

## A study on the Influence of Leadership Approach on Organizational Performance in the Revenue Sector in Ethiopia

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### Abstract

The overarching purpose of this study was to critically evaluate the impact of leadership styles on employee work engagement and organizational performance in the revenue sector. The findings revealed that leadership in the Ministry of Revenue (MoR) predominantly aligns with a transactional approach. While transformational leadership behaviors were observed under specific circumstances, they were not as prominent or consistently applied as transactional leadership practices. Moreover, the study found that transformational and transactional leadership styles significantly predict employee work engagement and organizational performance. The study further demonstrated that employee work engagement played not only a partial mediation role between leadership style and organizational performance but also uniquely contributed to explaining the change in organizational performance by itself. Among the two leadership styles, however, transformational leadership makes a relatively greater contribution in explaining the extent of employee work engagement and organizational performance at the MoR. This study thus recommends that the MoR should develop and apply transformational leadership skills in addition to some transactional leadership abilities to create a productive workplace, an engaged workforce that can function in a constantly changing economy, and generate enough revenue to support the nation's growth and development initiatives.

**Key words:** Leadership, transactional leadership, transformational leadership, employee engagement, organizational performance

### 1. Introduction

Effective leadership plays a significant role in the success of any organization as it directly impacts and predicts employees' work engagement, and in due course organizational performance (Peterson & Luthans, 2003; Benmira & Agboola, 2021). Despite the fact that there are different determinants, leadership takes the lion's share in the success or failure of an organization's performance. Leadership has drawn a lot of attention throughout the years and is more important than ever in the fast-paced, globally interconnected world of today (Benmira & Agboola, 2021). Leadership influences, guides, and helps employees, and other stakeholders to understand the direction and effective function that is likely to enhance their performance and

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ISSN 2519-5255(print) ISSN 2957-9104(online)



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accomplish organizational goals (Gupta et al., 2010; Northouse, 2019). The performance and effectiveness of an organization can be enhanced by the presence of good and effective leadership (Ahmad et al., 2013; Arham, 2014); while it is negatively impacted by ineffective leadership style (Aboyassin & Abood, 2013; Iqbal et al. 2015).

This study examined the leadership styles being employed in the revenue sector which is regarded as the backbone and a key development priority component for any government to generate public revenues which is an important resource to finance the socio-economic activities of the country. Since 1991, the tax administration underwent major reform to expand the tax base and reduce budget deficit to an acceptable amount. Moreover, the reform aimed to encourage trade and investment; increase government revenues to support social programs and alleviate poverty; strengthen the enforcement capacity and promote equity in the tax system (MoR, 1999). However, the revenue sector in Ethiopia is characterized by a low level of revenue collection, low taxpayer compliance due to lack of skilled manpower and competencies, high corruption, poor implementation, and performance monitoring and evaluation framework, poor customer handling, poor coordination, ineffective resource utilization. Taking into account these problems the government has gone through implementing serious tax reform initiatives since 1997 to expand the tax base and reduce the level of tax-induced distortions that are prompted by high rates (Amin, 2010; Fetiya & Meskerem, 2019:4).

Although there have been some improvements, up until these days the tax system in Ethiopia lacks a well-designed tax system and could not achieve the expected amount of revenue due to different reasons. A recent study highlighted that resistance from both employee and customers, lack of skilled manpower to implement the reform, lack of resources, lack of communication and coordination and absence of strategic approach (focus on routine activities) are contributing to the ineffectiveness of the sector (Fetiya & Meskerem, 2019:4-5)

Despite the series of reforms and increase in revenue, the performance of revenue collection and to GDP ratio (15-17%) has remained inadequate compared to the revenue generating capacity of the economy which is also below the average (23%) performances of sub-Saharan African countries (IMF, 2016). The performance of the revenue sector in Ethiopia has thus been unable to generate sufficient revenues to finance the socio-economic activities effort of the country. The preliminary analyses of the World Bank (2022) moreover projected that the financial breach for attaining the Sustainable Development Goals for developing countries is over \$2.5 trillion per year.

It is crystal clear that these problems are attributed to ineffective leadership and poor management in both instilling and implementing reform and changes that have an impact on organizational success. Solving these problems requires leaders who thoroughly understand them and who acquire an appropriate leadership skills (Liu et al., 2013; Trottier et al., 2008). Bearing in mind all these problems, the importance of adopting an appropriate leadership style in the revenue sector cannot be overemphasized since the administration and collection of the tax necessitates a strategic leadership approach (Li et al., 2017; Hou et al., 2020). Certainly, the competence, knowledge, skills, work engagement attitude, and organizational performance of the employees working in the revenue sector are equally important but determined by the effectiveness of the leadership (Wang et al., 2011; Jaiswal & Dhar, 2015).

Most of the studies on the revenue sector focused on factors affecting tax compliance behavior in different regions in Ethiopia (Frehiywot & Admasu, 2018; Tadesse & Goitom, 2014; Tilahun & Yidersal, 2014); and the impact of government spending on tax compliance (Amina & Sania, 2015; Tadesse & Goitom, 2014). These studies have recommended the need for revenue

officials to work in collaboration with the business community, to provide effective and efficient services to in place transparency and accountability and reduce corruption and create continuous follow-up, monitoring and evaluation system. Public administrators are also required to ensure a fair and equitable tax system among the poor and the wealthy, corporate and individual taxpayers, urban and rural locations, formal and informal sectors, labor and investment income. These activities need the adaptation of appropriate and strategic leadership.

Moreover, there is a paucity of studies that ~~have~~ looked into the impact of leadership style in the context of tax administration in particular in Ethiopia. The aim of this study was thus to critically assess the influence of the leadership style on employee engagement and organizational performance in the revenue sector, Ministry of Revenue (MoR) in Ethiopia. More precisely, the study aimed to examine employees' perception towards the leadership style of their supervisor in the Ministry of Revenue; examine the impact of the leadership styles of the supervisor on employees' work engagement and organizational performance; and analyse the mediating effect of employee engagement on the relationship between leadership style and organizational performance at the Ministry of Revenue.

