



**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
**FACULTY OF BUSINESS**

**THE EFFECT OF LEADERSHIP STYLES ON EMPLOYEES' JOB  
SATISFACTION IN THE CASE OF HIBRET BANK SOUTH ADDIS ABABA  
DISTRICT**

**BY:**  
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**JULY 2024**  
**ADDIS ABABA, ETHIOPIA**

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## **DECLARATION**

I, Helen Tesfaye, hereby declare that the submitted research paper entitled ‘The Effect of Leadership Styles on Employees’ Job Satisfaction’ is my original work presented under the guidance of Tesfaye T. (Asst. Prof. of Management) and no part of it has been presented anywhere else in the past, and all sources of materials used for the study are duly acknowledged.

Declared by:

Helen Tesfaye

Signature -----

Date -----

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## **LIST OF ACRONYMS/ABBREVIATIONS**

ANOVA= Analysis of variance

SPSS= Statistical Package for Social Science

Sig.= Significance level

R= Multiple correlation coefficient

Std.Error = Standard Error

VIF= Variance Inflation Factor

## **ABSTRACT**

*The main objective of this study was to examine the effect of leadership styles on employees' job satisfaction at Hibret Bank South Addis Ababa district. The study employs an explanatory research design, and quantitative research approach, and uses both primary and secondary sources of data. The primary data was collected using structured questionnaires from the samples. Stratified and Simple random sampling techniques of probability sampling were used to select the samples. 193 questionnaires were distributed out of which 180 were returned and used for further analysis and the data were processed via SPSS version 26 and analyzed through descriptive statistics (mean and standard deviation), correlation, and regression analysis. The findings of this study indicate that there was a significant relationship between leadership styles and employees' job satisfaction and the highest mean score showed that employees favored transformational leadership over the transactional and laissez-faire leadership styles. The regression analysis showed that transformational and transactional leadership positively and significantly affects job satisfaction. Based on the findings it is recommended that the bank should develop transformational leadership by implementing development programs to build skills in inspiring vision, motivating employees, providing individual support, and strengthening transactional leadership by enhancing the performance management system with clear goals, regular feedback, and appropriate rewards, and develop recognition programs to reward achievements and adherence to organizational goal. It is also advisable to minimize laissez-faire leadership by encouraging active engagement from leaders through training and regular feedback mechanisms and implementing systems for monitoring and evaluating leadership practices to reduce hands-off management styles.*

**Key Words:** *Transformational Leadership, Transactional Leadership, Laissez-faire Leadership, Job Satisfaction*

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

We all might be leaders in different areas, especially in this changing globe, but the one thing that still matters the most is the leadership style we all practiced. With this manner regarding businesses and competitiveness, the satisfaction of employees had a matter of many successes or survival to meet organizational objectives. Every organization uses different resources to meet its goals and “people are one of the important assets”. So, having powerful leaders, supervisors, and employees play a great role in accomplishing the organization’s objective and goal. Success, achievement, or disappointment would be the leader’s style and attitude toward the employees (Daniel F. Pinnow,2011).

Managing the 21<sup>st</sup> century is becoming more difficult (Kebede & Demeke 2017). Managers and leaders should contend with a variety of challenges, including a dynamic work environment, complex organizational processes, a difficult economic situation, and growing competition. The information economy, rise of social media, new technology, increased transparency, rising employee and customer demands, and concerns about natural resources create a complicated array of challenges, with the right leadership, an organization can overcome these issues (Kebede & Demeke 2017).

According to Voon et al. (2011), two factors that have been identified as critical to an organization's success are effective leadership and employee job satisfaction. Job satisfaction is determined by leadership. It has an impact on employee satisfaction and motivation, which have an impact on an organization's performance both directly and indirectly. Thus, any organization aiming for long-term success should prioritize developing its leadership and management skills (Kebede & Demeke 2017).

The role of leaders in today’s organizations has changed, and the success of any organization relies on the leadership styles practiced by the leaders. Their individual qualities, circumstances, or a blend of these and other influences attract followers who believe in their leadership within one or many cover structures. Instead of the power of position held by a selected head or chief, the emergent leader exercises influence or power. Since people are complex in the organizations but

the pattern of leadership style will make an impact and influence to bring a change in behavior through time (Mintzberg,2010).

A major concern in the worldwide workforce is job satisfaction. Research conducted in 2021 by the International Labor Organization shows that only 15% of workers are satisfied and passionate about their employment. Higher job satisfaction can be attributed to leaders who have realistic goals, give clear instructions, and actively include employees in decision-making (Northouse, P. G., 2018). Conversely, ineffective leadership can result in low morale, excessive employee turnover, and dissatisfaction (Saks and Gruman 2014).

Within the African context, different researchers suggested that paternalistic and hierarchical leadership continue to hold influence in some African organizations. However, the growing adoption of Western management practice and the emergence of leaders driven by strong values are driving a shift towards more participative, and empowering leadership styles (Puni, Mohammed, & Asamoah 2018). Different scholars addressed that African leadership styles are frequently distinguished by an emphasis on community, adaptation, and empowerment (Ajogbor et al. 2019). The commonly practiced approaches are transformational, servant, Ubuntu-inspired, participative, and adaptive leadership styles. These approaches enhance employee engagement, empowerment, and well-being, which in turn leads to increased job satisfaction (Ajogbor et al. 2019).

In Ethiopia, different researchers have conducted the effect of leadership styles on employees' job satisfaction in different industries ( Kebede & Demeke 2017, Negussie. N. 2013) while this research focuses on the banking industry specifically Hibret Bank South Addis Ababa district. The banking industry has grown steadily and depends on its employees to survive in this competitive environment. Nonetheless, there are still issues to be resolved, such as a high employee turnover rate and concerns about job satisfaction among banking professionals. One important aspect influencing employees' job satisfaction is leadership style (Voon et al. 2011). Therefore, the main objective of this research is to ascertain how leadership styles affect workers' job satisfaction in the banking sector of Ethiopia, with a focus on the Hibret Bank South Addis Ababa district.

## **1.2 Background of the organization**

Hibret Bank is one of the Pioneer Private Banks in Ethiopia. Hibret is founded on the underlying rationale that values diversity. The founding shareholders were enterprising Ethiopians from all walks of life who combined and committed their resources to establish the Bank. The name Hibret is an Amharic word for collaboration and synergy.

The bank was incorporated as a shared Company on 10 September 1998 in GC by the commercial code of Ethiopia 1960 and the licensing and supervision of Banking Business Proclamation No. 84/1994.

Over the years, Hibret Bank has built a reputation for providing innovative financial solutions to the Ethiopian banking industry. Furthermore, the bank's transformational strategy for 2023 is implemented to build a strong financial structure and mutually benefiting ecosystem for customers, strategic partners, and stakeholders.

Today, Hibret is a reputable brand in Ethiopia, with more than 400 branches and sub-branches (still expanding), and 4706 plus employees out of which 41.8% are women. Hibret Bank is now the preferred bank by big international and local businesses, non-governmental organizations, and institutions.

Hibret Bank S.C. has its 37-storey Headquarters named "Hibir Tower" at the center of the country's financial district. It is a state-of-the-art building with international standard facilities and architectural aesthetics. Hibir Tower is indeed Hibret Bank's legacy to the capital of Africa, Addis Ababa, and the nation as a whole.

## **1.3 Statement of the Problem**

Human resources are regarded as one of the fundamental elements of any organization. Job Satisfaction is one of the key factors that might enhance human resources (Al-Mahitta et.al, 2021). Job satisfaction has an effective role in ensuring the good performance of employees in organizations (Abayomi, 2020). It can help to develop creativity and improve the work experience and organizational outcomes of employees (Abidakun & Ganiyu, 2020). The presence of job satisfaction can also increase personal efforts, improve communication skills and employees' abilities, and help increase retention, thereby contributing to the growth of an organization (Ali et al., 2018).

It is a reality many organizations have ineffective managers who lack the knowledge to motivate their employees (Andrzej et al., 2019), and the lack of attention given to this has led to some negative outcomes, such as employee turnover, absenteeism, dissatisfaction, and inappropriate behaviors when interacting with other personnel at the organization (Barasa & Kariuki, 2020). According to previous studies, job satisfaction has been linked to numerous external factors, one of them being leadership style, which can affect employees' perceptions and attitudes about their work (Batugal & Tindowen, 2019).

Several studies conducted across several nations have documented a strong correlation between leadership style and job happiness, indicating that leadership philosophies might influence employees' level of job satisfaction (Buil et al, 2019). There could have been several unfavorable effects on the workplace due to ignorance of these leadership philosophies and how they affect workers' job satisfaction (Cansoy, 2018).

Job satisfaction is an internal emotion connected to both internal and external motives, according to Chukwura (2017). This internal feeling is regarded as an underlying concept in human resources and plays a variety of roles inside an organization. Job satisfaction can be influenced by a variety of elements, and one of the most crucial external factors that organizations should consider is leadership style.

Considerable research has been conducted on the link between leadership style and employees' job satisfaction in organizations, and the findings indicate a significant relationship between them (Nam & Park, 2019). However, the level of the effect of each leadership style on employees' job satisfaction has been a debatable result by different scholars. (Epitropaki & Martin 2005) suggest that employees prefer the inspiration and consideration aspects of transformational leadership. On the contrary, some studies have found that transactional leadership style also positively affects employees' job and career satisfaction (Jansen, Vera, & Crossan, 2009).

