

Leadership Styles and Employee Performance: Mediating Role of Job Satisfaction in Addis Ababa Commission

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Article history:

Received 27 January 2026;
Revised 25 February 2026;
Accepted 3 March 2026;
Available online 1 April 2026

Keywords:

Leadership Styles
Employee Performance
Job Satisfaction
Transformational Leadership
Public Sector Organization

Abstract

This study investigates the effects of leadership styles on employee performance with the mediating role of job satisfaction at the Addis Ababa Planning and Development Commission (AAPDC). Although the Full Range Leadership Theory has been widely applied to examine transformational, transactional, and laissez-faire leadership, prior empirical findings remain inconclusive regarding how job satisfaction mediates the leadership-performance relationship, particularly in public-sector institutions within developing countries. Furthermore, limited evidence exists from the Ethiopian administrative context, creating a contextual and empirical gap in the literature. This study addresses that gap by simultaneously examining direct and indirect relationships among leadership styles, job satisfaction, and employee performance. A quantitative explanatory research design was employed using stratified random sampling. From a population of 403 permanent employees, 200 were selected, and 184 valid responses were analyzed, resulting in a 92% response rate. Data were collected through structured questionnaires adapted from the Multifactor Leadership Questionnaire (MLQ), Job Satisfaction Survey (JSS), and validated employee performance scales. Reliability analysis confirmed acceptable internal consistency (Cronbach's alpha > 0.70). Descriptive findings reveal that laissez-faire leadership is the most frequently practiced style, followed by transactional and transformational leadership. Employee performance was reported at a moderate-to-high level, while job satisfaction varied across dimensions, particularly in compensation and recognition. Multiple regression analysis indicates that leadership styles significantly influence employee performance, and job satisfaction partially mediates this relationship. The findings contribute context-specific evidence from Ethiopia's public sector and emphasize the importance of leadership alignment with employee motivational mechanisms to enhance organizational effectiveness.

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I. INTRODUCTION

Leadership is commonly defined as the process through which one or more individuals influence and persuade others to move in a particular direction (Ali OroziSougui, 2015). The concept has been applied across diverse domains including politics, business, education, and social work (Mohammed & Wang, 2018). Beyond merely directing organizational activities, leadership plays a central role in articulating vision and mission, setting strategic objectives, and designing policies and methods necessary to achieve them (Khajeh, 2018). As emphasized by (Long & Thean, 2011), leadership involves inspiring individuals to envision a future state and mobilizing efforts toward meaningful change. Despite extensive scholarly attention, no universally accepted definition of leadership exists, as interpretations vary according to theoretical orientation and contextual emphasis.

In the contemporary globalized environment, leadership has gained even greater significance. Globalization has transformed organizations into culturally diverse systems composed of stakeholders and employees from varied backgrounds (Thomas & Inkson, 2009). In such multicultural contexts, leadership style becomes a decisive factor influencing organizational success. The suitability of a leadership approach depends on organizational characteristics, workforce diversity, and the broader global environment (Paula, 2013). Thus, leadership is widely regarded as a critical response mechanism to the opportunities and challenges presented by globalization.

The effectiveness of leadership is often explained through behavioral orientations. Studies from Ohio State University distinguished between task-oriented and people-oriented behaviors, introducing the concept of “consideration” to describe leaders who demonstrate respect, trust, and concern for subordinates (Dorothy & Daft, 2012). Although numerous leadership styles have been identified, including transformational, transactional, and laissez-faire leadership, no single style is universally superior. Organizational type, task nature, and employee characteristics significantly influence leadership effectiveness (Oladipo, 2013).

To provide a stronger theoretical foundation for positioning job satisfaction as a mediating variable, this study integrates Social Exchange Theory and Path-Goal Theory. Social Exchange Theory explains that workplace relationships are governed by reciprocity norms, whereby supportive, fair, and empowering leadership behaviors generate positive socio-emotional responses from employees, fostering job satisfaction that is reciprocated through improved performance. In this framework, leadership does not influence performance solely through direct supervision but operates through attitudinal mechanisms that shape employees’ motivational states. Complementarily, Path-Goal Theory posits that leaders enhance subordinate motivation by clarifying goals, reducing task obstacles, and aligning rewards with performance expectations (Imparato, 1972) and (Dunford & Jones, 1974). When leadership behaviors effectively satisfy employees’ psychological and instrumental needs, job satisfaction increases, reinforcing expectancy beliefs and engagement, which subsequently translate into higher performance. Thus, job satisfaction is theoretically justified as an intervening mechanism transmitting the relational and motivational effects of leadership into measurable employee performance outcomes, particularly within structured public-sector organizations.