## **2. Theoretical Background**

### **2.1 Contemporary Leadership Theories and Approaches**

Contemporary leadership theories emerged in the 1970s (Timothy & Piccolo, 2014). The transactional and transformational leadership styles are considered by some researchers to be particularly important in enhancing employees work engagement and achieving organizational goals (Sadia & Aman, 2018). Transactional leadership is a leadership approach that emphasize on satisfying the need of followers in the form of exchange or rewards following the accomplishment of the objectives and the expectations of leaders. Leaders recognize or reward followers when they achieve agreed-upon targets, while failure to meet expectations results in reprimands, all within the framework of the organization's existing structure and systems (Kabeyi, 2018; Odumeru & Ifeanyi, 2013). The transactional leadership has thus two dimensions: (i) contingent reward, which refers to the rewards provided to employees following their accomplishment and good performance, (ii) and management-by-exception, which is about taking actions to correct performance to the required standard (Bass, 1995). Based on these two assumptions a transactional leader focuses on establishing rewards and punishments, setting a clear chain of command monitoring employees whether they are obeying the order and commands of the leader to meet the expectations of the organization.

On the other hand, Transformational leadership theory puts emphasis on transforming followers, inspiring them, developing their capacity, encouraging innovation and creativity to enable them to effectively accomplish organization's goal and mission (Bass, 1995; Schaufeli & Bakker, 2010). Transformational leadership has four dimensions that a leader should follow: (I) Inspirational motivation: is considered as a leadership attribute that addresses employees' emotional attributes, infuses confidence in their abilities, communicates effectually, and provides practical feedback (Rafferty & Griffin, 2004; Jones & Rudd, 2008). Transformational leaders should inspire and motivate employees to demonstrate commitment, encourage them toward attaining the organization's goal, understand their employees' needs, and assist them in reaching their full potential (Fitzgerald & Schutte, 2010). (II) Idealized influence: It is the exemplary behavior of a leader that brings about respect, admiration, and trust in employees (Bass & Avolio, 1994). Idealized influence leaders have strong moral and ethical standards and can instill

a feeling of vision and goal which leads their employees to deeply respect their leader. (III) Intellectual stimulation: It is the behavioral dimension of leaders that enhances employees' confidence and encourages them to solve problems creatively on their own (Bass & Riggo, 2006). They support employees to be more adaptable, to be creative and innovative, to try new methods, and to use new technological ways in response to changing circumstances including challenging their own beliefs and values (Jones & Rudd, 2008). They are also driven to comprehend and promote their employees' fundamental knowledge and abilities to share new ideologies (Khan et al., 2020). (IV) Individualized consideration: this behavior denotes to the support of the leader for each follower through coaching, mentoring, and delegating duties based on each employee's competency gap and the supervision result of the performance (ibid). The leader thus recognizes individual differences among employees and pays special attention to employees' achievements and growth (Jones & Rudd, 2008). A transformative leader also uses delegation and challenges employees to grow by solving different problems (Northouse, 2019). Due to globalization, digitization, and the change in social transformation, the way companies operate has changed dramatically. This requires the revenue sector to comprehend that the status quo is no longer good enough and the need to transform and change the function of the sector through strategic leadership.

## **2.2 Employee Work Engagement**

Employee work engagement is the connection of organizational members' selves to their work roles how employees demonstrate and express themselves in exerting greater effort to achieve organizational objectives, and their belief in the organization and its missions and vision, and their attitudes toward work, the organization, and relationships (Kahn, 1990; Kirkpatrick, 2007). As suggested by Shaufeli (2002). Work engagement has three dimensions: vigor, engagement, and absorption. Vigor is characterized by showing high levels of energy and mental resilience at work and the disposition to make the most of effort in one's work and perseverance in the face of difficulty. Dedication refers to feelings of excitement, motivation, challenge, and pride; and absorption is considered as being completely focused on one's work and happily fascinated, with time passing rapidly, and having trouble separating oneself from the work (ibid). Engaged employees, as a result, feel robust at work, are happy and positive about the work they do, and are regularly absorbed in their work. This implies that work engagement involves not only employees' need to work but also their behavior and activities toward increasing their performance and increasing their productivity and achieving organizational objectives (Ellis & Sorensen, 2007). Many studies concluded that there is a significant positive relationship between transformational leadership style and employee work engagement (Ghadi, 2019; Hayati, Charkhabi, & Naami, 2018). On the other hand some studies concluded that transactional leadership style is a stronger predictor of employee work engagement attributes than transformational leadership style (Baloch, 2013) while others came up with the conclusion that both transformational and transactional leadership styles are related to and have positive impacts on employee engagement (Maharmeh, 2021; Solomon, 2016). Other studies examined different leadership styles and resonated that there is no one single and ideal leadership style that enhances employee work engagement in all situations (Gemedi & Lee, 2020; Schaufeli & Bakker, 2010). The literature moreover clearly indicates that there is a need for more study to explore how transactional and transformational leadership styles promote employee engagement which has a significant importance to the organizational performance. This study thus considers the extent