Additionally, researchers like (Ali et al. 2013, & Riaz, & Haider, 2010), have stated that there is a strong relationship between both transformational and transactional leadership styles and job satisfaction. Other researchers (Voon et al. 2011, Kebede & Demeke 2017) have demonstrated only the transformational leadership style has a considerable and strong link with job satisfaction and they have mentioned that the other two leadership styles (Transactional and laissez-faire) have no

significant effect on employees' overall job satisfaction. From these findings, the true influence of the three leadership styles on employees' job satisfaction remains unclear.

The existing theoretical confusion about the effect of leadership styles on employees' job satisfaction needs clarity for organizations and future researchers. Not only this, empirical findings also contain debatable results on the effects of the three leadership styles on employees' job satisfaction. These confusions initiate the researcher to conduct this research.

In Ethiopia, previous studies have examined the effect of leadership styles on employees' job satisfaction in other sectors like educational and healthcare organizations (Demeke & Kebede 2017, Mesfin. H. 2020). To the best of the researcher's knowledge, evidence is not enough in Ethiopia, particularly in the banking industry. At the moment, Ethiopia's banking sector is significantly more competitive due to the opening of new banks and the extensive ownership of branch extensions by existing banks. The banking industry specifically Hibret Bank has to realize the effect of leadership styles practiced in the bank and its effect should be assessed, if not, in the long run, the bank will be very challenged in surviving in the current competitive environment of the banking industry in Ethiopia. Therefore, before having an adverse effect of this problem, it is better to research the effect of leadership styles on employees' job satisfaction.

## **1.4 Objectives of the Study**

### **1.4.1 General Objective**

The general objective of this study is to examine the effect of leadership styles on employees' job satisfaction in the case of Hibret Bank South Addis Ababa District.

### **1.4.2 Specific Objectives**

1. To examine the effect of transformational leadership on employees' job satisfaction.
2. To examine the effect of transactional leadership style on employees' job satisfaction.
3. To examine the effect of laissez-faire leadership style on employees' job satisfaction.



## **1.5 Research Questions**

The general research questions are: -

Q.1 Does transformational leadership affect employees' job satisfaction?

Q.2 Does transactional leadership affect employees' job satisfaction?

Q.3 Does a laissez-faire leadership style affect employees' job satisfaction?

## **1.6 Scope of the Study**

Content-wise, from the different types of leadership style theories this study aimed to show the relationship between the latest leadership styles on employees' job satisfaction. Since we are dealing with the modern era of businesses and banking systems, the researcher chooses to research leadership styles (Transformational, Transactional, and laissez-faire) which are lately introduced in leadership theories and their effect on employees' job satisfaction. Geographically, this study is delimited to, Hibret Bank South Addis Ababa district. In terms of methodology, the study is based on questionnaires and applied a quantitative approach along with an explanatory research design.

## **1.7 Limitations of the Study**

The study is conducted in the Ethiopian banking sector with a focus on Hibret Bank. The findings of this study may not be generalizable to other sectors without further validation since the occupational groups and industry characteristics are different, dispatching and collecting questionnaires from respondents was also a bit difficult since the branches are many and far apart from each other.

## **1.8 Significance of the Study**

This study holds significant implications for both the researcher and the organization by providing a deeper understanding of the relationship between leadership styles and employees' job satisfaction. First, it will help the organization to understand the true influence of leadership styles and guide the organization to implement a leadership style that contributes to the overall organizational success by positively affecting employees' job satisfaction. Second, it will aid the organization's decision-makers and management in enhancing workforce satisfaction which can lead employees to have a higher level of engagement, commitment, and loyalty toward their

organization. Third, from this research employees will benefit by having a motivating and positive work environment which leads to increased job satisfaction. Lastly, the final result of this thesis may assist the researcher in obtaining an MA degree in business administration.

### **1.9 Organization of the Paper**

This paper is organized into five parts. The study's background, organizational background, problem statement, research questions, study objectives, significance of the study, limitations, and study scope are all included in the first chapter. Chapter Two covers both theoretical and empirical reviews of related literature that are relevant to the study. The third chapter discusses the research design, research approach, population, sample size, sampling technique, sources and tools of data collection, methods of data analysis, model specification, validity and reliability, and ethical considerations. The fourth chapter discusses the data analysis and interpretation of results and the last chapter discusses the summary, conclusions, and recommendations of the research.

## CHAPTER TWO

### REVIEWS OF RELATED LITERATURE

The reviews of related literature on the concept of leadership, leadership styles, job satisfaction, the effect of leadership styles on employee job satisfaction, and a conceptual framework drawn to show the relationship between the dependent and independent variables are included in this chapter.

#### 2.1 Theoretical Literature

##### 2.1.1 Definition and Concept of Leadership

According to Riaz and Haider (2010), one of the most crucial and significant elements in improving organizational performance is leadership. To maintain a competitive edge, leaders in any organization are required to perform to the best of their abilities with limited resources. For this reason, a number of scholars have determined that one of the most important factors in maintaining and growing an organization's competitive advantage over its competitors is its leadership (Riaz and Haider, 2010).

Leadership is a human-driven phenomenon that has been observed from ancient to modern times. There are as many definitions of leadership as those who have ever defined the concept. Numerous definitions are made from the aspect of leading followers to obtain a specific success pointing to diverse aspects (Khan et.al., 2016).

According to Rousselle, Russell, and Swansburg (2006), leadership is seen as a dynamic, interactive process that entails the capacity to motivate and inspire people or a group to collaborate to accomplish shared objectives and missions through the use of suitable strategies. According to Kondalkar (2007), Leadership is "influence, that is, the area or process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals". Leadership is a process of interaction between leaders and followers where the leader attempts to influence followers to achieve a common goal (Northouse, 2018). Furthermore, leadership has been defined as the procedure of influencing a person or a group to conduct activities toward the attainment of a common goal (Gina & Henry, 2018).

### **2.1.2 Leadership Theories**

In the first part of the 20th century, there was a sharp increase in scholarly interest in leadership, and there are currently eight basic theories of leadership. While earlier theories focused on the traits that distinguished leaders from followers, later theories also looked at other factors, such as situational considerations and ability levels (Charry, 2012).

#### **2.1.2.1 Great Man Theory**

The effort toward explorations for common traits of leadership has been protracted over centuries as most cultures need heroes to define their successes and to justify their failures. In 1847, Thomas Carlyle stated in the best interests of the heroes that “universal history, the history of what man has accomplished in this world, is at the bottom of the history of the great men who have worked here”. Carlyle claimed in his “great man theory” that leaders are born and that only those men who are endowed with heroic potentials could ever become leaders. He opined that great men were born, not made. An American philosopher, Sidney Hook, further expanded Carlyle's perspective highlighting the impact which could be made by the eventful man vs. the event-making man (Dobbins & Platz, 1986).

He did not truly set the path of events; rather, he suggested that the eventful man remained complex in a historical circumstance. However, he insisted that the individual responsible for creating events had an impact on the course of events and that things may have turned out quite differently if he hadn't been involved. The moment that established "the consequences of outstanding capacities of intelligence, will, and character rather than the actions of distinction" as the basis for man's place in the universe. Nevertheless, as time went on, it became clear that this idea of leadership was immoral, as seen by the actions of Hitler, Napoleon, and similar figures, casting doubt on the viability of the Great Man notion (Khan et.al., 2016).

#### **2.1.2.2 Trait Theory**

Early theorists believed that leaders were born with specific physical attributes and psychological qualities that set them apart from non-leaders. The question of whether leadership traits were inherited or learned was disregarded by trait theories. Jenkins recognized two characteristics as essential to leadership: effectiveness traits (derived from experience or education), such as charisma, and emergent traits (those that rely primarily on heredity), such as height, intelligence, attractiveness, and self-confidence (Ekvall & Arvonen, 1991).

Max Weber termed charisma as “the greatest revolutionary force, capable of producing a completely new orientation through followers and complete personal devotion to leaders they perceived as endowed with almost magical supernatural, superhuman qualities and powers”. This initial focus on intellectual, physical, and personality traits that distinguished non-leaders from leaders portended research that maintained that only minor variances exist between followers and leaders (Burns, 2003). The failure in detecting the traits that every single effective leader had in common, resulted in the development of trait theory, as an inaccessible component, falling into disfavor. In the late 1940s, scholars studied the traits of military and non-military leaders respectively, and exposed the significance of certain traits developing at certain times.

### **2.1.2.3 Contingency Theories**

The theories of contingency recommend that no leadership style is precise as a stand-alone as the leadership style used is reliant upon factors such as the quality, situation of the followers, or several other variables. This theory holds that there is no one correct way to lead since a leader must adjust to the specific circumstances based on the internal and external aspects of the environment (Khan et.al., 2016).

Contingency theorists assumed that the leader was the focus of the leader-subordinate relationship; situational theorists opined that the subordinates played a pivotal role in defining the relationship. Though situational leadership mainly emphasizes mostly the leader, it creates the significance of the focus on the group dynamic (Khan et.al., 2016).

