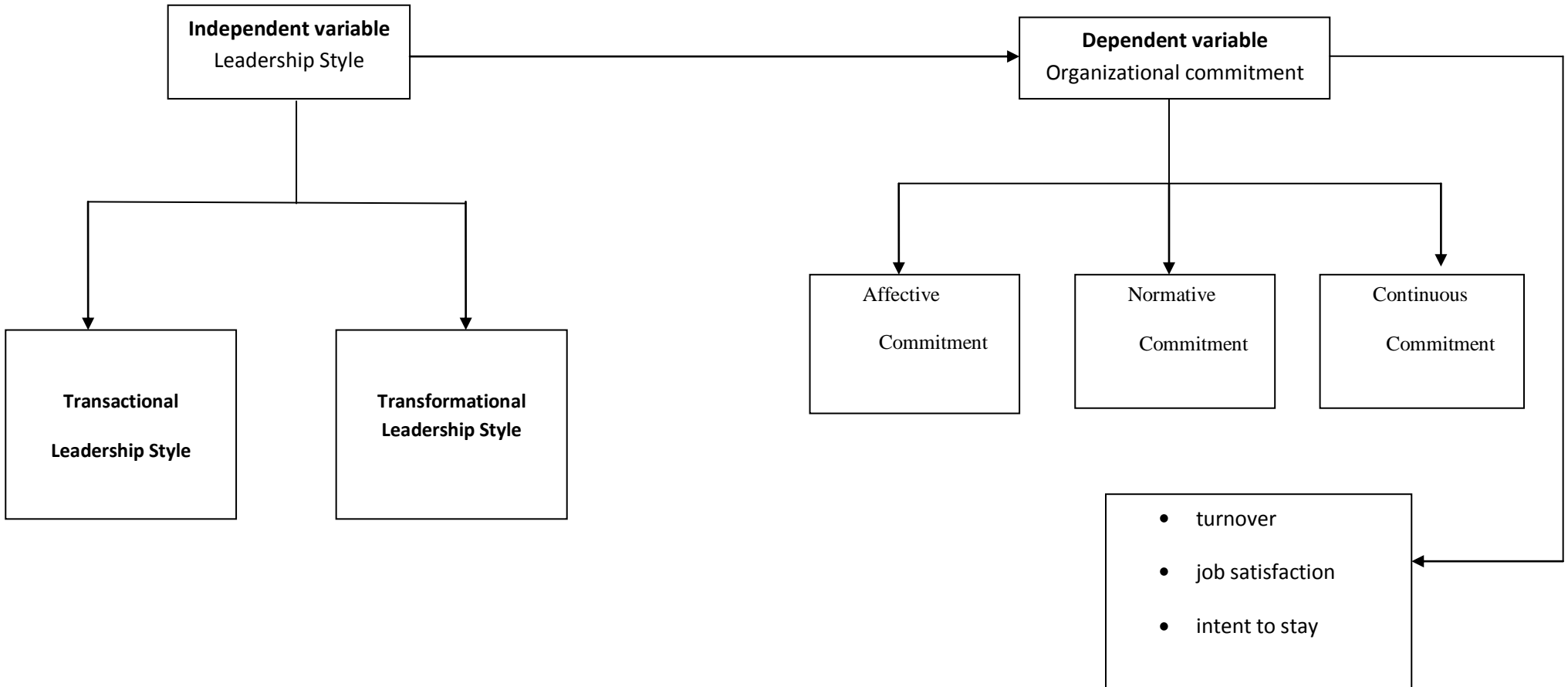
### **2.3. Conceptual Framework**

Retaining qualified and competent employees is one of the major challenges that organizations facing today. One of the factors that affect the OC is leadership style. Previous studies show that there is appositive relationship between organizational commitment and leadership style. The intent of this study was to examine the relationship between leadership styles and organizational commitments with in DBE.

The dependent variable for this study is employee's commitment in which the variance is attempted to be explained by the independent variable of leadership style. Leadership style is defined as a process of interaction between leaders and followers in which a leader attempts to influence followers in order to achieve a common goal. Transformational Leadership is theorized to comprise five factors: Idealized influence (Attribute), Idealized influence (Behavior), Inspirational motivation, Intellectual simulation and Individual consideration. Transactional leadership is theorized to comprise three factors: Contingent

reward, Management by exception (Active) and Management by exception (Passive). Organizational commitment can be thought of as the extent to which employees are dedicated to their organization and are willing to work to its benefit and prospect that they will maintain membership. There are three correlated but distinguished dimensions of organizational commitment. They are Affective commitment, Continuance Commitment and Normative commitment.

2.1 conceptual frame work diagram designed with the consultation of the researcher advisor



## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1. Research design**

The research design identifies the sampling techniques, method of data collection and how the data's was analyzed and presented.

The researcher used quantitative research approach. A quantitative research is based on the measurement of quantity or amount of leadership subscales and organizational commitment scales. A cross-sectional survey design was adopted. A descriptive and quantitative research approach deemed to be appropriate in gathering the primary data and attending the research questions. This choice is made because this research involves investigating possible relationships among the variables and collecting data to test hypotheses. This research used standardized questionnaire and formats as Primary data collection method.

#### **3.2. Population and Sample**

To test the hypotheses in DBE staff the study adopted probability sampling techniques. The target population of the study includes first line managers and subordinates who are working in DBE head office at least a year. In accordance with the organization structure there is a head office, 5 regions, 14 branches and 20 sub branches. DBE is staffed with multi-disciplinary professionals including economists, management professionals, accountants, statisticians, Lawyers, IT professionals, Engineers and other disciplines. Currently the bank is staffed with 1,357 workers.

The respondents were selected by using simple random sampling technique. It was used to ensure that the population has an equal probability of inclusion in the sample, to make it more representative and improves efficiency of data collection. From the total population of 1357 employees who are working in DBE, The study focused on 364 professional staffs and that are above trainee junior level which serves a minimum of one year in DBE head office. The sample size determined by using the formula developed by Yemane Taro(1967) at a confidence of 95%.

The researcher used this formula because it is easily understandable and widely applied.

$$n = N/(1+N(e)^2) = 364/(1+364(0.05)^2) = 190.00$$

Where n= sample size

N= population size (professional employees that served a minimum of one year within the bank)

E= level of precision

### **3.3. Data Sources**

The researcher used primary data source to measure the relationship between the variables and secondary data source was used for better understanding and explanation of the research problem.

