



**St. MARY UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
**SCHOOL OF BUSINESS**

**THE IMPACT OF TRANSFORMATIONAL LEADERSHIP ON  
ORGANZIATIONAL PERFORMACE: THE CASE OF ETHIOPIAN  
SHIPPING AND LOGESTICS ENTERPRISE**

**BY**

**HAYMANOT GULILAT**

May, 2019

ADDIS ABABA, ETHIOPIA

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## **DECLARATION**

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

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**May, 2019**

## **ENDORSEMENT**

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

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**May, 2019**

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# Contents

Acknowledgments .....	I
Table of content.....	II
Acronyms .....	V
List of Tables .....	VI
Abstract.....	VII
CHAPTER ONE .....	1
INTRODUCTION.....	1
1.1 Background of the Study .....	2
1.2 Background of the Organization.....	2
1.3 Statement of the Problem .....	3
1.4 Research Questions.....	5
1.5 Objectives of the Study .....	5
1.6 Significance of the Study .....	6
1.7 Scope of the Study .....	6
1.8 Limitation of the Study .....	7
1.9 Organization of the Study .....	7
1.10 Definition of Terms .....	7
CHAPTER TWO .....	9
REVIEW OF RELATED LITERATURE.....	9
2.1 Introduction .....	9
2.2 Concept of Leadership .....	9
2.3 Leadership Theories.....	10
2.2.1 Trait Theories of Leadership .....	10

2.2.2 The Bradford Model: The Micro skills of Leadership.....	10
2.2.3 Transformational Leadership.....	11
2.2.3.1 Idealized Influence .....	12
2.2.3.2 Inspirational Motivation.....	13
2.2.3.3 Individualized Consideration.....	13
2.2.3.4 Intellectual Stimulation .....	14
2.4 Leadership Practices.....	15
2.5 Leadership and Related Issues.....	16
2.5.1 Leadership and Decision Making .....	16
2.5.2 Leadership and Communication .....	16
2.5 Organizational Performance and Indictors.....	17
2.6 Empirical Reviews .....	20
2.7 Conceptual Framework .....	22
<b>CHAPTER THREE.....</b>	<b>23</b>
<b>RESEARCH DESIGN AND METHODOLOGY .....</b>	<b>23</b>
3.1 Research Design and Approach .....	23
3.2 Population, Sample and Sampling Techniques .....	24
3.3 Sources and Instruments of Data Collection.....	27
3.4 Procedures of Data Collection .....	27
3.5 Methods of Data Analysis .....	28
3.5.1 Validity.....	29
3.5.2 Reliability.....	30
3.6 Ethical Considerations.....	31
<b>CHAPTER FOUR.....</b>	<b>32</b>
<b>DATA ANALYSIS AND INTERPRETATION .....</b>	<b>32</b>



<b>4.1 Demographic Characteristics' of Respondent.....</b>	<b>32</b>
<b>4.2 Analysis of Data related to Transformational Leadership .....</b>	<b>34</b>
<b>4.3 Analysis of Data related to Organizational Performance .....</b>	<b>38</b>
<b>4.4 Analysis of Data related to research questions.....</b>	<b>39</b>
<b>4.5 Interpretations of results .....</b>	<b>53</b>
<b>CHAPTER FIVE .....</b>	<b>55</b>
<b>SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION .....</b>	<b>55</b>
<b>5.1 Summaries of Findings .....</b>	<b>55</b>
<b>5.2 Conclusions .....</b>	<b>57</b>
<b>5.3 Recommendations .....</b>	<b>57</b>
<b>REFERENCES.....</b>	<b>59</b>
<b>Appendices I- Multifactor Leadership Questionnaire (MLQ) .....</b>	<b>62</b>
<b>Appendix II Interview Questiones.....</b>	<b>65</b>

## ACRONYMS

ESLSE	Ethiopian Shipping and Logistic Service Enterprise
HR	Human Resource
Ii	Idealized Influence
IM	Inspirational Motivation
IS	Intellectual Stimulations
IC	Individual Consideration
TR	Transformational Leadership attributes
OP	Organizational Performance attributes
SPSS	Statistical Package for the Social Sciences

## List of Tables

Table 3.1: Survey lay out.....	24
Table 3.2: Reliability test Result for the Survey Instruments.....	28
Table 4.1: Transformational Leadership Mean and Standards Deviation values .....	33
Table 4.2: Idealized Influence Mean and Standards Deviation values.....	33
Table 4.3: Inspirational Motivation Mean and Standards Deviation values .....	35
Table 4.4: Intellectual Stimulation Mean and Standards Deviation values .....	36
Table 4.5: Individual Consideration Mean and Standards Deviation values .....	36
Table 4.6: Organizational Performance Mean and Standards Deviation values.....	38
Table 4.7: Decision making on profitability.....	39
Table 4.8: Yearly financial reports of ESLSE .....	40
Table 4.9: Leadership Activities and Employees Satisfaction.....	41
Table 4.10: Descriptive analysis of customer Satisfaction of ESLSE .....	42
Table 4.11: Communication Practices between Leaders and Employee of ESLSE .....	42
Table 4.12: Correlation between TR and OP.....	44
Table 4.14: Correlation between TR and OP in detail.....	45
Table 4.15: Normality test and T-test values of variables .....	46
Table 4.16: Model Summary of Regression analysis of ESLSE.....	46
Table 4.17: Analysis of ANOVA between predictors and dependent variables of the respondents	47
Table 4.18: Analysis of Coefficients between the dependent and independent variables of the respondents.....	48

## **Abstract**

*This study has investigated the leadership practice specifically on the transformational leadership style. The main objective of this paper was to investigate the impact of transformational leadership styles on the organizational performance in the case of Ethiopian shipping and logistics service enterprise. While the four components of transformational leadership that is idealized influence, inspirational motivation, intellectual stimulation and individual consideration are studied in depth. The study was done using both descriptive and causal research design. A stratified sampling was used to select the total population sample and to select samples from different department simple random sampling was used. To conduct the research primary and secondary data source were deployed. Whereas primary data generated through questionnaires and which was developed by adapting the five Likert scale questions. From the total distributed 131 questionnaires, 103 questionnaires were properly filled and returned. Descriptive, correlation and multiple linear regression analysis were specified, estimated and evaluated. Furthermore, interview was conducted for the selected middle and top level managers. The result showed that transformational leadership styles had significant positive effect on the performance of the enterprise. The study concluded that transformational leadership styles were appropriate in inducing the performance of the enterprise and, therefore, recommended to practice the transformational leadership styles specifically inspirational consideration characteristics according to the regression result consequently on time the decision making process for the critical issues can be improved, effective communication ground could be available and increase the satisfaction of employees.*

**Keywords:** *Leadership, Transformational Leadership, Organizational Performance.*

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

Leadership in an organization is determinant for the achievement of an organizational vision, mission, goals and objectives. Its contribution for the existence of an organization is undeniable fact. Although the importance is known, there is no single articulated and agreed definition of leadership so far. Studies conducted long years back, books, and journals and written documents give different definitions of leadership. This is mainly because most definitions/concepts are given in accordance with the interest of the authors and view point of leadership position involved. According to Bass (1999), define as it is related to the purpose associated with the attempt to define it, and so presents a wide range of possibilities. In spite of this, the existence of different theories and leadership style appears.

At organizational level, like many other managerial and business issues; leadership practice and organizational performance are the concern for an organization and helps the business to sustain in a given competitive business environment.

For the study to be undertaken, the main focus of the concept will be the influential situation of leadership in an organization level where there are 'leader' and 'follower' with the final objective of achieving a predetermined goal or objective. According to Asika,N.(2004). Leadership is generally defined simply as the process of influencing people to direct their efforts towards achievement of some particular goal or goals.

According to Daft, R. L. (2011: 320) transformational leadership is characterized by the ability to bring about significant change in followers and the organization. Transformational leaders have the ability to lead changes in an organization's vision, strategy, and culture as well as promote innovation in products and technologies. According to Wehrich H., Cannice, M. V and Koontz H. (2008) articulate a vision, inspire and motivate followers, and create a climate favorable for

organizational change. This definition of transformational leadership shows that it has an engagement in the overall activity of the organizations.

Likewise the definition of performance varies accordingly with the organizational purpose of establishment and the variable to indicate these issues also differs. According to Jones, G. R. and George J. M. (2008:6) Organizational performance is a measure of efficient and effective management and use of available limited resources in achieving high customer satisfaction in the organization. The paper investigates the nature and extent of relationship between transformational leadership and organizational performance of Ethiopian shipping and logistics enterprise.

## **1.2 Background of the Organization**

The former Ethiopian shipping lines S.C, a public enterprise, was established in 1964 jointly by Ethiopian government and the American company named Towers investment and a Dutch management team. With the objective to establish a well organized and capable organization that can handle the current demand of the logistics sector, the government conducted a study that can transform the enterprise. The reform study came up with a proposal to merge over 45 operations of The Ethiopian Maritime and Transit services Enterprise and Dry port Enterprise. Hence, the Ethiopian government has decided to merge the above enterprises and the Ethiopian Shipping lines which have been working interdependently but almost dealing with similar mission contributing to Ethiopia logistic sector. ([http:// ethiopianshippingline.com.et](http://ethiopianshippingline.com.et))

Finally, the Ethiopian Shipping and Logistics Services Enterprise (ESL) were established by the Council of Ministers Regulation No.255/2011. (<http://chilot.me> and [http:// ethiopianshippinglines.com.et](http://ethiopianshippinglines.com.et))

The Enterprises headquarter is located in Addis Ababa, and have eight branch offices at different regions of the country and abroad. The enterprise provides coastal and international marine sea-transport & logistics services from/to Djibouti port through the ports of Gulf and Indian Sub Continent, China, Korea, Japan, Singapore, South Africa, and Indonesia; to the country's with

more effective and efficient way, by reducing transit time, cost and handoffs. Furthermore, it offers multimodal/inland transport services; and marine training for sailing seafarers and those aspiring for a career at sea. The main purpose of the establishment of this enterprise is to handle Sea Transport Services, Agency Services, Stevedoring and Shore handlings, Freight Forwarding which includes Multimodal and Uni-modal transport service, Customs and port clearing and Trucking, and the last activity is Services Provided by Port & Terminal Sector.(<http://ethiopianshippinglines.com.et>)

The major reason for the study conducted is that most researches undertaken so far are related with the logistic aspect of the enterprise and other related issues. But it is known that the leadership issues are important for the proper performance of the enterprise. The main concerns of the country economy is to provide different goods with fair/ lowest cost to the nation; and Since it is the only public enterprise that is responsible in handling the import and export cargo of the country both on sea and land. The researcher developed an interest to assess this issue. Due to this the research is conducted focusing on leadership practice more specifically on the transformational leadership style.

### **1.3 Statement of the Problem**

Different researches and studies undertaken in the past show that there is some contradictory idea related with the relation between leadership practices specifically transformational leadership and organizational performance.

The gap and unanswered questions about these issues called for this study to be undertaken. According to researchers like Peterson, Smith, Martorana, & Owens (2003) the role of leadership is critically important for achieving the performance goals of organizations. According to Jones and George (2008: 6). “Organizational Performance is a measure of how efficiently and effectively managers use available resources to satisfy customers and achieve organizational goals.” This and other concepts about the two issues are showing that there is a link between leadership practices and organizational performance and also on organizational objective fulfillment.

Accordingly this study focused on analyzing leadership practice and its effect on organizational performance and it also aims at assessing to what extent transformational leadership practices has influence on organizational performance of the ESLSE.

It is known that the Ethiopian Government has established ESLSE considering its contribution to the economy especially in the import and export side of the economy where there is a huge amount of shipments to be handled. The enterprise is the only public enterprise that is responsible in handling the import and export cargo of the country both on sea and land. Hence the efficiency and effectiveness of this enterprise means a lot for the business man in general in country wide level. One of the main concerns of the country economy is to provide different goods with fair/ lowest cost to the nation. Effective and efficient management of the enterprise leads to the escalation of the main purpose of the enterprise like the market shares of sea transport, in supporting export/imports, on time delivery of goods and services, proper dry-port/port management, warehousing and others means contributes to a significant cost reduction that is on items processed during import and export. Opposite to this where there is inefficiency and ineffectiveness in the enterprise management there will be a negative impact on the economy of the country by escalating costs of items.

Different findings and investigations by scholars in the field believe that leadership practice enhances organizational performance while others contradict this idea. The gaps and unanswered questions remain to discuss and pave the way for further interest of investigation. Consequently, this study is intended to examine the effect of leadership practice in the influence of organizational performance specific to the case of Ethiopian shipping and logistic enterprise. As it is mentioned above ESLSE undoubtedly has a greater impact on the country's economy and it is very critical to study and find out current gaps with provision of targeted answers.