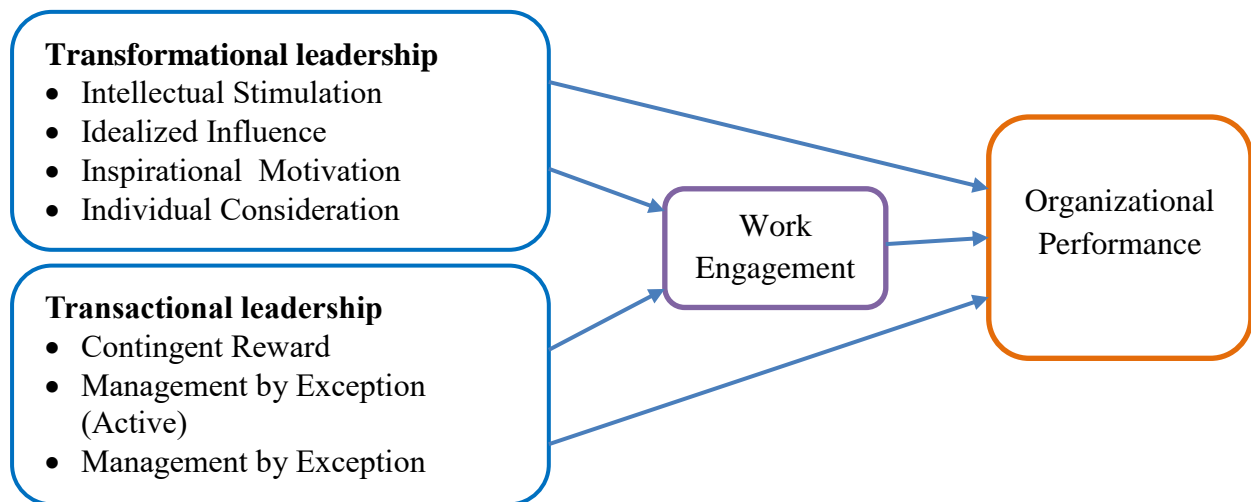
these leadership styles influence employee work engagement attributes such as, vigor, dedication, and absorption in the revenue sector in Ethiopia.

### **2.3 Leadership Approaches, Work Engagement and Organizational Performance**

It is widely acknowledged that leadership is a major factor that influences employee engagement and organizational performance. Leaders who employ effective leadership styles motivate and facilitate the achievement of their employees (Al-Khaled & Fenn, 2020; Bhargavi & Yaseen, 2016). What is required is a leadership that motivates and facilitates innovation and change and serves as a center of gravity to maintain internal focus and to let people and organizations grow and adapt. Transformational leaders encourage, inspire their followers to have a shared vision and strategically link them with the organization's goal and mission to perform in ways that create meaningful change (Anderson, 2018). These traits have motivational component to positively influence on employees' performance at work. Loang (2023) resonated that organizations should place a high priority on the development of transformational leadership skills in order to foster a productive workplace, raise employee satisfaction, and boost productivity. Moreover, transactional leadership enhances employee engagement through the reward and motivation provided by the organization will enhance employee engagement thereby increasing individual performance (Serhan, 2021). It is also argued that the reward and exchange relationship between leader and employee may positively motivate workers to exert higher levels of effort and performance (Ghadi, 2019). Both leadership theories are crucial in engaging employees inside the organization (Maharmeh, 2021; Solomon, 2016); though studies recommend that transformational leaders have a stronger impact on employee engagement (Schaufeli & Bakker, 2010; Serhan et al., 2021). Recent research in a variety of sectors moreover indicates that highly engaged workers are more likely to outperform expectations in their organizations and show that there is a link between work engagement and organizational performance (Al-Abrow et al. 2019; Maharmeh, 2021; Hayati et al., 2018). They found that work engagement was positively correlated with productivity, financial success, service delivery, and overall organizational performance. The researcher thus predicts that the dimensions of both transactional and transformational leadership enhance employee work engagement in the revenue sector to spend their time and energy and work engagement serves as a catalyst to foster organizational performance.

The exogenous/independent variables in this study were thus transformational and transactional leadership. Transformational leadership is explained in terms of the four components, Intellectual Stimulation, Idealized Influence, Inspirational Motivation, and Individual Consideration introduced by Bass (1995). Transactional leadership is examined by its three characteristics Contingent Reward, Active Management by Exception, and Passive Management by Exception. In this study employee work engagement was a mediating variable to understand the relationship between leadership style and organizational performance. The three main dimensions of work engagement, vigor, dedication and absorption were considered to measure the extent they triggered employees to exert extra effort that can increase their work engagement. Organizational performance was an endogenous/ dependent variable measured in terms of how well an organization is doing to achieve its goal, accomplish its mission, and satisfy its customer (Conțu, 2020).

## 2.4 Conceptual Framework



**Figure 2.1** Conceptual framework of the study

Based on the conceptual framework the researcher makes the following proposition:

- H<sub>1</sub> Transformational leadership positively predicts organizational performance.
- H<sub>2</sub> Transactional leadership positively predicts organizational performance.
- H<sub>3</sub> Transformational leadership positively predicts employee work engagement.
- H<sub>4</sub> Transactional leadership positively predicts employee work engagement.
- H<sub>5</sub> Employee work engagement positively predicts organizational performance.

## 3. Materials and Methods

The study applied a mixed research design to produce more evidence and to explore, describe, and interpret the data gathered from the questionnaire, interviews, and documents review. This enabled the researcher to contrast, complete, triangulate, and integrates the conclusions drawn from both quantitative and qualitative data. Thirdly, the combination of quantitative and qualitative data strengthens the validity of the evaluations, and produces compelling inferences about the study. Employees working at the MoR were the main sources of reliable information that contributed to the credibility of the findings to impact future practice of the leadership approach. The questionnaire was administered in person to 384 respondents to gather the perception of a large group of respondents who work in the Ministry of Revenue. Of the 384 respondents, 252 (66%) responded appropriately and returned the questionnaire. Interviews were conducted with 22 supervisors/leaders (Process Owners and Directors) drawn from the MoR to gather the perception of supervisors working at different level and complement and triangulate the questionnaire data. The study moreover thoroughly consulted official documents such as the strategic and annual plans and performance review reports.

## 4. Reliability and Validity

The reliability and validity of this study was ensured primarily through using multiple data sources and triangulation. Moreover, a standardized questionnaire was used to maintain the reliability of the tool; to ensure its objectivity, relevancy and applicability to the intended purpose. The Multifactor Leadership Questionnaire (MLQ) is a survey instrument mostly applied to assess employee's

perception towards their supervisor's leadership approach (Bass & Avolio, 1995; Dumdum, Lowe, Avolio, 2002). According to Bass & Avolio (1995) Multifactor Leadership Questionnaire (MLQ) Scale has good internal consistency, with a Cronbach alpha coefficient in the range of 0.86–0.91. Moreover, studies reported that Utrecht Work Engagement Scale (UWES-9) has the reliability of Cronbach's alpha ranging from 0.85 to 0.92 (Schaufeli et al., 2006; Schaufeli & Bakker, 2010)

As it is indicated in table 4.1, the Cronbach alpha coefficient of transactional leadership and transformation style in this study is .93 and .80 and the alpha coefficient of the measurement of employee work engagement and organizational performance is .88 and .76 respectively. The Cronbach alpha value of all the measurements is thus greater than .70 and this suggests that the extent the items that make up the scale consistently measuring the underlying constructs.