### **3.4. Survey administration**

Primary data was collected through self-administered questionnaire that the respondents answered the questions directly on the form without the interaction of an interviewer. They complete the form on their own time and pace. The respondents were assured of secrecy and privacy which can increase the probability of honest answers to the questions.

### **3.5. Data Gathering Instruments**

Two separate standard questionnaires were used as data gathering instrument. Bass and Avolio, (2004) Multifactor Leadership Questionnaire (MLQ) in order to measure leadership styles and Allen and Meyer's Organizational Commitment Questionnaire (OCQ) for measuring employee's commitment.

### **3.6. Reliability test**

The researcher conducted pilot test before distributing the entire Questionnaire in order to measure the reliability of the Questionnaire. According to Fraenkel and Wallen (2008) reliability refers to the consistency of scores or answers from one administration of an instrument to another and from one set of items to another. If an instrument is reliable, it provides consistent result.

Cronbach's alpha is a commonly used test of internal reliability. A computed alpha coefficient

varies between 1, denoting perfect internal reliability, and 0, denoting no internal reliability. As a rule of thumb reliability of the Questionnaire is accepted when it is greater than 0.70 used as an accepted level of reliability.

Table 3.1: Cronbach's Alpha Reliability Coefficient for MLQ and OCQ

<b>Dimension</b>	<b>Cron. Alpha</b>	<b>Evaluation</b>
Transformational Leadership style	.842	Good
Transactional leadership style	.641	Poor
Organizational commitment	.703	Good

The results in the table 3.3 above indicate that generally MLQ and OCQ instruments used were reliable.

### **3.7. Data Analysis and presentation**

After the questionnaires were collected, they were checked for completeness. Questionnaires which were blank or extensively incomplete were barred from processing. Then the gathered questionnaires were analyzed for validity and completeness. The statistical techniques were used to analyse and present the data.

# **CHAPTER FOUR**

## **RESULTS AND DISCUSSION**

In this chapter the result of the research is presented and discussed briefly. The researcher has used descriptive and inferential statistics. Correlation analysis was used to investigate the relationship between leadership style and organizational commitment.

### **4.1. Sample Response Rate**

The sample was drawn from Development Bank of Ethiopia head office. From the targeted sample size 190 questionnaires were distributed. From the distributed questionnaire 13 were incomplete and 9 were not returned.

The total response rate was 88.42 %. As a result, the analysis of this research is based on the number of questionnaires collected.

### **4.2. Demographic Characteristics of Sample Respondents**

The respondents that participated in this research are summarized in the form of frequency and percentage. Each demographic variable are presented in table. The characteristics include gender, age, work experience, position and salary.

**Table 4.1. Demographic profile of respondents who filled & returned Questionnaires**

<b>No</b>	<b>Description</b>	<b>Frequency</b>	<b>Valid Percent</b>
<b>1</b>	<b>Gender</b>		
	MALE	115	68.5
	FEMALE	53	31.5
	<b>Total</b>	<b>168</b>	<b>100.0</b>
<b>2</b>	<b>Position</b>		
	JR ACCT OR OFFICER	34	20.2
	ACCT OR OFFICER	52	31.0
	SR ACCT OR OFFICER	65	38.7
	PRINCIPAL AND ABOVE	17	10.1
	<b>Total</b>	<b>168</b>	<b>100.0</b>
<b>3</b>	<b>Age</b>		
	<25	32	19.0
	25<35	112	66.7
	35<45	20	11.9
	45<	4	2.4
	<b>Total</b>	<b>168</b>	<b>100.0</b>
<b>4</b>	<b>Salary</b>		
	<4000	34	20.2
	4000<8500	29	17.3
	8500<11000	72	42.9
	11000<	33	19.6
	<b>Total</b>	<b>168</b>	<b>100.0</b>
<b>5</b>	<b>Service year</b>		
	<2	43	25.6
	2<5	61	36.3



	5<8	34	20.2
	8<	30	17.9
	<b>Total</b>	<b>168</b>	<b>100.0</b>

Table 4.1 represents summary of frequency and percentage of the respondent's demographic characteristics. From the total sample, male respondents encounter 68.5% and female respondents cover 31.5% this implies that there are more male respondents than female. This is an indication of DBE is staffed with more male employees than female.

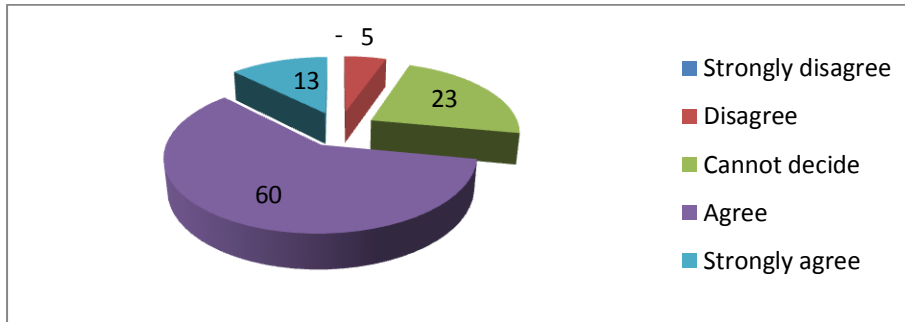
The majority of the respondents about 66.7% were between the ages of 25 and 35 years old and 2.4% of the respondents fell above 45 years old. Similarly, respondents whose age lies between 36 and 45 years were 11.9% and 19% of the respondents were less than 25 years. This is an implication that DBE is staffed with younger people. Thus the majority employees were within the productive age.

About 25.6 % of the respondents served less than two year with in the bank, 36.3% of the respondents has 2-5 years service in the bank , 20.2% of the respondents has a service 5-8 years and 17.9% works more than 8 year within the bank. This implies that most of the respondents served a minimum of 2 years since the mean is 2.3. Thus the researcher believes that the respondents are knowledgeable about the type of leadership mainly practiced in the bank.

Majority of the respondents about 38.7% were senior staffs that served a minimum of 5 years followed by 20.2% of JR accountants and officers that served a minimum of 1 year in the bank ,31.0% accountants and officers that served the bank a minimum of 2 years. And 10.1% of the respondents were principal or first line managers that a minimum of 8 year service in the bank. This shows that senior respondents have a majority share and this indicates that employees can confidently express the leadership style mostly practiced.