Hence, it is known that good leadership practice is required to have the above advantages as a huge shipping industry. The major problems which have been reported from the year 2008 to 2010 e.c repeatedly and needed to be solved are lack of clarity about to what extent or in what ways that leadership practices has an effect on the enterprise performance. Next to this is effective communication flow between managers and subordinates. In addition to that on time decision



making or directing for critical issues situation. At last the prevalence of different leadership practices among departments' heads and leaders that is dependent on personal skill or attitude. In general terms, the research is conducted to find out how leadership practice in specific term transformational leadership and performance indicators are linked that will further lead to enhance performance so that the enterprises will contribute a lot for the country.

#### **1.4 Research Questions**

- ✓ What is the effect of transformational leadership practices on organizational performance of ESLSE?
- ✓ How does an Intellectual stimulation characteristic of transformational leadership determine profitability that is cost reduction of the organization?
- ✓ To what extent that idealized influence and intellectual stimulation characteristics of transformational leadership and employee's satisfaction related?
- ✓ How the Individualized Consideration and inspirational Motivation characteristics of communication practices looks like between leaders and employees of the ESLSE?

#### **1.5 Objectives of the Study**

General objective of the research is to assess the impact of transformational leadership on organizational performance of ESLSE.

Specific objectives:

- ✓ To observe the effectiveness of transformational leadership practice.
- ✓ To observe the relationship between on time decisions making of transformational leadership that is Intellectual stimulation and profitability specifically cost reduction as one of organizational performance indicators.
- ✓ To assess the extent that idealized influence and intellectual stimulation characteristics of transformational leadership and employee's satisfaction are related.
- ✓ To observe the Individualized Consideration and inspirational Motivation characteristics of communication practices between leaders and employees of the organizations.

## **1.6 Significance of the Study**

The study conducted would be significant for the following reasons:-

- The findings would help the leaders in the organization to answer the question of how to enhance organizational performance through effective transformational leadership practices.
- The leaders will observe the link and the possible gap that exist between organizational performance and transformational leadership practice of the enterprise.
- The research act as reference to further research conducted in relation with leadership and organizational performance

## **1.7 Scope of the Study**

The scope of this study is focused on the head office of the Ethiopian shipping and logistics enterprise, ESLSE located in Addis Ababa Legehar area. The research conducted by considering information starting from 2008 to 2010 e.c. The study focused to assess the overall situation of leadership practices in particular on the transformational leadership style. When analyzing this study leadership includes the decision making and communication tasks where as transformational leadership includes the four I's that is idealized influence, inspirational motivation, intellectual inspiration and individual consideration.

With regard to organizational performance, the enterprise can evaluate its performance by using different factors. But for the purpose of this study 'profit' from financial perspective specifically cost reduction, 'customer satisfaction' from customer perspective and 'employee's satisfaction' from internal process perspective were considered. The above listed seven variables were addressed to conduct the study. These evaluation factors are selected because the researcher believes that they are the major concern for the current position of the organization in the economy.

Thus, the data collection for the study relayed on the sampling method which considers the managerial and non-managerial stuffs of the enterprise. Questionnaire and interviews are used as primary sources. The study has also used secondary data sources as well.

### **1.8 Limitation of the Study**

The study is restricted only to the head office because of time and economic limitations. Due to resource constraints, the study did not include all branches of the enterprise located outside Addis Ababa city. Since the research is done in the head office only it is understandable that this may have its own limitations on the findings of the study. While collecting the questionnaires distributed to sample respondents it was noticed that some of the questionnaires were not collected.

### **1.9 Organization of the Study**

The study consists of five chapters. The first Chapter gives full information about the background of the study and the organization, statement of the problem, objectives of the study, significance of the study and the observed limitations and scope of the study are presented. In the next chapter, chapter two shows the review of related literatures. The third Chapter focused on presenting the overall research designs and methodology used. Chapter four comprises of the data analysis of this research and the closing chapter which is devoted to summary the findings of the study with conclusions and recommendations.

### **1.10 Definition of Terms**

The meaning of terms that used for the intended research case they hold and most frequently in this particular context below:

**Leadership:** - people who are in control or the ability of an individual or organization to guide other individuals, teams or entire organization.

**Organizational performance:**-comprises the actual output or results of an organization as measuring against intended goal or objectives. For this study case considers profit, customer

satisfaction and employee's performance are selected as organizational performance measurements.

**Manager:** - administrator of an organization.

**Management:** - the administration of an organization conducting activities of setting the strategy and coordinating the efforts of its employees to accomplish its objectives through the application of available resources, such as financial, natural, technological and human resources.

**Transformational leadership:** - means creation of significant change for both followers and the organization, transformational leader inspires subordinates and motivates them to transcend their personal interests in favor of the organization.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

#### 2.1 Introduction.

This chapter mainly devoted to review relevant literatures relating to the effect of transformational leadership styles and that of organizational performance. The body of the literature was reviewed using the following themes: Leadership Concept, Leadership Theories, and Leadership Styles, organizational performance and indicators, empirical studies related to issues and Conceptual framework of the Study.

#### 2.2 Concept of Leadership

Even though Leadership definition and concept are being modified and differ from different scholars, this study focuses on the most definitions that are on influential situation/part of leadership practices to achieve organizational objectives. To start with definition of leadership that is in more personal form 'leading' as it was stated in the book written by Wehrich H., Cannice, M. V and Koontz H. in 2008 page 26 "leading is influencing people so that they will contribute to organizational and group goal...." According to Yulk,G. (2013:7) leadership is the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives. The author reaches to this definition after investigating and gathering various researchers' outputs. Furthermore, in this book Yulk earlier edition defines leadership which supports the above definition that is "leadership is the process by which a person exerts influence over other people and inspires, motivates, and directs their activities to help achieve groups or organizations".

According to Gill R.(2011:9) "leadership is showing the way and helping or inducing others to pursue it, this entails envisioning a desirable future, promoting a clear purpose or mission, supportive values and intelligent strategies, and empowering and engaging all those concerned."

The purpose of leadership is to create a supportive environment where people can thrive, grow, and live in peace with one another; and to create communities and shared responsibility on person or organization matters and welfare is respected and supported

## **2.2 Leadership Theories**

### **2.2.1 Trait Theories of Leadership**

As it was stated in Gill R book (2011: 63-68) “It was emerged in ancient Greece, India and china around 2500 years ago. Sun Tzu (c.500 BC) said, ‘command [leadership] is a matter of wisdom, integrity, humanity, courage and discipline.’ Leadership in trait studies is mostly psychological in approach. According to Guillén M. F. (2010) from the sociologist point of view it is characterized often focusing on power and dominance rather than interaction with peoples. The sociological approach is to analyze the characteristics of leaders that result from their position in society: social class, education, gender and religious, ethnic and kinship network. The problem appears to social elite theory is that it deals with position strata and its associated dominance and control rather than with the analysis of the personalities and behavior of leaders”

According to Yulk G. (2013:12) “... attributes of leaders such as personality, motives, values, and skills. Underlying this approach was the assumption that some peoples are natural leaders, endowed with certain traits not possessed by other peoples.” In the book it is stated that the recent trait theory is based on different research designs made progress and reach to how leaders’ attributes are related to leadership behavior and effectiveness.

This theory focused on identifying the traits that differentiated leaders from non-leaders and on “what” an effective leader is, not “how” to effectively lead. We can summarize as there is no clear answer regarding what traits has a relation with leadership. Leaders are born not made

### **2.2.2 The Bradford Model: The Micro skills of Leadership**

As it was stated in the book Gill, R. (2011:76) the leadership model was developed by Rogle gill and his colleagues that was focus on the interpersonal ‘micro skills’ of effective leadership behavior. Where the core skill of leadership, accordingly were comprise of the perception of others’ thoughts and feelings through their behaviors, appropriate questioning, making judgments from the answers, and responding appropriately both language. It was initially used in training managers in performance appraisal but was later extended to leadership development more

generally. The model is criticized by its narrowness in its coverage of the behavioral domain of leadership since it is highly focused on behaviors at the 'micro' level.

This leadership style has some relation with that of behavioral leadership style since they are focusing on the behavioral traits of leader. Likewise behavioral leadership was emerged in the early twentieth century fostered the development of a more focused search for the basis of leaders. Researchers developed personality tests and compared the results against those perceived to be leaders. Looked at leader behaviors in an attempt to determine what successful leaders do, not how they look to others, began to look at leaders in context. That is, in context of the organization they work in, by identifying behaviors leaders exhibit that increase the effectiveness of the company.

### **2.2.3 Transformational Leadership**

Transformational leadership is one of the leadership theories that commonly exist and practiced leadership styles form the newly emerged theories. Different researchers and authors put the main assumptions of the theory in different manners and perspectives as it is presented in the below paragraphs.

According to Yukl, G. (2013:323) "Transformational leadership probably involves internalization, because inspirational motivation includes efforts to link the task to followers' values and deals with behavior such as articulating an inspirational vision." According to Gill, R. (2011:82) "Transforming or transformational leadership occurs when both leader and followers raise each other's motivation and sense of higher purpose." Furthermore, in the book it states that this leadership style follower leaders are doing tasks more than 'transact' with subordinates or followers, and this is what makes a significant difference to peoples' motivations and development, they achieve 'performance beyond expectations' in their subordinates or follower. In addition to this they make a positive impact on empowerment, motivation and morality Gill R. (2011: 83). From these definition focused on the motivational and inspirational part of this leadership style relating it with performance.

According to the book written by Bernard M. Bass and Ronald E. Riggio (2006) from page 4 shows that transformational leaders be likely to have a more satisfied and committed followers ; it rise relationship; inspire followers to stand for the common goal, challenges them to be creative in

hectic situation through coaching ,mentoring and others. Moreover, transformational leaders stimulate followers to realize the important meaning of the tasks they are responsible for, motivate their high level needs for growth and development, establish a climate of mutual trust, exert their employees to look beyond their own self-interests for the good of the group, and achieve performance beyond expectation.

This leaders they do more than transact with subordinates and makes positive impact on empowerment, motivation and morality.

And also according to Rehman (2012) transformational leadership involves motivating others to move towards their own self-interests for the achieving the goals of the group and the organization and adopt new ways to success. ‘Transformational leadership is related to emotions, values, standards and long-term goals’ as it was described by Karadag, D. (2015)

Transformational leadership is more specifically has five dimension or Key characteristics are individualizations, motivating, inspirational, provide intellectual challenges and ideal influence are considered to promote vision. This is further supported by Rogles gill page 90 that as the four “I” and other authors ideas are also included supporting this idea.

### **2.2.3.1 Idealized Influence**

‘Charisma or idealized influence is the degree to which the leader behaves in admirable ways that cause followers to identify with the leader, charismatic leaders display conviction, take stands, and appeal to followers on an emotional level and inspiring to followers. Further it refers to character of leaders who have standards of moral and ethical conduct, who are held in high personal regard, and who engender loyalty from followers.

In addition, “Leaders with Idealized Influence demonstrate heightened concerns and cognizance of followers' needs and generate a sense of shared risk-taking” Jung (2008). The actions of this kind of leader are taken as behavioral influence and act as a role model for their followers. In addition they strictly follow strong ethical and moral values. This type of leadership is inspirational in nature, self-confidence can secure great accomplishments, and they are endowed with a constructive sense of self-determination.



Therefore, Transformational leaders providing sense of purpose, meaning, self-esteem, self-determination, emotional control and confidence in followers.

### **2.2.3.2 Inspirational Motivation**

“Inspirational motivation targets at the principle of organizational existence, instead of personality of the leader” Bass & Avolio (2004). Intellectual stimulation is the degree to which the leader challenges assumption, takes risks, and solicits follower’s ideas. Leaders with this trait stimulate and encourage creativity in their followers.’ Piperopoulos G. P. (2015). This characteristic of leadership has an optimistic view and set high standards for followers. By developing the consciousness of followers, inspirational motivational leader by encourage them to accomplish higher, future goals and pursuit drawing best out of them by aligning towards the organizational mission, vision and objectives; and motivating others in understanding and committing to the accomplishment of the organizational goal is a key dimension of the transformational leadership style of inspirational motivation.

Leaders equipped with this style encourage the employees rendering them more autonomy to make decisions without supervision and providing them the tools to make these decisions. “Vision – expressing an idealized picture of the future based around organizational values. Inspirational communication- expressing positive and encouraging messages about the organization and making statements that build motivation and confidence.” Gill R. (2011: 90). In simplest ways it can be conclude that, workers are motivated to put in their best performance by the inspiring leadership

### **2.2.3.3 Individualized Consideration**

According includes providing support, encouragement, and coaching to followers. It includes supportive behavior and efforts to develop subordinate’s skills and confidence while concerning with the basic transformational leadership behaviors of regarding individuals as fundamental contributors to the work place. These types of leaders concerned for their employee want/needs, and are able in boosting and coaching for the development of desired workplace behavior. According to Daft Richard L (2011:41) refers to leader behaviors aimed at recognizing the unique

growth and developmental needs of followers as well as coaching followers and consulting with them.”