### **2.1.2.4 Situational Theory**

Situational leaders are known for giving their subordinates the proper guidance and task support to enable them to accomplish their goals. A leader of this type must also deal with challenges quickly and ingeniously to overcome them. Consequently, there is a plausible relationship between this and the expansion of employees’ productivity. (Cnaff & Wright, 2013). The theory of situational leadership proposes that the style of leadership should be accorded to the maturity of the subordinates (Bass, 1995). “The situational leadership model first introduced in 1969, theorized that there was no unsurpassed way to lead and those leaders, to be effective, must be able to adapt to the situation and transform their leadership style between task-oriented and relationship-oriented”.

### **2.1.2.5 Behavioral Theory**

The behavior theory acknowledges the significance of certain necessary leadership skills that serve as enablers for a leader who performs an act while drawing its parallel with a previous capacity of the leader, before that particular act while suggesting that each individual has a distinct style of leadership with which he/she feels most contented (Khan et.al., 2016). Like one that does not fit all heads, similarly, one style cannot be effective in all situations. Yukl (2002) introduced three different leadership styles. The employees serving with democratic leaders displayed a high degree of satisfaction, creativity, and motivation; working with great enthusiasm and energy irrespective of the presence or absence of the leader; and maintaining better connections with the leader, in terms of productivity whereas, autocratic leaders mainly focused on greater quantity of output. Laissez-faire leadership was only considered relevant while leading a team of highly skilled and motivated people who excellent track records, in the past.

### **2.1.2.6 Participative Theory**

Leaders who are actively involved in their groups foster engagement and contributions from their members, enabling them to feel important and invested in the process of making decisions. When a supervisor uses participatory leadership, they aim to include a variety of people in the decision-making process. This fosters dedication and increases teamwork, which leads to higher-quality decisions (Lamb, 2013).

### **2.1.2.7 Transactional/Management Theory**

The leadership theories, by the late 1970s and early 1980s, activated to diverge from the specific perspectives of the leader, leadership context, and the follower and toward practices that concentrated further on the exchanges between the followers and leaders. Transactional leadership was described as that in which leader-follower associations were grounded upon a series of agreements between followers and leaders (House & Shamir, 1993). The transactional theory was “based on reciprocity where leaders not only influence followers but are under their influence as well”. Some studies revealed that transactional leadership shows a discrepancy concerning the level of leaders’ actions and the nature of the relations with the followers. Transactional theories focus on group dynamics, organization, and the role of supervision that is, the interactions that take place between leaders and followers. These ideas center leadership around a system of reward and punishment (Charry, 2012).

### **2.1.2.8 Relationship/Transformational Theory**

Transformational leadership distinguishes itself from the rest of the previous and contemporary theories, based on its alignment to a greater good as it entails the involvement of the followers in processes or activities related to personal factors towards the organization and a course that will yield certain superior social dividends. Transformational leaders raise the motivation and morality of both the follower and the leader (House & Shamir, 1993). It is considered that transformational leaders engage in interactions with followers based on common values, beliefs, and goals. This impacts the performance leading to the attainment of a goal. As per Bass, a transformational leader, “attempts to induce followers to reorder their needs by transcending self-interests and strive for higher order needs”. This theory conforms the Maslow's (1954) higher-order needs theory. Transformational leadership is a course that changes and approaches targets on beliefs, values, and attitudes that enlighten leaders’ practices and the capacity to lead change.

Relationship or transformational leaders inspire and encourage people by helping group members see the importance and better good of the task. These leaders have high moral standards and ethical values and are focused on the performance of group members, but also on everybody fulfilling his or her potential (Charry,2012). Relationship theories are often compared to charismatic leadership theories during which leaders with certain qualities, like confidence extroversion, and clearly stated values, are best ready to motivate followers (Lamb, 2013).

### **2.1.3 Leadership Style**

Nam& Park (2019), view leadership style as the pattern of interactions between leaders and subordinates. Leadership styles vary between industries and organizations. Most leaders adapt their leadership style following the demands and working environment of an organization (Zahari & Shurbagi, 2012). Leadership styles also vary from situation to situation (Khan et.al., 2016). The earlier approaches to leadership shed some light on the concept of leadership and leadership effectiveness, but they failed to offer conviction regarding understanding the meaning of leadership as well as leadership effectiveness (Hoy & Miskel, 2001). The need for the best leadership style, filled with capabilities to improve the performance of organizations, became pertinent, and the new leadership perspectives: charismatic and transformational theories emerged. These new leadership approaches are fundamental to people-organization transformation to accomplish set organizational goals (Sashkin & Sashkin, 2003).

### 2.1.3.1 Transformational Leadership and Job Satisfaction

Transformational leadership is a very effective leadership philosophy that was created in 1985 by scholar Bernard M. Bass. As per Bass (1994), transformational leadership aims to bring about long-lasting, self-sustaining, and momentum-building changes in people and organizations. It also aims to define goals, broaden vision, insight, and understanding, and align behavior with convictions, values, or principles. As a result, those working under transformational leaders may see opportunities and challenges in the workplace differently. Leaders strive to maximize the creative thinking and individual, group, and organizational growth of their team members in addition to meeting performance standards. They encourage their coworkers to reach their full potential and uphold greater moral and ethical standards.

There are four dimensions of transformational leadership namely idealized influence, individualized consideration, intellectual stimulation, and inspirational motivation (Avolio, Bass, and Jung, 1994).

**Idealized Influence/Charisma:** It is the attribute of a leader that inspires followers to take their leader as a role model. Charisma is an alternate term that replaces idealized influence. Idealized influence creates values that inspire, establish sense, and engender a sense of purpose among people. Idealized influence is inspirational in nature. It builds attitudes about what is significant in life. Idealized influence is related to charismatic leadership (House and Shamir, 1993). Charismatic leaders instill self-confidence in others. It is their demonstration of confidence in a follower's preparedness to make self-sacrifices and an aptitude to undertake exceptional goals which is an inspiring force of idealized influence and role-modeling behavior (House and Shamir, 1993).

**Inspirational Motivation:** Developing the consciousness of followers, aligning them towards the organizational mission and vision, and motivating others to understand and pledge to the vision is a key dimension of the transformational leadership style of inspirational motivation. "Inspirational motivation targets the principle of organizational existence, instead of the personality of the leader" (Bass & Avolio, 1994). Instead of suffocating employees, a leader with this style encourages the employees in the organizational pursuit drawing the best out of them (Khan et al. 2016).

**Intellectual Stimulation:** Leaders with characteristics of intellectual stimulation are those who "intellectually stimulate followers, engender creativity and accept challenges as part of their job". They maintain their emotional balance and rationally deal with complex problems. They cultivate



similar skills in their workers as well. They develop problem-solving techniques in the followers for making complex decisions, reflecting a mutual consensus between leaders and employees. “The intellectual stimulation leadership approach projects in large measure the mentoring, coaching, morale-building strengths of individualized consideration”. Both leadership approaches build organizational skills as well as character, similar to caring leadership behaviors that coach and challenge (House and Shamir, 1993).

**Individualized Consideration:** involves enthusiastically listening and accommodating team members’ personal needs for growth, learning, and recognition. Individual consideration concerns the degree to which leaders treat followers as individuals in mentoring and coaching them. They develop appropriate personal relationships with members and give personal attention without discriminating, helping them to achieve their goals (Bass, 1985; Bass and Avolio, 1990).

### **2.1.3.2 Transactional Leadership and Job Satisfaction**

In comparison, “transaction” means exchange; hence, transactional leadership deals with the exchange between the leaders and their subordinates. According to Shrestha 2019, this is a leader-follower exchange-based leadership in which the leader exchanges rewards or punishment with the follower for the task performed, and in return, expects productivity, effort, and loyalty from the follower. Transactional leaders are focused on satisfying their self-interests and practice control strategies to get subordinates to perform in their preferred way (Gina & Henry, 2018). Such leaders become less engaging and less appealing, perform in a mediocre way when transacting with subordinates by rewards concentrated on realizing the work achieved, tend to concentrate on their subordinates' mistakes, prefer to delay their decision-making, and avoid interfering until something has happened. Hence, according to (Shrestha, 2019), more employees leave when they have a transactional leader than when they are under a transformational leader.

Furthermore, transactional leadership is an exchange-based relationship wherein self-interest is dominant. Transactional leaders work within their organization’s culture and follow existing rules, procedures, and operative norms (Nam& Park, 2019). Transactional leadership relies on the use of appropriate rewards to motivate followers (Nam& Park, 2019). It also emphasizes the completion and accomplishment of allocated tasks. This type of leader maintains and preserves harmonious working relationships with promises of handing out rewards for satisfactory performances (Nam& Park, 2019). Furthermore, this leadership style is focused on leader-follower

exchanges in which followers or subordinates are expected to carry out his/her duties and perform according to the given instructions. This is in contrast to a non-transactional kind of leadership style characterized by continued neglect of one's responsibility and non-exercise of authority as well as delayed decision-making (Kalsoom & Zubair, 2018).