About 42.9% of the respondents salary per month is between 8500-11000, 20.2% of the respondents earn less than 4000 per month, 19.6% of the respondents earn more than 11000 per month and 17.3% earns between 4000-8500.00 per month. This implies that majority of the staffs earns greater than 8500.00birr per month.

**Figure 4.1 Affective commitment frequency diagram**



The above diagram shows the average response for the affective commitment questions i.e. I feel like part of the family at this organization, this organization has a great deal of personal meaning for me, I feel a strong sense of belonging to this organization and I feel emotionally attached to this organization. Around 13 percent of respondents strongly agreed and 60 percent of respondents agreed that they have emotional attachment with their organization and 23 percent of respondents can't decide whether they have affective commitment or not. 5 percent of the respondents disagreed with the concept of emotionally attached with the organization

**Figure 4. 2 normative commitment frequency diagram**

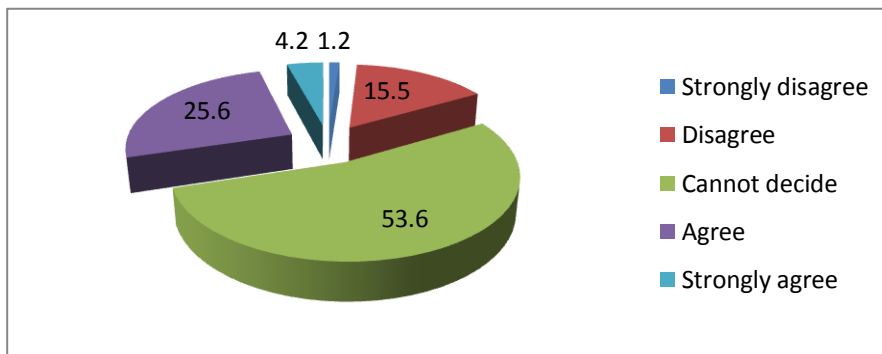


Figure 4.2 shows the average response of the respondents for the normative commitment indicating questions i.e. Even if it were to my advantage, I do not feel it would be right to leave my organization now, I would violate a trust if I quit my job with this organization now, I would feel guilty if I left my organization now and I would not leave this organization right now because I have a sense of obligation to the people in it. The diagram implies that about 53.6

percent of respondents can't decide whether they continue to work for the organization for social obligation or not. 25.6 percent of respondents agreed they stayed with the organization because of psychological obligation and 4.2 percents strongly agreed they remain with the organization for psychological obligation. 15.5 percent of respondents believes that they remain with the organization is not because of socialization effect

**Figure 4.3 continuance commitment frequency diagram**

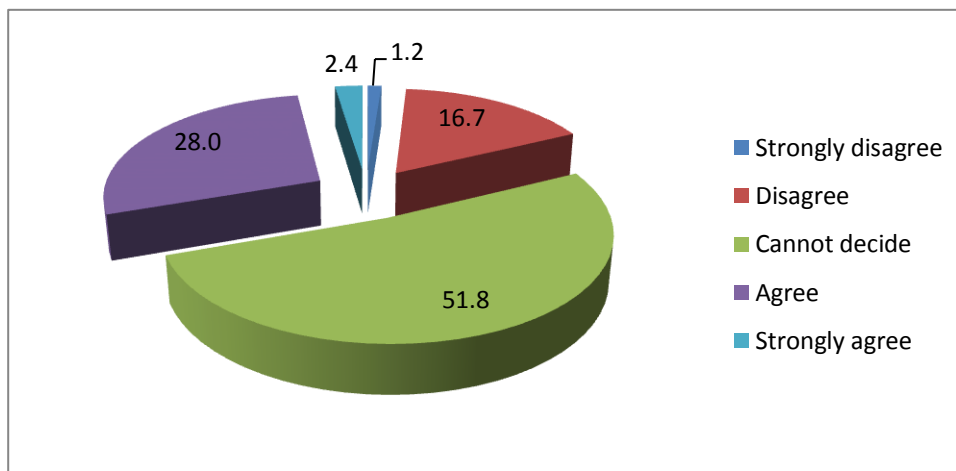
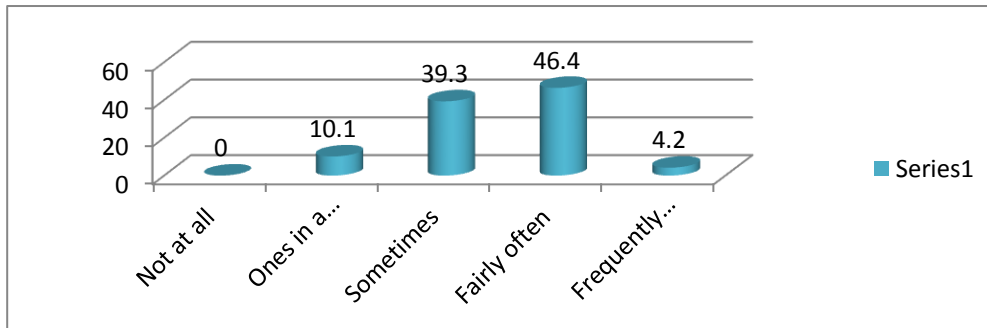


Figure 4.3 indicates the average response for continuance commitment indicating questions i.e. Too much of my life would be disrupted if I decided that I wanted to leave this organization now, I would not leave this organization right now because of what I would stand to lose, It would be very costly for me to leave this organization right now and For me personally, the cost of leaving this organization would be far greater than the benefit. 51.8 percent of the respondents can't decide they remain with the organization due to the cost of living their organization is higher or not. 28 percent of the respondents agreed that they remain with the organization due to cost of leaving this organization is higher and 16.7 percents of the respondents disagree that they remain with the organization due to cost of leaving is greater.

According to Meyer and Allen (1997) cited in Garg and Ramjee (2013) the suggested pattern for organizational commitment which is the highest scores for affective commitment, followed by normative commitment and then continuance commitment. Accordingly the 60 percent of the respondents agreed that they have emotional attachment to their organization.