#### **2.2.3.4 Intellectual Stimulation**

It enables employees to understand, conceptualize, and comprehend their problems. These types of leaders are characterized by their rationality, creativity, consensus decision-making, coaching, supporting, challenging, and involvement in the overall performance of the organization. In other words which refers to leaders who challenge organizational norms, encourage divergent thinking, and who push followers to develop innovative strategies. Intellectual stimulation or inspiration ensures that employees are aware of their problems and capable enough to think about their problems in a more creative manner. “Intellectual stimulation: -enhancing employees’ interest in and awareness of problems, and increasing their ability to think about problems in new ways.” Gill R 2011: 90).

According to Daft Richard L (2011:41) refers to leaders who challenge organizational norms, encourage divergent thinking, and who push followers to develop innovative strategies.

“Taking all aspects of transformational leadership into consideration, Northouse P.G (2001) described the following qualities of a successful transformational leader:

- ✓ Empowers followers to do what is best for the organization,
- ✓ Is a strong role model with high values,
- ✓ listens to all viewpoints to develop a spirit of cooperation,
- ✓ creates a vision, using people in the organization,
- ✓ Acts as a change agent within the organization by setting an example of how to initiate and implement change,
- ✓ Helps the organization by helping others contribute to the organization.”

## 2.4 Leadership Practices

Leadership practice especially organizational leadership has a central role in evolution and cultivating an organization. It can help the member of an organization and working teams to face the challenges and to work for organizational goal.

As a top management level any leader is expected to be visionary. “The vision and mission could be broad - as for the entire organization - or narrow - as for a specific project or objective. Leaders evaluate actions against the mission. But they must also be flexible and adaptable to deal positively with unforeseen circumstances as it was stated in the literature part Proctor, G. (2004)”. This definition shows that how vision is important and also depicts the behavioral nature that is expected by the leader. The main task over here is that to formulate the organization vision that will motivate and move all organization members to work for it with deep commitment.

After formulating vision the next task is to set clear strategic goals and objectives. The middle and the lower level manager can use it to accomplish the departmental objectives. One of the characters of transformational leadership is that they work as a team with their followers, supporting and coaching them. “Leaders will be focused on results, but will be equally focused on people. They will encourage, reward, develop and involve their followers. They will seek input and feedback, delegate and empower. They will continue to learn and to seek opportunities to team (Proctor, 2004).” After every individual in the organization know all the works to be done and establish a line of work by setting some sort of standards. This will be supported by having good communication with their followers to encourage creative thinking, developing unique ideas.

Whereas effective Leadership practice includes main aspects starting with the leader itself he /she should lead oneself exceptionally well, the other is the interaction with other a leader is expected to invest in building good relationships while doing so it should develop each team member of the organization to their potential and positions to win and reward for results to strengthen their performance by being accountable and creating this situation for the overall organization and doing tasks with a given authority.

## **2.5 Leadership and Related Issues**

### **2.5.1 Leadership and Decision Making**

In every day life, making decision is a one phenomenon of life. This situation might only affect the decision maker or the related relative's one's this is the case of individual level where as for the organization level this situation will affect either positively or the reverse many individual and the surrounding environment. According to Bateman, T. & Snell, S. (2003: 132) "Decision making is defined as the selection of a course of action amongst all possible alternatives." Therefore to make the best decision researchers suggested that, managers should try to gather information from as many levels of the organization as time allows and a great consideration should be give to it. Since leaders player of the managerial position they expected to give decision that are timely bases, considering different constraints within like financial, human, legal as well as outside the organization this could be legal, marketing and other conditions.

There two type of decision making base on the type of decision made that is programmed and non-programmed decision making. The programmed decision are made according to the rules ,regulation, policies and others within and outside the organization .Most top and some middle level managers/leaders face the second type of decision making. That is the problem on hand or the decision to be made has various options and possible solution. In this case the leaders' critical analysis, broad minded, and confidence will be combined to give a fair answer for all bodies.

Once a leader faces any situation he/she should be rational in making decision. To do so some activities need to be done this starts with recognizing and defining the decision situation; identifying, evaluating, selecting, implementing the best and the chosen alternative, and finally following up and evaluating the results are the main tasks performed.

### **2.5.2 Leadership and Communication**

According to Bateman, T. & Snell, S. (2003:466) "Communication is the transformation of information and meaning from on party to another through the use of shard symbols." In addition to this definition, other authors Weihrich H., Cannice, M. V and Koontz H. (2008:385) stated the purpose of communication for internal functioning of enterprise as "... 1) to establish and

disseminate the goals of an enterprise 2) to develop plan for their achievement 3) to organize human and other resources in the most effective and efficient way; 4) to select, develop, and apprise members of the organization; 5) to lead, direct, motivate, and create a climate in which people want to contribute; and 6) to control performance.”

Good communication skills alone, however, will not make an effective leader. Research on leaders over many years has demonstrated that leaders spend from around 75% to 90% of their time on communication activities. In addition, to this 90 per cent of the meaning of a communication is captured in the non-verbal clues. That is facial expressions, body language, the way a person dresses and other are used for send messages to others. Other forms of communication are under taken in written form.

Other than internal communication external relations is also conducted by leaders of the organization this activities includes sales promotions, advertising and public relations initiatives and others that must be managed very carefully. To conclude, to say communication has taken place when the transference of information occurs; and it has been received and understood by the subordinate.

## **2.5 Organizational Performance and Indictors**

### **Organizational Performance**

The performance is usually evaluated by calculating the values of qualitative and quantitative performance indicators like cost and clients. Currently lot of managers and organizations recognize this and put the necessary effort to define the company goals, performance indicators and evaluate them. However practically such analysis is done in an informal way and will benefit more from the systematic approach. The initial step towards an improvement in this area is to make explicit the available knowledge on performance indicators and how they are related. It is necessary to validate the concept of a performance indicator together with its characteristics, relationships to other performance indicators and relations to other formalized concepts such as goals, processes and roles.

Starting with the word performance it means fulfillment of a given task in accordance with the standard of accuracy, speed, and completeness. According to Evans, J. R. (2008: 284) “performance simply means the extent to which an individual contributes to achieving the goal and objectives of an organization.” Furthermore when we say performance it can be stated and measured in numeric as well as verbal terms. According to Lebars G (2006:7) “It is a set of financial and non-financial indicators which offer information on the degree of achievements of objective and results.

The second thing that came in mind is that organizational performance referring to it is the general functioning of activities. According to Jones G. R. and George J. M. (2009: 6) “Organizational Performance is a measure of how efficiently and effectively managers use available resources to satisfy customers and achieve organizational goals.” This will be achieved by the well interaction and commitment of team and individual. Others define it as a means of transforming inputs into outputs so that predetermined objectives can be achieved. From this definition it is clear that performance as a relation with the final expectation of something for this case an objective or goal of an enterprise.

### **Indicators**

According to Armstrong, M. and Baron A. (1998: 285) “ performance indicators are taken to refer to activities that can bases of observable behaviors, performance indicators may also suggest a prospective rather than retrospective view point, in that they point the way to aspects of performance that will need to be observed.”

According to Evans, J. R. (2008: 284-85) “High performance work is characterized by flexibility, innovation, knowledge and skill sharing, alignment with organizational directions, customer focus, and rapid response to changing business needs and marketplace requirements.” In addition to this point according to James R. Evans (2008: 31) says that “ a company should select performance measures and indicators that best represent the factors that leads to improved customer, operational, and financial performance, these typically includes: customer satisfaction, product and service performance, financial and market performance, workforce performance, process

performance and leadership performance ” This point that is performance measures is further supported by other authors in the book page 201 strengthen the above measurements or indicators.

Similarly, Varga, R. S. (2009). developed a multidimensional conceptualization of organizational performance, consisting of three specific areas: financial performance (profits, return on assets), product market performance (sales, sales growth, market share) and shareholder return (total shareholder return, economic value added, and dividends).

Therefore, from the above definition and other grounds the researcher used profits as a financial indicator from a financial perspective; second employee’s satisfaction that is through merging of internal process and learning & growth perspective; and finally customer satisfaction from customer perspective considered as organizational performance indicators to study the current status of the enterprise.

To use this as performance indicators there should be some pre-set standards that will make all the measurement activities easier.

According to Colander D. C. (2001:57) profit is what’s left over from the total revenues after all the appropriate costs has been subtracted. Leadership style is an important factor that affects the enhancement of organizational performance and also makes a profit for their employees also for other society.

It is known that the principal objective of any business is to generate profit and which is maximized. Profit has ability to build the future and used during uncertainty of a given economy. Besides this profit maximizing could take place in different ways through pricing, product/ service variation, cost reduction and others.

But for this study case the research focused on cost reduction as a tool of profit maximizing. Since the organization under study profitability is determined by the higher management bodies of the organization in the formulation of strategic planning process using BSC as a tool of management; working with a give budget and others objectives are included under financial perspective.

In the book written by Dr.H.L.Kaila (2011) page 55- 58 state that customer is the one who use the product or the service provided; the one who is capable of influencing sales of the organization,

and also organizational success will be determined by them. In addition to that measuring customer satisfaction is a bit difficult task. Customer satisfaction in the current word is one of the tasks that are giving a great priority in running any business. This is the main reason that leader focus had moved to merely giving of service or production of product to satisfaction of customers.

Collis, J. & Business, H. (1998) in his book page 43 he stated that the key to create customer satisfaction is; first to recognize the area of customer care and satisfaction; second to accomplish the first point should concern for dealing with combining smaller issues rather than the big tasks and at last the main objective of the business is to create customer which can create profit. Therefore, considering this and other explanations customer satisfaction is one of the main aspects that every leader in any organization should be concerned about.

Similar with that of customer satisfaction employees need to be given attention. As a company owner we need to continue our activities using capable, educated, trained, experienced employees. When employees are not participating and are not involved in different activities there will be resistance during implementation of decisions, defensiveness prevails, disagreements and bad feelings between employees and managers occur. Since an employee are the most valuable assets and determinates of success of an organization full attention and considerations need to be given. The vision setter defines and articulates a firm's basic purpose and future direction with attention to the emerging social, economic, and technological trends. Supportive leader behavior results in high employee satisfaction.

## **2.6 Empirical Reviews**

There are two side of though the one who says there is link between leadership practices and organizational performance and the other stand in a position that there is a limited impact of leadership practices on organizational performance. The conceptual variety of empirical studies into the two raises the question where to start, how is the relation and others this can be specifically focused on transformational leadership style when we come to this research case. Accordingly researchers like Gareth R. Jones and Jennifer M. George (2008: 576) states that transformational leadership style is “it is leadership that makes subordinates aware of the



importance of their jobs and performance to the organization and aware of their own needs for personal growth and that motivates subordinates to work for the good of the organization.” This is also supported by other regarding transformational leadership with that of performance. According to Piperopoulos G. P. (2015:123) “... this type of leadership can transform and greatly enhance the performance of an enterprise or organization providing it with a much needed advantage in the struggle for survivable an excellence in our highly competitive world.”

From the study by Muhammad Asrar-ul-Haqand K.Peter Kuchinkon Pakistani banks regarding leadership practice and its impact of leadership styles on employee’s attitude towards their leader and performance the result from the study shows that “Transformational leadership style had the greatest effects on all outcome variables (effectiveness, satisfaction, extra effort, and organizational commitment).” The result was proven by different literature reviewed by the author.

Similarly other research conducted by Mitra Madanchian, Norashikin Hussein, Fauziah Noordin and Hamed Taherdoost titled ‘effect of leadership on organizational performance’ the research was conducted mainly to see the effect of transformational leadership style with that of organizational leadership style. From the research undertaken by them show that there is a positive relationship between the transformational leadership style and the performance of the organizations.

Transformational leadership, therefore, represent a relatively small group of leaders who control the organization and with whom the final authority and accountability for formulating, implementing and controlling the performance strategy of the organization rest. Transformational leadership and organizational performance represent two sides of the same coin. Transformational leadership is critical in ensuring that the planned goals of the organization are effectively realized. Companies need competent leaders who are able to translate planned initiatives into actions and then results.

