

THE EFFECT OF LEADERSHIP PRACTICES ON ORGANIZATIONAL PERFORMANCE: EVIDENCE FROM THE ETHIOPIAN BANKING INDUSTRY

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Abstract

Leadership has become a strategic determinant of organizational success, yet in developing economies such as Ethiopia, where the banking industry faces intensifying competition, digital transformation, low employee engagement, and persistent inefficiency, empirical evidence on which leadership practices most influence performance remains limited, and prior studies typically isolate a single leadership style. This study aimed to determine the extent to which four managerially controllable practices, namely communication, leadership support, employee participation, and performance feedback, predict organizational performance in the Ethiopian banking industry, modelling them simultaneously as an integrated set of predictors. A quantitative approach was employed, using a structured five-point Likert questionnaire distributed to employees of ten leading commercial banks. Of the 230 questionnaires distributed, 190 valid responses (a response rate of 82.6%) were analyzed in SPSS version 27 using descriptive statistics, Pearson correlation, and multiple regression. All four variables had positive and statistically significant effects, jointly explaining 58.5% of the variance in performance (adjusted $R^2 = 0.585$; $F = 67.655$, $p < 0.001$). Communication exerted the strongest influence, followed by leadership support, employee participation, and performance feedback. The findings extend transformational leadership theory and the resource-based view, offering banks and policymakers an evidence-based ordering of practices for prioritising organizational-development investments.

Keywords: organizational performance; communication; leadership support; employee participation; performance feedback; ethiopian banking sector

INTRODUCTION

Leadership has become a critical determinant of organizational success in the contemporary business environment, characterized by rapid technological change, globalization, and increasing competition. Organizations are required to adopt effective leadership practices to ensure efficient resource utilization, employee motivation, and the achievement of strategic objectives. In this regard, leadership is not only a managerial function but also a strategic capability that significantly influences organizational performance. Globally, recent studies have demonstrated that leadership practices play a vital role in enhancing organizational performance through improved employee engagement, innovation, and operational efficiency. For instance, research indicates that

effective leadership behaviors positively influence employee productivity and organizational outcomes, particularly in dynamic and competitive sectors. Similarly, transformational leadership has been widely recognized as a key driver of organizational success due to its ability to inspire employees, foster innovation, and promote a shared vision (Hoch et al., 2018).

Leadership practices such as effective communication, participative decision-making, and performance feedback have also been identified as essential components for achieving organizational effectiveness (Northouse, 2025). At a global level, the practical stakes of effective leadership are substantial. Gallup, (2023) estimates that only about 23% of employees worldwide were engaged at work in 2022 and that low engagement costs the global economy approximately US\$8.8 trillion, equivalent to nearly 9% of global gross domestic product. Because engaged employees are more productive and less likely to leave, these figures translate directly into organizational performance and highlight why the quality of day-to-day leadership practices, such as communication and support, warrants systematic empirical attention (Bakker & Albrecht, 2018).

In developing economies, the role of leadership becomes even more significant due to institutional challenges, resource constraints, and evolving market conditions. The Ethiopian banking industry, in particular, has experienced substantial growth and transformation over the past decade. This growth has been driven by increased competition, regulatory reforms, and the adoption of digital technologies. As a result, banks are under increasing pressure to improve service delivery, enhance operational efficiency, and maintain competitiveness in the financial sector. Despite these advancements, many banks in Ethiopia continue to face challenges related to organizational performance, including inefficiencies, low employee engagement, and limited innovation. Empirical studies in similar contexts suggest that ineffective leadership practices are often a major contributing factor to such challenges (Asrar-ul-Haq et al., 2018; Iqbal et al., 2015). Furthermore, recent research highlights that leadership practices significantly influence organizational performance through mechanisms such as employee motivation, organizational commitment, and knowledge sharing.

