



UNRAVELING THE LINK: HOW LEADERSHIP STYLES SHAPE ORGANIZATIONAL PERFORMANCE IN ETHIOPIAN PRIVATE HIGHER EDUCATION

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ABSTRACT

This study examines the critical link among various approaches of leadership and organizational performance in Ethiopian private colleges/universities, employing an explanatory research design with a quantitative approach. Data were collected from 301 employees using structured questionnaires and analyzed through multiple linear regression to determine the predictive relationships among leadership approaches and institutional performance metrics. The findings reveal that leadership styles significantly influence organizational performance, with transformational leadership demonstrating the strongest positive impact by fostering employee motivation, innovation, and shared institutional vision. Transactional leadership also contributes positively through its structured reward systems and performance accountability mechanisms. Conversely, laissez-faire leadership exhibits a detrimental effect, correlating with reduced productivity and institutional inefficiencies due to its passive supervisory approach. These results underscore the strategic importance of leadership development in Ethiopia's evolving higher education sector, suggesting that institutions prioritizing transformational and transactional leadership practices are better positioned to enhance college/ university performance. Therefore, the researcher provides recommendations for university administrators seeking to optimize leadership strategies in resource-constrained educational environments while contributing empirical evidence to the broader discourse on leadership effectiveness in developing contexts.

Keywords: leadership styles, organizational performance, higher education, Ethiopia

1. INTRODUCTION

Leadership is a critical factor influencing organizational performance, particularly in higher educational institutions (HEIs). For private HEIs in Ethiopia, effective leadership is essential for navigating the challenges of rapid growth, resource constraints, and increasing demands for quality education. Different leadership styles can significantly impact employee job satisfaction and organizational effectiveness (Kebede & Demeke, 2017). Understanding these styles and their effects is crucial for enhancing organizational performance.

Leadership involves a variety of actions and styles, playing a significant role in organizations (Bilola, 2022). Effective leaders guide employees toward high performance to achieve organizational goals, adapting their leadership styles to different situations (Bilola, 2022). The ability to influence behaviors and attitudes is a key aspect of leadership (Bilola, 2022). Moreover, leadership is considered a key factor in the success of any team, company, or nation. It is considered the essential foundation that drives an organization's performance (U, 2018).

Organizational culture also significantly influences performance and effectiveness (Demissie & Egziabher, 2022). Higher education officials must adapt their institutions to meet stakeholder

needs and improve overall organizational outcomes. The performance and sustainability of businesses and institutions, including educational institutions, are greatly impacted by leaders who shape and maintain the organizational culture (Khan & Gul, 2022).

The research investigated various leadership approaches that organizations have employed, analyzing their distinct impacts on operational success. The study particularly focused on how transactional, transformational, and laissez-fair leadership styles practices in HEIs and their impact on organizational performance within the specific context of Ethiopian private higher education. It analyzed the given result to determine the effect of transformation, transaction, and laissez-faire leadership styles on organizational performance. It addresses the importance of adapting leadership approaches to meet the unique challenges and opportunities in this sector.

2. LITERATURE REVIEW

Leadership Styles and Organizational Performance

Leadership styles encompass a leader's behavior when directing, motivating, guiding, and managing groups of people (Acosta, 2024). Different leadership styles can significantly impact employee job satisfaction and organizational effectiveness (Kebede & Demeke, 2017). Understanding these styles and their effects is crucial for enhancing organizational performance.

Transformational Leadership

Transformational leadership inspires and motivates employees to attain collective objectives while championing ongoing organizational advancement (Bou et al., 2024). This style positively influences job satisfaction, employee performance, and innovation within HEIs. Transformational leaders align followers' values with organizational goals, inspiring them to accomplish more (U, 2018). In Ethiopian public universities, transformational leadership can improve the organizational performance and has been found to positively influence faculty improvement (Kebede & Demeke, 2017).

