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Research Article

Leadership Styles and Employee Job Satisfaction: An Empirical Study of Addis International Bank, Wolkite Town, Ethiopia

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Abstract

This study assesses the relationship between leadership styles and employee job satisfaction at Addis International Bank in Wolkite Town, Ethiopia. A total of 27 employees working across the bank's branches in Wolkite Town participated in the study. A quantitative research approach, employing descriptive and correlational research designs, was used to examine the relationships between transformational, transactional, and laissez-faire leadership styles and employee job satisfaction. Both primary and secondary data were utilized. Primary data were collected through structured questionnaires using a five-point Likert scale, interviews, and document reviews. The collected data were analyzed using descriptive statistics, Pearson correlation, and multiple regression analysis. The findings revealed that transformational leadership was the dominant leadership style and had a strong positive relationship with employee job satisfaction ($r = 0.68$). Transactional leadership showed a moderate positive relationship ($r = 0.46$), whereas laissez-faire leadership exhibited a weak positive relationship ($r = 0.29$). Regression results further indicated that transformational leadership significantly predicted employee job satisfaction ($\beta = 0.50$, $p < 0.01$), followed by transactional leadership ($\beta = 0.30$, $p < 0.05$), while laissez-faire leadership had no statistically significant effect. Employees reported moderate to high levels of satisfaction, particularly regarding supervisory relationships and the work environment, but expressed dissatisfaction with salary and promotion opportunities. The study recommends strengthening transformational leadership practices, improving reward systems, and enhancing employee development initiatives to improve job satisfaction and organizational performance.

Keywords

Transformational Leadership, Transactional Leadership, Laissez-faire Leadership, Employee Job Satisfaction, Organizational Performance

1. Introduction

Early studies on leadership (frequently categorized as trait studies on leadership) concentrated on identifying the personality traits which characterized successful leaders [1]. Leadership style is the combination of attitude and behavior of a leader, which leads to certain patterns in dealing with the followers [2]. It is the result of the philosophy, personality and experience of the leader. There are several types of leadership such as autocratic, bureaucratic, charismatic, democratic, participative, situational, transformational, transactional and laissez-faire leadership [3]. Leadership style has been the deciding factor of more than one facet of employee behaviors in organizations. The most common types are laissez-faire, authoritarian, and

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democratic [4].

The relationship between leadership styles and job satisfaction has been studied in many settings. The recent study was examined the relationship between transformational leadership and job satisfaction and found a significant and positive relationship between intellectual stimulation and job satisfaction [5]. And also examined the effects of three factors on teachers' job satisfaction: principals' leadership style, principals' decision-making strategy, and teachers' perception of their occupation [6].

Job satisfaction is a critical and important outcome of having effective leadership in an organization [7–10]. Job satisfaction is defined as "simply how people feel about their jobs and different aspects of their jobs" [11]. Job satisfaction can also be defined as the extent to which a worker is content with the rewards he or she gets out of a job, particularly in terms of intrinsic motivation [12]. Job satisfaction is important not only for employees but also for organizational success, because dissatisfied employees may become less loyal to their organization and may search for other jobs [13–22].

At Addis International Bank, as with many financial institutions in Ethiopia, employees are expected to deliver efficient and customer-oriented services while adapting to frequent policy and procedural changes. Informal observations and anecdotal evidence suggest that variations in leadership style among branch managers and supervisors may influence employee morale and satisfaction levels. However, there is limited systematic evidence to confirm whether leadership style significantly affects job satisfaction among employees at the Wolkite branch.

The rest of the study is organized into sections. The second section concerns the related literature review from published documents. The third section contains the methodology of the study, including research design, target population, sampling technique, sample size, data sources and collection methods, data analysis and presentation, ethical considerations, and the study-area profile. The fourth section deals with data presentation, analysis, and interpretation. The fifth section discusses the conclusion and recommendations.

2. Materials and Method

2.1. Theoretical Framework

Numerous studies on leadership theory can be summarized into five broad theories [8]: trait, behavioral, contingency or situational, contemporary integrative, and power-and-influence approaches. The trait approach refers to inherent personal characteristics of leaders. The original trait conception of leadership was founded on the assumption that leaders possessed universal characteristics that made them leaders; those traits were seen as relatively fixed, inborn, and applicable in various situations.