A closer reading of the empirical literature reveals both convergence and important gaps. Hoch, Bommer, Dulebohn, and Wu (2018), in a meta-analysis published in the *Journal of Management*, demonstrated that ethical, authentic, and servant leadership add only limited incremental variance beyond transformational leadership in predicting employee outcomes, implying that the concrete behavioural practices leaders enact may matter more than the leadership label applied to them. Asrar-ul-Haq et al., (2018), reviewing the leadership field in the *Future Business Journal*, similarly cautioned that the proliferation of overlapping leadership constructs has produced fragmented evidence and called for research that isolates specific, actionable practices. In the participative-leadership stream, Lam et al., (2015) found that the performance benefits of involving employees are conditional, following a threshold pattern that is sensitive to context. Taken together, these studies establish that leadership matters for performance but leave unresolved which bundle of everyday practices is most consequential in resource-constrained, rapidly

transforming banking environments precisely the gap this study addresses. From a theoretical perspective, leadership practices are closely linked to organizational performance through frameworks such as transformational leadership theory and the resource-based view, which consider leadership as a key intangible resource that contributes to sustained competitive advantage. In this context, organizations that adopt effective leadership practices are more likely to achieve higher levels of performance and long-term sustainability.

The urgency of examining these questions in Ethiopia is heightened by the sector's current trajectory. Following the liberalisation of the financial sector and the entry of new private and foreign competitors, Ethiopian banks are undergoing rapid digital transformation and intensifying competition for skilled talent; leadership practices that were adequate a decade ago are unlikely to sustain performance under these new conditions, making a contemporary, evidence-based reassessment timely rather than merely incremental. Against this backdrop, the novelty of the present study is twofold. First, it moves beyond the single-style focus that dominates prior work by testing four concrete, managerially controllable practices communication, leadership support, employee participation, and performance feedback—simultaneously within one predictive model, allowing their relative contributions to be ranked. Second, it provides one of the few integrated, quantitative accounts of this relationship situated specifically in the Ethiopian commercial-banking context, thereby addressing the contextual gap noted above.

The study is expected to yield several benefits. For practitioners, it identifies which leadership practices offer the greatest performance leverage, enabling banks to target scarce development resources more efficiently and to strengthen perceived organizational support for employees (Eisenberger, Malone, & Presson, 2020). For academics, it supplies context-specific empirical evidence from a developing economy that can be compared with findings from developed markets. For policymakers and regulators overseeing the financial sector, it offers a basis for human-capital and governance guidance. Theoretically, the findings are intended to refine the application of transformational leadership theory and the resource-based view to service organisations; practically, they are intended to inform leadership-development, communication, and feedback systems within banks. Therefore, this study aims to examine the effect of leadership practices on organizational performance in the Ethiopian banking industry. By focusing on this relationship, the study seeks to provide empirical evidence and practical insights that can support organizational improvement and policy development within the sector.

Organizational performance remains a key concern for many institutions, particularly in developing countries where economic, technological, and managerial challenges persist. In the Ethiopian banking industry, despite significant growth and expansion, many banks continue to experience challenges related to efficiency, service quality, employee engagement, and overall performance. Leadership has been widely recognized as a critical factor influencing organizational performance. However, the effectiveness of leadership practices varies across organizations, and not all leadership approaches produce the desired outcomes. In many cases, organizations struggle to achieve optimal performance

due to ineffective leadership practices, poor communication, lack of employee involvement, and inadequate strategic direction (Northouse, 2025).

Although several studies have examined the relationship between leadership and organizational performance, most of these studies have been conducted in developed countries, with limited focus on developing economies such as Ethiopia. This creates a contextual gap, as leadership practices may differ significantly based on cultural, institutional, and economic factors. Moreover, existing studies often focus on single leadership styles rather than examining leadership practices in a comprehensive manner. In the Ethiopian banking sector, empirical research on leadership practices and their impact on organizational performance remains limited. While some studies suggest a positive relationship between leadership and performance, they do not fully explore the extent to which different leadership practices contribute to performance outcomes or identify the most effective practices within the sector. Furthermore, the rapid transformation of the banking industry, driven by technological advancements and increasing competition, requires adaptive and effective leadership approaches. However, many organizations have not yet fully aligned their leadership practices with these changing demands, resulting in performance gaps and inefficiencies.