**Table 4.1** The Cronbach alpha value of all the measurements

No.	Description	Cronbach's Alpha	Items
1	Transactional Leadership	.934	22
2	Transformational Leadership	.807	13
3	Employee work engagement	.887	9
4	Organizational performance	.760	7

Source: SPSS output from survey data, 2023

Furthermore, adequate cases were observed and participants were given enough time to respond and return the questionnaire during the survey. All the interviews were conducted by the researcher to ensure consistency in the research process and of the subsequent data.

## 5. Results and Discussion

This section begins by introducing the demographic characteristics of the study participants and presented detailed results obtained from the empirical investigation regarding the leadership style employee engagement and organizational performance guided by the variables presented in the conceptual framework.

### 5.1 The Leadership Style in the Ministry of Revenue

This study was conceptually confined to measuring and dealing with the two contemporary leadership styles, transactional and transformational leadership. Transactional leadership style is measured by three dimensions: contingent reward, active management-by-exception and passive management by exception. Whereas, transformational leadership was measured in terms of the four dimensions namely, inspirational motivation, intellectual stimulation, and individual consideration and idealized attributes of the leadership in the MoR. Table 4.2 below demonstrates the perception of employees towards their supervisors' leadership style. The leadership scale scores had a range possibility of 1 to 5. A score of 1 implies that the style or trait was not used totally, and 5 was an attribute used frequently. A score of 1-2 indicates a style used not at all or never. A score of 2-3 represents style used once in a while to sometimes. The score between 3 and 4 indicates the style or traits were used fairly often whereas the score in between 4 and 5 represents the style or traits applied always.

**Table 4.2** The perception of employees on the leadership style of the supervisors at MoR

Transactional Leadership Style				Transformational Leadership Style			
Attributes	N	Mean	Std.D	Attributes	N	Mean	Std. D
Contingent Reward	252	3.21	.758	Inspirational Motivation	252	2.85	1.025
Management by Exception (Active)	252	3.64	.684	Intellectual Stimulation	252	2.77	.876
Management by Exception (Passive)	252	2.92	.644	Idealized Influence	252	2.82	.885
				Individual Consideration	252	2.69	.925
Weighted average and Std. D	252	3.30	.722	Weighted average and Std. D	252	2.78	.849

Source: SPSS output based on Survey data, 2023

As portrayed in Table 4.2, the average mean score of the dimension of management by exception (Active) 3.64 ranks first followed by contingent reward and management by exception (passive) with the mean score 3.21 and 2.92 respectively. Most of employees thus agreed that the leadership fairly often establish assessment standards before starting work to prevent errors or failures by workers, oversee, comment on and provide corrections for errors or failures while keeping track of all mistakes that may result punishment of those employees who do not achieve agreed objectives or if any violations or irregularities occur. Notwithstanding this rank, employees perceive that their supervisors fairly often informed them what to accomplish if they wanted to be recognized, and provide a reward when employees attain their goals. In addition, employees somewhat approved that their supervisors called attention to what employees can gain for their accomplishments while there is also a situation when leaders ignore waits for things go wrong problems and mainly show up after failing to attain goals and need to deal with more about the mistakes of subordinates rather than the results of the work done correctly.

Regarding the transformational leadership traits of the leadership at the MoR, the data evidenced that the average mean of the dimension of inspirational motivation (2.85) and idealized influence (2.82) is relatively high. Most of the respondents reported that the leadership sometimes inspire and motivate employees towards attaining the organization's goal, understand their employees' needs, and assist them in reaching their full potential. Moreover, the leadership has played somewhat an exemplary behavior that brings about respect, admiration, and trust in employees.

In terms of intellectual stimulation, the average mean score 2.77 indicates that the leadership sometimes re-examines critical assumptions to question whether they are appropriate, look at problems from many different angles and seeks differing perspectives when solving problems. Likewise, the Individual Consideration attributes of the leadership received the least mean score (2.69). Employees perceive that the leadership once in a while considers that employees have different interests, capacities, and aspirations and try to coach, to provide advice and paid less attention to fulfilling employees' needs while recognizing their aspirations and accomplishments. Overall, the average mean of the three dimension of transactional leadership style (contingent reward, management by exception active and passive) and the average mean of the four dimensions of transformation leadership style (inspirational motivation, intellectual stimulation, idealized influence, and individual consideration), is 3.30 and 2.78 respectively suggests that the leadership at the MoR tend to be transactional than transformational leaders. The St. D. of the transactional leadership (.722) and transformational leadership (.849) moreover implies the least variation among respondents within the group. The result hence indicated that employees



perceive that their supervisors did not follow pure transactional or transformational leadership style as they at times tend to be transformational leader in some circumstances.

Furthermore, the interviewees/leaders/supervisors were asked to explain their overall perception toward the leadership style in the MoR. Unanimously, all interviewees believe that both transactional and transformational leadership approach are implemented in the MoR. To state the views of some, one interviewee had this to say:

*Depending on the situation, both leadership styles can be implemented and integrated into the MoR's leadership experience. However, it is difficult to claim that the leadership is transformational. The leadership implements some of the traits of the transformational leader, such as creating vision, encouraging motivating and developing employees.*

Likewise, the other interviewee evokes: “One of the qualities of transformational leader is being visionary. The Ministry imparts a vision, tries to motivate and inspires employees to internalize the vision and emphasize professional development.” Most supervisors mentioned that leaders often plan together with their teams and acknowledge and reward their team members based on their performance. An interviewee stated the following:

*They often plan together and direct their subordinates to focus and align their objective with the organization, and provide recognition/ rewards when they attain their goals assuming that reward leads to improved performance. Employees are well aware of what to accomplish if they need to be acknowledged and rewarded for their work.*