**Figure 4. 4 Transformational leadership style frequency diagram**



The above diagram shows the average response of transformational leadership characteristics indicating questions like for the idealized influence attribute indicating questions i.e. goes beyond self-interest for the good of the group, acts in ways that build my respect, displays a sense of power and confidence and expresses confidence that goals will be achieved, for the idealized influence behavior measuring questions i.e talks about their most important values and beliefs, talks passionately about what needs to be accomplished and considers the moral and ethical consequences of decisions, for the intellectual stimulation measurement questions i.e. re-examine critical assumptions to question whether they are appropriate, gets me to look at problems from many different angles and Suggests new ways of looking at how to complete assignments, for the inspirational motivation indicating questions like specifies the importance of having a strong sense of purpose, articulates (communicates) a compelling vision of the future and expresses satisfaction when I meet expectations and for the individualized consideration indicating questions i.e. provide me assistance in exchange for my effort, spends time teaching and coaching, considers me as having different needs, abilities and aspirations from others and helps me to develop my strengths. 46.4 percent of respondents believe their leaders fairly often exhibit transformational leadership style. They exhibit power and confidence, they inspire and motivate their follower, and they coach and train their followers, that they have individual consideration and promote creative thinking. 10.1 percent of the respondents perceive their leaders display transformational leadership style ones awhile.

**Figure 4. 5 Transactional leadership style frequency diagram**

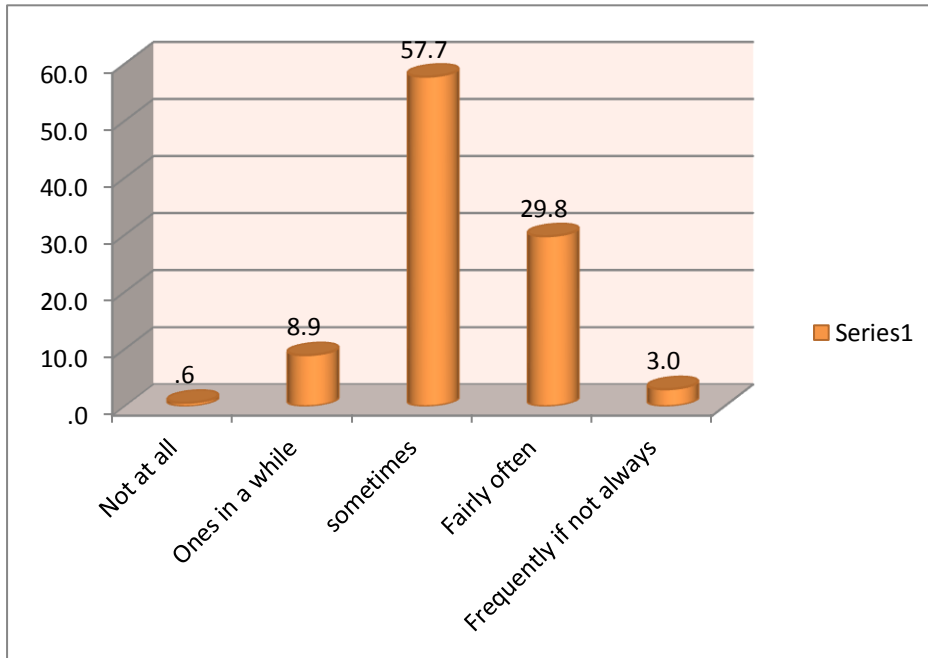


Figure 4.5 shows the average response of transactional leadership style characteristics questioner like for contingent reward indicating question i.e. makes clear what one can expect to receive when performance goals are achieved, for management by exception active i.e. discusses in specific term who is responsible for performance targets and for management by exception passive indicating questions like fails to interfere until the problem become serious, focuses attention on irregularities, mistakes exception and deviations from standards, waits for things to go wrong before taking action, demonstrates that problems must become chronic before taking action and keeps track of all mistakes. Based on the result 57.7 percent of respondents perceive their leaders display transactional leadership style that they set standard for activities, that they assign responsible person for the accomplishment of the task, that they reward achievement and punish deviation from the standards and that they display leaders monitor deviation from the established standard. 29.8 percent of the respondents perceive their leaders display transactional leadership style fairly often.

### 4.3. Descriptive Statistics Results

**Table 4.2 Mean Scores and Standard Deviation Dimension Code Valid (N) Mean Std. Dev**

Dimension	N	Mean	Std. Deviation	Bass & Avolio (1997) Suggested Range
Idealized influence attribute	168	2.52	.855	3
Idealized influence behavior	168	2.57	.838	3
Intellectual stimulation	168	2.36	.821	3
Inspirational motivation	168	2.44	.838	3
Individual consideration	168	2.39	.883	3
Contingent reward	168	2.37	.964	2
Management by exception active	168	2.51	.935	1-2
Management by exception passive	168	1.86	.773	1
Affective commitment	168	3.79	.725	-
Normative commitment	168	3.16	.776	-
Continuance commitment	168	3.14	.758	-

Table 4.2 shows calculated mean, standard deviation and suggested mean for the five transformational leadership subscale, three transactional leadership subscale and three organizational commitment scales .

The sample size for all leadership variables was 168. The mean and standard deviation value for each of the transformational leadership subscales ranges between were calculated between 2.36 to 2.57 and 0.82 to 0.88 respectively. Whereas for each of transactional leadership subscale' mean and standard deviation value ranges from 1.86 to 2.51 and 0.77 to 0.96 consequently. from the

leadership scale the highest mean was for idealized influence behavior with 2.57 mean followed by idealized influence attribute with a mean of 2.52 and the least mean was for management by exception passive with a mean of 1.86. From leadership subscales, the highest score value of standard deviation was for contingent reward with 0.96 standard deviation. The next highest standard deviation was for management exception active which attained 0.93 standard deviation scores. The highest standard deviation indicates that highest dispersion around the mean.

With the mean of 2.52 for idealized attributes scale indicates that some employees perceive their leaders as they have ability to build trust in their followers, inspire power and pride in their followers, by going beyond their own individual interests and focusing on the interests of the group and of its members. Thus they have ability to become reference models for their followers.

The idealized behaviors scale mean of 2.57 implies employees perceive their leaders as they manifest positive and highly valued behaviors, like dominance, consciousness, self-control, a high moral judgment, optimism and self-efficiency, as they talk about their most important values and beliefs, they focus on a desirable vision and almost always consider the moral and ethical consequences of their actions.

The inspirational motivation scale mean was 2.44. it indicates that some of the respondents perceive their leaders as they inspire others, shared goals and mutual understanding of what is right and important, they provide visions of what is possible and how to attain them and as they enhance meaning and promote positive expectations about what needs to be done.

The intellectual stimulation scale mean was 2.36. This identifies some of DBE leaders encourage innovative thinking, help others to think about old problems in new ways, encourages to question their own beliefs, assumptions, and values, and, when appropriate, let their subordinates to learn how to tackle and solve problems on their own by being creative and innovative.