Therefore, there is a need for a comprehensive study that examines the effect of leadership practices on organizational performance in the Ethiopian banking industry. This study seeks to fill this gap by providing empirical evidence and practical recommendations to enhance leadership effectiveness and organizational performance. This study was guided by the following research questions:

1. What is the effect of leadership practices on organizational performance in the Ethiopian banking industry?
2. Which leadership practices have the greatest influence on organizational performance?
3. To what extent do leadership practices explain variations in organizational performance?
4. What strategies can be implemented to improve leadership practices and enhance organizational performance?

METHODS

Research Design

This study employed both a descriptive and explanatory research design to collect data from respondents. This approach was preferred because it provided a detailed description of the situation while minimizing bias in data collection (Kothari, 2004). The descriptive survey approach allowed the researcher to collect information from employees of top 10 bank regarding their attitudes, awareness, and opinions about leadership practice and organization performance. According to Cooper & Schindler, (2011), the descriptive survey design effectively captures accurate information about individuals, events, or characteristics such as behavior, beliefs, opinions, and knowledge. This study adopted a quantitative approach. Data collected through questionnaires combined with insights from the literature, provided the necessary information to formulate recommendations for improving the performance appraisal system.

Research Approach

The study employed a quantitative research approach. This methodology was appropriate because it allowed for the systematic collection and analysis of numerical data to examine hypothesized relationships (Creswell & Creswell, 2017). The quantitative approach aligned with the positivist paradigm, which assumes that objective realities can be measured and analyzed using scientific methods (Bryman, 2001). This approach was particularly suitable for investigating the causal relationships between the performance appraisal system and employee satisfaction, drawing on established theories and empirical evidence.

Type and Sources of Data

Primary data were collected using self-administered questionnaires distributed to employees of top ten selected bank. The questionnaires targeted employees who had undergone performance appraisals and those available during data collection. This ensured the researcher gathered first-hand information on employees' perceptions, awareness, and opinions about the performance appraisal system. Secondary data were obtained from relevant literature, company documents, and dissertations. The combination of primary and secondary data allowed for a comprehensive and in-depth investigation of the performance appraisal system as practiced at selected bank.

The ten banks studied Commercial Bank of Ethiopia, Awash Bank, Dashen Bank, Bank of Abyssinia, Nib International Bank, Wegagen Bank, Cooperative Bank of Oromia, Zemen Bank, United Bank, and Enat Bank are all headquartered in Addis Ababa, and data were collected from head-office and selected branch employees located in the capital, where the institutions' core operations are concentrated. The secondary data referred to above comprised the published annual reports of the sampled banks, National Bank of Ethiopia sector reports, peer-reviewed journal articles, and prior dissertations, which were used to contextualise the primary findings rather than as inputs to the statistical analysis.

Data Collection Instrument

Data were collected using a structured questionnaire developed based on a comprehensive literature review. The questionnaire consisted of closed-ended questions, allowing responses to be quantified and analyzed statistically. Respondents were asked to rate aspects of the organizational performance using a five-point Likert scale (1 = strongly disagree, 5 = strongly agree). Permission was obtained from department heads, and the researcher explained the questions to employees to ensure they understood them and could provide independent responses. The researcher personally collected the completed questionnaires for subsequent analysis.

Target Population

Population refers to the entire group that a study intends to investigate (Bryman, 2001). Similarly, Fraenkel et al., (1990) define population as a larger group of individuals with

common characteristics to which research findings can be generalized. In this study, the target population consisted of employees working in selected commercial banks in Ethiopia. Specifically, the population included professional staff who were actively engaged in organizational operations and had sufficient experience to provide relevant information regarding leadership practices and organizational performance. Judgmental sampling was employed to select respondents who were knowledgeable about the subject matter. Accordingly, only employees who had adequate work experience and exposure to organizational leadership practices were included in the study. This approach ensured that the data collected were relevant, reliable, and reflective of the actual organizational context within the Ethiopian banking sector.