Likewise, another interviewee in this regard asserted:

*The leaders in the MoR articulate a consistent shared vision with employees, designed a strategy and strategic goals that ensure the realization of the vision. They moreover direct employees to cascade the strategic goal of the Ministry and try to create alignment to enable them to contribute to the success of the organizational goal. However the effort of the leaders in motivating and inspiring employees towards that vision is not that much encouraging.*

Adding to this another interviewee reported:

*The leadership at different level interacts with their team member to create exciting yet achievable performance goals and initiatives for both the organization and their personal development and provides recognition to their accomplishment.*

The researcher in this regard probed a question how and in what method leaders motivate and inspire their employees and whether the leadership adopts a corrective measure punishment/penalizing method and attitude towards employees who failed/deviate to meet the expected outcomes. According to the interviewees, in the previous year there was a culture of acknowledging and rewarding the best performer in the Ministry. The reward and recognition was

designed assuming that reward leads to improved individual and group performance. Yet, most of the interviewees felt that this assumption did not work in the MoR as it is difficult to say the recognition brings about encouragement and inspiration among employees. One interviewee explained, “The problem we have in instilling a working performance appraisal system is reflected in the rewarding process. Moreover, the process lacks transparency and fairness and employees are not clear how and why best performers are chosen.”

Regarding the intellectual stimulation behavior of the leadership, most of the interviewee accentuated that the leadership has passed through implementing different reform tools to achieve its objective and accomplish its mission. Moreover, it has designed short term trainings and long-term education to enhance the competency of employees and thereby to stimulate employee’s creativity.

Nonetheless, most of the interviewee confirmed that the leadership attitude in seeking the opinion of employees and looking for new ways of doing and problem solving and improving employees’ creativity are at their infant stage and needs more improvement. They moreover emphasized that the leadership needs to develop the characteristic of individual consideration that enables them to treat each employee through understanding their special need and concern. In addition, leaders try to identify the capacities of their employees and consider to satisfying their capacity gaps and facilitate the individual employee development.

Regarding the idealized influence behaviors of the leadership, most of the interviewees believe that there are some supervisors who serve as a role model and try to lead by example by adhering and behaving consistently according to the purpose and values of the organization.

## **5.2 The Relationship between Leadership Style, Employee Work Engagement and Organizational Performance**

The leadership approach or style determines the level of employee work engagement and the success of an organization. A series of analyses was performed to investigate the relationships between leadership styles, work engagement and organizational performance. Preliminary to the investigation, basic assumptions of multivariate data analysis such as adequacy of sample size, normality, linearity, and multi-co-linearity were tested. The data showed approximately normal distributions.

### **5.2.1 Checking the Assumptions**

**Sample Size:** As recommended by Tabachnick and Fidell (2007,) this study considered a formula-  $N > 50 + 8m$  (where  $m$  = number of independent variables) for calculating sample size requirements. This study comprises seven independent variables and requires observing more than 106 cases where the current study considerably exceeds the criterion.

**Multicollinearity:** Multicollinearity indicates the relationship among the independent variables and it exists when the independent variables are highly correlated ( $r=.9$  and above). The bivariate correlation between each of the independent variables (transformational and transactional leadership) in this study is not too high ( $r= .3$ ) therefore all variables are retained. The tolerance and VIF of this study moreover indicates that the multicollinearity assumption is not violated. The tolerance value for each independent variable is .901 which is less than .10 and

the VIF (Variance inflation factor) is 1.110 is less than 5 which is the commonly used cut-off points for determining the presence of multicollinearity (see annex ).

**Normality and homoscedasticity** can be checked from the residuals scatterplots which are generated as part of the multiple regressions (Tabachnick and Fidell, 2007). This is checked by the value for Cook's Distance given towards the bottom of the Residuals Statistics table. According to Tabachnick and Fidell (2007), cases with values larger than 1 are a potential problem. In this study the Maximum value for Cook's Distance is .095 which indicates that there are no major problems. Moreover homoscedasticity is ensured as the residuals have constant variance at every level of the variable.

Prior to conducting a correlation and regression analysis, the scatter plot graph is generated to understand the nature of the relationship between the independent variable (transformational and transactional leadership style) and the dependent variable organizational performance. The distribution of score on the scatterplot indicated that the relationship between the variables is roughly linear and that the scores are evenly spread.

Three models are tested in this study. First, the influence of the transformational and transactional leadership on the organizational performance of the MoR is assessed. Then, the study examined the impact of these two leadership styles on employees work engagement. Finally, the impact of the two leadership styles as well as employees work engagement towards the organizational performance are assessed and reported.

The Pearson's product momentum correlation analysis is conducted to measure and describe the interdependence, strength, and direction of the relationship between leadership styles and employees work engagement and indicators of organizational performance.

**Table 5.1** Correlation among leadership style, employee work engagement and organizational performance

Scale	1	2	3	4
1. Transformational	-	.321**	.543**	.497**
2. Transactional		-	.487**	.457**
3. Work engagement			-	.496**
4. Organizational performance				-

\*\* .P<.001 (2-tailed)

Source: Source: SPSS output from survey data, 2023

As it is demonstrated in Table 5.1, the relationship (association) between leadership style, employee work engagement and organizational performance is investigated using Pearson product-moment correlation coefficient. The result indicates that there is a strong positive correlation between transformational leadership style and work engagement where  $r=.54$ ,  $n=252$ ,  $p<001$ . The correlation between transformational leadership and organizational performance also demonstrates strongest positive relationship with  $r=.50$ ,  $n=252$ ,  $P< 001$ . The study moreover reveals that there is moderate and positive correlation between transactional leadership and employee engagement  $r=.49$ ,  $n=252$ ,  $P< 001$  and transactional leadership and organizational performance with  $r=.45$ ,  $n=252$ ,  $P< 001$ . The more employees perceive that the leadership applies the transformational leadership behavior the more work engagement and performance they experience. As suggested by Cohen (1988) the correlation range in between  $r=.30$ -.49 is moderate where  $r=.50$ -1.00 is considered as strong/large. A correlation of  $r=.55$  (when squared) indicates 30.3%t shared variance ( $.55 \times .55 = .30.3$ ). The transformational leadership style thus

helps to explain 30.3% of the amount of variance in respondents' scores on the employee engagement and 25 % (.5×.5) of the variance in respondents score on the organizational performance.