Compared to transformational leadership, transactional leadership comprises three factors or dimensions (Bass and Avolio, 1994). These three factors are contingent reward, management-by-exception (active), and management-by-exception (passive). Contingent reward leadership is based on economic and emotional exchanges. It clarifies role requirements and rewards or praises desired outcomes. With management-by-exception active, the leader monitors deviations from norms and provides corrective action. Management-by-exception passive is similar to management-by-exception active; however, passive leaders wait until deviations occur before intervening (Khan et. Al., 2016).

### **2.1.3.3 Laissez-Faire Leadership Style**

Laissez-faire leadership can be perceived as the reverse of transactional leadership, as it focuses on helping employees solve the problems they face daily. As a result of its passive component, laissez-faire leadership has often been criticized in the literature due to its ineffectiveness, and therefore, many researchers view laissez-faire leadership as a non-leadership management approach. However, concerning liberal leadership, Bass and Avolio (1994) stated that “avoidance or absence of leadership is the most ineffective way according to almost all research in terms of leadership”. Managers who prefer this style of leadership do not help their employees by avoiding taking responsibility and making decisions. In this sense, they negatively affect the psychological health of the members of the organization. Employees cannot obtain sufficient help when they need to deal with a critical issue and this will have certain negative psychological effects on them (SÜRÜCÜ L. and SAĞBAŞ M. 2020). Recent research indicates that laissez-faire leadership increases work stress and bullying in the workplace, and lowers work confidence (SÜRÜCÜ L. and SAĞBAŞ M. 2020). In addition to these psychological effects, studies have shown that it is negatively related to stress, burnout, emotional exhaustion, and job satisfaction). Some studies have also shown that laissez-faire leadership has negative psychological effects on employees. Considering the negative effects of laissez-faire leadership on employees’ well-being and psychology, it is considered that this type of leadership will negatively affect job satisfaction. In

the studies of DeRue et al (2011) supporting the literature, it is stated that laissez-faire leadership negatively affects job satisfaction.

With a laissez-faire leadership style, the group's activities are still accountable to the leader, but their authority to make decisions is diminished. It gives workers or employees more autonomy in making decisions. Additionally, it refers to a negligent principle in which management has subscribed to a non-interference policy that provides subordinates unlimited autonomy (Omolayo, 2007). It functions best in organizations with highly decentralized organizational structures and workers who are motivated and capable of making their own decisions (Jalagat & Dalluay, 2016). According to Skogstad, Matthiesen, and Einarsen (2007), this leadership style is so reliant on the decisions made by the subordinates that the management hasn't set a timetable for coming to a wise and correct conclusion.

If the members are sincere about their tasks, its key benefit is that the subordinates have more time to make the best decisions. Still, there are more drawbacks to this leadership approach. Subordinates may make poor judgments due to a lack of direction from management, which could have a disastrous effect on the operation of the company (Jalagat & Dalluay, 2016). Furthermore, it promotes dominance among members in decision-making, potentially leading to rivalry rather than collaboration. Additionally, it may increase subordinates' arrogance, rendering management decisions and actions (Jalagat & Dalluay, 2016).

## **2.2 Job Satisfaction**

### **2.2.1 Definitions and Concepts of Job Satisfaction**

One type of organizational behavior that shows different responses to a certain task is job satisfaction. It obtains positive and negative energies existing in personal and social life because both depend on the amount of satisfaction a person has (Fayzhall, 2020).

As defined by (Prameswari, 2020) job satisfaction is considered a positive emotional status from the perspective of a job or experience in work. Employees develop an attitude toward their jobs about their behaviors, beliefs, and emotions (Kalsoom & Zubair, 2018). Employees are perceived to be satisfied with their jobs if they consider their jobs to be fulfilling and rewarding, and the level of satisfaction among the employees is generally considered an essential component of organizational success (Shrestha, 2019).

(George and Jones 2008, p.78) defined job satisfaction as “Job satisfaction is a collection of feelings and beliefs that people have about their current jobs. People’s levels or degrees of job satisfaction can range from extreme satisfaction to extreme dissatisfaction. In addition to having attitudes about their jobs as a whole, people also can have attitudes about various aspects of their jobs such as the kind of work they do, their co-workers, supervisors, subordinates, and their pay”.

According to Robbins (2009, p. 301), the concept of job satisfaction pertains to an individual's overall perspective of their employment. When it comes to their jobs, people who are happy with their jobs have positive attitudes, whilst those who are unhappy with their jobs have negative attitudes. In general, Robbins defined job satisfaction as the whole perspective of attitude towards work.

Gina et al. (2018) defined job satisfaction as “positive feelings that an employee feels towards work.” Furthermore, Cubay (2020) defined job satisfaction as the feeling of enjoyment originating from performing a job and the motivations related to an organization. In other words, job satisfaction is the primary internal emotion resulting from a variety of workplace-related aspects. In line with all these definitions, it is clear that job satisfaction is a psychological situation that reflects the positive feelings of the employee towards their job.

Job satisfaction can be divided into three major aspects: extrinsic, intrinsic, and general job satisfaction. The scales of extrinsic and intrinsic satisfaction scales are obtained from the theory proposed by Herzberg. Intrinsic satisfaction is related to motivators, such as job contentment and working with others. Extrinsic job satisfaction is associated with certain aspects, such as company policies, compensation, and supervision (Shrestha, 2019).

### **2.2.2 Factors Affecting Job Satisfaction**

Many factors can affect job satisfaction, and recognizing such factors can help improve job satisfaction. These factors are divided into two main groups in Maslow’s hierarchy and Herzberg's theory: internal and external motivations (Masa’deh, 2016). In some cases, these motivations may have negative effects on job satisfaction, leading to some abnormal reactions among employees within an organization (Hutagalung et al., 2020). Moreover, identifying the internal and external factors can help managers control and limit the negative effects of motivations that transform satisfaction into dissatisfaction. These motivations can also affect employee performance (Jabbar,

2018). Based on previous studies, internal and external factors have vital roles in ensuring job satisfaction (Jabbar., 2019).

These factors have several sources. On the one hand, internal factors refer to individual and psychological values. On the other hand, external factors derive from environmental factors (outside of an individual). External factors originate from the environment and may depend on certain situations (Kalsoom & Zubair, 2018). One of the major external factors that should be considered and supported by organizations is leadership style (Kheir-Faddul, & Dănăiață, 2019). The lack of attention given to different kinds of leadership styles may lead to widespread problems that take a long time to resolve. If implemented incorrectly, this is one of the main problems that can lead to employee dissatisfaction (Kafui, 2017).

### **2.3 Review of Empirical Studies**

Demeke and Kebede (2017) in their study examining the effect of leadership styles on employees' job satisfaction in selected Ethiopian Public Universities, the study result showed that only the transformational leadership style has a significant impact on employees' job satisfaction, but the other two leadership styles have an insignificant impact on employees' job satisfaction. From these findings, they recommend that senior academic administrators should identify transformational leaders in their organizations so that these leaders will help them train and mentor future leaders.

According to the study conducted by Voon, et al, (2011) on the influence of leadership styles on employees' job satisfaction in public sector organizations in Malaysia, the result showed that transformational leadership style has a positive and significant effect on job satisfaction whereas transactional leadership style has an insignificant effect on job satisfaction in government organizations. Based on the findings of this study, transformational leadership is more important in terms of follower satisfaction than transactional leadership. Furthermore, the results of this study suggest that the public sector might need to increase the level of commitment in the organization by increasing satisfaction with compensation, policies, and work conditions.

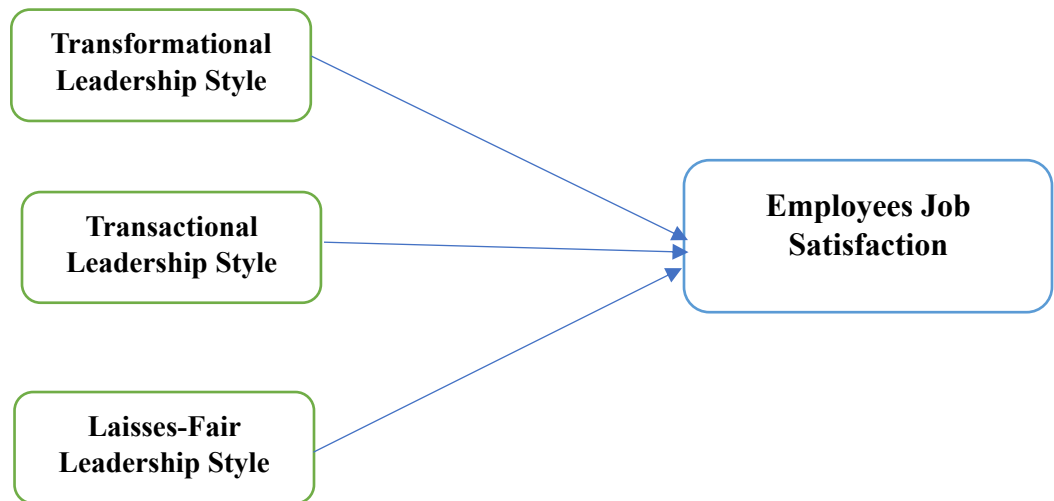
SÜRÜCÜ L.and SAĞBAŞ M.(2020) in their study examining the impact of leadership styles on employees' job satisfaction in Turkey's hospitality industry, the study result showed that transformational leadership style has a positive and significant effect on employees' job satisfaction, even if it is not showing a higher value as transformational leadership, the study result reveals that transactional leadership style also has a positive and significant effect on employees

job satisfaction. However, the result showed that laissez-faire leadership does not affect job satisfaction.