Sampling and Sampling Techniques

A sample of 196 employees was selected. Applying the formula yielded a sample size of 196 respondents. To reconcile the sampling logic, a two-stage procedure was applied. The two techniques are therefore complementary rather than contradictory: the formula governs how many respondents were required, while the judgmental criteria govern who qualified to participate. To buffer against non-response, 230 questionnaires were distributed against the computed minimum of 196.

Reliability and Validity of the Instruments

Validity refers to the degree to which an instrument measures what it is intended to measure. Reliability reflects the consistency or dependability of an instrument, ensuring that differences in responses reflect true variations among respondents rather than errors or ambiguities (Tabachnick, B. G., & Fidell, 2007). The questionnaire was adapted from reputable sources and modified to suit the context. Cronbach's alpha was used to assess reliability, and adjustments were made to enhance clarity and understanding. Content validity was established by adapting all measurement items from previously validated instruments and by subjecting the questionnaire to review by academic experts and senior banking practitioners, whose feedback informed item wording and clarity.

A pilot test was subsequently conducted with a small group of respondents drawn from the target population but excluded from the main survey, and internal-consistency reliability was assessed for each construct using Cronbach's alpha. All constructs met the commonly accepted threshold of $\alpha \geq 0.70$ (Tabachnick, B. G., & Fidell, 2007). [Author note: the exact Cronbach's alpha coefficient for each construct communication, leadership support, employee participation, performance feedback, and organizational performance should be inserted here from the SPSS reliability output, as these values could not be reconstructed by the editor.]

Data Processing

Data were coded and analyzed using SPSS (Statistical Package for Social Sciences). Data were categorized based on common characteristics and assigned codes. Patterns, sequences, and themes were identified before analysis.

Model for Data Analysis:

$$Y = a_0 + aX_1 + bX_2 + cX_3 + dX_4 + e$$

Where:

Y = Organizational Performance

a₀ Constant

a, b, c, d = Regression coefficients

X₁ = Communication

X₂ = Leadership Support

X₃ = Employee Participation

X₄ = Performance Feedback

e = Error term

Multiple regression analysis was conducted using SPSS to examine the relationships between the independent variables and organizational performance. Ethical considerations were observed throughout the study. Participation was voluntary, and respondents were fully informed about the research purpose and procedures. Confidentiality was maintained, ensuring that individual responses were not disclosed to the organization or outsiders. Personal identifiers were not recorded, and findings were reported in aggregate form to protect respondents' privacy.

In addition, informed consent was obtained from all participants prior to data collection, and permission to conduct the survey was secured from the relevant departmental authorities in each bank. Participation carried no incentive or coercion, respondents were free to withdraw at any stage without consequence, and completed questionnaires were stored securely and accessed only by the researcher for the purposes of this study.

RESULTS AND DISCUSSION

This chapter presents the analysis and interpretation of data collected through questionnaires. The data were collected from employees of the selected top ten commercial banks in Ethiopia and analyzed using SPSS software version 27. The study aimed to assess and evaluate employees' perceptions and satisfaction regarding leadership practices and their impact on organizational performance. The questionnaires were designed to gather detailed information on leadership practices within the banks and to understand how these practices influence employee satisfaction and engagement. The analysis provides insights into the current organizational context and forms the basis for discussion and recommendations in subsequent sections.

Response Rate

A total of 230 questionnaires were distributed to employees who were willing to participate in the study. Out of these, 190 completed questionnaires were returned and deemed suitable for analysis, resulting in a response rate of 82.6%. This high response rate

indicates strong participation from employees and ensures that the findings are representative of the target population in the selected banks. The subsequent sections present the analysis of the collected data, including demographic characteristics and responses related to leadership practices and organizational performance. The personal information obtained from the completed and returned questionnaires is summarized below. This section describes respondents' characteristics, including sex, age, marital status, years of service, monthly income, and educational qualification.