Transactional Leadership

Transactional leadership focuses on rewards and penalties to drive performance (Zhong, 2024). While it can be effective in certain contexts, it may not foster creativity and long-term engagement to the same extent as transformational leadership (Maama, 2024). Proper use of transformational leadership style can improve the enterprise performance and can create strong work ethic among private university employees (Hijazi et al., 2017).

Laissez-faire Leadership

Laissez-faire leadership creates significant organizational challenges, particularly in structured environments like Ethiopian private higher education institutions. Research by Andoh and Ghansah (2019) demonstrates that this passive leadership style often results in role ambiguity, diminished accountability, and reduced employee performance, as faculty members lack clear direction and adequate supervisory support.

3. METHODS

Research Design

The investigation adopted primarily explanatory design, aiming to apprehend the interactions among key variables by identifying how one factor influences another. This design goes beyond merely describing phenomena; it seeks to establish causal links and underlying mechanisms that drive observed patterns. By employing an explanatory approach, the study systematically examines cause-and-effect relationships, determining whether changes in independent

variables lead to measurable variations in dependent variables. This type of research design is chosen because it enables a deeper sympathetic of the factors shaping the investigation problem, permitting for evidence-based conclusions and potential policy or managerial implications. Additionally, an explanatory design supports the use of statistical method such as multiple linear regression analysis to validate relationships and deliver a more complete thoughtful of the study's findings.

Sample Size and Sampling Technique

Based on the information obtained from the higher institutions under study, the total number of permanent employees was 1,216. The study's participant pool was established by applying Yamane's (1967) statistical formula to existing reference data. This calculation method yielded a demographically appropriate research cohort for subsequent analysis.

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

$$n = \frac{1216}{1 + 1216(0.05)^2}$$

$$n \approx 301$$

A stratified type of sampling method was employed to systematically divide the population into distinct, non-overlapping groups based on their roles within the institution. Specifically, the population was categorized into two primary strata: instructors and administrative staff.

Data Collection

Questionnaire was designed to gather comprehensive insights from respondents. The questionnaire included a sequence of well-formulated questions intended at capturing relevant information on key variables under investigation. A 5-point Likert type questions were used to quantity respondents' perceptions, attitudes, and experiences, allowing them to specify their level of agreement or disagreement with each statement. This scale ranged from "Strongly Disagree" to "Strongly Agree," ensuring a nuanced understanding of responses. The use of a five-point scale provided a balanced approach to data collection, enabling the quantification of subjective opinions while maintaining clarity and ease of interpretation (Demissie et al., 2024). The survey instrument was meticulously designed with a combination of fixed-response and open-ended items to establish robust measurement accuracy and consistency.

Data Analysis

The gathered data from selected respondents were carefully input into SPSS Version 26, widely used statistical software for data management and analysis. After ensuring data accuracy through thorough cleaning and validation processes, multiple linear regression approach was employed to assess the associations among predictor and outcome measures. This analytical technique was chosen because it allows for the assessment of how multiple predictor variables simultaneously influence the outcome variable, providing a deeper understanding of the underlying patterns within the data. The regression model helped identify significant predictors, determine the strength of associations, and evaluate the overall explanatory power of the exogenous variables in predicting the endogenous variable. Additionally, diagnostic tests were performed to check for assumptions such as multicollinearity, normality, and homoscedasticity, ensuring better result. The results of the analysis provided cherished understandings into the variables influencing the research outcomes, contributing to evidence-based conclusions and recommendations.