Among organizational outcomes, employee job satisfaction has emerged as a critical attitudinal construct. Job satisfaction reflects employees' perceptions of the alignment between what they expect from their work and what they actually receive (Portoghese, 2011). It is closely associated with the achievement of organizational goals (Akhila, 2018) and serves as a strong indicator of motivation and organizational success (Aarti & Jyoti, 2013). Conceptually, job satisfaction represents an emotional response derived from evaluating work experiences relative to expectations (McCann & Cox, 2014).

Empirical evidence demonstrates that higher levels of job satisfaction are linked to improved task performance, stronger organizational citizenship behavior, and reduced counterproductive actions (Jason & Wesson, 2019). As one of the most extensively studied constructs in organizational behavior (Yang, 2016), job satisfaction encompasses dimensions such as supervision, work itself, colleagues, compensation, and promotion opportunities (Zhang, 2014). Leadership style has been shown to significantly influence employee satisfaction levels (Barling & Iverson, 2010), and participative, flexible leadership environments are often associated with higher satisfaction (Gong, 2009).

Employee performance, meanwhile, remains a central determinant of organizational viability. Performance is a multifaceted construct reflecting the outcomes of employees' skills and efforts within specific contexts (Prasetya & Kato, 2011). It may be understood as observable task-related behavior contributing to organizational goals (Olubusayo, 2014). Leadership has been identified as a major factor shaping employee performance and growth (Mbohwa, 2015), influencing productivity, efficiency, and organizational effectiveness (Sougui & Hassan, 2015).

Recent scholarship highlights the strategic importance of human capital in achieving competitive advantage (Hanifah et al., 2014). Strong leadership and effective employees are increasingly recognized as essential components of organizational success (Kehoe & Wright, 2015). Empirical findings generally indicate that transformational and transactional leadership styles positively influence employee performance, with transformational leadership often demonstrating stronger effects (Padmakumar & Dwivedi, 2015). However, findings concerning laissez-faire leadership remain inconsistent, with some studies reporting negative effects (Anyango, 2015) and others identifying positive relationships (Gimuguni & Magolo, 2014).

Previous research examining the relationship between leadership styles and employee performance has substantially enriched organizational knowledge and provided important insights for improving productivity. However, existing studies do not comprehensively address all contextual dimensions across sectors. While transformational and transactional leadership styles are generally found to be positively associated with employee performance, with transactional leadership often reported as more dominant, the relationship between laissez-faire leadership and performance remains inconclusive. For instance, (Aboshaiqah, 2015) reports a negative relationship, whereas (Gimuguni, 2014) identifies a positive association, indicating contradictory empirical evidence. Moreover, much of the existing literature is concentrated in Western contexts and predominantly outside the public sector, particularly in Ethiopia. Prior studies within the Addis Ababa Planning and Development Commission have largely emphasized budget overruns and schedule delays, neglecting the human dimension of organizational performance, which fundamentally depends on employee performance. Additionally, many earlier investigations relied heavily on secondary data and attempted to prescribe preferred

leadership styles without considering employees' perceptions and job satisfaction differences. Therefore, this study addresses these gaps by utilizing primary data to examine the leadership styles practiced within the organization and their influence on employee performance through the mediating role of job satisfaction.

Given these theoretical debates and empirical inconsistencies, this study seeks to examine the effects of leadership styles on employee performance, incorporating job satisfaction as a mediating variable. Specifically, it addresses four research questions: (1) What leadership styles are commonly practiced at AAPDC? (2) What is the current level of employee performance at AAPDC? (3) To what extent do leadership styles influence employee performance? and (4) To what extent does job satisfaction mediate the relationship between leadership style and employee performance? Through this investigation, the study aims to provide empirical clarity within the public-sector context.

II. RELATED WORKS/LITERATURE REVIEW

Leadership has been extensively conceptualized as a process of influence through which leaders motivate and guide followers toward shared objectives (Northouse, 2016). Scholars emphasize that leadership differs from mere authority because it relies on voluntary commitment rather than coercion. Leadership involves influence, motivation, and collective goal attainment (House, 2015). The central element across definitions is the process of influencing a group to achieve common goals (Leslie, 2013). Influence, persuasion, and inspiration are therefore foundational elements of leadership (Sundi, 2013). Over the past decades, leadership research has expanded significantly due to its critical role in organizational effectiveness (Yahaya & Ebrahim, 2016).