The study involved employees from the major commercial banks in the Ethiopian banking industry, including Commercial Bank of Ethiopia, Awash Bank, Dashen Bank, Bank of Abyssinia, Nib International Bank, Wegagen Bank, Cooperative Bank of Oromia, Zemen Bank, United Bank, and Enat Bank which are regarded among the largest and most influential banks in Ethiopia's financial sector.

Table 1. Demographic Characteristics of Respondents

Variable	Category	Frequency	Percent (%)
Sex	Male	115	60.5
	Female	75	39.5
	Total	190	100.0
Monthly Income (Birr)	Below 15,000	7	3.7
	15,000–30,000	134	70.5
	30,001–50,000	40	21.1
	Above 50,000	9	4.7
	Total	190	100.0
Age (years)	20–30	93	48.9
	31–40	53	27.9
	41–50	33	17.4
	51 & above	11	5.8
	Total	190	100.0
Years with Organization	1–3	29	15.3
	4–8	127	66.8
	9–11	32	16.8
	11+	2	1.1
	Total	190	100.0
Educational Qualification	Diploma	17	8.9
	Bachelor's Degree	107	56.3
	Master's Degree	66	34.7
	Total	190	100.0
Marital Status	Married	99	52.1
	Unmarried	91	47.9
	Total	190	100.0

The demographic data indicate that 60.5% of respondents were male, while 39.5% were female, showing a male-dominated workforce in Ethiopia's top ten banks. In terms of monthly income, only 7 respondents (3.7%) earned below 15,000 Birr, while the majority of

employees (70.5%) earned between 15,000 and 30,000 Birr. A smaller proportion earned 30,001–50,000 Birr (21.1%), and only 9 respondents (4.7%) earned above 50,000 Birr, reflecting that most employees are in the mid-income range. Age distribution shows that nearly half of the respondents (48.9%) were aged 20–30, followed by 27.9% aged 31–40, suggesting a young to middle-aged workforce.

Regarding experience, 66.8% of respondents had 4–8 years of service, indicating that the data was collected mainly from moderately experienced employees familiar with organizational practices. Educational qualifications show that most employees are highly educated, with 56.3% holding a Bachelor’s degree and 34.7% a Master’s degree, while only 8.9% had a Diploma. Finally, married employees slightly outnumbered unmarried ones, accounting for 52.1% of respondents. Overall, the workforce is young, educated, moderately experienced, and male-dominated, making it suitable for analyzing the impact of leadership practices on organizational performance in the Ethiopian banking industry.

Data Analysis

Before conducting the main quantitative analysis, the researcher performed initial data examination and screening to ensure the suitability of the data. Following the guidelines of (Tabachnick, B. G., & Fidell, 2007), the assumptions of normality, linearity, homoscedasticity, and multicollinearity were assessed. All analyses were conducted using SPSS version 27.0.

Normality

Normality is a key assumption for most statistical analyses; without normally distributed data, results from parametric tests may be invalid (Hair et al., 2019). To test normality, the researcher applied graphical techniques and computed skewness and kurtosis values. According to Hair et al., (2019), skewness values should fall between -1 and +1, and kurtosis values between -3 and +3. In this study, all variables met these criteria, indicating that the data were normally distributed.

Table 2. Tests of Normality (Skewness and Kurtosis)

Variable	Skewness	Kurtosis	Normality Status
Communication	0.215	2.103	Normal
Leadership Support	-0.178	2.295	Normal
Employee Participation	0.122	2.187	Normal
Performance Feedback	0.301	2.019	Normal
Organizational Performance	-0.094	2.041	Normal

Source: Own Survey, 2025

Linearity

Linearity assumes a straight-line relationship between the dependent and independent variables, which is essential for accurate regression estimates. Scatterplots and residual analyses confirmed that the relationships between organizational performance

and the independent variables (communication, leadership support, employee participation, and performance feedback) were linear (see Annex B).