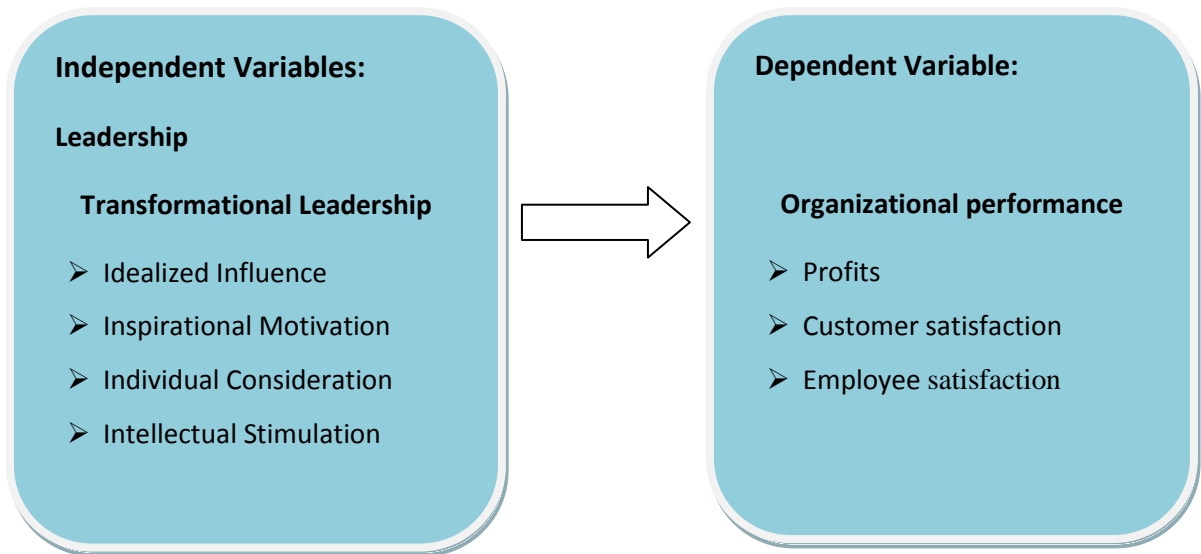
Marimuthu, Arokiasamy, and Ismail (2009) examined the relationship between developing human capital and firm performance. The study also concluded that different countries were emphasizing on developing human capital for various reason including economic growth.

And still the above study show that there is gap in how and why leadership affect performance this also shows that the current undergone study to take place and examine the overall situation with the selected organization that is ESLSE.

## 2.7 Conceptual Framework

As it was mentioned in the earlier section of the study the two variables leadership and organizational performance are linked in a certain ways this is shown in the following diagram.

Fig1.1: Conceptual Framework



Source: own source

As Figure 1 shows, it reflects the fact that organizational performance, as measured in terms of Profitability, Customer and Employee satisfaction can be influenced by either one of the transformational leadership styles considered in this study that is Inspirational Influence, Inspirational Motivation, Intellectual stimulation and individual consideration Source: (personal view).

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

This chapter contains the whole research procedures and activities which include the research design that is used for the selected population, the samples and sampling procedures. Following this the data sources and instruments used for the collection process. Beside this, all the data's and documents collected for the research purpose are analyzed by considering the Validity and reliability of the study. The overall purpose of this chapter is to explain and justify the research methodology used to collect and analyze the data.

#### **3.1 Research Design and Approach**

The research design shows the overall research processes while conducting the research. In other words it is simply an action plan upon which the entire study is going to be building on. According to Shajahan (2004:43) a research design is a logical and systematic plan prepared for directing a research study.

To undertake this research two research designs are used. To begin with descriptive research design, the major purpose is to describe the state of affairs as it exists at present. According to Kothari,C.R.(2004), descriptive research includes surveys and fact-finding enquiries of different kinds. It is considered as an appropriate method since it serves to archive research objectives. Furthermore, it will give answers for the questions like who, what, when and how that will discover the association of the two variables. In addition to this, causal/explanatory research design is used to examine the effect of leadership on organizational performance. It serves to archive a variety of research objectives, to discover association between the two variables and its appropriateness for the undergoing research study.

The research approaches used is a mixed approach that both the qualitative and quantitative approaches where applied narrative study and survey takes place respectively. According to Neuman, W.L.(2013) triangulation is the idea that looking at something from multiple points of views to improve accuracy. Therefore, using these approaches is necessary for the detail analysis and combining these approaches enables to find out the finding of the research appropriately and the approach includes all the parameters of the study. Questionnaires are used for the quantitative research while structured interviews are used for qualitative methods. The information gathered

from primary sources will be used to triangulate from different perspectives, explore the relation with the existing data and the research problem in hand.

### **3.2 Population, Sample and Sampling Techniques**

The target populations taken for the study were all head office employees who are both managerial and non-managerial who are working in Addis Ababa, Legehar office. Other sectors which are located in different parts of the country that is Gelan, Kality, Mojo, Mekele, Semera, Babogaya, Shipping sectors and in the port service sectors are not included for this study. Due to resource constraint and a question of manageability of the study, it became difficult to cover the Branch Offices in this study. The total populations of the head office are 849 including both permanent and also contract employee according to the HR report of June 30, 2018. From this population the total population of employees is 673. Despite the managers are selected and treated separately having a total population of 176.

Sample is the part of population which the researcher intended to collect information for the study. Sampling is the process of selecting sample from a total population. There are two types of sampling that is probability & non-probability sampling design. From probability sampling method stratified sampling techniques specifically disproportionate Stratified Sampling where the number of sampling units drawn from each stratum is based on the analytical consideration is selected and used. Since the entire head office populations of the enterprise are considered as more or less equal on some characteristics since they are functioning for the common goal. In contrary to that between work-processing groups/departments are differed and the magnitude of being affected by the study variables is different among them. Therefore, simple random sampling that is lottery method was used to select the employees who work under the supervision of the selected work process since it is convenient to use this sampling method while using stratified sampling method.

Non-probability purposive sampling methods was used for selecting supervisors, middle level managers and top level managers from each job processing groups. Since the main concern of the study is to identify the leadership practice they are the one who going to perform this activity being selected management level and also responsible for the performance of each department or work process they are selected purposefully.

The sample was determined by a statistical formula Yamane (1967) calculation that the sampling size of the population the sample size was 164 from the total population of 849 as it was mention in the above paragraph it includes all employees. To select the managers from the samples as it was stated in the above paragraph 33 managers are selected according to the researcher judgment.

Where: 'n' is the sample size

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

'N' is the population size,

'e' is the level of precision (sampling error)

$$n = \frac{849}{1 + 849(0.05)^2} = \underline{164}$$

Therefore, the sample population 'n' taken for the study undergone from the total population 'N' is 164 from this the managerial staff taken for the study is 33 for the non- managerial samples are 131 the following assumption and table will show this. From the total samples 33 of the non-manual samples are provided with interview about the research topics that non-probable judgmental sampling method was deployed.

ASSUMPTION:

- 95% = confidence level;  
Where **samples** will have the true population value within the range of precision and
- 0.05 = sampling error  
Range that is (±7 percent) in which is the true value of the population is estimated to be.  
(Since sampling error it is usually ranging from 0.10, 0.07, 0.05, and 0.01)

No	Departments	Sub sectors	Number of employee per section	Number of employee selected	Plan			Actual data Collected		
					Top level manager	Middle level	Employees	Top level manager	Middle level	Employees
						manager			Professional	
1	General manager	Change management head	67	29	1	1	8	1	1	5
		Planning and business development head			1	1	8		1	6
		Gender and social affair			1		6	1		5
		Law ,insurance and claim			1		4			2
2	Shipping service sector	Techniques /for sea man/	138	16	1	1	7			6
		Operation			1	1	9		1	8
		Techniques /for land employees /			1		8	1		7
3	Freight Forwarding service	Freight Forwarding service	140	24	1	1	8		1	8
		Multimodal operation			1	1	9			8
		Uni-modal operation			1	1	9			8
4	Port service sector	Port & Terminal Sector	43	10	1	1	9			6
		Inland port operation coordination sector			1		8	1		8
		Port facility and development			1	1	8			7
5	Corporate service sector	Corporate communication	451	85	1	1	5		1	4
		Corporate and logistics service			1	1	5		1	4
		Finance and accounting			1	1	5	1	1	4
		Babugaya maritime and logistics academy			1		2			2
		Procurement			1		3	1		2
		Information communication technology			1		4	1		3
		Human resource & development			1	1	7	1	1	6
Total			849	164	33		131	16		103

### **3.3 Sources and Instruments of Data Collection**

The research used both the primary and secondary sources of data as it was mentioned earlier in this chapter. The primary data is the data which was collected by the researcher from the study. This includes questionnaires which are prepared to address non- managerial staff of the organization. The layout of the questionnaire is made simple to enable the respondent to answer easily with less time taking situation. As it Spector,P.E stated in (1997) ‘The results of questionnaires are usually more reliable because employees are more likely to be truthful when their responses are anonymous.’

The Participants of the case study were asked 5 points questions that are labeled as 1= strongly disagree (SDA), 2 = disagree (D), 3= neither agree nor disagree (N), 4 = agree (A), 5 = strongly agree (SA). For the managerial staffs of the organization structured interview was deployed. They are expected to answer the listed specific activities in accordance with the specific behavior explained in questions.

The other data collection is from secondary data gathering method that is obtained from earlier studies regarding the study matters, organization websites, from report of the enterprise this includes HR and yearly reports of the of ESLSE ranging from 2008 to 2010 e.c beside this printing documents and from other organized information sources that are used for some other purpose. The gathered data helped to have access to the required data cheaply and is expected to minimize study time.

### **3.4 Procedures of Data Collection**

To undertake the data collection process the first task was getting a letter from St. Marry University for the concerned bodies disclosing that the researcher is required to undertake this study and it is a requirement to finalize the Master’s Degree program. After having this letter the researcher communicated with the studied ELSSES, presents the letter, briefly discusses about the subject matter with appropriate authorities, properly communicate about the benefits of the study, and disclose data interest and finally, scheduled data collection program.

The next task was formulation of questionnaires which are closed ended ones having two parts the general information section and the main section. The researcher arranged appointment with the HR department expert to distribute and collect the questionnaires. Then it was distributed for the sample population and collection process undertaken. Likewise the researcher arranged appointment to meet the managers of the organization and interviews were conducted. Finally the above primary data are organized and tabulated then analysis of data has made. To improve the response rates, in the first page of the questionnaire there was an explanation about the reasons for the research, why the research is important, why the subjects were selected and a guarantee of the respondents confidentiality is provided. Similarly, secondary data's were collected, organized and analyzed.

### **3.5 Methods of Data Analysis**

The data analysis process conducted as it was mentioned earlier that both qualitative and quantitative data analysis process are applied. This was done by using the two analysis method that is through the discussion part where the association/correlation between leadership and performance and the quantitative methods; finally analyzed by using triangulation / mixed approach.

The data collection process carried out using two ways. The first one is using questionnaire that will help in getting casual relation among variables and also it enable to explain the dependent variable leadership; to provide accurate profile of situation, demographic and other information that the analysis process is done by using percentages, graphs, diagrams and additional statistical measurement methods. That was done by using statistical package for social science (SPSS) to display this findings and it helps to make the analysis easier by processing all variables and cases. The second data collection way is interview checklists which are analyzed using descriptive approaches that will find out the answer for who, what, where, or other questions. After doing the analysis process the findings were summarized and recommendation given accordingly.



## Definition of Variables

### Dependent Variable

Organizational performance is the dependent variable that was evaluated in this research case. Whereas it measured by using three dimensions profit, customer satisfaction and employees' satisfaction. For the study purpose these dimensions are considered as one variable as organizational performance (OP).

### Independent Variable

Considering the independent variable, transformational leadership style that was measured using four indicators that includes idealized influence, inspirational motivation, intellectual stimulation and individual consideration which was labeled as Ii, IM, IS and IC respectively. These components are generally placed as TR referring to the transformational leadership style.

### Model of Specification

The research model used for this study is linear regression models. This model helps to capture the main objective of the study that is the impact of transformational leadership styles on organizational performance. All variables of transformational leadership style and organizational performance are presents as follows:

$$OP = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$$

Note: -

OP – Organizational Performance of the enterprise

$\beta_0$  – Constant

$\beta_1, \beta_2,$  and  $\beta_3$  are coefficients ... $\beta_i (i= 1, 2, 3,) > 0$

$\beta_1 - \beta_4$ = Measure of sensitivity of variable X to changes in OP

**TR** – presented as **X1, X2, X3** and **X4**

**X1** – Idealized influence, **X2** – Inspirational motivation, **X3** – Intellectual stimulation, **X4** – Individual consideration

$\epsilon$ = Error term

### 3.5.1 Validity

When we say validity it means the accurateness and reliability of the research methodologies in measuring the factors wanted to be measured in the process of the study. According to Leedy & Ormrod (2013). validity is the ability of an instrument to measure what it is intended to measure.