The most dominant contemporary framework explaining leadership behavior is the Full Range Leadership Theory (Bass & Avolio, 1994), which categorizes leadership into transformational, transactional, and laissez-faire styles. Transformational leadership has been widely studied as a modern leadership approach that inspires followers to transcend self-interest and pursue organizational objectives (Northouse, 2016). It comprises idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Northouse, 2013). Transformational leaders foster commitment, encourage innovative thinking, and build meaningful relationships with followers (Metwally & Nawar, 2014). Empirical findings indicate that transformational leadership enhances high performance by developing employees' potential (Adekunle, 2017).

Transactional leadership, by contrast, is based on structured exchanges between leaders and followers (Adekunle, 2017). This style emphasizes contingent rewards and management by exception, either active or passive (McCann & Cox, 2014). Leaders clarify expectations and provide rewards in exchange for compliance (Arzi & Farahbod, 2014). While transactional leadership is effective in maintaining structure and discipline (Cherry, 2017), research suggests its impact may be more short-term in nature (Ganie & Saleem, 2020). Laissez-faire leadership, characterized by minimal intervention and avoidance of decision-making (Sadeghi & Pihie, 2012), is often associated with lower productivity levels (Yahaya & Ebrahim, 2016).

Job satisfaction is a critical psychological construct that reflects employees' emotional responses to their work experiences (McCann & Cox, 2014). It encompasses both intrinsic and extrinsic dimensions (Kalleberg, 1997), including supervision, recognition,

compensation, promotion opportunities, and working conditions (O'Brien et al, 2002). Higher job satisfaction is associated with improved performance and stronger organizational commitment (Armstrong, 2006). Leadership style has been shown to significantly influence employees' satisfaction levels (Barling & Iverson, 2010), and participative environments tend to foster greater employee fulfillment (Gong, 2009).

Employee performance is widely recognized as a multidimensional construct linked to organizational success (Mwita, 2000). It refers to the observable behaviors and outcomes that contribute to organizational objectives (Jason & Wesson, 2019). Performance includes task, contextual, and adaptive components, which collectively determine organizational effectiveness (Afshan & Khalidl, 2021). Empirical evidence suggests that leadership styles significantly shape employee performance outcomes (Yukl, 2013), with transformational leadership often demonstrating superior influence, while findings regarding laissez-faire leadership remain inconsistent (Asrar-ul-Haq, 2016).

III. METHODS

Before formulating the hypotheses, it is essential to synthesize the theoretical and empirical foundations discussed in the previous sections. Leadership theories, particularly the Full Range Leadership Theory (Bass & Avolio, 1994), suggest that different leadership styles produce distinct behavioral and motivational outcomes among followers. Empirical studies indicate that transformational leadership enhances commitment and performance through inspiration and intellectual stimulation (Northouse, 2016), while transactional leadership influences performance through structured exchanges and contingent rewards (Arzi & Farahbod, 2014). Conversely, findings regarding laissez-faire leadership remain inconsistent, with some studies reporting negative performance outcomes and others suggesting context-dependent effects. Moreover, organizational behavior literature emphasizes that job satisfaction functions as a critical psychological mechanism linking leadership practices to employee performance (Barling & Iverson, 2010). Given these theoretical perspectives and mixed empirical findings, it becomes necessary to empirically test the direct effects of leadership styles on employee performance as well as the mediating role of job satisfaction within the organizational context of this study.

Based on the theoretical arguments and empirical findings discussed in the preceding sections, leadership styles are expected to play a significant role in shaping employee performance outcomes. Although prior studies present mixed findings regarding laissez-faire leadership, this study posits that laissez-faire leadership style has a significant positive effect on employee performance (Ha1). In addition, consistent with the extensive literature highlighting the motivational and performance-enhancing nature of transformational leadership, it is hypothesized that transformational leadership style has a significant positive effect on employee performance (Ha2). Similarly, grounded in exchange-based leadership theory, transactional leadership style is also expected to exert a significant positive effect on employee performance (Ha3). Furthermore, drawing from motivational and attitudinal theories of organizational behavior, job satisfaction is proposed to function as a mediating mechanism through which leadership styles influence employee performance. Accordingly, it is hypothesized that job satisfaction has a

significant and positive mediating role in the relationship between leadership styles and employee performance (Ha4).