Homoscedasticity

Homoscedasticity requires that the variance of the dependent variable is consistent across all levels of the independent variables (Hair et al., 2019). Residual plots indicated that the variance of organizational performance was approximately equal across all predictor values, satisfying the assumption of homoscedasticity.

Multicollinearity

Multicollinearity occurs when independent variables are highly correlated, which can distort regression coefficients (Hair et al., 2019). The researcher assessed multicollinearity using Variance Inflation Factor (VIF) and Tolerance. A VIF greater than 10 or a tolerance below 0.1 indicates problematic multicollinearity (Pallant, 2010). In this study, all VIF values were below 10 and tolerance values were above 0.1, showing that multicollinearity was not an issue (see Table 4.3). Thus, all assumptions of multiple regression were satisfied, indicating that the data were suitable for regression analysis.

Table 3. Multicollinearity Diagnostics (Tolerance and VIF)

Independent Variable	Tolerance	VIF	Multicollinearity Status
Communication	0.721	1.387	No Multicollinearity
Leadership Support	0.689	1.451	No Multicollinearity
Employee Participation	0.754	1.327	No Multicollinearity
Performance Feedback	0.892	1.121	No Multicollinearity

Source: Own Survey, 2025

Regression Model

The multiple regression equation used in this study was:

$$Y = a_0 + a_1X_1 + b_2X_2 + c_3X_3 + d_4X_4 + e$$

Where:

Y = Organizational Performance (dependent variable)

a₀ = Constant

a, b, c, d = Regression coefficients for each independent variable

X₁ = Communication

X₂ = Leadership Support

X₃ = Employee Participation

X₄ = Performance Feedback

e = Error term

The model examined the effect of communication, leadership support, employee participation, and performance feedback on organizational performance.

Correlation Analysis

Correlation analysis was conducted to examine the strength and direction of relationships between the independent variables and organizational performance. Pearson correlation results are presented in Table 4.

Table 4. Pearson Correlation Matrix

Variables	(Comm)	(Lead)	(EP)	(Feed)
(Comm)	1			
(Lead)	.686**	1		
(EP)	.604**	.540**	1	
(Feed)	.164*	.182*	.519**	1
(Org Perf)	.693**	.650**	.623**	.337**

Note: Correlation is significant at 0.01 level (2-tailed); * at 0.05 level

Source: **Own Survey, 2025**

The Pearson correlation analysis results reveal that all independent variables communication, leadership support, employee participation, and performance feedback have a positive and statistically significant relationship with organizational performance. Specifically, communication shows a strong positive correlation with organizational performance ($r = 0.693$, $p < 0.01$), indicating that effective and transparent communication within the organization is closely associated with improved performance outcomes. Similarly, leadership support demonstrates a strong positive relationship ($r = 0.650$, $p < 0.01$), suggesting that supportive leadership practices play a vital role in enhancing organizational effectiveness.

Employee participation also exhibits a strong positive correlation ($r = 0.623$, $p < 0.01$), implying that involving employees in decision-making processes contributes significantly to better performance. In contrast, performance feedback, while still significant, shows a moderate positive relationship with organizational performance ($r = 0.337$, $p < 0.01$), indicating that feedback mechanisms, although important, have a relatively smaller influence compared to the other variables. Overall, these findings suggest that improvements in communication, leadership support, employee participation, and performance feedback are associated with higher levels of organizational performance, with communication emerging as the most influential factor among the variables studied.

Regression Analysis

Multiple regression analysis was conducted to examine the combined effect of communication, leadership support, employee participation, and performance feedback on organizational performance. The analysis assessed how these independent variables predict organizational performance among employees in Ethiopia's top ten banks.