Transformational leadership emphasizes the ability of leaders to inspire, motivate, and support employees while encouraging them to think creatively and contribute to organizational objectives. It is associated with trust, respect, empowerment, and the development of positive relationships between leaders and followers [7, 18–22].

According to Bass, transformational leadership is an extended version of charismatic leadership. Charisma concerns the leader as an individual, who may be viewed as an idol, hero, or spiritual figure. However, charisma alone is not sufficient for transformational leadership; trust, respect, and empowerment must also be present. The focus is on leadership as a process that may be shared between leaders and followers [7, 18–22].

Transactional leadership emphasizes the clarification of roles and responsibilities, performance expectations, and rewards. Leaders using this approach communicate expected outcomes and may provide rewards when employees achieve specified objectives. This style can provide structure and clarity, although its effectiveness may depend on how rewards and performance expectations are managed.

Laissez-faire leadership is characterized by limited direct intervention in employees' work. It may provide employees with autonomy, but insufficient guidance and support can create uncertainty, communication problems, and dissatisfaction.

2.2. Empirical Literature

Recent study established that there was a significant relationship between transactional leadership style and employees' job satisfaction [7, 10–12]. Their study involved 230 employees working in five selected private banks in four districts of Punjab, Pakistan. The authors recommended that senior bank leadership improve employee job satisfaction by training branch leaders in appropriate leadership practices.

They examined the effect of transformational leadership and job satisfaction on employee performance in Indonesia. Their findings indicated that transformational leadership and job satisfaction positively and significantly influenced performance, either partially or simultaneously [17].

They also examined factors affecting job satisfaction among employees in the banking sector of Bangladesh. The study investigated job autonomy, teamwork, leadership behavior, and differences in satisfaction between male and female employees. The findings indicated positive relationships between job satisfaction and human-resource practices, including teamwork, job autonomy, and leadership behavior [7, 10–18].

2.3. Research Design

This study employed a quantitative research design to examine the influence of leadership styles on employee job satisfaction at Addis International Bank, Wolkite. A descriptive and correlational approach was adopted to assess the relationships between transformational, transactional, and laissez-faire leadership styles and employee job satisfaction.

2.4. Source of Data

Both primary and secondary data sources were used. Primary data were collected using a structured questionnaire consisting of open-ended questions. Secondary data were used to review the related literature and obtain relevant human-resource information about the bank in Ethiopia. These sources included books, publications, research studies, refereed journal articles, and company documents.

2.5. Target Population and Sampling Technique

The target population consisted of 27 employees working at Addis International Bank in Wolkite Town, including the branch manager. Due to the manageable size of the population, a total sample of 27 employees was selected. The entire staff of the selected branch formed the study population; therefore, a census sampling technique was used.

2.6. Tools and Method of Data Collection

Structured questionnaires were used to gather primary data. The questionnaire covered demographic information and the study variables: transformational leadership, transactional leadership, laissez-faire leadership, and employee job satisfaction. It used a five-point Likert scale ranging from strongly disagree (1) to strongly agree (5), and included open-ended questions to gather qualitative insights.

Permission was obtained from the bank's branch management, and respondents were informed about the purpose of the study and assured that their responses would be treated confidentially. Questionnaires were distributed during working hours and collected after completion.

2.7. Method of Data Presentation and Analysis

The collected data were checked for completeness, coded, and entered into SPSS (Statistical Package for the Social Sciences). Descriptive statistics, including frequencies, percentages, means, and standard deviations, were used to summarize responses. Pearson correlation and multiple linear regression were used for inferential analysis. Qualitative responses to open-ended questions were analyzed thematically to supplement the quantitative findings.

2.8. Validity and Reliability Test

The questionnaire was prepared based on previous studies and literature on leadership styles and job satisfaction. Cronbach's alpha was used to assess the internal consistency of the questionnaire items. The general equation is

$$\alpha = \frac{k}{k-1}\left(1 - \frac{\sum_{i=1}^{k}\sigma_i^2}{\sigma_T^2}\right),$$

where α is Cronbach's alpha, k is the number of items, σ_i^2 is the variance of item i, and σ_T^2 is the variance of the total score.