The conceptual framework of this study is developed from the reviewed literature and is illustrated in Figure 1. It identifies transformational, transactional, and laissez-faire leadership styles as independent variables and employee performance as the dependent variable. The framework is designed to examine whether the implementation of specific leadership styles influences employee performance. Furthermore, job satisfaction is incorporated as a mediating variable to explain how leadership styles affect performance outcomes. The underlying assumption is that employees' level of satisfaction significantly shapes their performance; dissatisfaction may hinder goal attainment and ultimately weaken organizational effectiveness. Therefore, bridging the gap between desired and actual performance requires understanding the mediating role of job satisfaction in the leadership–performance relationship (Sahinidis & Bouris, 2008).

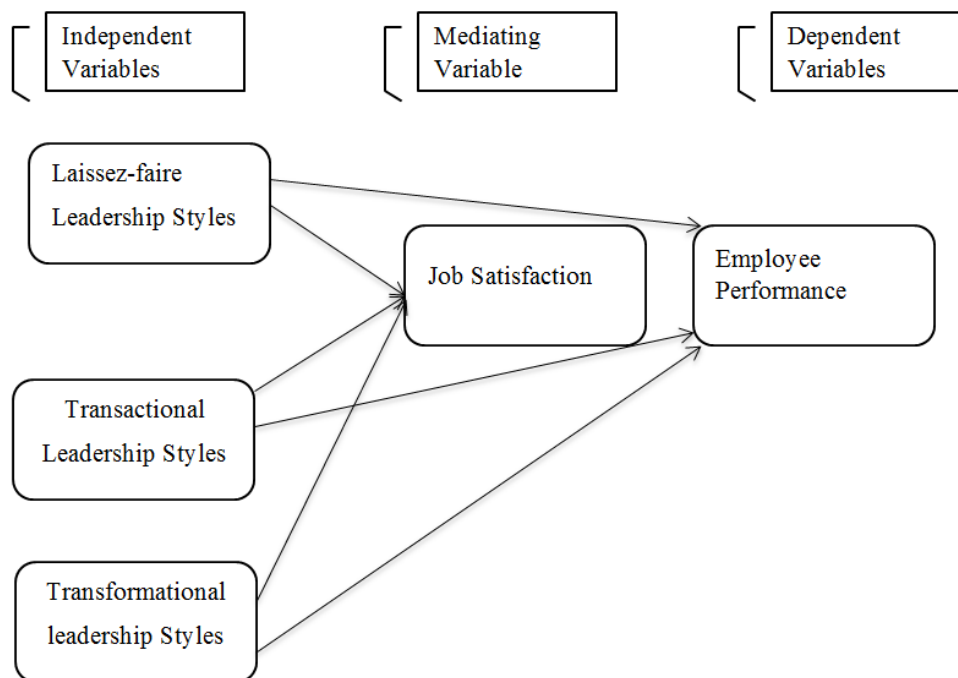


Figure 1 Conceptual Framework

Source: Developed by the Researcher, 2023

This study employed a quantitative research approach to examine the relationships among variables through hypothesis testing and cause-and-effect reasoning. A quantitative design allows researchers to reduce phenomena into measurable variables, utilize structured instruments such as surveys, and analyze numerical data to identify patterns and generalize findings to a broader population (Creswell, 2003). The research design adopted was both descriptive and explanatory, enabling the study to describe existing conditions while also testing causal relationships between leadership styles, job satisfaction, and employee performance. Explanatory research, in particular, provides empirical evidence to support or refute proposed hypotheses and helps determine causal linkages among constructs. The target population comprised all permanent employees of the Addis Ababa Planning and Development Commission, totaling 403 individuals across

five divisions: Plan Preparation (51), Plan Execution (103), Socio-economic (67), Administration and Finance (130), and Research and Study (52). A population, as defined by (Saunders, 2009), represents the entire set of cases from which a sample is drawn, while (Zikmund, 2009) describes it as a complete group sharing common characteristics under investigation.