From this and other definition validity is what is planned to measure where it is measured accurately that is in terms of measurement procedures. Validity is important for the study undertaken where the researcher study is in depth of individuals or situations. Validity also increases the researcher confidence in the findings of the study.

For the study undertaken issues related with validity can be strength through the respondent willingness and trust worthy information provided regarding the topic under study. The response given by this individual was tasted. Besides, questionnaires and other analysis method was reviewed by the advisor and validated with some adjustments. During the questionnaire formulation takes place considering other research questionnaires that are distributed for the related topics and some adjustments were made to use it for this research purpose.

### **3.5.2 Reliability**

According to Bryman, A and Bell, E (2007) the Cronbach's alpha result of 0.7 and above implies acceptable level of internal reliability there is a very good result. This result was obtained using SPSS for data entry of collected questionnaires and reliability test

The greater the degree of consistency and stability in an instrument is the greater is its reliability Leedy & Ormrod (2013). Reliability means consistency of a measure or it is the ability for research findings to be repeatable this will be under the same conditions and generate the same results.

In addition the table below shows the Cronbach's Alpha test for each of the variables shows has a Cronbach's Alpha coefficient of  $\geq 0.7$  which is acceptable. The result obtained from table 3.2 and 3.3 can be concluded that the variables are valid as it is obtained from the correlation analysis.

Table 3.2: Reliability test result for the survey instruments

Descriptions	Cronbach's Alpha coefficient for each	Number of items
Transformational leadership	0.874	15
Idealized influence	0.845	4
Inspirational motivation	0.798	4
Intellectual stimulation	0.818	3
Individual consideration	0.783	4
Organizational performance	0.825	7

Source: own survey, 2019

### 3.6 Ethical Consideration

Ethical consideration is one of the basic issues that a research should consider in doing any research. Accordingly to conduct the research an official support paper was taken from St. Marry University. After that this document was presented to ESLSE's the concerned official in search of his acceptance for the study. The official has accepted the study and confirmed to avail any data relevant for the study as required. The concerned management member has also shown keen interest to participate on the study. This process was done before the data collection process began and was applicable during the study process. The participants of the research study are informed that the information given by them will be kept confidential. All materials and information provided belonging to another person or organization have been properly acknowledged. At last, all of the data collected were analyzed and reported in this research.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

This chapter deals with the data analysis and interpretation part from the respondents of the selected organization ESLSE. For the analysis purpose four demographic variables that are gender, age, educational background and experience were taken. Beside this, five point Likert scale 22 questions were deployed regarding transformational leadership (TR) and organizational performance (OP) indicators. In addition, for the top and middle managerial level leaders 12 interview questions were prepared and asked separately to gather clear information. For the research to take place a total of 131 questionnaires' were distributed to potential respondent. From this 103 were collected and answered the entire survey. While the remaining 28 of them either failed to complete the entire survey or not return the questionnaire. Therefore, in this chapter both case of data gathering methods going to be discussed.

The analysis was made using (SPSS) Statistical Package for Social Science. The research focused on both on the descriptive and statistical analysis of characteristics of participants. The statistical analysis was made using frequency distribution percentage, mean and standard deviations. Correlation and Regression analysis were also deployed to strengthen and proven the assumptions. Hence, the collected data was summarized using different tables and figures for easy understanding that interpretation and discussion could take place as shown below.

#### 4.1 Demographic Characteristics' of Respondent

Table 4.1:- The summary of Demographic Characteristics' of Respondent

Demographic characteristics	Variable	Frequency	Percent	Valid Percent
Gender	Female	35	33.98	33.98
	Male	68	66.02	66.02
Age	18 to 24	7	6.8	6.8
	25 to 30	57	55.3	55.3
	31 to 35	27	26.2	26.2
	36 to 40	6	5.8	5.8
	41 to 45	5	4.9	4.9
	> 46	1	1	1

Educational Background	Certificate	1	0.97	0.97
	Diploma	3	3.88	3.88
	Degree BA/BSC	80	76.70	76.70
	Masters Degree MA /MSC	19	18.45	18.45
Current position work experience in the organization	> 1 year	5	4.9	4.9
	1 to 5 year	54	52.4	52.4
	6 to 10 year	38	36.9	36.9
	11 to 15 year	3	2.9	2.9
	>15 years	3	2.9	2.9
Total		103	100	100

Source: own survey, 2019

The above table 4.1 presents the sex composition of the respondents that female are accounted (34%) that is 35 in number and male are 68 (66%) out of the total 103 respondents. It can be understood that the number of female respondents is less than male respondents.

As explained for the table 4.1 the majority participant were from age 25 to 30 year old, which is about 55.3 %, followed by the age categories 31 to 35 counts 26.2 % from the total population. Other categories are 18 to 24 and 36 to 40 years category having 6.8% and 5.8 % respectively and finally the remaining respondents are from 41 to 45 years old which are 4.9% and above 46 years hold 1 %. Form this we can comprehend that the most respondents are the young, energetic and productive once.

Furthermore, the majority of respondents educational background exist on first degree BA/BSC holders which is 77.7 % of the respondent, next to that Masters Degree MA /MSC holders are 18.4% , Certificate holders are 1%, Diploma 3.9%, and there were no Doctorate degree and above holders respondent. Thus, the majority of respondents were BA/BSC degree holders. This indicates that the respondents are capable of understanding and answering the provided questions considering different angles.

Moreover, the respondents employment period in the current position shows that majority of workers maintain their current working position for about 1 to 5 years that is 52.4%, the other on 6 to 10 years that is about 36.9 % of the respondent, less than a years are 4.9 % and finally the

remaining respondent are from 11 to 15 years and above 15 years experience have equal value that is 2.9 %. Hence, from total sample respondents the majority of respondents were having an experience of 1 to 5 years.

#### 4.2 Analysis of Data related to Transformational Leadership

This section provides descriptive analysis and interpretations of findings on the transformational leadership styles in ESLSE. According to Marczyk, G., Dematteo, D. and Festinger D. (2005: 92) “Mean is simply an average score, and a standard deviation is a measure of variability indicating the average amount that scores vary from the mean. From the table depicted below we can recognize that transformational leadership is the independent variable having average mean value of 3.32 that show most of the respondents agreed on the variables listed and a standard deviation of 0.58 that show less variation among respondents in the subject matter.

Transformational leadership comprises of four I’s that is idealized influence, inspirational motivation, intellectual stimulation and individual consideration. From the components of transformational leadership individual consideration with a higher mean value indicating a wide spread of respondents. In addition to that transformational leadership is applicable for the better performance and organizational goal accomplishment.

Table 4.2:- Transformational Leadership Mean and Standards Deviation values

Descriptive Statistics			
	N	Mean	Std. Deviation
Transformational leadership	103	3.3270	.57556
Idealized influence	103	3.1616	.93605
Inspirational motivation	103	3.4094	.69605
Intellectual stimulation	103	3.2367	.86538
Individual Consideration	103	3.6122	.88223
Organizational Performance	103	3.2867	.71557
Valid N (listwise)	103		
Average mean		3.3389	

Source: own survey, 2019

To begin with idealized influence one of the attribute having a mean score value of 3.16 and a standard deviation of 0.93. In short that includes; encouragement, self-confidence, directing and inspire excellence as a leadership quality. This is shown in the below table with a mean value range from 3.18 to 3.47 and standard deviation value ranging from 1.04 to 1.08.

Table 4.3:- Idealized Influence Mean and Standards Deviation values

<b>Descriptive Statistics</b>			
	N	Mean	Std. Deviation
My supervisor encourages pride in me for being associated with him/her	103	3.3107	1.04815
My supervisor will help me build self-confidence	103	3.1845	1.06410
Inspiring leaders help direct the skill and knowledge of workers in an organization to perform better.	103	3.4369	1.08166
Worthwhile and achievable visions inspire excellence in an organizations	103	3.4757	1.08325
Valid N (listwise)	103		
Average mean		3.3519	

Source: own survey, 2019

Accordingly, table 4.3 (Item1) mean value 3.31 indicates that the respondents are in natural category and agree on the subject matter but relatively lower than the other values. (Item 2) has a lowest mean value that is 3.18 shows that most of the respondents disagree in it. (Item 3) and (Item 4) having a higher mean score value of 3.43 and 3.47 show that most of the respondents agree on inspirational leaders are capable of achieving a better performance. To conclude, this characteristic of leadership has an influence in the practicing of transformational leadership where inspire excellence has most contribution in the organizational leadership practices. In addition to that Worthwhile and achievable visions inspire excellence in an organization.

Table 4.4:- Inspirational Motivation Mean and Standards Deviation value

Descriptive Statistics			
	N	Mean	Std. Deviation
Convey clear and positive vision of the future using symbols	103	3.4757	.90581
The organization leaders have a vision to improve the financial performance of the enterprise	103	3.5340	.81428
Leaders are captivate extraordinary performance of the employees	103	3.3010	.87262
Leaders communicate effectively with their employees.	103	2.9126	1.04887
Valid N (listwise)	103		
Average mean		3.3085	

Source: own survey, 2019

Inspirational motivation is also one of the dimensions with a mean score of 3.16 and a standard deviation of 0.69 as it was presented in table 4.3. Whereas comparing with other component of TR leadership style it has a lowest Std. Deviation indicating a less variation of respondent in the subject matter. Leadership activities in short; motivating workers, having a clear vision, effectively and good communication ground with employees can lead to achieve the performance of the organization in the improvement the financial performance with extraordinary activities as it is shown in the table below.

Table 4.5 (item1), shows that convey a clear and positive vision of the future holds the slightly a higher mean value of 3.47 similar (item 2) respondents on financial performance has a higher mean score value of 3.53 that most of the respondents agreed on this issue. The results of (item 3) with average mean value of 3.30 shows that there is a fair leadership activity that charm extraordinary performance of employees and (item 4) has the lowest mean value of 2.91 illustrate that there is some problem in the effectiveness of communication between leaders and employees. But variation in the standard deviation value that shows respondents has a varied conclusion on the subject matter. To conclude based on the above results the organization leaders have a vision to improve the financial performance of the enterprise.

The third attribute of transformational leadership is intellectual stimulation that is reported as satisfied with a mean score of 3.24 and a standard deviation of 0.87 as it was presented in table



4.3. Thus, under this attribute encourages creativity to generate profitability/ financial results for the organization, having/ emphasizing on the problem solving process and coping with the change and searching of new possibilities.

Table 4.5:- Intellectual Stimulation Mean and Standards Deviation values

<b>Descriptive Statistics</b>			
	N	Mean	Std. Deviation
Leaders in my organization create an environment where people willingly engage their creativity to generate the financial results	103	3.2718	1.04969
Help employees suggesting new ways of thinking emphasizing problem solving at how to complete assignments.	103	3.2136	.90370
Expects us to challenge the process by setting out, searching for new possibilities and embracing change	103	3.2718	.83071
Valid N (listwise)	103		
Average mean		3.2524	

Source: own survey, 2019

Comparing the mean result obtained from the above table 4.6 of (Item 1) and (item 3) with the highest mean value of 3.27 that shows respondents are agreed with the idea of leaders' creation of environment that people are willingly to engage in generation of financial result as well as facing new challenges when ever changes occur. However Std. deviation value shows there was variation among the respondents for (item1) but with minimum variation for (item 3). Next to that (item 2) having a lower mean value of 3.21 and a higher standard deviation this still shows a variation among respondents. Thus, the findings indicated that majority of the respondents satisfied with leaders in the creation of an environment where people willingly engage their creativity to generate the financial results and also searching of new possibilities so that acceptance change occurs positively.

The last attribute of transformational leadership is intellectual stimulation that clarifies as good satisfied dimension with a mean score of 3.61 and a standard deviation of 0.88 as it was presented in table 4.3. While this attribute of TR leadership has the highest mean value and less deviation from the mean that includes; empowering of employee, training employees and exercising delegation tasks so that employees will contribute in the leading activities. Thus, this activities will

lead them to consider them self as one of the responsible factor for the achievement of the organizational goal/objectives.

Table 4.6:- Individual Consideration Mean and Standards Deviation values

<b>Descriptive Statistics</b>			
	N	Mean	Std. Deviation
Empowering other employees improves organizational performance	103	3.3107	1.03875
Changing environment enable top management to train their employees.	103	3.4369	.99676
Communicating the organization purpose envisions employees.	103	3.4563	.98793
Exercise delegation to stimulate my leading experience	103	3.3786	.89789
Valid N (listwise)	103		
Average mean		3.3956	

Source: own survey, 2019

Likewise, (Item 1) has the lowest mean score value of 3.31 shows that most respondents believe the association between empowerment of employees’ organizational performance improvement. Despite the Std. Deviation score shows there is variation among respondents on the statement provided. (Item 2) and (item 3) mean score values shows that there is a fairly agreement on the statements having a value of 3.44 and 3.46 respectively. While (item 4) has slightly lower mean value of 3.37 and lower deviation among the respondents’ answer. Therefore, we can conclude that Communicating with employees leads to visualize the organization purpose.