Table 5. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.771	0.594	0.585	3.545	0.626

Source: Own Survey, 2025

The adjusted R^2 value of 0.585 indicates that 58.5% of the variation in organizational performance can be explained by the independent variables in the model. This demonstrates a strong explanatory power, suggesting that communication, leadership support, employee participation, and performance feedback are important predictors of organizational performance. The Durbin-Watson statistic for the model was 0.626. Because values close to 2.0 indicate independence of residuals, whereas values approaching 0 signal positive first-order autocorrelation, a value of 0.626 indicates the presence of substantial positive autocorrelation among the residuals.

This most plausibly reflects the cross-sectional, single-survey design and the ordering of cases in the dataset rather than a genuine time-series dependency, but it nonetheless signals that the standard errors and therefore the significance tests should be interpreted with some caution. This issue is acknowledged as a limitation, and robustness checks using heteroscedasticity and autocorrelation consistent standard errors are recommended for future replications.

Table 6. ANOVA Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	3401.137	4	850.284	67.655	0.000
Residual	2325.078	185	12.568		
Total	5726.216	189			

Source: Own Survey, 2025

The F-value of 67.655 ($p < 0.001$) indicates that the overall regression model is highly significant. This confirms that the independent variables collectively have a meaningful effect on organizational performance, and the model reliably predicts performance outcomes in the banking sector.

Table 7. Regression Coefficients

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	T	Sig.
(Constant)	0.331	1.146		0.006	0.046
Communication	0.385	0.072	0.377	5.328	0.000
Leadership Support	0.230	0.056	0.270	4.085	0.000
Employee Participation	0.167	0.065	0.181	2.553	0.011
Performance Feedback	0.108	0.046	0.132	2.355	0.020

Source: Own Survey, 2025

The regression analysis results presented in Table 7 indicate that communication, leadership support, employee participation, and performance feedback all have a positive and statistically significant effect on organizational performance. The constant value ($a_0 = 0.331$, $p = 0.046$) shows that when all independent variables are held constant, organizational performance would still have a baseline positive value. The regression coefficients further reveal the relative contribution of each predictor. Communication has the highest influence on organizational performance ($B = 0.385$, $\beta = 0.377$, $p < 0.001$), indicating that a one-unit increase in communication leads to a 0.385 increase in organizational performance, holding other variables constant.

This highlights the critical importance of effective communication in enhancing organizational outcomes. Leadership support also shows a strong and significant positive effect ($B = 0.230$, $\beta = 0.270$, $p < 0.001$), suggesting that supportive leadership practices significantly contribute to improved performance. Employee participation has a positive and significant impact as well ($B = 0.167$, $\beta = 0.181$, $p = 0.011$), implying that involving employees in organizational processes enhances performance levels. Similarly, performance feedback demonstrates a positive and statistically significant effect ($B = 0.108$, $\beta = 0.132$, $p = 0.020$), although its influence is comparatively weaker than the other variables.

Based on these results, the regression equation can be expressed as:

Organizational Performance (Y) = $0.331 + 0.385(X_1) + 0.230(X_2) + 0.167(X_3) + 0.108(X_4) + e$, where X_1 represents communication, X_2 leadership support, X_3 employee participation, and X_4 performance feedback. Overall, the findings suggest that all four variables significantly and positively contribute to organizational performance, with communication being the most influential predictor, followed by leadership support, employee participation, and performance feedback. This implies that strengthening these organizational practices can substantially enhance performance outcomes in the banking sector.

Summary of Hypotheses

The results of the study indicate that all four hypotheses were supported, confirming that communication, employee participation, leadership support, and performance feedback each have a significant positive effect on organizational performance. Communication emerged as the most influential factor, suggesting that clear and effective information sharing plays a critical role in enhancing organizational outcomes. Leadership support also demonstrated a strong positive effect, indicating that when leaders provide guidance, encouragement, and necessary resources, employees are more likely to perform effectively.

Similarly, employee participation was found to significantly contribute to organizational performance, implying that involving employees in decision-making processes increases their commitment and sense of ownership. Performance feedback, although having a relatively smaller effect compared to the other variables, was still significant, highlighting the importance of providing timely and constructive feedback to improve employee performance. Overall, the findings suggest that strengthening these leadership practices can significantly enhance organizational performance in the Ethiopian banking sector.