### 5.2.2 The Leadership Style as a Predictor of Organizational Performance

The relationship between leadership style and organizational performance is assessed using linear multiple regression with 95% confidence interval. The coefficient of determination or R<sup>2</sup> in the regression analysis is used to measures what percentage of a change in the organizational performance can be explained by the change in the transformational and transactional leadership style. It also explains the level of the explanatory power and the extent of the prediction explained transformational and transactional leadership to the predicted dependent variable-organizational performance. As it is demonstrated in table 5.2 the result of the R<sup>2</sup> .338 indicates that 33.8. % of the variation in the organizational performance can be explained by the transformational and transactional leadership attributes of the leadership at the MoR. However, the remaining 66.2% is explained by other variables. The analysis showed a good model fits to the data (sample taken) for predicting how strong the influence on the leadership style towards organizational performance. More importantly the F-statistics corresponding P-value=.000<.05 showed that the significance level of the model to infer about the population.

**Table 5.2** Model fit to measure leadership style prediction on organizational performance

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.582	.338	.333	3.22707	.338	63.648	2	249	.000
a. Predictors: (Constant), Transformational, Transactional									
b. Dependent Variable: Organizational performance									

Source: SPSS output from survey data, 2023

### 5.2.3 Transformational leadership style as a predictor of organizational performance

Based on a standard linear regression analysis, as it is demonstrated in table 5.3, the Beta coefficient and the level of significance (B= .487, P<0.01) in the regression portrays that transformational leadership is has a positive statistically significant contribution to predict organizational performance.

**Table 5.3** Summary regression results of transformational leadership style on organizational performance

Model		Unstandardized Coefficients		Standardized Coefficients	R <sup>2</sup>	Adjusted R <sup>2</sup>	T	Sig.
		B	Std. Error	Beta				
1	(Constant)	14.732	.770				19.136	.000
	Transformational	.108	.012	.487	.237	.234	8.822	.000

a. Dependent Variable: Organizational performance

Source: SPSS output from survey data, 2023

The transformation leadership approach of the leaders uniquely contributes (48.7%) of in explaining organizational performance assuming the variance explained by another predictor is held constant. The result thus implies that transformational leadership positively predicts organizational performance and supports the first hypothesis (H1).

#### 5.2.4 Transactional Leadership Style as a Predictor of Organizational Performance

As it is implied in the standard linear regression analysis in table 5.4, the Beta coefficient and the level of significance, p-value ( $B = .457$ ,  $P < 0.01$ ) suggests transactional leadership makes a positive significant contribution to predict of organizational performance. It uniquely contribute (45.7%) to explaining the change in organizational performance when the variance explained by other variables in the model held constant. The result thus supports the second hypothesis (H2) stated- transactional leadership has a positive influence on organizational performance.

**Table 5.4 Summary regression results of transactional leadership style on organizational performance**

Model		Unstandardized Coefficients		Standardized Coefficients	$R^2$	Adjusted $R^2$	T	Sig.
		B	Std. Error	Beta				
1	(Constant)	9.197	1.498				6.139	.000
	Transactional	.281	.035	.457	.209	.206	8.133	.000

a. Dependent Variable: Organizational performance

Source: SPSS output from survey data, 2023

The standardized coefficient of both transformational and transactional leadership indicates that both leadership styles make statistically significant unique contribution to explaining the organizational performance, when the variance explained by all other variables in the model is controlled for. The Beta value for transactional leadership however (45.7%) is slightly lower.

#### 5.2.5 The Leadership Style as a Predicator of Employee Engagement

As it is displayed in Table 5.5, the coefficient of determination, the  $R^2$  in the statistical result implies 41.1% of the variation in employees' work engagement can be explained by the leadership styles at the MoR. The model thus fits for predicting how strong the influence of the leadership style towards organizational performance. However, the remaining 58.9% is explained by other variables.

**Table 5.5 Model fit to measure leadership style prediction on organizational performance**

Model	R	$R^2$	Adjusted $R^2$	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.641	.411	.406	5.38004	.411	86.781	2	249	.000
a. Predictors: (Constant), Transactional, Transformational									
b. Dependent Variable: Employee work engagement									

Source: SPSS output from survey data, 2023

### 5.2.6 Transformational leadership as a predicator of employee work engagement

The Beta coefficient and the corresponding level of significance p-value ( $B = .543$ ,  $P < 0.01$ ), demonstrates in Table 5.6, suggests that transformational leadership makes statistically significant contribution to explaining employees work engagement in the MoR. The transformational leadership approach of the leaders uniquely contributes (54.3%) to explaining employees' work engagement assuming the variance explained by other predictor are held constant. The result thus implies that transactional leadership positively predicts organizational performance and provided support to the third hypothesis (H3).

**Table 5.6 Summary regression results of transformational leadership style on employee work engagement**

Model		Unstandardized Coefficients		Standardized Coefficients	R Square	Adjusted R Square	T	Sig.
		B	Std. Error	Beta				
1	(Constant)	15.171	1.308		.295	.292	11.599	.000
	Transformational	.212	.021	.543			10.224	.000

a. Dependent variable: employee work engagement

Source: SPSS output from survey data, 2023

### 5.2.7 Transactional Leadership as a Predicator of Employee Work Engagement

As summarized in Table 5.7, the Beta coefficient and the level of significance, p-value ( $B = .497$ ,  $P < 0.01$ ) portrays that transactional leadership makes (49.7%) contribution to explaining the changes in employee work engagement. The finding thus provided support for the fourth hypothesis (H4) that predicts transformational leadership has a positive effect on employee work engagement.