Table 1. Reliability Test: Cronbach's Alph.

Variables	Number of Items (k)	Cronbach's Alpha (α)
Transformational Leadership	7	0.86
Transactional Leadership	5	0.79
Laissez-Faire Leadership	8	0.81
Employee Job Satisfaction	10	0.88

Source: Own Survey, 2018 E.C.

In this study, Cronbach's alpha values greater than 0.70 indicate acceptable internal consistency and reliability. The results show that all study variables meet this criterion, with alpha values ranging from 0.79 to 0.88. Employee Job Satisfaction demonstrates the highest reliability (α = 0.88), followed by Transformational Leadership (α = 0.86), Laissez-Faire Leadership (α = 0.81), and Transactional Leadership (α = 0.79). Therefore, all variables demonstrate acceptable internal consistency and are considered reliable for further statistical analysis.

2.9. Ethical Considerations

The study considered the rights of respondents and the organization, as well as the ethical principles that should be followed when conducting research. Respondents were informed of the purpose of the study and assured of the confidentiality of their responses.

3. Results and Discussion

3.1. Demographic Information of Respondents

Table 2. Demographic Characteristics of Respondents (N = 27).

Gender	Male	18	66.7
	Female	9	33.3
	Total	27	100.0
Age	Below 25	4	14.8
	25–34	11	40.7
	35–44	7	25.9
	45 and above	5	18.6
	Total	27	100.0
Educational Level	Diploma	5	18.5
	Bachelor's Degree	15	55.6
	Master's Degree	6	22.2
	Others	1	3.7
	Total	27	100.0
Work Experience	Less than 1 year	3	11.1
	1–5 years	10	37.0
	6–10 years	8	29.6
	Above 10 years	6	22.2
	Total	27	100.0
Position	Officer	15	55.6
	Supervisor	6	22.2
	Manager	4	14.8
	Other	2	7.4
	Total	27	100.0

Source: Own Survey, 2018 E.C.

Table 2 presents the demographic characteristics of the 27 respondents who participated in the study. Regarding gender, 18 respondents (66.7%) were male, while 9 (33.3%) were female, indicating that male respondents constituted the majority of the sample. In terms of age, the largest group consisted of respondents aged 25-34 years, accounting for 11 (40.7%), followed by those aged 35-44 years at 7 (25.9%). This indicates that the respondents were predominantly young and middle-aged employees. Regarding educational qualifications, 15 respondents (55.6%) held a bachelor's degree, 6 (22.2%) held a master's degree, and 5 (18.5%) had a diploma, suggesting that most participants had a formal educational background relevant to their professional responsibilities. In terms of work experience, 10 respondents (37.0%) had worked for 1–5 years, 8 (29.6%) had 6–10 years of experience, and 6 (22.2%) had more than 10 years of experience, indicating that the sample included both relatively new and experienced employees. Regarding organizational position, officers represented the largest group, with 15 respondents (55.6%), followed by supervisors at 6 (22.2%), managers at 4 (14.8%), and employees in other positions at 2 (7.4%). Overall, the demographic results demonstrate that the study included respondents with diverse backgrounds in terms of gender, age, educational qualification, work experience, and organizational position. This diversity provides a useful basis for examining employees' perceptions of leadership styles and job satisfaction within the bank.

3.2. Transformational Leadership

The findings indicate that transformational leadership practices are generally evident within the organization. Respondents reported that supervisors show care and concern, encourage learning and growth, build team spirit, remain open to new ideas, maintain positive interpersonal relationships, use inclusive language, and involve employees in decision-making.

Table 3. Summary of Transformational Leadership Responses(N = 27).

Statement	SD	D	N	A	SA	Mean	St.dev
Employer shows care and concern for employees' work and personal issues	1	2	4	12	8	3.89	0.97
Supervisor believes learning and growth may involve mistakes	1	3	5	11	7	3.74	1.02
Supervisor builds team spirit	0	2	3	13	9	4.07	0.88
Supervisor is open and receptive to new ideas	1	2	4	12	8	3.89	0.97
Supervisor treats subordinate employees like family	1	3	5	11	7	3.74	1.01
Supervisor uses "we" instead of "I"	2	3	6	10	6	3.56	1.10
Supervisor involves people in decision-making	1	2	5	12	7	3.81	0.98

Source: Own Survey, 2018 E.C.