Given the total population of 403 permanent employees, a representative sample was selected due to practical constraints in surveying the entire population. The sample size was determined using the formula developed by Yemane (1973), assuming a 5% margin of error and a 95% confidence level, resulting in a calculated sample size of 200 respondents. Accordingly, 200 full-time employees were selected from the Addis Ababa Planning and Development Commission. The sample was proportionally allocated across the five divisions using stratified sampling to ensure adequate representation: 25 from Plan Preparation, 51 from Plan Execution, 33 from Socio-economic, 65 from Administration and Finance, and 26 from Research and Study staff.

Table 1 Sample Size Distribution

Division	Number	%	Sample size
Plan preparation	51	12.7	25
Plan execution	103	25.6	51
Socio-economic	67	16.6	33
Administration and Finance	130	32.3	65
Research and study	52	12.9	26
Total	403	100	200

Note: Own survey, 2023.

This study employed probability sampling to ensure that each member of the population had a known and nonzero chance of selection. Specifically, stratified random sampling was utilized, whereby the population was divided into relevant strata Plan Preparation, Plan Execution, Socio-economic, Administration and Finance, and Research and Study staff and respondents were randomly selected from each group (Saunders, 2009). This approach was chosen because each division possesses distinct characteristics that may influence job satisfaction and performance, including work nature, supervision, administrative structure, salary systems, and leadership interaction patterns. Data for the study were collected from both primary and secondary sources. Primary data were gathered through structured questionnaires, including the Leadership Styles Questionnaire adapted from (Bass & Avolio, 1994). Responses were measured using five-point Likert scales. Secondary data were obtained from organizational documents such as the strategic plan (2017–2022), annual reports, and administrative records of the Addis Ababa Planning and Development Commission.

Data analysis was conducted using both descriptive and inferential statistical techniques. Descriptive statistics including frequency, percentage, mean, and standard deviation were computed using SPSS version 26 to summarize central tendency and variability. Inferential analysis, including Pearson correlation and multiple regression, was applied to test the direct and mediating effects of leadership styles on employee performance. The research model was specified as: $EP = a + \beta_1 LZFL + \beta_2 TRSL + \beta_3 TRFL + \beta_4 JS + \epsilon_i$, where employee performance (EP) is explained by laissez-faire (LZFL), transactional (TRSL), and

transformational (TRFL) leadership styles, with job satisfaction (JS) as a mediating variable. Instrument validity was ensured through correlation analysis, while reliability was assessed using Cronbach's alpha, consistent with standards outlined by (Kothari, 2004). Ethical considerations were strictly observed, including confidentiality, voluntary participation, transparency, respect for respondents, and adherence to scientific integrity throughout the research process.

IV. RESULTS AND DISCUSSION

This chapter presents and analyzes the empirical findings regarding the effects of leadership styles on employee performance through the mediating role of job satisfaction at the Addis Ababa Planning and Development Commission. Data were collected using structured questionnaires in which leadership styles were measured on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), while job satisfaction and employee performance were assessed on a scale from 1 (very low) to 5 (very high). Regression analysis was employed to test both the direct effects of leadership styles on employee performance and the mediating role of job satisfaction. The study achieved a high response rate of 92%, with 184 out of 200 distributed questionnaires returned, exceeding the recommended benchmark of 60% suggested by (Jack, 2008). Reliability was assessed using Cronbach's alpha through SPSS version 26 to evaluate internal consistency, and all constructs met the acceptable reliability threshold of $\alpha > 0.70$. No variables were excluded due to missing values, ensuring the completeness and integrity of the dataset for subsequent statistical analysis.

Table 2 Reliability Statistics

Variables	Cronbach's Alpha	N of Items
Transformational Leadership Styles	0.708	13
Transactional Leadership Styles	0.737	6
Laissez-Faire Leadership Styles	0.810	6
Employee Performance	0.731	14
Job Satisfaction	0.906	26

Note: Own survey, 2023.

To ensure the validity of this study, a correlation analysis was performed. The good result is shown by inter-item correlation values between 0.30 and 0.80. According to the summary item statistics table 4.10 below, the mean inter-item correlations for this study were 0.304, which is acceptable (Winter.G, 2011).

Table 3 Summary of Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3.491	3.306	3.650	0.345	1.104	0.018	5
Inter-Item Correlations	0.701	0.552	0.899	0.347	1.628	0.020	5

Note: Own survey, 2023.

Table 3 also displays the correlation between each item and every other item; it should be higher than 0.30. Cronbach's alpha, which is provided for each variable in the last column, is >0.80 if one is removed, while the majority of variables have positive correlation

coefficients of >0.40 . The researcher may carry on because it was so good (not less than 0.70).