In another research conducted by Ali, A. Y. S., Sidow, M. A. & Guleid, H. S. (2013) in public universities of Mogadishu, the target population of this study consisted of 60 instructors from selected universities in Mogadishu. The result of this study showed that both leadership styles (transformational and transactional) have a positive and significant impact on employees' job satisfaction.

Explanatory research done by Riaz, & Haider (2010) on the effect of leadership styles on job satisfaction in private sectors in Pakistan, the findings of this study shows that both transformational leadership style and Transactional leadership style are found positively and significantly related to job satisfaction and career success. Based on the findings, they recommend that the transformational leadership style being desirable in different situations should also be facilitated with transactional leadership where applicable. Positive rewards like praise, recognition, and benefits need to be provided in a personalized way to sustain performance.

## 2.4 Conceptual Framework



**Figure 1 : Conceptual Framework of the Research**

Source: Taken from Munit. B 2022 and modified by the Researcher

This conceptual framework shows how the three leadership styles namely transformational, transactional, and laissez-faire leadership styles might influence overall employees' job satisfaction.

## 2.5 Research Hypotheses:

H1: Transformational Leadership style has a positive significant effect on Job Satisfaction

H2: Transactional Leadership style has a positive significant effect on Job Satisfaction

H3: Laissez-faire Leadership style has a positive significant effect on Job Satisfaction.

## CHAPTER THREE

### RESEARCH DESIGN AND METHODOLOGY

The purpose of this study is to examine the effect of leadership styles on employees' job satisfaction. This chapter discusses the processes and techniques that are used in carrying out this study. It clearly describes the research design, research approach, target population of the study, sample size and sampling techniques, sources and tools of data collection, the appropriate methods of data analysis, reliability and validity, model specification, and ethical consideration of the research.

#### 3.1 Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure" (Kothari 2004). The research design of this study is explanatory because this type of research is essential for establishing a cause-and-effect relationship between variables.

#### 3.2 Research Approach

The research approach refers to the plans and procedures for the researcher that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation (Bryman A. 2016). For this study, the researcher used a quantitative research approach because the research design is explanatory and the research problem requires measuring the variables of leadership styles and assessing the effect of these variables on employee job satisfaction.

#### 3.3 Population of the Study

. The target population for this study was employees of Hibret Bank South Addis Ababa district. The district has 56 branches and 488 employees from this, the study was conducted on clerical and non-managerial employees as they are the ones who can be affected by the leadership styles of the managers. Excluding executive managers and managers, the number becomes 373. (The sample size was calculated from this number.)

#### 3.4 Types and sources of data

The sources of data are crucial for collecting the necessary information to address the research questions. There are two sources of data in research, primary and secondary sources of data. This study used data both from primary and secondary sources. Primary data was collected to



understand employees' attitudes towards the leadership styles practiced in the bank and how they affect the job satisfaction of employees of Hibret Bank South Addis Ababa district. Secondary data were gathered from books and articles that are relevant to the subject of the study.

### **3.5 Tools for data collection**

There are different types of tools for primary data collection. For this study, the researcher used structured questionnaires as a data collection tool. Structured questionnaires are chosen as the data collection method because they can quickly gather data from a large number of employees, are useful for gathering data that is specific to each individual, such as attitude and behavior, and allow for easy and quick quantification of the results.

### **3.6 Sampling techniques and sample size**

“Sample size refers to the number of items to be selected from the universe to constitute a sample” (Kothari 2004, p.56). Sampling involves any procedure that concludes based on the measurement of a portion of the population (Zikmund et al, 2009).

To determine the size of the sample, this study used Taro Yamane's (1967) simplified formula:

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

Where n is the sample size, N is the population size and e is the percentage of allowance in accuracy for making sampling errors. The level of precision or sampling error in this study is assumed to be  $\pm 5\%$ .

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

$$n = \frac{373}{1 + 373(0.05^2)}$$

n=193 Therefore, the sample size for this study was 193 from Hibret Bank south Addis Ababa district.

Stratified and Simple random probability sampling is used as a sampling technique so that, every element of a sample has an equal chance of being included in the sample. The researcher chose this sampling because it needs more generalizability from the research findings.

### 3.7 Method of Data Analysis

Data analysis is the process of turning a mass of data into order, structure, and meaning. Kothari (2004) defined data analysis as the process of figuring out certain metrics and searching for patterns in the connections among the data set. Descriptive statistics (frequencies, percentages, mean, median, mode, and standard deviation) were used by the researcher to analyze the demographic characteristics of the respondents. Furthermore, Inferential analysis (multiple regression analysis and correlation) was used by the researcher to explain what effect the independent variable has on the dependent variable and to evaluate the strength of the relationships among the variables.

### 3.8 Model Specification

The main objective of this study was to examine the effect of leadership styles on employees' job satisfaction. In this research, a regression model is used to predict the value of the dependent variable based on the independent variables.

The multiple regression analysis models can be written as:

$$EJS = \beta_1 TFL_i + \beta_2 TrLi + \beta_3 LFL_i + e$$

Where EJS = Job satisfaction

$\beta_1, \beta_2, \beta_3$ , = partial regression coefficient of independent variable

TFL= Transformational leadership style

TRL= Transactional leadership style

LFL= Laisses-faire leadership style

$e$  = is a random variable introduced to accommodate the effect of other determinants that affect employees' job satisfaction which are not included in the model. Therefore, this study is based on the assumption related to the concept that EJS is affected by transformational, transactional, and Laissez-faire leadership styles.

### 3.9 Validity and Reliability

Mohajan,(2017) defines the reliability of measurement as “the extent to which it is without bias (error free) and hence ensures consistent measurement across time and the various items in the instrument”. It is an indication of the stability and consistency with which the instrument measures the concept and helps to assess the “goodness” of the measure. The consistent reliability of the instrument is assessed using Cronbach’s alpha. A value between 0.70 to 0.90 shows high reliability, 0.50 to 0.70 shows moderate reliability, and a value below 0.5 shows low reliability. (Perry et al, 2004).

According to Mohajan,(2017), a good measurement tool should be an accurate counter or indicator of what we are interested in measuring also known as validity. To ensure the validity of the study, fifteen pretest survey questions were made based on a literature review and frame of reference to ensure validity results it is suitable for respondents.

**Table 3.1: Summary of Cronbach's alpha values**

Variable	No of items	Cronbach’s alpha
Transformational Leadership	12	.975
Transactional Leadership	9	.763
Laisses-faire Leadership	8	.956
Job Satisfaction	10	.798

Source: Own survey 2024.

### 3.10 Ethical Consideration

To effectively conduct this study, the following ethical were considered. Before the commencement of the research work, a supportive letter was obtained from St Mary’s University. Accordingly, the willingness of the selected respondents to provide the necessary data was assured. The responses of the respondents were confidential. Respondents were not forced to respond to questions that they didn’t like to respond to. Any respondent response was respected and ethically included in the report. The participants were assured that no information related to the participant was used other than the academic purposes.

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND INTERPRETATION

This chapter explains the analysis and interpretation of the findings resulting from the study of the effects of leadership style on employee job satisfaction at Hibret Bank. The analysis and interpretation of data are carried out based on the results of the questionnaire and deal with a quantitative analysis of the data.

#### 4.1 Response Rate

**Table 4.1: Response Rate of Respondents**

Total Distributed Questionnaires	193
Returned Questionnaires	180
Not Returned Questionnaires	8
Discarded	5

Source: Own survey 2024

Table 4.1 describes that a total of 193 questionnaires were distributed, 8 questionnaires were not collected from the respondents, 5 of the questionnaires were discarded because they were not filled properly, and 180 questionnaires were completed and received. Therefore, only 180 questionnaires were used to interpret the results.

#### 4.2 Demographic Data Analysis

**Table 4.2 Overall Demographic Data of Respondents**

Data	Options	Frequency	Percentage
Gender	Male	98	54.4
	Female	82	45.6
	Total	180	100
Job Position	Senior Officer	77	42.8
	Junior Officer	62	34.4
	Secretary	41	22.8

Educational Background	1-5	88	48.9
	Certificate	3	1.7
	Diploma	12	6.7
	Degree	150	83.3
	Masters and above	15	8.3
	Total	180	100

Source: Own survey 2024

Table 4.2 presents the gender composition of all participants who responded to the questions and from the total of 180 respondents 98(54.4%) were male and 82(45.6%) were female. This indicates that the number of males is higher than the number of females in Hibret Bank and the male respondents formed the majority of the target population.

Table 4.2 also represents the job position of the respondents in the bank. It reveals that out of the total 180 respondents, 77 (42.8%) of the employees were senior officers, 62 (34.4%) of the employees were junior officers, and 41 (22.8%) of the employees were secretaries. This shows that the bank has more professional employees than clerical and nonclerical employees.

The table above also presents the educational background of the respondents in the bank. From the total 180 respondents 3(1.7%) of employees have certificate, 12(6.7%) of employees have diploma, 150(83.3%) of employees have BA degree, and 15(8.3%) of employees have MA degree. This shows that the majority of the respondents are BA degree holders.