The mean for individual consideration scale is 2.39 this indicate the respondent's perception of their leaders as they coach people, understand and share others' concerns and developmental needs and treating each individual uniquely, develop employee's full potential, Provide opportunities and develop organizational cultures supportive of individual growth.

The mean for the contingent reward scale is 2.37. It identifies some respondent's think their

leaders reward achievement, discuss in clear terms responsibilities for specific tasks and projects, state performance objectives, clarify rewards and punishments and express satisfaction when they get the correct output. They believe their leaders bring followers and groups to perform up to standard.

The management-by-exception: active scale mean is 2.51 it is an indication of DBE's leader's focuses on monitoring mistakes, use to specify with clarity compliance standards, as well as vividly describe inefficient performance. They focus on sanctions for not respecting the set standards. They focuses on a careful monitoring of deviations, mistakes and errors and on quick and thorough corrective measures, if appropriate and they use to keep track of mistakes, concentrate on errors and exceptions from the rule and on the treatment of these oversteps.

The management-by-exception: passive scale mean was 1.86 this identifies some of DBE's leaders waits for problems to appear before taking corrective actions, they adhere to the opinion that "if it isn't broken, don't fix it" and wait for problems to become severe before taking corrective action. Corrective actions are most of the time punitive.

Thus the transformational leadership means is below what Bass and Avolio suggested and the mean for transactional leadership scales is above from what is expected in DBE. This implies that DBE leaders are not exhibiting the expected level of transformational leadership style and they are exhibiting more transactional leadership style than expected.



**Table 4.3 Mean Scores and Standard Deviation Dimension Code Valid (N) Mean Std. Dev**

	Transformational	Transactional
N	168	168
Mean	2.45	2.26
Std. Deviation	.732	.683
Bass & Avolio (1997)	3	1-2
Suggested Range		

In table 4.3 the mean and standard deviation for transformational leadership style greater than the transactional leadership style. This implies that the respondents perception of their leaders style vary from respondent to respondents.

According to Bass and Avolio (1997) suggestion, the ideal level mean score for the most effective leadership is greater or equal to 3 where in this research the mean for this ideal leadership is less than three. This shows that DBE leaders don't display enough transformational leadership behavior.

On the other hand, Bass and Avolio (1997) also suggested a mean score of 2 for Contingent reward, ranges from 2 to 1 for Management-by-exception (Active) and between 1 and 0 for Management-by-exception (Passive). The mean scores obtained in this study were 2.37 for Contingent reward, 2.51 for Management-by-exception (Active), 1.86 for Management-by-exception (Passive). The overall transactional leadership styles mean scores for this study were above the range of Bass and Avolio (1997) suggestion. This implies that leaders demonstrated greater level of transactional leadership at DBE.

The desired pattern is highest scores for affective commitment, followed by normative commitment, then continuance commitment. The mean scores of the research data reflect that affective commitment scores higher than normative and continuance commitment.

Table 4.3 indicates the affective commitment, normative commitment and continuance commitment means and standard deviations. For each commitment scales 3.79, 3.16 and 3.14 were obtained. The highest standard deviation score was 0.77 for normative commitment. This implies that normative commitment scale has widely dispersed response.

However, Meyer and Allen (1997) cited in Garg and Ramjee (2013) suggested a desired pattern for organizational commitment which is the highest mean scores for affective commitment, followed by normative commitment and then continuance commitment. Accordingly, the highest mean of affective commitment (3.79) implies that employees have strong affective commitment at DBE. Employees had high bond to organization because they see their organization as their own and have affective relation. They were highly willing to remain in the organization because of their emotional attachment, involvement in and identification with the organization and its goal. Employees consider themselves as belonging to DBE. The mean score of normative commitment was 3.16 and it indicated that employees had high level of feeling of moral obligation to continue working for an organization. These moral obligations arise through the process of socialization within the society and the organization (marriage, family, religion etc). The mean score of continuance commitment was 3.14 and it implies that employees stay in DBE because of the cost of leaving the organization. They are willing to remain in the organization because of investments that they had such as retirement, relationship with other employees.

Of all three organizational commitment components affective commitment had the highest mean, followed by normative commitment and continuance commitment in this study. This results are consistent with the finding by Meyer and Allen (1997), who suggest that, the optimal organizational commitment profile should have affective commitment with the highest score, followed by normative and continuance commitment scores that are considerably lower. The greater mean value of affective commitment indicated that employee staying with the organization was related to wanting to, rather than needing to or feeling they ought to. It is imperative for organizations to have employee who feel affective and normative commitment but continuance commitment is not desirable because employee may leave the organization if they get other alternatives.

As per the research finding we can conclude there is closer mean score for all type of organizational commitment scale. This implies that there is no much gap with those employees

that has emotional attachment to the organization, those employees psychological feels obligated to remain in the organization and with those employees continue to work for the organization due to cost of leaving the organization is higher.

#### **4.4. Correlation Analysis**

##### **4.4.1 Pearson Correlation Analysis**

Pearson's correlation analysis is performed as the initial process in inferential analysis. The Pearson correlation coefficient is used to measure the degree of relationship between two variables. As stated by Lind, Marchal, and Wathen (2008), any correlation coefficient that is within -1.00 or +1.00 indicates a perfect correlation between the variables. Therefore, variables that are found with Pearson  $r$  value that is closer to -1.00 or +1.00 will be identified as perfectly related. Nevertheless, The significance of relationship was determined by p-value. For this study significance level of 0.05 or 0.01 were taken as the standard for a two-tailed test of correlation. For this research, if the p-value is less than the alpha level of 0.05 ( $P < 0.05$ ) or 0.01 ( $P < 0.01$ ), the researcher rejected the null hypothesis and conclude that there is significant correlation between

On the other hand, if the p-value is not less than the alpha level of 0.05 ( $P > 0.05$ ) or 0.01 ( $P > 0.01$ ), the researcher failed to reject the null hypothesis and conclude that there is no significant relationship between the two variables. The values for interpretation according to statistics are as follows (Pallant, 2007; Cohen, 1988):

- Rho = .10 to .29 or -.10 to -.29 (small effect)
- Rho = .30 to .49 or -.30 to -.49 (medium effect)
- Rho = .50 to 1.0 or -.50 to -1.0 (large effect)