### **4.3 Analysis of Data related to Organizational Performance**

The dependent factor for the research undertaken is organizational performance having mean value of 3.28 and a standard deviation of 0 .72 as it was presented in table 4.3 which is considered to be good satisfied measurement in both cases. In the detail part of organizational performance output table it has a mean value ranging from 3.08 to 3.58 and a standard deviation value ranging from 0.92 to 1.17.

Table 4.7:- Organizational Performance Mean and Standards Deviation value

<b>Descriptive Statistics</b>			
	N	Mean	Std. Deviation
The enterprise is able to achieve objectives within their budgets.	103	3.5825	.92381
Over the past three years ,the enterprise shows a measurable cost reduction	103	3.2913	.99638
The company's employees productivity was higher than that of the last year	103	3.3107	1.03875
The enterprise has rewards to the employees who have an important contribution to the increase of customer satisfaction	103	3.2816	1.17505
The training program given for me is appropriate to enhance my performance at work.	103	3.0777	.97708
The working environment is suitable to develop my job, knowledge and ability to advance my career	103	3.3592	1.02760
In my opinion the work method and process are improved due to transformational leadership practice.	103	3.3107	.91854
Valid N (listwise)	103		
Average mean		3.3162	

Source: own survey, 2019

The above table 4.8 clarifies that (Item 1) has the highest mean values of respondents' having Std. Deviation that show a slight variation from the mean. While (Item 2), (Item 4), and (Item 5) has a lower mean value showing a less agreement in the statement provided and slight variation from the mean value when observing Std. Deviation except (Item 4) showing a higher deviation of respondents. Whereas (Item 3), (Item 6) and (Item7) has a satisfactory mean score values and a highest Std. Deviation value except (Item7). The results show that enterprise is able to achieve objectives within their budgets, there is suitable working environment to develop job, knowledge and ability to advance career and also the work method and process are improved due to transformational leadership practice.

### **4.3 Analysis of Data related to Research Questions**

#### **Intellectual Stimulation and Cost Reduction**

Decision making is one of the leadership and managerial tasks that is done almost in a daily bases. The difference may be appearing in the level and critical nature of the subject matter under decision. For the study case from the independent variable side decision making as part of

leadership task is related with that of profitability of the enterprise as a part of dependent variable list are studied and explained separately as follows.

According to Kothari C.R. (2004:132) Mean is the simplest measurement of central tendency and is a widely used measure. Its chief use consists in summarizing the essential features of a series and in enabling data to be compared. Likewise (Item 2) the mean value of on time decision making and problem solving has a mean value of 3.21 and standard deviation of 0.90. This explains there is a slight lower mean and Std. Deviation value. Similarly, from the dependent variables; working with a given budget, showing a cost reduction, increasing of employee productivity has mean score value of 3.58, 3.29, 3.31 and standard deviation value of 0.92, 0.99 and 1.04 respectively. The result shows that most of the respondents agree on the statement that the company is working under with the provided budget. Whereas cost reduction and employee productivity has moderate mean values.

Table 4.8: Intellectual Stimulation and Cost Reduction

<b>Descriptive Statistics</b>			
	N	Mean	Std. Deviation
Help employees suggesting new ways of thinking emphasizing on, on time decision making and problem solving at how to complete assignments.	103	3.2136	.90370
The enterprise is able to achieve objectives within their budgets.	103	3.5825	.92381
Over the past three years ,the enterprise shows a measurable cost reduction	103	3.2913	.99638
The company's employees productivity was higher than that of the last year	103	3.3107	1.03875
Valid N (listwise)	103		
Average mean		3.3495	

Source: own survey, 2019

Therefore, based on the perception of respondents, it can be concluded that the enterprise is able to attain its objectives within a given budget. While, profits can be enhanced in any enterprise either by increasing the sales revenue or reducing costs. Hence, management bodies of the enterprise by decreasing costs of the organization can increase profits and provide opportunities

for future growth and development. This is observed in the financial report of the organization in the table shown below.

Table 4.9: Yearly Financial reports of ESLSE

N	Fiscal year	Title	Plan	Performed	performed %
1	2008	<i>Total Revenue *</i>	15,541,269,000	16,860,783,000	108
		<i>Total expense**</i>	14,426,122,000	15,126,875,000	105
		<i>Profit Before Tax ***</i>	1,115,147,000	1,733,907,000	155
		<i>Profit Tax</i>	193,737,000	300,996,000	-
		<i>Net Income ****</i>	921,410,000	1,432,911,000	156
2	2009	<i>Total Revenue *</i>	19,233,441,000	16,549,169,000	86
		<i>Total expense**</i>	17,698,290,000	15,365,896,000	87
		<i>Profit Before Tax ***</i>	1,565,151,000	1,190,236,000	76
		<i>Profit Tax</i>	222,978,000	312,060,000	140
		<i>Net Income ****</i>	1,342,173,000	878,176,000	65
3	2010	<i>Total Revenue *</i>	19,727,205,000	17,506,332,000	89
		<i>Total expense**</i>	18,608,360,000	16,169,510,000	87
		<i>Profit Before Tax ***</i>	1,118,845,000	1,336,822,000	119
		<i>Profit Tax</i>	190,005,000	372,659,000	196
		<i>Net Income ****</i>	928,841,000	964,163,000	104

Source: from HR annual report of 2008 to 2010 e.c the enterprise

*NB \*Total Revenue = Gross Revenue + Other Income*

*\*\*Total Cost = Operating Cost + Administration & General Expense*

*\*\*Profit before Tax= Total Revenue — Total Cost*

*\*\*\*\*Net Income = Profit before Tax — Profit Tax*

The above table 4.10 shows three year financial reports of the enterprise. From the information explained it is understandable that profit can be achieved through cost reduction as expense of the enterprise decreases from 105 % to 87% as it was gathered from 2008 to 2011 e.c reports above. Likewise, the narration part of the reports also states that the leaders' contribution to have such kind of figure was undeniable. It can be summarized that there was a cost reduction process when

we compare the performance of the enterprise. These figures also strength that there was some cost reduction procedures were taken.

In addition, the interviewed officials also believe that decision making of higher bodies of the enterprise will have a greater impact on the cost reduction, employee's productivity and working effectively with a given budget. From the findings of the study the research show that applying transformational leadership will have a positive impact in the performance of the enterprise. This is shown in the correlation matrix in data analysis process, in the interview and form reports of the organizations.

### **The Extent of Idealized Influence and Intellectual Stimulation with that of Employees Satisfaction**

To begin with the major characteristics of leadership; they have visions; visions about possibilities, that others do not see. They passionately believe that they can make a difference. Besides, they use past knowledge, mine the present as potential opportunity and apply vision to the future. They envision the future, creating an ideal and unique image of what the organization can become.

In addition, they build trusted relationships by busting collaboration and building spirited teams. They develop cooperative goals. They promote cooperation by emphasizing long-term payoffs in different aspects of the organization. Leaders understand that mutual respect is what sustains extraordinary efforts; they thrive to create an atmosphere of trust and human dignity. They strengthen others, making each person feel capable and powerful. This all are presented in the below table by considering the respondents answer towards their satisfaction level.

Table 4.10: Idealized Influence and Intellectual Stimulation transformation Leadership Activities and Employees Satisfaction

Descriptive Statistics			
	N	Mean	Std. Deviation
My supervisor encourages pride in me for being associated with him/her	103	3.3107	1.04815
Worthwhile and achievable visions inspire excellence in an organizations	103	3.4757	1.08325
Expects us to challenge the process by setting out, searching for new possibilities and embracing change	103	3.2718	.83071
The training program given for me is appropriate to enhance my performance at work.	103	3.0777	.97708
The working environment is suitable to develop my job, knowledge and ability to advance my career	103	3.3592	1.02760
Valid N (listwise)	103		
Average mean		3.2999	

Source: own survey, 2019

According to the respondents table 4.11 given above the mean score values for the listed leadership activities that is presented in (Item1) and (Item2) is 3.31 and 3.47 and with a higher standard deviation value of 1.05 and 1.08 respectively. This shows that the mean values are higher than the average mean value of the list and there is a variation among respondents from the mean value. On the other hand the points selected under employees' satisfaction are in short facing new possibilities, taking trainings for enhancement and suitable working environment has a mean value ranging from 3.27 to 3.36. And with a standard deviation value ranging from 0.83 to 1.02. From the mean and standard deviation values shown above almost all are with the most satisfied level. Though the highest satisfied level is presence of good working environment is which is suitable to develop job, knowledge and ability to advance career. In the contrary, based on the finding the enterprise has less rewarding mechanism to the employees who have an important contribution to the increase of customer satisfaction.

Table 4.11:- Descriptive analysis of customer satisfaction

Descriptive Statistics			
	N	Mean	Std. Deviation
Leaders are captivate extraordinary performance of the employees	103	3.3010	.87262
Empowering other employees improves organizational performance	103	3.3107	1.03875
The enterprise has rewards to the employees who have an important contribution to the increase of customer satisfaction	103	3.2816	1.17505
Valid N (listwise)	103		
Average mean		3.2977	

Source: own survey, 2019

Regarding customer satisfaction and that of leadership activities as it was presented in the above table show (item 1) has a highest mean score value of 3.30 and a lower standard deviation value that is 0.87 that explain there was a lower variation among respondents. Next to that the respondent agrees on the empowering of the employees improve the performance of the enterprise. There is a slight variation among respondents observing the standard deviation values. Item 3 having a lower mean value of 3.28 and standard deviation of 1.18 represent an average mean value and slight variation among the respondents.

### **Individualized Consideration and inspirational Motivation characteristics of Communication Practices between Leaders and Employees of the Enterprise**

For any organization having good communicational ground is important to accomplish almost all activities of the organization. In the problem statement states that there a prevalence of some communication problem this was also proven from the respondents response in the study.



Table 4.12: Communication Practices between Leaders and Employees of ESLSE

Descriptive Statistics			
	N	Mean	Std. Deviation
Leaders communicate effectively with their employees.	103	2.9126	1.04887
Communicating the organization purpose envisions employees.	103	3.4563	.98793
Valid N (listwise)	103		
Average mean		3.1844	

Source: own survey, 2019

Table 4.12 indicates that mean score value and standard deviation of communication flow of the enterprise. Comparing the results obtained, the highest mean value which is 3.45 shows that leaders if they can communicate the organization purpose there is high possibility to hold the employees to perform better and to accomplish the objectives of the enterprise followed by ‘leader’s communication effectiveness’ with the lower mean values of 2.91. In contrary to that it shows there is some communication ground that lacks effectiveness between the leaders and employees since more of the respondents answers were disagreement.

Thus, it is possible to conclude that ESLSE leaders are concerned to create more visual pictures of the organizational purpose to the employees of the enterprise in order to have good communication ground and also should give a great emphasis to have effective communication among workers of the enterprise.

### **The Impact of Transformational Leadership style on Organizational Performance of ESLSE**

In this section of the chapter, the analysis methods conducted using correlation and regressions are presented. This analysis processes answer one the major research question which is the effects of transformational leadership style on organizational performance.

#### **Correlation**

According to Marczyk, G., Dematteo, D. and Festinger D. (2005: 20) explain that “In correlation research, the researcher attempts to determine whether there is a relationship that is, a correlation between two or more variables.” A Correlation matrix is used show this relationships by using SPSS. This method helps in reducing different variables in to one/few components and explains the relationship among variables. Therefore, for the undergone study it shows the dimensions of

transformational leadership style that is the four I's and that of organizational performance variables.

Table 4.13 below shows the correlation of the two variables having a positive value of 0.711 that explains the positive correlation between the dependent and independent variables. The positive change in one variable causes a change to the other one positively. According to C.R. Kothari (2004:141) coefficient of correlation is also known as the product moment correlation coefficient. The value of 'r' lies between  $\pm 1$ . A positive value of r indicates positive correlation between the two variables (i.e. changes in both variables take place in the same direction)..."

Table 4.13:- Correlation between TR and OP

		Correlations	
		TR	OP
TR	Pearson Correlation	1	.711**
	Sig. (2-tailed)		.000
	N	103	103
OP	Pearson Correlation	.711**	1
	Sig. (2-tailed)	.000	
	N	103	103

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

From the respondents answer result shown above it is evident that there is a strong relationship which implies it is most valid. If any change occurs in one of the variable direct change will occur in the other. "A strong positive correlation between the two measures would suggest construct validity." According to Marczyk, G., Dematteo, D. and Festinger D. (2005:110)

To further strengthen the above point table 4.13 below shows the detail correlation among all components of transformational leadership and organizational performance variables.