4. RESULTS AND DISCUSSION

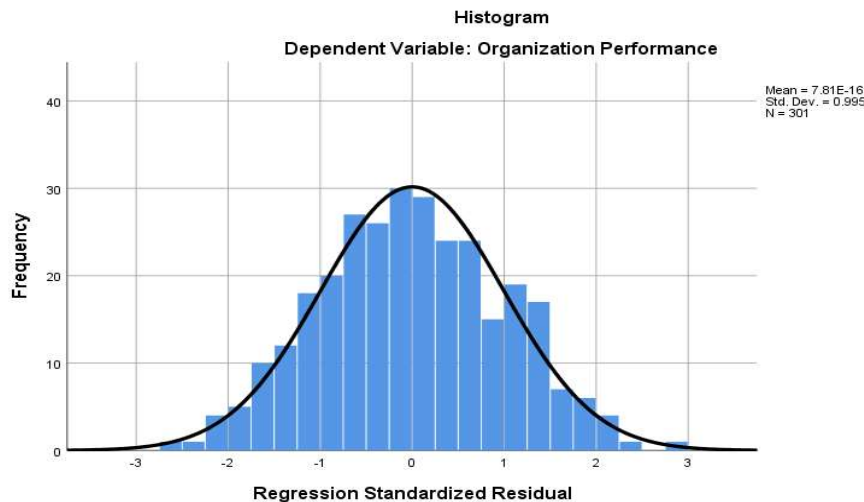
To examine the effect of leadership styles on organizational performance in private higher educational institutions, linear types of regression analysis was applied. But, before conducting a study, multicollinearity, normality, and homoscedasticity tests were used as follows:

Table 1: *Multicollinearity Assumption*

Model		Collinearity Statistics	
		Tolerance	VIF
1	Transformation	.799	1.252
	Transaction	.785	1.274
	Laissez	.929	1.077

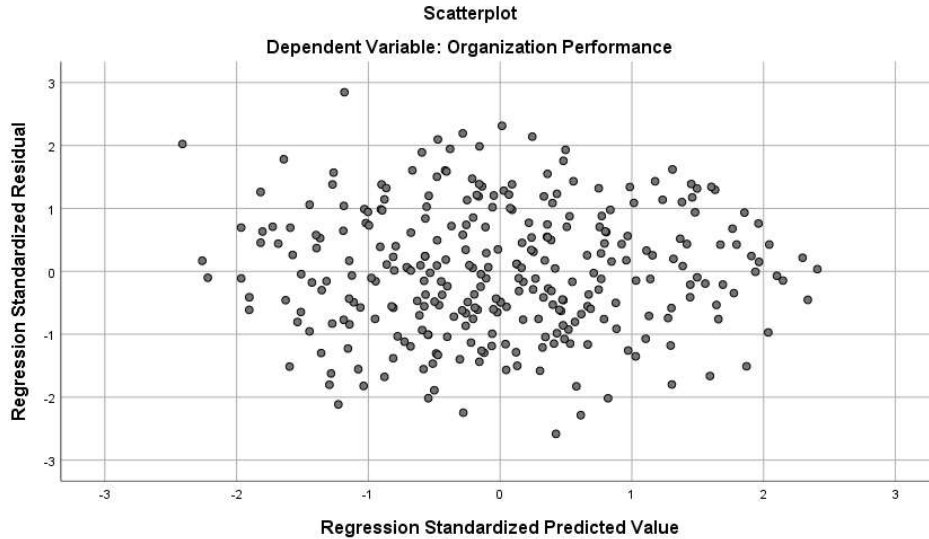
The multicollinearity test results confirm the absence of significant collinearity among the independent variables considered in the study, as evidenced by tolerance values all above 0.10 (0.785 to 0.929) and VIF results all below 2 (1.077 to 1.274), well within acceptable thresholds. These findings indicate that each leadership style contributes unique explanatory power to the model without substantial overlap, ensuring the reliability and stability of the regression coefficients.

Figure 1: *Normality Test*



The bell curve distribution pattern observed in the standardized residual plot for "Organization Performance" indicates compliance with the Gaussian distribution assumption underlying the regression model. Visual inspection reveals a symmetrical, mound-shaped frequency distribution of prediction errors, supporting the parametric requirements of the analytical approach; a key requirement for valid regression results. This pattern indicates that your model's errors are randomly distributed without systematic bias, supporting the reliability of your statistical inferences about leadership styles' effects on performance. Minor deviations from perfect normality (e.g., slight skewness or kurtosis) are typically acceptable in large samples like yours (n=301).