**Table 4.4 Correlation**

		Affective commitment	Normative commitment	Continuance commitment
idealized influence attribute	Pearson Correlation	.311**	.181*	.269**
idealized influence behavior	Pearson Correlation	.306**	0.051	.216**
intellectual stimulation	Pearson Correlation	.226**	.163*	.248**
inspirational motivation	Pearson Correlation	.349**	0.139	.263**
individual consideration	Pearson Correlation	.194*	0.108	.268**
management by exception passive	Pearson Correlation	.152*	.236**	0.042
management by exception active	Pearson Correlation	.236**	0.044	0.121
contingent reward	Pearson Correlation	.291**	0.104	.217**

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

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

As per table 4.4 the highest correlation is among inspirational motivation and affective commitment with r value of 0.349 at significance level of 0.01. The second highest correlation is for idealized influence attribute followed by idealized influence behavior and contingent reward with r value of 0.311,0.306 and 0.291 respectively. This implies that when leader more inspire their subordinate, acts with integrity, builds trust encourages innovation thinking the employee's emotional attachment with their organization will increase. Their identification and involvement with organization and its goals will increase. Thus we can conclude that there is significant and direct relation with ideal behavior of leaders with their employee's affective organizational commitment.

There is also small but positive significant correlation between idealized influence attribute with normative commitment with r value of 0.181 at significance level of 0.05. This implies when leaders display power of confidence and pride and builds trust among followers the employees

moral obligation to remain in the organization will enhance

The above correlation table shows the strength and significance of the relationship between the variables and based on the significance of the relationship the null hypothesis will be rejected or accepted.

There is also positive but small significant correlation among management by exception active with affective commitment with r value 0.236. This implies that when leaders clearly specify tasks and responsibility, they observe the work of the employees, watch for deviations and take corrective actions when mistakes or errors occur. the employee’s attachment to the organization will enhance and employees will involve with organization objective.

H01: There is no significant relationship between transformational leadership style and organizational commitment at DBE.

H1: There is significant relationship between transformational leadership style and organizational commitment at DBE.

**Table 4.5 Correlation between Transformational leadership with dependent variable**

		affective commitment	normative commitment	continuance commitment
Transformational	Pearson Correlation	.312**	.115	.267**
	Sig. (2-tailed)	.000	.137	.000
	N	168	168	168

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

The above table 4.5 shows the relationship of transformational leadership style with affective commitment, normative commitment and continuance commitment. Transformational leadership

has significant positive relationship with affective commitment with r value of 0.312. The correlation coefficient categorized with medium effect. The  $p < 0.000$  is less than the significance level of 0.01. This implies at 1% confidence level there is significant relationship thus reject the null hypothesis. this result supported by( Munyeka Wiza , Ngirande Hlanganipai (2014), Habtamu Dadi PhD, Dr T. Subbarayduu professor(2015) Ajay K Garg, D. Ramjee (2013) Chan sook leng, Chong li xuan, Ng kai sin, Wong kit leng, Wong wai yan (2014), Omar Rabeea Mahdi a, Erzan Shafizan Bin Gulam Mohd b, Mahmoud Khalid Almsafir c\*(2013) Wiza,M & Hianganipal,N (2014), Priyanka Jain, Dr. Taranjeet duggal(2015),)

There is positive but insignificant relationship among transformational leadership and normative commitment with the r value of 0.115.the p value is greater than significance  $p < 0.01$  or 0.05. this implies that there is no significant relationship at the confidence level 5% or 1% thus, accept the null hypothesis. This finding supported by Munyeka Wiza , Ngirande Hlanganipai (2014). The findings that transformational leadership style has no relationship with normative commitment may be also appropriate as Allen and Meyer 1990; Brooks et al. 2006 pointed out that employees who stay in the organization feel obligated to stay in the organization may not exhibit the same enthusiasm and involvement as employees who stay with an organization because they want to stay and need to stay.

There is also significant relationship between transformational leadership style and continuance commitment at the at the confidence level of 1% with r value of 0.267. Transformational leaders have a small but significant effect on continuance commitment since p value is less than 0.01. Thus reject the null hypothesis. this result supported by ( Munyeka Wiza , Ngirande Hlanganipai (2014), Ajay K Garg, D. Ramjee (2013), Chan sook leng, Chong li xuan, Ng kai sin, Wong kit leng, Wong wai yan (2014) Omar Rabeea Mahdi a, Erzan Shafizan Bin Gulam Mohd b, Mahmoud Khalid Almsafir c\*(2013), Priyanka Jain, Dr. Taranjeet duggal(2015),)

**Table 4. 6 Correlation between transactional leadership with dependent variable**

		affective commitment	normative commitment	continuance commitment
Transactional	Pearson Correlation	.290**	.182*	.209**
	Sig. (2-tailed)	.000	.018	.006
	N	168	168	168

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

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

H02: There is no significant relationship between transactional leadership style and organizational commitment at DBE.

H2: There is significant relationship between transactional leadership style and organizational commitment at DBE.

From the above table 4.6 we can understand that transactional leadership has  $r=0.290$  correlation with affective commitment. This implies there is a correlation at significance level of 0.01 but has a small effect. The correlation is significant because the p value which is 0.000 is less than 0.01. this finding supported by ( Ajay K Garg, D. Ramjee (2013), Omar Rabeea Mahdi a, Erzan Shafizan Bin Gulam Mohd b, Mahmoud Khalid Almsafir c\*(2013))

There is a correlation between transactional leadership and normative commitment at the significance level of 0.05 with r vale of 0.182 again the transactional leadership has significant but small effect on normative employee’s commitment. The p value 0.018 less than 0.05 thus reject the null hypothesis. This finding is supported by (Ajay K Garg, D. Ramjee (2013), Omar Rabeea Mahdi a, Erzan Shafizan Bin Gulam Mohd b, Mahmoud Khalid Almsafir c\*(2013))

There is small and significant positive relationship between transactional leadership and continuance commitment. The r value equals 0.209 and the p value is 0.006 which is less than

0.01 thus reject the null hypothesis. This implies that the change in transactional leadership affect continuence commitment significantly. This study is supported by ( Munyeka Wiza , Ngirande Hlanganipai (2014), Ajay K Garg, D. Ramjee (2013), Chan sook leng, Chong li xuan, Ng kai sin, Wong kit leng, Wong wai yan (2014) Omar Rabeea Mahdi a, Erzan Shafizan Bin Gulam Mohd b, Mahmoud Khalid Almsafir c\*(2013), Priyanka Jain, Dr. Taranjeet duggal(2015),)



# CHAPTER FIVE

## SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents summary of major findings, discusses the implication, gives conclusion and finally recommendation will be made.