**Table 4.3: Descriptive Statistics of Age and Year of Experience**

Descriptive Statistics of Age and Year of Experience of the Respondents							
	Mean	Median	Mode	Range	Std.Deviation	Skewness	Std. error of skewness
Age	30.27	28	28	20	.626	1.394	0.181
Year of Experience	6.13	4	4	10	.506	1.537	0.181

Source: Own survey 2024

From the above table, it is observed that the average age of the respondents in the bank is 30.27, the median is 28, and the mode is 28, this implies the respondents are generally younger, with an average of approximately 30 years. The distribution is positively skewed, indicating a concentration of younger respondents with fewer older respondents. The lower standard deviation suggests that most ages are close to the mean.

Regarding the years of experience, the mean value is 6.13, the median 4, and the mode 4, this implies the respondents have an average of about 6 years of experience, with a positively skewed distribution indicating that many respondents have fewer years of experience and a smaller number have more experience. The range of 10 years indicates the difference between the least and most experienced 10 years, and the low standard deviation shows the most experience levels are close to the mean.

### 4.3 Descriptive Statistics of the Study Variables

**Table 4.4: Descriptive Statistics of the Study Variables**

	N	Minimum	Maximum	Agg. Mean	Stad. Deviation
Transformational	180	1	5	4.6255	0.60218
Transactional	180	1	5	3.0333	0.74419
Laissez-faire	180	1	5	2.1181	0.42707
Job Satisfaction	180	1	5	4.5006	0.42938

Source: Own survey 2024

The lower the mean, the more the respondents disagree with the statements, and the higher the mean, the more the respondents agree with the statements (Marczyk, et al., 2005). As it is seen in the above table it is observed that a mean score of 4.6255 showed that the transformational leadership style (idealized influence, individual consideration, intellectual stimulation, and inspirational motivation) has the highest mean score from the three leadership styles and relatively the low standard deviation indicates that the ratings for transformational leadership are closely around the mean and this suggesting the consistency in respondents perceptions. Transactional leadership style (contingent reward, management by exception active, and management by exception passive) with a mean score of 3.03 shows a more neutral and moderate perception of transactional leadership practice among respondents, and .74 standard deviation suggests a fair

amount of variability in how respondents perceive transactional leadership and, the least mean score of 2.11 and .42 standard deviation of Laissez-faire leadership style suggests that respondents generally have a negative perception of this leadership style. As the descriptive statistics showed transformational leadership style is the most dominant leadership style in Hibret Bank. As Bass and Riggo (2006) disclose, the transformational leadership style is the most effective than the others.

Regarding job satisfaction, the aggregate mean is found to be 4.5006, since it has the highest mean, the overall job satisfaction felt by employees is higher in the bank.

#### 4.4 Correlation Analysis

Correlation analysis was used to measure the strength or degree of association between variables. The Pearson Product-Moment Correlation Coefficient is a statistic that indicates the degree to which two variables are related to one another. The sign of a correlation coefficient (+ or -) indicates the direction of the relationship, its value varies between -1.00 and +1.00. The sign shows whether there is a positive correlation (as one variable increases, others also increase) or a negative correlation (as one variable increases, others decrease). A positive correlation indicates a direct positive relationship between two variables. A higher correlation value indicates a stronger relationship between both sets of data. A negative correlation, on the other hand, indicates an inverse, negative relationship between two variables (Ruud et. al. 2012).

**Table 4.5 Measures of Association and Descriptive Adjectives**

Measure of Association	Descriptive Adjective
> 0.00 to 0.20 ; < -0.00 to - 0.20	Very weak or very low
> 0.20 to 0.40; < -0.20 to - 0.40	Weak or low
> 0.40 to 0.60; < -0.40 to - 0.60	Moderate
> 0.60 to 0.80; < -0.60 to - 0.80	Strong or high
> 0.80 to 1.0; < -0.80 to - 1.0	Very high or very strong

Source: (Mac Eachron, 1982)

Hence, the correlation output of the independent and dependent variables is interpreted based on Table 4.5.

**Table 4.6: Correlation between Leadership Styles and Job Satisfaction**

		<b>Correlations</b>			
		Transformational Leadership Style	Job satisfaction	Transactional Leadership style	Laissez-faire Leadership style
Transformational Leadership Style	Pearson Correlation	1	.751**	.196**	.068
	Sig. (2-tailed)		.000	.008	.362
	N	180	180	180	180
Job satisfaction	Pearson Correlation	.751**	1	.600**	.112
	Sig. (2-tailed)	.000		.000	.133
	N	180	180	180	180
Transactional Leadership style	Pearson Correlation	.196**	.600**	1	.386**
	Sig. (2-tailed)	.008	.000		.000
	N	180	180	180	180
Laissez-faire Leadership style	Pearson Correlation	.068	.112	.386**	1
	Sig. (2-tailed)	.362	.133	.000	
	N	180	180	180	180

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

Source: Own survey 2024

Table 4.6 describes the association between the independent variables and the dependent variables. Based on the result of the survey along with the significance of the Pearson correlation figure shown (0.751, 0.600)  $p < 0.05$ , transformational leadership and transactional leadership were found to have a strong positive relationship with employees' job satisfaction. However, a Laissez-faire leadership style has a positive but very weak correlation with job satisfaction.

#### 4.5 Regression Analysis

Regression analysis was used to predict the effect of the independent variables on the dependent variable. Multiple regression was conducted to determine if leadership style dimensions significantly predict job satisfaction.

Different kinds of assumptions are tested and used for multiple regression analysis such as identification of outliers, normality of distribution, linear relationship, multi-co-linearity, and homoscedasticity.



### 4.5.1 Outlier

An outlier is a single data point that goes far outside the average value of a group of statistics. When a value is called an outlier it usually means that the value deviates from all other values in the data set. From the survey done on the specific respondents of this research, the researcher has identified that no outlier value is found in the observations.

### 4.5.2 Normality Test

**Table 4.7: Skewness and Kurtosis Statistics**

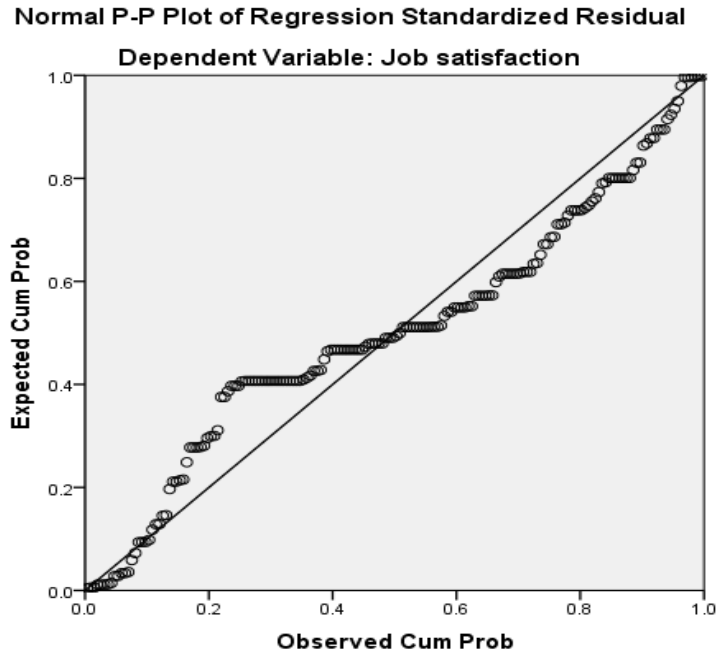
	N	Skewness		Kurtosis	
		Static	Std.Error	Static	Std.Error
Job Satisfaction	180	-1.489	0.181	1.787	0.36
Transformational	180	-1.865	0.181	2.537	0.36
Transactional	180	0.171	0.181	-0.901	0.36
Laisess-faire	180	-1.510	0.181	3.848	0.36
Valid	180				

Source: Own Source 2024

According to Hair et al. (2010) and Bryne (2010), data is considered to be normal if skewness is between -2 to +2 and kurtosis is between -7 to +7. Based on the result of Table 4.7, the normality of the distribution is satisfied for this study.

### 4.5.3 Linearity Assumptions

The study applied a normal P-P Plot of regression Standardized Residual to test linearity seen in Figure 2. Since the points were symmetrically distributed around a diagonal line, a linearity pattern was observed. In the normal probability plot, it will be expected that points are relatively straight diagonal lines from the bottom left to the top right. This would suggest no major deviations from linearity. Therefore, the straight-line relationship between the residuals and the predicted dependent variable scores depicted that linearity was achieved.