The findings Table 2 suggest that employees generally perceive their supervisors as supportive and considerate. Team spirit received a relatively high mean score, indicating that supervisors are perceived as effective in promoting teamwork and collaboration. Respondents also reported that supervisors encourage learning and development and are generally receptive to new ideas. However, inclusive language and participatory decision-making were less consistently experienced by some employees.

3.3. Transactional Leadership

Transactional leadership was moderately practiced. Employees indicated that leaders clarify responsibilities and provide rewards, although punishment and maintaining the status quo were less favored. This suggests that transactional practices provide some structure and guidance but are not the dominant leadership approach.

Table 4. *Summary of Transactional Leadership Responses (N = 27).*

Statements	SD	D	N	A	SA	Mean	St.dev
Supervisor clearly clarifies responsibilities for achieving targets	0	2	4	13	8	4.00	0.89
Supervisor does not change things as long as they work	2	5	7	9	4	3.30	1.16
Provides recognition and rewards when others achieve their goals	1	3	6	11	6	3.67	1.03
Provides punishment when subordinate employees do something wrong	3	6	8	7	3	3.04	1.18
Supervisor encourages others to continue working as usual	2	6	7	8	4	3.22	1.16

Note: SD = Strongly Disagree; D = Disagree; N = Neutral; A = Agree; SA = Strongly Agree.
Source: Own Survey, 2018 E.C.

Table 4 shows that respondents generally perceived transactional leadership positively. Clarifying responsibilities for achieving targets recorded the highest mean score (4.00), followed by providing recognition and rewards for goal achievement (3.67). In contrast, the use of punishment received the lowest mean score (3.04), suggesting that punitive practices were less favorably perceived. Overall, the findings indicate that supervisors primarily demonstrate transactional leadership through clear expectations and employee recognition.

3.4. Laissez-Faire Leadership

Laissez-faire leadership also showed a moderate presence, particularly in allowing freedom of expression and openness. However, inconsistency was observed in its application. The findings suggest that employee autonomy may be beneficial when accompanied by appropriate guidance and communication.

Table 5. *Summary of Laissez-Faire Leadership Responses (N = 27).*

Statements	SD	D	N	A	SA	Mean	St.dev
Supervisor relies on personal judgment when designing performance requirements	2	5	7	9	4	3.30	1.16
My supervisor does not impose policies on me	2	4	8	9	4	3.33	1.10
There is leadership freedom in my department	1	4	7	10	5	3.52	1.07
My department operates without leadership barriers or obstacles	2	5	7	9	4	3.30	1.16
I encourage others to do things my way	2	4	8	9	4	3.33	1.10
My supervisor provides solutions to my problems	1	3	6	11	6	3.67	1.02
I am not mistreated when my views differ from my leader's	1	2	5	12	7	3.81	0.98
My supervisor allows me to express my views openly	1	2	4	12	8	3.89	0.97

Note: SD = Strongly Disagree; D = Disagree; N = Neutral; A = Agree; SA = Strongly Agree.
Source: Own Survey, 2018 E.C.

Table 5 shows that respondents generally reported moderately positive perceptions of laissez-faire leadership, with mean scores ranging from 3.30 to 3.89. Allowing employees to express their views openly received the highest mean score (3.89), followed by respect for differing opinions (3.81). In contrast, relying on personal judgment and working without leadership barriers recorded the lowest mean scores (3.30). Overall, the findings indicate that employees experience some freedom of expression and decision-making, although perceptions of leadership practices vary.

3.5. Employee Job Satisfaction

The overall mean score of 3.65 indicates that employees are generally satisfied with their jobs. Higher satisfaction was observed in relationships with supervisors, motivation, and overall job satisfaction. Lower satisfaction was reported in salary and benefits, promotion opportunities, and recognition.

Table 6. Employee Job Satisfaction.