Table 8. Leadership practices can significantly enhance organizational performance

Hypothesis	Description	Result
H1	Communication has a significant positive effect on organizational performance	Supported
H2	Employee participation has a significant positive effect on organizational performance	Supported
H3	Leadership support has a significant positive effect on organizational performance	Supported
H4	Performance feedback has a significant positive effect on organizational performance	Supported

Source: Own Survey, 2025

Discussion of Findings

The finding that communication exerts the strongest influence on organizational performance ($\beta = 0.377$, $p < 0.001$) is consistent with Men, (2014), who showed that strategic internal communication, mediated by transformational leadership, significantly raises employee satisfaction, and with Clampitt et al., (2000), who argued that clear communication reduces uncertainty and improves coordination. The present result extends this evidence to the Ethiopian banking context, suggesting that communication is not merely a hygiene factor but the principal behavioural driver of performance in this setting.

Leadership support emerged as the second strongest predictor ($\beta = 0.270$, $p < 0.001$). This aligns with the perceived-organizational-support literature, in which Eisenberger, Malone, and Presson (2020) demonstrated that employees who feel supported reciprocate with higher engagement and performance, and with the transformational-leadership tradition summarised by (Bass, 2006). The magnitude observed here reinforces Hoch et al.,

(2018) conclusion that the substantive supportive behaviours leaders enact matter more than the specific leadership-style label.

The significant effect of employee participation ($\beta = 0.181$, $p = 0.011$) corroborates Cohen & Ledford, (1994); Lawler, (1992), who linked participative, high-involvement practices to stronger commitment and performance. It also refines the threshold argument of (Lam et al., 2015): in the surveyed banks, participation contributes positively but less powerfully than communication and support, consistent with the view that its benefits depend on how information is shared and on employees' readiness to engage.

Performance feedback, though significant, had the weakest effect ($\beta = 0.132$, $p = 0.020$). This mirrors the classic meta-analytic caution of Kluger et al., (1996) that feedback effects are heterogeneous and can even be counterproductive when poorly delivered, and it is consistent with Anseel et al., (2015), whose review of feedback-seeking behaviour showed that feedback improves performance mainly when it is constructive and acted upon, and with Kuvaas et al., (2016) on the conditional motivational effects of formal reward and feedback systems. The relatively modest coefficient suggests that feedback mechanisms in the sampled banks may be under developed or inconsistently applied.

Theoretically, these results support the resource based view by demonstrating that leadership practices operate as valuable, difficult to imitate intangible resources that explain a substantial share (adjusted $R^2 = 0.585$) of performance variation, and they are congruent with transformational leadership theory in showing that behaviours emphasising communication, support, and involvement translate into superior organizational outcomes. The ordering of effects communication first, feedback last offers a context specific elaboration of these frameworks for service organisations in developing economies.

CONCLUSION

This study examined the effect of communication, leadership support, employee participation, and performance feedback on organizational performance in the Ethiopian banking sector. All four practices had positive and statistically significant effects, together explaining 58.5% of the variance in performance (adjusted $R^2 = 0.585$; $F = 67.655$, $p < 0.001$). Communication was the strongest predictor, followed by leadership support and employee participation, while performance feedback, though significant, exerted a comparatively modest effect. These results confirm that organizational performance is shaped not only by structural or technical factors but substantially by human and managerial behaviours: clear communication, supportive leadership, employee involvement, and constructive feedback.

For managers and policymakers in the Ethiopian banking sector, the findings underscore the need to strengthen internal communication, enhance leadership support, promote participatory management, and implement effective feedback systems in order to improve organizational outcomes and sustain long-term competitive advantage. Future research could incorporate mediating and moderating variables such as organizational culture, employee engagement, and digital-transformation readiness; employ mixed-methods or longitudinal designs; and extend the model to other financial and non-financial

sectors and to comparative cross-country samples to test the robustness and transferability of these findings.

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