**Figure 2 : Normal Plot of Standard Residual**

Source: Own survey 2024

#### 4.5.4 Multi-collinearity

In this research, multi-co-linearity was checked with tolerance and VIF

**Table 4.8 Result of Multi-co-Linearity Test**

Model	Co-linearity statistics	
	Tolerance	VIF
Transformational	0.962	1.040
Transactional	0.822	1.217
Laissez-faire	0.851	1.176

**a. Dependent Variable: Job satisfaction**

Source: own survey 2024

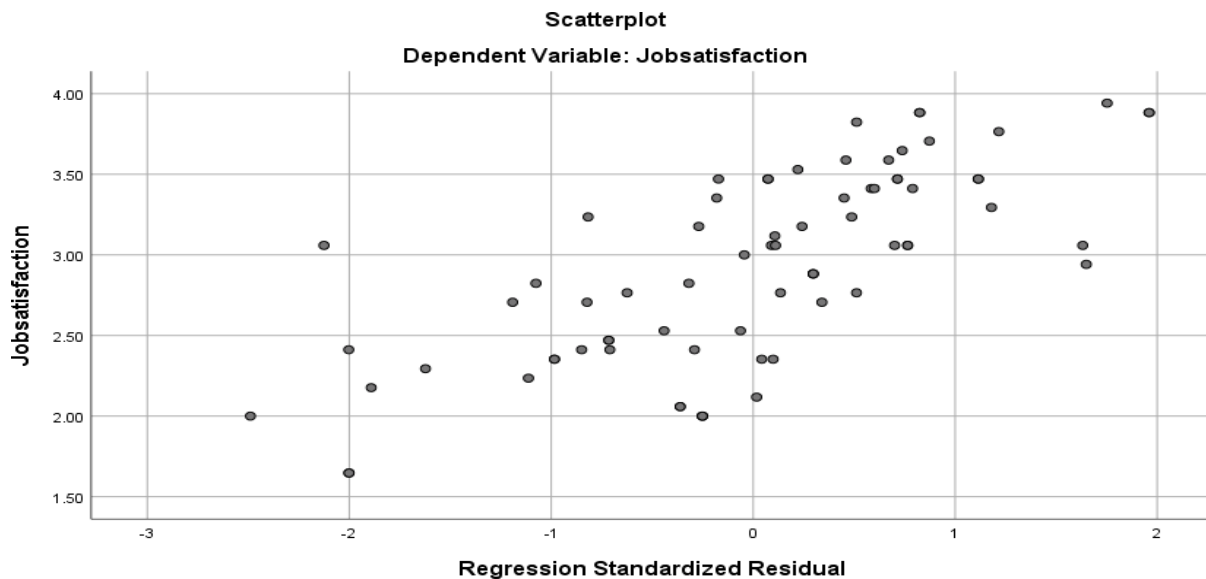
According to Andy (2006), a tolerance value of less than 0.1 most likely denotes a significant co-linearity issue and VIF values above 10 are a concern. The transformational leadership style has a (.962 tolerance and 1.040 VIF) value, the transactional leadership style has a (.822 tolerance and

1.217) value, and the laissez-faire style has a (.851 tolerance and 1.176 VIF) value. The tolerance value close to 1 and the VIF value close to 1 for all independent variables suggests that there is no significant multicollinearity among the predictors (transformational, transactional, and laissez-faire leadership styles) in the regression model. This indicates that each independent variable contributes unique information to the prediction of the dependent variable and the model estimate is reliable.

#### 4.5.5 Homoscedasticity Assumption

Homoscedasticity helps to check that the relationship under investigation is the same for the entire range of the dependent variable and lack of homoscedasticity is shown by higher errors (residuals) for some portions of the range, which can be seen on the scatter plot (Garson, 2012).

As it is shown in Figure 3, the points fall roughly on a straight line, which indicates that there is a linear relationship between x and y. Therefore, it can be concluded that the assumptions of the standard residual are homoscedasticity.



**Figure 3 : Scatter Plot of Standard Residual**

Source: Own survey 2024

#### 4.5.6 Autocorrelation Analysis

**Table 4.9: Durbin-Watson Value**

**Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.767 <sup>a</sup>	.589	.582	.27768	1.046

a. Predictors: (Constant), Laissez-faire Leadership style, Transformational Leadership Style, Transactional Leadership style

a. Dependent Variable: Job satisfaction

Source: Own survey 2024.

To determine the autocorrelation between observations, the Durbin-Watson test was used. A value of the Durbin-Watson test result of 2 means there is no autocorrelation detected. Whereas a value between 0 and 2 indicates positive autocorrelation and a value between 2 and 4 indicates negative autocorrelation. In this study, the Durbin Watson test regression result is 1.046. Therefore, as the test indicated there is a positive autocorrelation between residuals.

#### 4.6 Multiple Regression Analysis

Multiple regression analyses were conducted to measure the effects between the independent variables and the dependent variable. The regression results are shown in the table.

**Table 4.10 Model Summary**

Model	R	R square	Adjusted R Square	Std. Error of the Estimate	Sig.
	.767 <sup>a</sup>	.589	.582	.27768	.000 <sup>b</sup>

a. Predictors: (Constant), Laissez-faire Leadership style, Transformational Leadership Style, Transactional Leadership style

b. Dependent Variable: Job satisfaction

Source: Own survey 2024

An R-square value of 0.589 means that approximately 58.9% of the variation in job satisfaction can be explained by the combined effects of the three leadership styles. This suggests a strong model, as more than half of the variability in job satisfaction is accounted for by these leadership styles.

An adjusted R-square value of 0.582 indicates that, after adjusting for the number of predictors, the model explains approximately 58.2% of the variance in job satisfaction. This value is slightly lower than the R-square, suggesting a very small reduction in explanatory power when accounting for the number of predictors, but still a strong indication that the model is robust.

The fact that the adjusted R-square is close to the R-square value (0.582 vs. 0.589) indicates that the model is not overfitted and is a reliable predictor of job satisfaction. The model is effective in explaining a significant portion of the variation in job satisfaction based on the leadership styles considered.

The model indicates that the three leadership styles collectively predict 58.2% of the variance in job satisfaction. This means that leadership style is a significant determinant of job satisfaction among employees.

**Table 4.11: ANOVA**

Model	Sum of squares	df	Mean square	F	Sig.
1Regression	19.430	3	6.477	83.994	.000 <sup>b</sup>
Residual	13.571	176	.077		
total	33.001	179			

a. Dependent Variable: Job satisfaction

a. Predictors: (Constant), Laissez-faire Leadership style, Transformational Leadership style, Transactional Leadership style

Source: Own survey 2024

The ANOVA table provides the overall acceptability of the model being tested from a statistics point of view. The high F-value(83.994) and the very low p-value(0.000) indicate that the model is highly statistically significant. This means that the three leadership styles collectively have a significant effect on job satisfaction.

**Table 4.12: Results of Multiple Regression Analysis**

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	B		
1 Constant	1.900	.185		10.252	0.00
Transformational	.513	.035	.720	14.609	.000
Transactional	.073	.025	.558	2.969	.003
Laissez-Faire	.002	.053	.002	.039	.969

a. Dependent Variable: Job satisfaction Source: Own survey 2024

The following conclusions can be drawn from the above table. Table 4.12 indicates that the standard coefficient (B=.720) indicates that transformational leadership style positively affected employees' job satisfaction. This means that a one-unit increase in transformational leadership leads to a 72.0 increase in employees' job satisfaction. And has a p-value of 0.00, which is less than the acceptable value of 0.05, which indicates that it has a significant effect on job satisfaction.

Transactional leadership style has a standard coefficient (B= .558) that affects job satisfaction positively and has a p-value of .003, it is less than the accepted value of 0.05, which indicates that it has a statistically significant effect on job satisfaction.

Laissez-faire leadership style has a standard coefficient(B= .002) that affects job satisfaction positively and has a p-value of .969, it is greater than the acceptable value of 0.05, which indicates that it has an insignificant effect on job satisfaction. This suggests that there is little to no impact of laissez-faire leadership on job satisfaction. Ethiopian working culture tends to be collectivist, where group harmony and relationships are highly valued. In such cultures, employees often expect guidance, support, and a sense of community from their leaders. A laissez-faire approach might clash with these expectations, leading to feelings of neglect and dissatisfaction.

## **Hypothesis Testing Results**

### **H1: Transformational leadership style has a positive significant effect on Employee job satisfaction.**

The multiple regression analysis reveals a coefficient of (B=.720), indicating that transformational leadership positively influences job satisfaction. The p-value for this relationship is 0.00, well below the threshold of 0.05, confirming the statistical significance of the effect. Therefore, the researcher accepts the hypothesis.

### **H2: Transactional leadership style has a positive significant effect on Employee job satisfaction.**

The transactional leadership style has a coefficient of (B=.558) indicates from the multiple regression analysis result that, affects job satisfaction positively and has a p-value of .003, which is less than the acceptable value of 0.05, which indicates that it has a significant effect on job satisfaction. Therefore, the researcher accepts the hypothesis.

### **H3: Laissez-faire leadership style has a positive significant effect on Employee job satisfaction.**

The laissez-faire leadership style has a coefficient of (B=.002) according to the multiple regression analysis, suggesting a positive but negligible effect on job satisfaction. The p-value for this relationship is 0.969, which is significantly higher than the accepted value of 0.05. This indicates that the effect is statistically insignificant. Therefore, the researcher rejects the hypothesis.

#### **4.7 Results and Discussion**

The objective of the research study was to examine the effect of leadership styles on employees' job satisfaction. Hence, the findings of this study with the findings of other researchers are discussed and presented as follows.

The findings of this study have indicated that transformational and transactional leadership styles have a positive and significant effect on employees' job satisfaction. This finding of the study is consistent with the results of the study conducted by Ali, A. Y. S., Sidow, M. A. & Guleid, H. S. (2013) in public universities of Mogadishu, which showed that both leadership styles have a positive and significant effect on employees job satisfaction.