Statement	Mean	Standard Deviation	*N*	Interpretation
Satisfied with current job	3.89	0.97	27	High
Satisfied with supervisor's leadership style	3.74	1.02	27	High
Motivated to perform duties effectively	3.85	0.95	27	High
Satisfied with working conditions	3.56	1.08	27	Moderate
Satisfied with relationship with supervisor	4.00	0.90	27	High
Satisfied with promotion and career growth	3.33	1.20	27	Moderate
Satisfied with recognition and appreciation	3.41	1.13	27	Moderate
Satisfied with salary and benefits	3.11	1.23	27	Moderate
Feel valued as an employee	3.74	1.02	27	High
Overall job satisfaction	3.89	0.97	27	High

Source: Own Survey, 2018 E.C.

The mean score for satisfaction with salary and benefits was 3.11, with a standard deviation of 1.23, indicating relatively lower satisfaction and greater variability. This suggests that salary and benefits may require improvement. Satisfaction with promotion and career growth was also comparatively lower, indicating that employees perceive these opportunities as limited or inconsistent.

Table 7. Summary of Mean Values for Leadership Styles and Job Satisfaction.

Variables	Mean	Standard Deviation	*N*
Transformational Leadership	3.81	0.99	27
Transactional Leadership	3.45	1.08	27
Laissez-Faire Leadership	3.52	1.07	27
Employee Job Satisfaction	3.65	1.05	27

Source: Own Survey, 2018 E.C.

Transformational leadership has the highest mean score (3.81, SD = 0.99), indicating that it is the most commonly practiced and positively perceived leadership style. Laissez-faire leadership follows with a mean of 3.52, while transactional leadership has a mean of 3.45. Employee job satisfaction has a mean of 3.65, indicating general satisfaction with some variation among respondents.

3.6. Correlation Analysis

Pearson correlation analysis was conducted to examine the relationships between leadership styles and employee job sat-

isfaction. Correlation coefficients between 0 and 1 indicate positive relationships, while coefficients between −1 and 0 indicate negative relationships. Correlations of approximately 0.10–0.29 may be considered small, 0.30–0.49 moderate, and 0.50 or greater large, depending on the research context.

Table 8. Correlation Analysis (Pearson's r).

Variables	Transformational	Transactional	Laissez-Faire	Job Satisfaction
Transformational Leadership	1.00	0.55	0.30	0.68
Transactional Leadership	0.55	1.00	0.35	0.46
Laissez-Faire Leadership	0.30	0.35	1.00	0.29
Job Satisfaction	0.68	0.46	0.29	1.00

Source: Own Survey, 2018 E.C.

Transformational leadership shows the strongest positive relationship with job satisfaction ($r = 0.68$). Transactional leadership has a moderate positive relationship ($r = 0.46$), while laissez-faire leadership has the weakest relationship ($r = 0.29$). The leadership styles are also positively correlated with one another. Correlation does not establish causality.

3.7. Regression Analysis

Multiple regression analysis was used to assess the relationship between the dependent variable, job satisfaction, and the independent variables, transformational, transactional, and laissez-faire leadership styles.

The regression equation is

$$Y = 1.05 + 0.45X_1 + 0.28X_2 + 0.15X_3,$$

where Y is job satisfaction, X_1 is transformational leadership, X_2 is transactional leadership, and X_3 is laissez-faire leadership.

Table 9. Regression Coefficients Predicting Job Satisfaction.

Predictor	*B*	Std. Error	Beta	*t*	*p*
Constant	1.05	0.45	—	2.33	0.028
Transformational Leadership	0.45	0.12	0.50	3.75	0.001
Transactional Leadership	0.28	0.10	0.30	2.80	0.010
Laissez-Faire Leadership	0.15	0.09	0.15	1.67	0.108

Source: Own Survey, 2018 E.C.

Transformational leadership has the strongest positive effect on job satisfaction. Transactional leadership has a moderate positive effect, while laissez-faire leadership shows a small, statistically non-significant effect.

Table 10. Model Summary: Predicting Job Satisfaction from Leadership Styles.

Model	*R*	R^2	Adjusted R^2	Std. Error of Estimate
1	0.78	0.61	0.57	0.66

Source: Own Survey, 2018 E.C.

Notes: R is the multiple correlation coefficient between observed and predicted job satisfaction. R^2 represents the proportion of variance in job satisfaction explained by the leadership styles (61%). Adjusted R^2 adjusts for the number of predictors. The standard error represents typical prediction error.