"Correlation coefficients range from  $-1.0$  to  $+ 1.0$ . The sign of the coefficient represents the direction of the relationship." "In general, correlations of 0.01 to 0.30 are considered small, correlations of 0.30 to 0.70 are considered moderate, correlations of 0.70 to 0.80 are considered

large, and correlations of 0.90 to 1.00 are considered very large.” as it was stated in the Marczyk, G., Dematteo, D. and Festinger D. (2005: 217).

Considering the above explanation as a base line the correlation between each variable shows that there is a positive correlation between the independent components and dependent variables. Beside the correlation between Ii, IM and IS considered as a moderate correlation where IC has a small correlation. While the correlation between the Ii, IM, IS and IC all the dependent variables show that there is a moderate correlation and also categorized under 0.30 to 0.70 ranges. Observing the significance level of all the listed variables depicted on table 4.15 almost all figures show that there is considerable significance one for another. Which implies the independent variable is significant in the change for the dependent variable.

		li	IM	IS	IC	OP1.	OP2	OP3	OP4.	OP5	OP6.	OP7.
li	Pearson Correlation Sig. (2-tailed) N	1 103										
IM	Pearson Correlation Sig. (2-tailed) N	.302** 0.002 103	1 103									
IS	Pearson Correlation Sig. (2-tailed) N	.323** 0.001 103	.296** 0.002 103	1 103								
IC	Pearson Correlation Sig. (2-tailed) N	.248* 0.011 103	.236* 0.016 103	.286** 0.003 103	1 103							
OP1.	Pearson Correlation Sig. (2-tailed) N	0.387 0.05 103	.346** 0 103	.314* 0.03 103	0.104 0.048 103	1 103						
OP2	Pearson Correlation Sig. (2-tailed) N	0.378 0.041 103	.383** 0.004 103	.394** 0 103	0.16 0.047 103	.602** 0 103	1 103					
OP3	Pearson Correlation Sig. (2-tailed) N	0.359 0.01 103	.303** 0.002 103	.391** 0.003 103	0.181 0.015 103	.515** 0 103	.641** 0 103	1 103				
OP4	Pearson Correlation Sig. (2-tailed) N	.499** 0.002 103	.313** 0.001 103	.447** 0 103	.345* 0.013 103	.335** 0.001 103	.465** 0 103	.522** 0 103	1 103			
OP5	Pearson Correlation Sig. (2-tailed) N	.436* 0.017 103	.382** 0.004 103	.349** 0 103	0.111 0.056 103	.340** 0 103	.359** 0 103	.227* 0.021 103	.365** 0 103	1 103		
OP6	Pearson Correlation Sig. (2-tailed) N	.452* 0.01 103	.356** 0.009 103	.515** 0 103	.386** 0.003 103	.221* 0.025 103	.337** 0 103	.372** 0 103	.427** 0 103	.460** 0 103	1 103	
OP7	Pearson Correlation Sig. (2-tailed) N	0.364 0.048 103	.386** 0 103	.416** 0 103	.239* 0.015 103	.281** 0.004 103	.404** 0 103	.412** 0 103	.291** 0.003 103	.344** 0 103	.545** 0 103	1 103

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

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

Table 4.14: Correlation between TR and OP in detail

According to Marczyk, G., Dematteo, D. and Festinger D. (2005) stated about correlation research that "...it does not permit researchers to make causal inferences regarding the relationship between the two things that are correlated." In other words it shows only the strength of the relation. Therefore, the causal relationship between the two variables is presented using regression analysis in the next section of the chapter.

### Regression analysis

The regression analysis shows the variation of variables used in the analysis. In this section the multi liner regression analyses take part to find out any association between the independent variables that is transformational leadership (Ii, IM, IS and IC), and the dependent variable organizational performance that all variable are presented as one variable OP.

To start with the normality and T-test value the table below explains the skewness among the variables with the statistical, standard error values, t-coefficient and the p value.

Table 4.15:- Normality test and T-test values of variables

variables	skewness		T	df	Sig.
	Statistics	standard Error			
Transformational Leadership Style	0.211	0.116	2.0118	22	0.0000
Idealized Influence	-0.019	0.116	2.1174	22	0.0170
Inspirational Motivation	0.475	0.116	3.9451	22	0.0040
Intellectual Stimulation	0.613	0.116	2.5717	22	0.0010
Individual Consideration	0.012	0.116	1.8531	22	0.0080
Organizational performance	2.3207	0.116	0.0207	22	0.0130

Source: own survey, 2019

The results presented in table 4.15 shows that the normality test for all variables were in the range between - 0.01 to 0.613 with the standard error of 0.116 which was in the acceptable range + or - 3.0. Transformational leadership with a t value of 2.0118, p = 0.001 and that of transformational leadership components that is Idealized Influence, Inspirational Motivation Intellectual Stimulation

and Individual Consideration has a t-coefficient 2.1174, 3.9451, 2.5717 and 1.8531 respectively and also the p value of ranging from 0.0000 to 0.0170.

Liner multiple regression model analysis was conducted while the model is using different measurement coefficients including R, R square, estimated error values were each has their own definition and implications. As it is presented in the below table as follows:-

Table 4.16: Model Summary of Regression analysis of ESLSE

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.811 <sup>a</sup>	.658	.644	.42685

a. Predictors: (Constant), IC, IM, li, IS

Source: own survey, 2019

Where: - R Represent the relationship between dependent and all the independent variables.

R<sup>2</sup> Represent how much of the dependent variable can be explained by the independent variable.

The above table 4.15 describes in model summary of the relationship between the independent variable TR and the dependent variable OP. Whereas the detail components of transformational leadership (inspirational motivation, intellectual stimulation, individual consideration) as independent and the dependent variable organizational performance relation. R shows that the multiple correlation coefficients, and its correlation between all the predictor variables and dependent variables which was 81.1%. R square describes that the goodness-of-fit with organizational performance variable lists or the amount of variance explained by a given set of predictor that is 65.8%.

As it was explained in the Zikmund, W.G. (2000) book in page 513 the range that is considered as moderate is between  $0.5 < r < 0.7$ . Thus the analysis R square value appears in this category. And also the value has a positive figure that indicating, when the independent variables increase dependent variable also increases and vice versa. Accordingly this shows that transformational leadership style has a moderate effect on the dependent variable that is in the approval or decrease of organizational performance of the ESLSE.

Table 4.17: Analysis of ANOVA between predictors and dependent variables of the respondents

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.373	4	8.593	47.163	.000 <sup>a</sup>
	Residual	17.856	98	.182		
	Total	52.229	102			

a. Predictors: (Constant), IC, IM, li, IS

b. Dependent Variable: OP

Source: own survey, 2019

The above table 4.16 shows the analysis of ANOVA between predictors that are IC, IS, li, IM and dependent variables OP. The probability value which is assumed to be ( $p < 0.05$ ) that the level of significance for multiple regression analysis to interpret the results is set at 0.05 which indicates that the regression relationship was highly significant in this study case which is 0.000 indicates how IC, IS, li, IM were significant.

Table 4.18: Analysis of Coefficients between the independent and dependent variables of the respondent

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
		1	(Constant)	.209				
	li	.119	.049	.156	2.406	.018	.833	1.201
	IM	.182	.066	.177	2.762	.007	.850	1.177
	IS	.490	.054	.593	9.088	.000	.820	1.219
	IC	.137	.051	.169	2.673	.009	.875	1.142

a. Dependent Variable: OP

Source: own survey, 2019

Where: -  $\beta$  relative importance of the significant predictor

The multiple regression linear equation of the analysis as it was obtained from the above table is  $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$ , where Y is substituted with OP that is organizational performance that is the dependent variable, the constant parameters that includes  $\beta_0$ ,  $\beta_2$ ,  $\beta_3$  and  $\beta_4$  that are to be estimated and  $X_1$ ,  $X_2$ ,  $X_3$  and  $X_4$  represents the transformational leadership components namely idealized influence, inspirational motivation, intellectual stimulation and individual consideration respectively. The linear regression equation becomes:

$$OP = 0.209 + 0.119 X_1 + 0.182 X_2 + 0.490 X_3 + 0.137X_4.$$

According to Marczyk, G., Dematteo, D. and Festinger D. (2005) the primary index of statistical significance is the p-value. The p-value represents the probability of chance error in determining whether a finding is valid and thus representative of the population. Using the regression analysis of ANOVA, transformational leadership style has positive value of  $\beta_0$  value of 0.209, standard error 0.262.

While the attributes of transformational leadership beginning from idealized influence styles has positive  $\beta_1$  value of 0.119 and standard error coefficient is 0.049 and 0.018 of significance level that show it has a significant relation but with low weight comparing with other  $\beta$  values over the dependent variable. Next to that inspirational motivation has  $\beta_2$  value of 0.182; standard error of 0.066 and 0.007 significant level represent it has a positive and significant relation with OP. The third attribute is intellectual stimulation having a positive value of  $\beta_3$  value of 0.49, standard error coefficient of 0.054 a comparing with other attributes of transformational leadership it has the largest value which implies among the component it has a higher weight in the influencing of the dependent variable and finally individual consideration has positive  $\beta_4$  value of 0.137 and with a standard error 0.051 and 0.009 of significance level.

On the other hand multi-Collinearity is said to occur when two or more independent variables are correlated and provide redundant information about the response. In other words it measures how much the variance of estimated regression coefficients increase if your predictors are correlated. Therefore, Collinearity is measured by considering VIF value that most of the researchers and author agree the value less than 10. Having in mind that, the Collinearity coefficient in the above table proves it is an acceptable VIF value; which ranges from 1.142 to 1.219 for all attributes of



transformational leadership style. And also a rule of thumb of tolerance that accepted to be ( $< 1$ ) therefore the figure above shows that there is acceptable range of tolerance.

To conclude the above analysis starting with the constant figure ( $\beta$ ) which is in all case that is for the dependent variables X1, X2, X3 and X4 has a positive value. Indicates there is a positive linear relation between the dependent and the independent variables. While comparing the constant values that is  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$  and  $\beta_4$  the constant value  $\beta_3$  which is intellectual stimulation has a great effect over the other component of transformational leadership were the least effect is observed in the  $\beta_4$ . In addition, the significant level of all the variables also explains that there is a positive significant relation.

To sum up the above analysis it is possible to say transformational leadership styles with that of its component have significantly affect organizational performance of the enterprise.

#### **4.5 Interpretations of results**

This section of the chapter explains about the interpretation of results observed from all the data analysis process this referring to the analysis of mean, standard deviation values, correlation, regression, interview, and reports & from other general views.

Starting with the analysis of the frequency distribution of demographic features shows that the respondents are capable and they have enough information to answering the questions provided to them about the organization as it was observed from the current working position and educational background frequency results.

Next to correlation testing explain that there is a positive correlation between the dependent and independent variables having a positive value of 0.711. In addition to a significance coefficients value of 0.000 also implies the significance of the relationship. While considering each component of the dependent variable Ii, IM, IS and IM correlation value of show that Ii, IM and IS has a moderate correlation with the dependent variable. The significance values of all the independent variables show that there is a significant relation among the component and dependent values. The above finding implies the activities done by the leaders have a great impact in the performance of the organizations. Thus, it can also have a direct effect in the performance of the employees' performance level. The better the relation and attachment the better the performance of the

employee will be as it was obtained from the mean and standard deviation values. This also has a direct relation to the service provided to the customer of the enterprise. The average mean values of the link between the rewarding, delegations, empowerment has a greater impact for the customer satisfaction.

In addition to the above interpretation the regression analysis also strengthen the above outcome. The R<sup>2</sup> values of 65.8% shows that the dependent variable that is OP can moderately be explained by the independent variable. Constant value  $\beta$  has a positive value which implies there is a direct relation among the two variables. Furthermore the other constant value that is  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$  and  $\beta_4$  also has a positive value showing the positive and direct relation with the dependent variable. Bearing in mind that the significance value of all the above listed independent as well as dependent variable shows that there is significant relation that range from 0.007 to 0.018. This implies there is a significant relation between the two. The multi-Collinearity test result also explains that the independent variables are correlated.