**Table 5.7 Summary regression results of transactional leadership style on employee work engagement**

Model		Unstandardized Coefficients		Standardized Coefficients	$R^2$	Adjusted $R^2$	T	Sig.
		B	Std. Error	Beta				
1	(Constant)	4.870	2.583		.247	.244	1.886	.001
	Transactional	.539	.060	.497			9.054	.000

a. Dependent variable: employee work engagement

Source: SPSS output from survey data, 2023

The Beta coefficient in the regression analysis thus shows that transformational leadership makes the strongest unique contribution while transactional leadership explained a relatively least prediction. However, the sig value .000 depicts that the transformational and transactional leadership make a significant unique contribution to the prediction of employee work engagement.

### 5.2.8 Meditational role of employee work engagement between leadership style and organizational performance

As suggested by Baron and Kenny's (1986), testing the hypothesis related to the meditational role of work engagement in the link between leadership styles and organizational performance needs to check, first, whether the independent variables (leadership styles) are related to the mediator variable. Second, the mediator (work engagement) had to be related to the dependent variables (organizational performance). Third, a significant relationship between the independent variables and dependent variable should be reduced for partial mediation to operate when controlling for the mediator variable. As described earlier, the first two conditions were partly met in this study. Therefore, for the mediation test, the indicators of organizational performance are regressed over leadership styles sequentially while controlling for work engagement.

**Table 5.8 Model fit to measure mediation role of employee work engagement between leadership style and organizational performance**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
					R Square Change	F Change	Sig. F Change	Durbin-Watson
1	.582	.338	.333	3.22707	.338	63.648	.000	
2	.603	.364	.356	3.16970	.026	10.095	.002	2.213
a. Predictors: (Constant), Transactional, Transformational								
b. Predictors: (Constant), Transactional, Transformational, Employee work engagement								
c. Dependent Variable: Organizational performance								

Source: SPSS output from survey data, 2023

As can be learned from the coefficient determination R<sup>2</sup> value when the mediation (employee work engagement) is included R<sup>2</sup> slightly changed from 33.8% to 36.4% and the R<sup>2</sup> change shows an increment by 2.6% where P value= .002<0.05. The change in the R<sup>2</sup> implies that there is a mediating effect and the model is useful to the data to analyze the mediation effect of employee work engagement in the link between leadership style and organizational performance.

**Table 5.9 Summary regression results of mediation role of employee work engagement between leadership style and organizational performance**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.337	1.399		5.245	.000
	Transformational	.084	.012	.379	6.969	.000
	Transactional	.206	.033	.335	6.162	.000
2	(Constant)	7.199	1.375		5.237	.000
	Transformational	.064	.013	.290	4.794	.000
	Transactional	.160	.036	.260	4.447	.000
	Employee work engagement	.119	.037	.210	3.177	.002

a. Dependent variable: organizational performance

Source: SPSS output from survey data, 2023

The result indicates that the employee work engagement has indirect positive effect in the link between leadership styles and organizational performance. The effect of transformational and transactional leadership style on organizational performance (37.9% and 33.5% respectively) has been significantly reduced to 29% and 26% following the inclusion of the mediator variable employee work engagement.

Moreover, the Beta coefficient and the level of significance, p-value ( $B = .210$ ,  $P < 0.05$ ) confirms that the employee engagement make a significant unique contribution to the prediction of the organizational performance. It uniquely contributes 21% to explaining the change in organizational performance when the variance explained by other variables in the model held constant. The fifth hypothesis (H5) is thus supported in this study.

## **6. Discussion**

The study imparted the relationships between leadership styles and organizational performance, and tested a mediation role of work engagement in the link between leadership styles and organizational performance in the MoR. The transformational and transactional leadership theories are employed to explain the effect of leadership style on employee work engagement and organizational performance. The study finds that the leadership at the MoR tended to be more transactional than transformational. Although they occasionally demonstrated transformational leadership behavior under certain conditions, their transactional behaviors were stronger than their transformational leadership attribute.

The study reveals that the MoR's leadership practices involve active management by exception. They frequently set assessment standards before beginning work, monitor, comment on, and correct errors or failures while keeping track of all mistakes that could lead to punishment for staff members who perform poorly, break the law, or engage in other misdeeds. They often provide employees guidance on what to do and how to get recognition and reward for their efforts and offer incentives when they meet their targets. Furthermore, it has been approved that the leadership adhere to passive management by exception practices and draw attention to the benefits that employees can receive for their accomplishments. However, there are also situations when they ignore or waits for things go wrong or wait for problems to arise and mainly show up after failing to deal with more about the mistakes of employees rather than the outcomes of the work performed effectively.

Albeit insufficiently, the MoR leadership makes an effort to exhibit transformational leadership behavior. They tried to clearly communicate a common vision with the workforce, collaborate on planning, and give instructions to staff members on how to cascade the strategic goal while maintaining alignment with the Ministry to support the achievement of the organizational goal. They encourage and inspire staff members to have a common goal and adhere to performance criteria set by the Ministry, and they help them realize this goal to the best of their abilities. They moreover engaged in building the capacity of employees through short-term and long-term education and trainings and challenge employees to try new methods, and to use new technological ways in response to changing circumstances through implementing different reform tools.

Studies however suggest that effective and successful leaders typically employ transformational leadership elements, followed by certain transactional leadership traits, with a minimal use of passive management by exception (Schwarz, 2017; Yang et al., 2020). Transformational leadership skills development should be a top goal for organizations like the MoR that operate in a world that is changing quickly in order to create a productive workplace,



increase employee satisfaction, and promote productivity (Ghadi, 2019; Long, 2023). Therefore, a hybrid yet a healthy balance of transactional and transformative leadership are considered as the ideal approach as both leadership styles perform in different contexts depending on the situation.