### 5.1. Summary of Major Findings

Skilled and competent human resources are one of the success factors for any organization. Now a day's people move from one job to another's for searching of better payment and for self advancement. One way of retaining competent employee's is through increment of their commitment. One factor that affects employees commitment is the leadership style exhibited in the organization. The major objective of this research is to examine the relationship among leadership style and organizational commitment. In order to do this, 168 respondents participated and they are randomly picked based on their staff list, MLQ questionnaire were used to assess employees perception about their leader and OCQ were used to identify the level of employees commitment and descriptive and inferential statistics were used to analyze and present the data.

Male respondents were 68.5%, 66.7% of the respondents were between 25 and 35 age. Most of the respondents served a minimum of 2 years and the mean was 2.3. 38.7% were senior staffs that served a minimum of 5 years followed by 31.0% accountants and officers that served the bank a minimum of 2 years. 42.9% of the respondents earns between 8500-11000birr salaries per month,

The mean and standard deviation value for each of the transformational leadership subscales ranges between 2.36 to 2.57 and 0.82 to 0.88 respectively. Whereas for each of transactional leadership subscale' mean and standard deviation value ranges from 1.86 to 2.51 and 0.77 to 0.96 consequently. the highest mean was for idealized influence behavior with 2.57 mean followed by idealized influence attribute with a mean of 2.52 and the least mean was for management by exception passive with a mean of 1.86. From leadership subscales, the highest score value of standard deviation was for contingent reward with 0.96 followed by management exception active with standard deviation score of 0.93.

The mean of 2.52, 2.57, 2.44, 2.36, 2.39, 2.37, 2.51 and 1.86 scored for the idealized attributes, the idealized behaviors, the inspirational motivation, the intellectual stimulation, the individual consideration, the contingent reward, the management-by-exception(active) and the management-by-exception (passive) respectively.

The affective commitment, normative commitment and continuance commitment means was 3.79, 3.16 and 3.14 respectively. The highest standard deviation score was 0.77 for normative commitment.

The highest correlation is among inspirational motivation and affective commitment with r value of 0.349 at significance level of 0.01. The second highest correlation is for idealized influence attribute followed by idealized influence behavior and contingent reward with r value of 0.311, 0.306 and 0.291 respectively.

Transformational leadership style has significant relationship with affective commitment and continuance commitment an r value of 0.312 and 0.267 respectively. But there is a positive insignificant relationship with normative commitment an r value of 0.115.

Transactional leadership has significant relationship with affective, normative and continuance commitment with r vale of 0.290, 0.182 and 0.209 respectively.

As per the analysis obtained in chapter four leaders are not exhibiting the expected level of transformational leadership style. This includes building trust among followers, inspire power and pride, goes beyond self interest, talks enthusiastically most important values and beliefs, inspiring others, promoting positive expectation, encourages innovative thinking and coaching subordinates.

The result for transactional leadership is also higher than mostly expected. According to employees' perception, leaders were doing above standards, in discuss in clear terms responsibilities for specific tasks and projects, state performance objectives, clarify rewards and

punishments and express satisfaction when they get the correct output on a careful monitoring of deviations, mistakes and errors and on quick and thorough corrective measures, if appropriate and they use to keep track of mistakes, concentrate on errors and exceptions from the rule and on the treatment of these overstep and wait for problems to become severe before taking corrective action.

## **5.2. Conclusions**

Every organization needs to be high quality goods and excellent service provider. In order to make this happen along with other resources human resources is one factor that affects the organizations operation. Thus organizations need to have a strategy to retain their qualified and competent employees. One way of retaining qualified, competent and skilled employees is enhancing their commitment. When employees are committed they identify their self with the organization, they perceive organization objective as their own and they stay with the organization with emotional attachment.

One of the factors that affect employee's commitment is leadership style. When leader's acts in the way of building their followers trust, works with integrity, understand individual concerns and encourage and help in building their potential the employee's emotional attachment will increase. Thus organization must focus on the type of leadership style that are exhibited in the organization and should assess the perception of their employees timely.

It can be concluded that when leaders exhibit more inspirational motivation behavior employees affective commitment will enhance positively. The same is true for idealized influence attribute and behavior and contingent reward.

It can be concluded that transformational leadership style and has significant positive relation with employees' affective commitment. It also has significant positive relation with continuance commitment too. Thus, Transformational leadership is the better predictor of affective and continuance commitment.

Transactional leadership has higher positive and significant relationship with normative commitment than transformational leadership and it also has lower but significant relation with affective and continuance commitment too.

### **5.3. Recommendations**

“As more and more private banks are flourishing in the future in Ethiopia, better understanding of leadership style, and employee organizational commitment relationship is fundamental issue” Habtamu Dadi PhD, Dr T. Subbarayduu professor(2015). Thus the researcher forwarded the following recommendations:-

The suggested level of transformational leadership is not exhibited in DBE. This affects the employee’s commitment mainly the affective commitment. Thus the bank should find a strategy to implement and monitor the leadership style that will be practiced.

DBE should implement transformational leadership style for the situations that needs higher proactive response, for raising follower awareness for transcendent collective interests, and for helping followers to achieve extraordinary goals. DBE should use transformational leadership style for future oriented activities and in higher level of management.

The transactional leadership style exhibited in DBE was above the suggested mean. This enhances the employees normative and continuance commitment. Thus the bank should look means to reduce such style and should focus on building employees commitment.

DBE should use transactional leadership style when there is much focus is given for achievement of the standards, when there is short term oriented objectives and in order to response for certain situation. DBE should use transactional leadership style in lower level hierarchy.

There is no mach gap exhibited in employees commitment mean. The mean for affective commitment greater than the normative and continuance commitment but there is also non ignorable number of employees that continue with the organization for the socialization and cost related issues. DBE should work in bringing those employees that has normative and continuance commitment to affective commitment and should conduct researches on factors that affects their commitment.

Leaders should realize that influencing the commitment of employees leads to higher performance and lower turnover rates among with other things. When employees are committed turn over, absenteeism and training expenses will reduce. On the other hand when employees are

committed to their organization their job satisfaction will enhance, their job performance will increase, they delegate their time to achieve their organizational objective this lead to the organization success. Thus DBE should give emphasize to increase their employees commitment by investigating factors that are related to employees commitment. More studies should be conducted on employee's commitment and leadership style at DBE.