In the interview analysis part of the study also proven the above points that leader of the enterprise has have some understanding of leadership and leadership activities this includes the visionary , encouragement, self-confidence, supportive, motivational, inspirational, direction giving, communication and others are most interview respondents are agreed on. Most of them agree in the dependence of leadership activity and different organizational performance process that link the subordinates and the manager. The majorities also believe that everyday decision making process should be given a great consideration form the top to operational level. Furthermore, it should be made in at the right time and situation. But they believe that there is a certain gap existed in the enterprise. This is also shown in the communication process where the effectiveness is questionable. This and other issues of the enterprise if they are handled in good manner it can be effective in the customer satisfaction situation. The better the relation and cooperation the better the output that will attract customer and will let them to have a better satisfaction level.

The report of the enterprise also strength the above points that each year the enterprise is articulating the problem, the tasks performed and the likely suggestion to be made for the next fiscal year or six month performance. As it was observed form the yearly reports of the enterprise.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

This chapter presents the conclusion and recommendation part of the study. Where the conclusion section talks about the major issues and findings and that of the recommendation part presents the implication of the major findings and suggestions that need to consider and give attention in a wider level. The main objective of the research was to assess and identify the impact of transformational Leadership on the organizational performance of ESLSE.

#### 5.1 Summaries of Findings

To summarize the whole research activities starting with the sampling process both secondary and primary data were collected from selected sample. This is done using five Likert questions which was gathered from the enterprise head office workers and interview were conducted for the top management individuals. In addition future primary reference materials are taken from annual reports and different documents of the enterprise. After the gathering all the necessary data's and documents both descriptive statistical and regression analysis were made for analysis. In descriptive analysis, frequency distribution for the demographic part and for the main research questions mean and standard deviation value were used. This helped to determine the perception of the respondents toward the transformational leadership style. While the result of regression analysis has shows the extent of relationship between transformational leadership and organizational performance of ESLSE.

Therefore the major findings of the study results from both descriptive and regression analysis are summarized as follows:

- ❖ Major finding regarding transformational leadership style and organizational performance of the enterprise.

Where the descriptive analysis results revealed that transformational leadership with the mean score of 3.44 and standard deviation of 0.59 is that leaders are used to exhibit to practice it. Consequently the component of transformational leadership that is idealized influence, inspirational motivation, intellectual stimulation, individual considerations are observed as characteristics of leaders of the organization; from these components IM and IC are mostly

practiced, and Ii and IS moderate or fair practiced level. Thus, from the correlation matrix as well shows that there is a positive relationship between transformational leadership and organizational performance with a higher  $r$  value 0.711 which is closer to 1. This situation is strength from the regression analysis with a positive  $\beta$  values for all attributes of transformational leadership that  $\beta_3$  has the largest weight. Furthermore, interview respondents also Perivale the existence of transformational leadership style which observed in the practicing of the characteristics either knowingly or unknowingly; while leadership and management system difference still existed from department to departments.

❖ Major finding regarding Decision Making and Profitability of the enterprise.

The mean and standard deviation score values shows that on time decision making and problem solving are done by the guidance of the leaders the values that are 3.21 and 0.90 shows there is a disagreement in the response that some substantial decision making ability should be available. Concerning profitability of the organization since it has a higher mean value it means that the enterprise undertakes its activities based on previously defined financial plan.

❖ Major finding regarding Leadership Activities and employees Satisfaction of the enterprise.

Concerning this issue almost all leadership activities has a direct effect on the employee's performance as it is observed from the mean value of the respondents. But some variation of response was observed that prevails the respondents was not convinced with the leadership activities that was listed.

❖ Major finding regarding Communication practices between leaders and employees of the enterprise.

The findings show that although there is some communication, the leaders lack to conduct effective communication. This is observed from the mean score values of the respondents. In addition to that the respondents of interview conducted also strengthen this idea. Most of the respondents agreed and stated that communication is very important, it facilitate working environment, it is one of management activity but still they doubt about the effectiveness of it.

Since transformational leader has a characteristics of self-confidence, encourage, creativity, visionary, decision maker, problem solving and handling capacity, improving of employees ability,

motivation, and inspire workers to achieve organizational goal; and make employee to perform what they thought is impossible. For today business that is operating in dynamic environment. Having this listed characteristic is crucial to fit with very dynamic world.

## **5.2 Conclusions**

The main objective of this study was to explore the effects of transformational leadership style on organizational performance in case of ESLSE. The analysis and major findings of the study leads to draw the following conclusions. To begin with the leadership style the findings shows that transformational leadership is the leadership style that has been practiced including the four attributes idealized influence, inspirational motivation, intellectual stimuli and individual consideration are begin practiced. The results also revealed that the listed organizational performance variables are important for better performance of the enterprise.

Moreover, the findings from the correlation analysis prevail that there is a positive, moderate and statistically significant relationship between transformational leadership style and organizational performance .This is observed among all attributes of transformational leadership that is Ii, IM and IS has it has positive, moderate and statistically significant relationship; and I's it also has positive, low degree correlation and statistically significant relationship with that of organizational performance variables. This result is also strength through the regression analysis findings that IS having positive, higher value of effect and all are statistically significant interrelated. Hence, it can be concluded that transformational leadership style play important role in overall performance of the organization. Other problem issues were found in the effectiveness of communicational and some decision making of the organization face. At last the research study accomplished its points of characterizing and evaluating the relationship between transformational leadership and organizational performance in ESLSE based in Addis Ababa-Ethiopia head Quart.

## **5.3 Recommendations**

Considering the discoveries of this study, the following recommendations are given:-

- Organizations aim at achieving their vision and strategic goals set for a certain period of time. Successes can be achieved when organizations use the proper type of leadership. In the current globalization world a leadership which is visionary, capable of leading its employees by sharing his vision, who is prominent to inspiring his followers around his

vision and mission, ready and committed to perform the organizational goals and missions with his subordinates is very important. The Ethiopian Shipping and Logistics Enterprise is one of the enterprises which is economically the back bone of the country. Therefore, it is recommended that the enterprise use a leadership style called transformational leadership so that the enterprise achieves its goals and predetermined objectives. The leadership of the enterprise should strengthen their actions regarding dealing with a clear and compelling visions of the future, aligning & changing systems, developing & training, inspiring, motivating, encouraging, confidence building and have a desire to provide support for employees to enable them achieve the organizational goals.

- It is recommended that the organization give a great emphasis one of the characteristics of intellectual stimulation that is the decision making process. Since it take place in everyday bases from lower to strategic/ higher level of management. It is known that the ability to make sound and timely decisions distinguishes a successful leader from a non-successful one. It should be noted that it is the responsibility of leaders to make high quality informed decisions and execute in a timely fashion to achieve their vision. The leaders of the organization are expected to make such kind of decisions to make the enterprise to move ahead, sustain in the stiff business competition and to contribute its share for the country's economy.
- It is recommended that the leadership of the enterprise create a sense of responsibility to employees' to maintaining the existing visionary characteristics of transformational leadership. Similarly, employees should continue to ignite their potentials, feel part of an organization and perform maximally for the well being of their organization.
- It is recommended that the leadership of the enterprise strengthen the employee evaluation system and correctly assess their performance regularly, motivate them and reward the best performances which have great contributions for the satisfaction of customers in service delivery.
- Leaders should follow the individualized consideration and inspirational motivation characteristics specific term communication. Where leaders should communicate their followers accurate and strategic goals of the enterprise regularly and effectively specially at times of new developments in the enterprise, This will be achieved through having free and continuous flow of information between leaders and subordinates with a view to furnish the

subordinate with relevant information that help them to properly address the alignment of departmental, organizational and personal goals of the enterprise and the employees.

- It is recommended that the leadership should inspire and influence employees to willingly use their outmost talent to perform their work.
- Last but not least, it is recommended that the leadership be a role model to their subordinates and show their commitment in handling their responsibility.

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## Appendices I

### ST. MARY'S UNIVERSITY

#### SCHOOL OF GRADUATED STUDIES MBA PROGRAM

**A questionnaire prepared to be filled by employees that are working in the head office of Ethiopian shipping and logistics enterprise.**

This is to conduct a research titled the **Impact of Transformational Leadership on Organizational Performance of ESLSE** in the partial fulfillment of Master's Degree. The information gain from this will be useful for the accomplishment of the study. Beside this the data collected using this questionnaire is used for academic purpose. The respondent information is kept strictly confidential.

#### General Instruction

- ✓ There is no need of writing your names.
- ✓ Please use tick (✓) mark while answering the questions below
- ✓ You are required to kindly provide your response attentively and return the completed questionnaire as soon as possible.

*Thank you for participation in this questionnaire!!!*

#### **Section A: Demographic information**

1. Sex

Male  Female

2. Age

18 to 24  31 to 35  41 to 45   
25 to 30  36 to 40  46 above

3. Educational background

Certificate  Degree BA/BSC  Doctorate degree and above   
Diploma  Masters Degree MA /MSC

4. Current position work experience in the organization

Less than one year  6 to 10 year  above 15 years   
1 to 5 year  11 to 15 year

**Section A**

**These are question regarding the study undergone**

In this section the respondents are expected to tick (√) mark for the question bellow by the showing the satisfaction or agreement level from strongly agree to strongly disagree. That is preferences on the 5 point Likert scale are used.

NB: **Strongly agree represent, (SA) = 5**    **Agree represent (A) = 4**                      **neither agree**  
**nor disagree represent (N) = 3**        **disagree represented by (D) =2**                      **strongly disagree**  
**represent (SDA) = 1**

<b>Transformational leadership</b>						
<b>No</b>	<b>Idealized influence</b>	<b>SA(5)</b>	<b>A(4)</b>	<b>N(3)</b>	<b>D(2)</b>	<b>SDA(1)</b>
1	My supervisor encourages pride in me for being associated with him/her					
2	My supervisor will help me build self-confidence					
3	Inspiring leaders help direct the skill and knowledge of workers in an organization to perform better.					
4	Worthwhile and achievable visions inspire excellence in an organizations					
<b>No</b>	<b>Inspirational Motivation</b>	<b>SA(5)</b>	<b>A(4)</b>	<b>N(3)</b>	<b>D(2)</b>	<b>SDA(1)</b>
1	Convey clear and positive vision of the future using symbols					
2	The organization leaders have a vision to improve the financial performance of the enterprise					
3	Leaders are captivate extraordinary performance of the employees					
4	Leaders communicate effectively with their employees.					
<b>No</b>	<b>Intellectual stimulation</b>	<b>SA(5)</b>	<b>A(4)</b>	<b>N(3)</b>	<b>D(2)</b>	<b>SDA(1)</b>
1	Leaders in my organization create an environment where people willingly engage their creativity to generate the financial results					
2	Help employees suggesting new ways of thinking emphasizing on time decision making and problem solving at how to complete assignments.					

3	Expects us to challenge the process by setting out, searching for new possibilities and embracing change					
<b>No</b>	<b>Individualized Consideration</b>	<b>SA(5)</b>	<b>A(4)</b>	<b>N(3)</b>	<b>D(2)</b>	<b>SDA(1)</b>
1	Empowering other employees improves organizational performance					
2	Changing environment enable top management to train their employees.					
3	Communicating the organization purpose envisions employees.					
4	Exercise delegation to stimulate my leading experience					
<b>No</b>	<b>Organizational performance</b>	<b>SA(5)</b>	<b>A(4)</b>	<b>N(3)</b>	<b>D(2)</b>	<b>SDA(1)</b>
1	The enterprise is able to achieve objectives within their budgets.					
2	Over the past three years ,the enterprise shows a measurable cost reduction					
3	The company's employees productivity was higher than that of the last year					
4	The enterprise has rewards to the employees who have an important contribution to the increase of customer satisfaction					
5	The training program given for me is appropriate to enhance my performance at work.					
6	The working environment is suitable to develop my job, knowledge and ability to advance my career.					
7	In my opinion the work method and process are improved due to transformational leadership practice.					

## **Appendix II**

### **St. Mary's University**

#### **School of graduated studies MBA program**

This is to conduct a research titled the impact of leadership practice on organizational performance of ESLSE in the partial fulfillment of Master's Degree. The information gain from this will be useful for the accomplishment of the study. The respondent information is kept strictly confidential.

#### **Section B**

**These are a face to face interview question regarding the study understudy that will be answered by purposively selected respondents including the CEO, top level managers.**

1. What is your understanding of leadership?
2. How do you see leadership and how it is working in your organization?
3. How would you describe the effect of transformational leadership style on organizational performance?
4. How do you think that transformational leadership style would make a difference in your organization?
5. What are some leadership activities that have an impact on your performance?
6. How do you help in achieving targets?
7. How do they measure the performance of the firm and employees?
8. What factors would improve employee-manager working relationship and build trust
9. How would you characterize the success of the enterprise and what role do you think you play?
10. In what way that the decision making affects the overall organizational performance of the enterprise?
11. In what way that leadership practice and profitability of the enterprise related?
12. In what way that leadership practice and customer satisfaction relate?