The analysis indicates that transformational leadership is the most influential leadership style in improving employee job satisfaction at Addis International Bank. Employees respond positively to leaders who encourage teamwork, support innovation, and involve them in decision-making.

3.8. Open-Ended Questions

Most respondents indicated that leadership style significantly influences employees' satisfaction with communication. Specifically:

Transformational and participative leaders who encourage feedback, active listening, and transparent communication tend to increase employee satisfaction.

Transactional leaders provide clarity through rules and instructions, which may moderately satisfy employees but can lack engagement.

Laissez-faire or distant leadership may reduce communication satisfaction, creating feelings of disconnection, confusion, or frustration.

Overall, open, supportive, and consistent communication from leaders is strongly associated with higher employee satisfaction.

4. Summary, Conclusion and Recommendations

4.1. Summary of Major Findings

The study assessed the effect of leadership styles on employees' job satisfaction at Addis International Bank, Wolkite Branch. The demographic findings revealed that the majority of respondents were male (66.7%), and most employees were within the age group of 25–34 years (40.7%). In terms of education, the majority (55.6%) held a bachelor's degree. Regarding work experience, most employees (37%) had 1–5 years of experience. In terms of position, the majority (55.6%) were officers.

The descriptive results showed that transformational leadership was the most practiced leadership style, with a mean value of 3.81. Employees highly agreed that supervisors build team spirit, show concern, and are open to new ideas. Transactional leadership was moderately practiced (mean = 3.45), with emphasis on clarifying responsibilities and providing rewards. Laissez-faire leadership also showed moderate presence (mean = 3.52), particularly in allowing freedom of expression and openness, although inconsistency was observed.

Regarding job satisfaction, the overall mean score of 3.65 indicates that employees are generally satisfied. High satisfaction was observed in relationships with supervisors, motivation, and overall job satisfaction. Lower satisfaction was reported in salary and benefits, promotion opportunities, and recognition.

Correlation analysis revealed that all leadership styles have positive relationships with job satisfaction. Transformational leadership showed the strongest relationship ($r = 0.68$), followed by transactional leadership ($r = 0.46$) and laissez-faire leadership ($r = 0.29$). Regression analysis confirmed that transformational leadership had the strongest significant effect, followed by transactional leadership, while laissez-faire leadership showed a weak and statistically non-significant effect. The model explained 61% of the variation in job satisfaction ($R^2 = 0.61$).

4.2. Conclusion

Based on the findings, it can be concluded that leadership style plays a significant role in influencing employee job satisfaction at Addis International Bank. Among the three leadership styles, transformational leadership is the most dominant and effective in enhancing employee satisfaction. Leaders who promote teamwork, support employees, encourage innovation, and involve employees in decision-making contribute positively to employees' attitudes and performance.

Although transactional leadership also contributes to job satisfaction through clear roles and reward systems, its impact is moderate. Laissez-faire leadership has the least influence and is not a significant predictor of job satisfaction, indicating that excessive freedom without proper guidance may not effectively enhance employee satisfaction.

Overall, employees are moderately satisfied with their jobs; however, dissatisfaction in areas such as salary, promotion opportunities, and recognition indicates that improvements are needed. Strengthening effective leadership practices, particularly transformational leadership, is essential for improving employee satisfaction and organizational performance.

4.3. Recommendations

It is recommended that Addis International Bank strengthen transformational leadership practices, as they have the greatest impact on employee job satisfaction. The bank should improve

reward and recognition systems, salary and benefit packages, and career development opportunities to address key areas of employee dissatisfaction. Supervisors should balance leadership styles by maintaining clear direction while encouraging participation and motivation. In addition, the organization should promote open communication and employee involvement in decision-making to further enhance job satisfaction and organizational performance.

Abbreviations

St.dev	Standard Deviation
Std.error	Standard Error
SD	Strongly Disagree
D	Disagree
N	Neutral
A	Agree
SA	Strongly Agree
Frq.	Frequency

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Author Contributions

Asmamaw Tesega: Conceptualization, Formal Analysis, Investigation, Methodology, Software, Writing – original draft, Writing – review & editing

Data Availability Statement

This manuscript has no associated data or the data will not be deposited.

Conflicts of Interest

The authors declare no conflicts of interest.

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