The findings are also supported by research conducted by SÜRÜCÜ and SAĞBAŞ M.(2020) in Turkey's hospitality industry and Riaz, & Haider (2010) on the effect of leadership styles on job satisfaction in private sectors in Pakistan respectively, who concluded that transformational and transactional leadership styles have a positive and significant effect on employees' job satisfaction, and the laissez-faire leadership style has an insignificant effect on employees job satisfaction.

On the contrary, the result contradicts the result of Demeke and Kebede (2017) in their study examining the effect of leadership styles on employees' job satisfaction in selected Ethiopian Public Universities, who concluded that only the transformational leadership style has a significant impact on employees' job satisfaction, but the other two leadership styles have an insignificant effect on employees' job satisfaction.

Another study conducted on Panafric global employees by Mesfin H. (2020) on the effect of leadership style and employee job satisfaction stated that transformational leadership has a positive and significant effect on employees' job satisfaction, and laissez-faire leadership has an insignificant effect on employees' job satisfaction. Mesfin's findings about the two leadership styles are parallel to the findings of this study. However, there is a contradiction with the findings about transactional leadership styles that say it has an insignificant effect on employees' job satisfaction since transactional leadership is found to have a significant effect in this study.



The findings of this study also contradict the findings of Al Mahitta et.al, 2021 that says only transformational leadership has a positive significant effect on employees' job satisfaction since this study has found transactional leadership also has a positive significant effect on employees' job satisfaction.

According to the study conducted by Voon, et al, (2011) on the influence of leadership styles on employees' job satisfaction in public sector organizations in Malaysia, the result showed that transformational leadership style has a positive and significant effect on job satisfaction whereas transactional leadership style has an insignificant effect on job satisfaction in government organizations. This contradicts the findings of this study that says both leadership styles (Transformational and Transactional) have a positive significant effect on employees' job satisfaction.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

This chapter presents a summary of the research findings, a conclusion, and presents recommendations based on the analyzed data. The main objective of this research was to explain the effect of leadership style on employees' job satisfaction at Hibret Bank.

#### 5.1 Summary of the Research Findings

The result of the correlation analysis indicates that:

1. There is a positive and strong correlation between transformational leadership style and employees' job satisfaction. This means transformational leadership has a positive effect on employees' job satisfaction.
2. There is a positive and strong correlation between transactional leadership style and employees' job satisfaction. This means transactional leadership has a positive effect on employees' job satisfaction.
3. There is a positive but weak correlation between laissez-faire leadership style and employees' job satisfaction.

The result of the regression analysis can be summarized as:

1. Transformational leadership has a strong positive effect on job satisfaction with a high standardized coefficient (Beta=0.720) value and a statistically significant p-value (p=0.001).
2. Transactional leadership also positively affects job satisfaction, with a standardized coefficient (B=0.558) and a significant p-value (p=0.003).
3. Laissez-faire leadership shows a minimal and statistically insignificant effect on job satisfaction (B=0.002, p=0.969).

## 5.2 Conclusions

The purpose of this study was to examine the effect of leadership styles on employee job satisfaction at Hibret Bank. A total of 180 employees with different sexes, experience, job positions, and from different branches of the bank were surveyed.

In this study, three variables (transformational, transactional, and laissez-faire leadership styles) that affect job satisfaction were used and their effect on job satisfaction was analyzed. To analyze the data descriptive statistics like frequencies, percentages, figures, tables, correlation, and regression analysis were used.

From the correlation analysis, it can be concluded that there is a positive and strong correlation between transformational and transactional leadership styles and job satisfaction. However, there is a positive but weak correlation between laissez-faire leadership style and employees' job satisfaction.

From the results of the regression analysis, it can be concluded that:

Transformational leadership has the most substantial positive effect on job satisfaction. Employees under transformational leadership feel inspired, motivated, and supported, which significantly enhances their job satisfaction. Transactional leadership also positively affects job satisfaction, but to a lesser extent than transformational leadership, transactional leadership contributes to job satisfaction through structured tasks, clear goals, and reward systems. Laissez-faire leadership style shows no meaningful effect on job satisfaction and it can generally be avoided. From this, it can be concluded that employees may perceive a lack of guidance and support, leading to lower satisfaction levels.

### **5.3 Recommendations**

Considering the primary discoveries of this research employees are the most important assets of an organization and the effectiveness of a business is based on the leader's influence on employees, and the organization itself and its successes rest not only in the leadership style it follows but in employees' job satisfaction as well.

As such, the researcher proposed the following recommendations:

#### **Develop and Promote Transformational leadership**

- **Leadership Development Programs:** The bank should implement comprehensive training and development programs focused on building transformational leadership skills. These programs should cover key aspects such as vision creation, inspirational motivation, intellectual stimulation, and individualized consideration.
- **Leadership Assessment and Feedback:** The bank should regularly assess leadership performance and provide constructive feedback.
- **Mentorship and Role Modeling:** The bank should establish mentorship programs where senior transformational leaders can guide and coach emerging leaders. Highlight successful transformational leaders as role models within the organization.

#### **Strengthen Transactional Leadership Practices**

- **Clear Performance Metrics:** The bank should develop clear performance metrics and ensure employees understand what is expected from them. It should align these metrics with the organizational goals to create a cohesive performance management system.
- **Recognition and Reward Systems:** The bank should enhance recognition and reward systems to acknowledge and incentivize employees' achievements by considering both monetary and non-monetary rewards to cater to diverse employee preferences.

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## **APPENDICES- QUESTIONNAIRE**

Dear respondent,

I kindly request you to participate in this survey questionnaire to examine the effect of leadership styles on employees' job satisfaction in the case of Hibret Bank. The information you provided will be used as primary data for the partial fulfillment of requirements for the degree in Masters of Business Administration. Your genuine response and cooperation are vital for this study and will take approximately 10 minutes. All your responses are strictly confidential and the data from this research will be reported only in aggregate. Please, do not write your name anywhere in this questionnaire. If you have any questions or clarification, please do not hesitate to contact me at my address.

Mob: 0910521981, email: [helentesfaye020@gamil.com](mailto:helentesfaye020@gamil.com)

I would like to express my heartfelt gratitude in advance for your kind participation.

Best Regards,

Helen Tesfaye

## Part 1: Demographic Characteristics of Respondents

Please make a “√” mark to your preferences

1. Gender: Female  Male
2. Age: -----
3. Job Position: -----
4. Year of experience: -----
5. Educational Level: Certificate  Diploma  Degree  Masters and above

## Part 2: Leadership Style Dimensions

Please make a “√” mark to your preferences

No	Transformational Leadership Style	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
1	My supervisor is a role model for me					
2	My supervisor inspires me to perform at my best					
3	Feel proud to associate with my supervisor					
4	My supervisor takes time to understand my strengths, weaknesses, and developmental needs					
5	My supervisor genuinely cares about my well-being and professional development					
6	My supervisor provides personalized support and guidance to develop my skills and abilities					
7	My supervisor encourages me to be an innovative thinker					

8	My supervisor challenged me to expand my skills and knowledge					
9	My supervisor creates an environment to take a risk and experiment with new ideas					
10	My supervisor conveys enthusiasm about achieving organizational goals					
11	My supervisor makes me feel motivated to contribute to organizational success					
12	My supervisor inspires me to above and beyond what is required in my role					
	<b>Transactional Leadership Style</b>					
1	My supervisor provides rewards for achieving objectives					
2	My supervisor motivated me to work hard to get rewards and recognition					
3	My supervisor follows through on promises of rewards and incentives					
4	My supervisor actively monitors my work performance to ensure meeting the standards					
5	My supervisor effectively addresses problems in working on time					
6	My supervisor provides feedback or corrective actions when deviations occur					

7	My supervisor waits for problems to arise before providing proper guidance					
8	My supervisor only intervenes when standards are not met and problems arise					
9	My supervisor allowed me to work independently without intervention					
	<b>Laissez-faire Leadership Style</b>					
1	My supervisor avoids making decisions and instead leaves tasks for me					
2	My supervisor delegated tasks without providing the necessary guidance					
3	My supervisor is unavailable if there is no critical problem					
4	My supervisor seems uninvolved in group activities					
5	My supervisor encourages creativity and innovation by allowing me to explore new ideas without interference					
6	My supervisor avoids taking responsibility for resolving issues within the team					
7	My supervisor's hands-off approach hinders my ability to perform my job effectively					

8	My supervisor provides minimal guidance when I encounter challenges in my work					
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**Part 3: Job Satisfaction**

Please make a “√” mark to your preferences

No	Job Satisfaction	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
1	I am satisfied with the level of recognition from my job					
2	I am satisfied with the autonomy and decision-making authority in my role					
3	I perceive the pay that I receive is fair					
4	I am satisfied with the opportunity to be promoted to a better position					
5	People with whom I meet in connection with my Job are good enough					
6	My co-workers at work are friendly and supportive					
7	My supervisor supports me enough at work					
8	The Job that I'm doing is interesting					
9	My Job is mentally challenging with many responsibilities					
10	Overall, I'm satisfied with the job that I'm working					

**Thank You!**