Figure 2: *Heteroskedasticity Test*



The scatterplot of regression standardized residuals versus predicted values for "Organization Performance" demonstrates key assumptions of linear regression are satisfied, as evidenced by the random dispersion of residuals around zero without funnel-shaped patterns (confirming homoscedasticity) and the absence of systematic curvilinear trends (validating linearity). The even distribution of residuals across all predicted value ranges indicates constant error variance, while the limited presence of extreme outliers (beyond ± 3 standard deviations) suggests a robust model specification. These diagnostic results confirm the appropriateness of the linear regression model for analyzing relationships between leadership styles and organizational performance, reinforcing the reliability of your statistical conclusions about predictor effects.

Table 2: *Effect of Leadership Style on Organizational Performance*

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.324	.138		2.339	.020
	Transformation	.619	.037	.573	16.892	.000
	Transaction	.468	.035	.463	13.532	.000
	Laissez	-.340	.034	-.315	-10.003	.000

a. Dependent Variable: Organization Performance

The provided regression results offer a quantitative assessment of the impact of different leadership styles on institutional performance. The regression includes three leadership types given: transformational, transactional, and laissez-faire styles. The dependent variable is organizational performance.

Transformational Leadership: The coefficient (B) for transformational leadership is 0.619, with a standard error of 0.037. The variable is highly significant ($p < 0.001$). The analysis reveals a robust positive association between transformational leadership practices and enhanced organizational outcomes. The regression coefficients indicate that each incremental improvement in transformational leadership corresponds to a 0.619 unit elevation in performance metrics.

Transactional Leadership: The coefficient (B) for transactional type is 0.468. The variable is highly significant is also highly significant ($p < 0.001$). The findings reveal that transactional leadership likewise contributes to improved organizational outcomes, albeit with a marginally smaller effect size compared to transformational approaches. The predictive model estimates a 0.468 unit enhancement in performance indicators for each standard unit progression in transactional leadership practices.

Laissez-faire Leadership: The coefficient of laissez-faire type is -0.340. The variable is highly significant ($p < 0.001$). This suggests that laissez-faire leadership has a negative impact on organizational performance. For every one-unit increase in laissez-faire leadership, organizational performance is expected to decrease by 0.340 units.

5. CONCLUSION AND RECOMMENDATIONS

Strong leadership serves as a critical driver of business success and operational excellence in private higher educational institutions in Ethiopia by shaping institutional culture, employee motivation, and overall efficiency. According to the regression results, both transformational and transactional leadership approaches demonstrate beneficial effects on organizational outcomes. Transformational leaders inspire and empower employees by fostering a shared vision, encouraging innovation, and recognizing individual contributions, ultimately leading to increased job satisfaction and institutional effectiveness. Transactional leadership, which focuses on structured rewards and performance-based incentives, also contributes to improved organizational performance by ensuring accountability and goal-oriented progress. In contrast, laissez-faire leadership approach, described by a lack of direction and minimal supervision, has a negative impact, often resulting in decreased productivity, low employee morale, and organizational inefficiencies.

Based on the findings of this review and regression analysis, private higher educational institutions in Ethiopia should devote in leadership improvement programs to advance transformational and transactional leadership skills. Promoting diversity and inclusion through equitable policies and fostering a democratic work environment is crucial. Addressing cultural entropy by improving communication, reducing bureaucracy, and increasing employee engagement will enhance institutional effectiveness. Combating toxic leadership through ethical leadership training and secure reporting channels is essential. Encouraging employee engagement via professional development, recognition, and participatory decision-making will boost morale. Lastly, adopting innovative administrative strategies, including technology integration and agile methodologies, will drive positive educational outcomes.

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