DBE should facilitate trainings and forums, should give accreditation to leaders that displays transformational leadership style, should conduct meeting with each department subordinates and leaders to discuss problems with regard to this issue and should establish strategy in order to overcome such problems.

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## Appendix 1: Employee Opinion Questionnaire

I am General Masters of business administration (GMBA) graduating class student at ST. Marry University. Thus, I would like to ask your kind cooperation in filling this Questionnaire to provide me information for my research conducted in DBE in investigating the relationship between leadership style and employees organizational commitment. If you are unsure or do not know the answer, leave the answer blank. Please indicate the extent of your agreement or disagreement with each statement about your leader/supervisor by putting (√) sign in the space provided. Whatever information you give me is strictly confidential and could be used for academic purpose only. I would like to thank you in advance for your indispensable cooperation.

Below are some questions to get a better overall view of the respondent. Please note that all data remains anonymous.

1. What is your gender?

Male             Female

2. What is your current job category within the organization?

JR. Accountant or JR. Officer     Accountant or Officer     SR. Accountant or SR. Officer

Principal and above

3. What is your age range?

<25     26 – 35     36 – 45     46 – 60     >60

4. What is your average monthly salary range (in Birr)?

<4,000.00     4,001.00 – 8,500.00     8,501.00 – 11,000.00     >11,001.00

5. Which range indicates the number of years you have served within the organization?

<2 Year     2 – 5 years     5 – 8 years     >8 years

**Multifactor Leadership Questionnaire (MLQ) has a scale of 0 to 4 rating for the statement (Bass & Avolio, 2004).**

**0= Not at all 1= Ones in a while 2 = Sometimes 3= Fairly often 4 = Frequently if not always**

NO.	Leadership style indicating questions	0	1	2	3	4
1	Provide me assistance in exchange for my effort					
2	Re-examine critical assumptions to question whether they are appropriate					
3	Fails to enter until the problem become serious					
4	Focuses attention on irregularities, mistakes exception and deviations from standards					
5	Talks about their most important values and beliefs					
6	Discusses in specific term who is responsible for performance targets					
7	Waits for things to go wrong before taking action					
8	Talks passionately about what needs to be accomplished					
9	Specifies the importance of having a strong sense of purpose					
10	Spends time teaching and coaching					
11	Makes clear what one can expect to receive when performance goals are achieved					
12	Goes beyond self-interest for the good of the group					
13	Demonstrates that problems must become chronic before taking action					
14	Acts in ways that build my respect					
15	Considers the moral and ethical consequences of decisions					
16	Keeps track of all mistakes					
17	Displays a sense of power and confidence					
18	Articulates(communicates) a compelling vision of the future					
19	Considers me as having different needs, abilities and aspirations from others					
20	Gets me to look at problems from many different angles					
21	Helps me to develop my strengths					
22	Suggests new ways of looking at how to complete assignments					
23	Expresses satisfaction when I meet expectations					
24	Expresses confidence that goals will be achieved					

Employee’s commitment was measured by 12-items of organizational commitment Questionnaire by the Allen & Meyer’s (1990). The statements represent feelings that individuals might have about the company or organization for which they work. Put (√) sign in the space provided to show your level of agreement. 1= strongly disagree 2 = disagree 3= can’t decide 4 = agree 5 = strongly agree

Organizational commitment measurement questions	1	2	3	4	5
1. I feel like part of the family at this organization					
2. Too much of my life would be disrupted if I decided that I wanted to leave this organization now					
3. I would not leave this organization right now because of what I would stand to lose					
4. This organization has a great deal of personal meaning for me					
5. It would be very costly for me to leave this organization right now					
6. For me personally, the cost of leaving this organization would be far greater than the benefit					
7. Even if it were to my advantage, I do not feel it would be right to leave my organization now					
8. I would violate a trust if I quit my job with this organization now					
9. I feel a strong sense of belonging to this organization					
10. I feel emotionally attached to this organization					
11. I would feel guilty if I left my organization now					
12. I would not leave this organization right now because I have a sense of obligation to the people in it.					

===== Thank you=====

## Appendix 2: Correlation Table

### Correlations

		idealized influence attribute	idealized influence behavior	intellectual stimulation	inspirational motivation	individual consideration	management by exception passive	management by exception active	contingent reward	affective commitment	normative commitment	continuance commitment
idealized influence attribute	Pearson Correlation Sig. (2-tailed)	1	.571**	.546**	.658**	.666**	.362**	.345**	.581**	.311**	.181	.269**
			.000	.000	.000	.000	.000	.000	.000	.000	.019	.000
idealized influence behavior	Pearson Correlation Sig. (2-tailed)	.571**	1	.564**	.620**	.659**	.195	.416**	.561**	.306**	.051	.216**
		.000		.000	.000	.000	.011	.000	.000	.000	.509	.005
intellectual stimulation	Pearson Correlation Sig. (2-tailed)	.546**	.564**	1	.588**	.632**	.115	.364**	.521**	.226**	.163	.248**
		.000	.000		.000	.000	.137	.000	.000	.003	.035	.001
inspirational motivation	Pearson Correlation Sig. (2-tailed)	.658**	.620**	.588**	1	.671**	.149	.363**	.553**	.349**	.139	.263**
		.000	.000	.000		.000	.054	.000	.000	.000	.072	.001
individual consideration	Pearson Correlation Sig. (2-tailed)	.666**	.659**	.632**	.671**	1	.220**	.367**	.582**	.194*	.108	.268**
		.000	.000	.000	.000		.004	.000	.000	.012	.162	.000
management by exception passive	Pearson Correlation Sig. (2-tailed)	.362**	.195	.115	.149	.220**	1	.121	.245**	.152	.236**	.042
		.000	.011	.137	.054	.004		.118	.001	.049	.002	.585
management by exception active	Pearson Correlation Sig. (2-tailed)	.345**	.416**	.364**	.363**	.367**	.121	1	.410**	.236**	.044	.121
		.000	.000	.000	.000	.000	.118		.000	.002	.571	.117
contingent reward	Pearson Correlation Sig. (2-tailed)	.581**	.561**	.521**	.553**	.582**	.245**	.410**	1	.291**	.104	.217**
		.000	.000	.000	.000	.000	.001	.000		.000	.178	.005

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

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