Regarding the direction and strength of the relationship, the study infer that both transformational and transactional leadership attributes are positively associated with the level of employees work engagement and organizational performance at the MoR. The transformational leadership ( $B = .487$ ,  $P < 0.01$ ) and transactional leadership ( $B = .457$ ,  $P < 0.01$ ) makes the statistically significant unique contribution to explaining the organizational performance although the Beta value for transactional leadership is slightly lower. This result infers employees at the MoR preferred leaders who focus on transformational leadership dimensions such as: intellectual stimulation, inspirational motivation idealized attributes, and individual consideration to enhance their work engagement and performance level. This might be because transformational leaders are typically very inspirational and will employ various methods to motivate, build the capacity of employees and consider their individual needs and concerns to ensure that organizational objectives are achieved. This finding is in line with Ohemeng (2018), who studied the leadership in the Ghana public sector and came up with the conclusion that transformational leaders align their employee's aspiration with the organizational achievement and this enable them to foster the commitment of their employees and to enhance their performance in their organization. In consistent with this Aboramadan, et al., (2020); Al-Khaled & Fenn (2020) moreover reported that the presence of leaders with transformational and transactional traits would allow for higher performance toward the attainment of organizational goals and objectives.

Furthermore, the study exhibited that the transformational leadership ( $B = .543$ ,  $P < 0.01$ ) and transactional leadership ( $B = .497$ ,  $P < 0.01$ ) exhibited statistically significant and strongest contribution to the prediction of employee work engagement. As it can be understood from the figure, among the two leadership styles however, the transformational leadership makes high contribution in explaining the extent of employee work engagement. This may be related to the MoR's transformational leaders' inspiring and motivating qualities, which allow employees to feel vigor, dedicated and feel powerful and capable even when working intensely.

However, research in this area has yielded conflicting results. Baloch (2013) concludes that transformational leadership is not as effective in predicting the characteristics of employee work engagement as transactional leadership. Similar findings were made by Albrecht et al. (2018) and Ghadi (2019) who found that transactional leadership improves employee engagement through the exchange relationship between leader and employee as well as through the organization's motivation and rewards, which in turn raise individual performance. Other studies on the other hand resonated that there isn't a single and ideal leadership approach that raises employee work engagement in all situations (Colbert, 2015). Nonetheless, the majority of studies consistent to the present study concluded that both transformational and transactional leadership styles are crucial for fostering employee work engagement (Ghadi, 2019; Hayati, Charkhabi, & Naami, 2018; Maharmeh, 2021; Schwarz, 2017; Yang et al., 2020).

The study furthermore portrays that transformational and transaction leadership styles have a positive relationship with organizational performance, and that this positive relationship is owing to the mediating variable, employee work engagement. Employee work engagement has played a partial mediation role between leadership style and organizational performance. The study reveals that following the inclusion of the mediator variable employee work engagement, the

effect of transformational leadership (37.9%) and transactional leadership style (33.5%) on organizational performance significantly reduced to 29% and 26% respectively. The Beta coefficient and P-value ( $B = .210$ ,  $P < 0.05$ ) moreover confirms employee engagement uniquely contributes to explaining the change in organizational performance when the variance explained by other variables in the model held constant. In line with this finding, the previous empirical researches conclude that work engagement serves as a significant prevailing mechanism between transformational leadership and work-related outcomes (Lai et al., 2020; Aboramadan, et al., 2020). Moreover, recent academic research across a range of sectors suggests that there is a connection between work engagement and organizational performance and that highly engaged employees are more likely to exceed expectations in their organizations (Al-Abrow et al. 2019; Maharmeh, 2021; Hayati et al., 2018). This entails that the leadership should provide emphasis to encourage employees work engagement to directly influence organizational performance.

## **7. Conclusion and Implication of the Study**

This study elucidates the relationship between leadership styles, employee work engagement and organizational performance. The study reveals that the leadership styles have a significant impact on organizational outcomes. The study moreover infers that employee work engagement partially mediates the influence of leadership styles on organizational performance. The study furthermore finds that the MoR's leadership tended to be more transactional than transformative. Although they occasionally demonstrated transformational leadership behavior under certain conditions, it was not as strong as it could be in comparison to their transactional behaviors.

The study reveals that both transformational and transactional leadership attributes exhibited statistically significant and strongest contribution to the prediction of employee work engagement and organizational performance. Additionally, it portrays that employee work engagement has played not only a partial mediation role between leadership style and organizational performance, yet it also uniquely contributes to explaining the change in organizational performance by itself. However, of the two leadership styles, transformational leadership contributes comparatively more to the explanation of the level of employee work engagement and organizational performance. This finding suggests that workers at the MoR choose leaders who emphasize transformational leadership aspects to improve their level of performance and job engagement. This could have to do with the inspirational and motivational traits of the MoR's transformational leaders, which enable staff members to feel inspired by their job, proud of their accomplishments, and strong and capable even when putting in long hours. Given that both transactional and transformative leadership styles function differently depending on the circumstance, this study suggests a hybrid strategy that achieves a good balance between them. The MoR should thus place a strong emphasis on developing transformational leadership skills and employ transformational leadership elements in addition to certain transactional leadership traits, to create a productive workplace, an engaged employ that could function in an ever-changing economy and generate sufficient revenues to finance the socio-economic activities and the development efforts of the country.

## **8. Theoretical and Practical Implications**

This study contributes to the advancement of leadership theory by highlighting the notion that effective leadership influences both worker engagement and organizational performance. Moreover, the study advances our understanding of the degree to which transactional and transformational leadership styles impact employee work engagement and organizational

performance. Additionally, it provides empirical evidence that helps to establish the theoretical groundwork for future advancement in leadership research. Furthermore, the study has practical contribution in enabling leaders of the MoR to realize the value of cultivating transformational leadership styles to empower, inspire and motivate employees to achieve the best out of them. Besides, this study imparts the leaders at all levels in MoR to create leadership development initiatives that enhance transformational leadership competencies. These initiatives can equip managers with the ability they need to successfully support their staff members which will eventually leading to higher work engagement and performance.

## 9. Recommendations for Future Studies

The majority of research focuses on cross-sectional analysis. Future researchers should concentrate on a longitudinal approach to gain a deeper understanding of the long-term impacts of various leadership styles and to comprehend the causal relationships between employee work engagement and organizational performance. It is also indispensable to examine the moderators that may influence the relationship between leadership styles and organizational performance which may include employee trust, work ethics, organizational behavior, and others.

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