Table 4 Respondents Information

Demographic Variable		Frequency	Valid Percent	Cumulative Percent
Sex	Male	109	59.2	59.2
	Female	75	40.8	100
	Total	184	100	
Age	>20 yrs	11	6	6
	20-30 yrs	52	28.3	34.2
	31-40 yrs	76	41.3	75.5
	41-50 yrs	26	14.1	89.7
	51-60 yrs	19	10.3	100
	Total	184	100	
Educational Status	Diploma	12	6.5	6.5
	Degree	109	59.2	65.8
	Master	63	34.2	100
	Total	184	100	
	Work Experience at the organisation	1-5 yrs	54	29.3
	6-10 yrs	45	24.5	53.8
	11-15 yrs	39	21.2	75
	16-20 yrs	17	9.20	84.2
	>20 yrs	29	15.8	100
	Total	184	100	
Current Position	Expert	141	76.6	76.6
	Managerial Position	43	23.4	100
	Total	184	100	

Note: Own survey, 2023.

Table 4 indicates that of the 184 respondents, 109 (59.2%) were male and 75 (40.8%) were female, suggesting balanced gender representation without significant bias. In terms of educational background, 12 (6.5%) held diplomas, 109 (59.2%) held bachelor's degrees, and 63 (34.2%) held master's degrees, indicating that the majority of respondents possessed adequate academic qualifications to provide informed responses. Regarding age distribution, most respondents were between 31–40 years (41.3%), followed by 20–30 years (28.3%), while smaller proportions were above 40 years. In terms of work experience, a substantial portion had 1–5 years (29.3%) and 6–10 years (24.5%) of service, with 15.8% having more than 20 years of experience, reflecting a relatively experienced workforce. Additionally, 76.6% of respondents were experts and 23.4% held managerial positions, demonstrating representation across hierarchical levels within the organization.

Table 5 Summary of Descriptive Statistics of Study Variables (N = 184)

Variable	Number of Items	Lowest Mean (Item)	Highest Mean (Item)	Pooled Mean	Std. Deviation
Transformational Leadership	13	2.97	3.76	3.41	1.113
Transactional	6	2.99	3.75	3.54	1.009

Leadership					
Laissez-Faire Leadership	6	3.59	3.75	3.65	1.011
Employee Performance	14	2.97	3.93	3.54	1.045
Job Satisfaction	26	2.49	3.75	3.31	1.064

Note: Own survey, 2023.

The descriptive results indicate varying levels of leadership practices within the organization. Transformational leadership, assessed across idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration, showed mixed perceptions, with a highest mean of 3.76 (SD = 0.986) for “My supervisor helps me find meaning in my work” and a lowest mean of 2.97 (SD = 1.341) for “My supervisor makes others feel good to be around him/her.” The pooled mean of 3.41 (SD = 1.113) suggests a moderate level of practice. Transactional leadership recorded a pooled mean of 3.54 (SD = 1.009), with the highest-rated behavior being “My supervisor is always satisfied when others meet agreed-upon standards” (M = 3.75, SD = 1.026) and the lowest being “My supervisor tells others what to do if they want to be rewarded for their work” (M = 2.99, SD = 1.148), indicating general agreement that transactional leadership is practiced. Laissez-faire leadership achieved the highest pooled mean of 3.65 (SD = 1.011), with “As a rule, my supervisor allows me to appraise my own work” scoring highest (M = 3.75, SD = 1.026), suggesting it is the most commonly exercised leadership style within the organization.

Regarding outcome variables, employee performance demonstrated a pooled mean of 3.54 (SD = 1.045), indicating a moderate performance level overall. The highest-rated item was “The performance of your peers at their jobs compared with yourself doing the same kind of work is good” (M = 3.72, SD = 1.069), while “I worked keeping my skills up to date” recorded the lowest mean (M = 2.97, SD = 1.341). Job satisfaction showed a pooled mean of 3.31 (SD = 1.064), reflecting moderate satisfaction levels. “Communications seem good within this organization” obtained the highest mean (M = 3.75, SD = 1.026), whereas “I feel I am being paid a fair amount for the work I do” had the lowest mean (M = 2.49, SD = 1.159). Overall, the findings suggest moderate leadership practice, moderate employee performance, and moderate job satisfaction, with laissez-faire leadership emerging as the most dominant style.

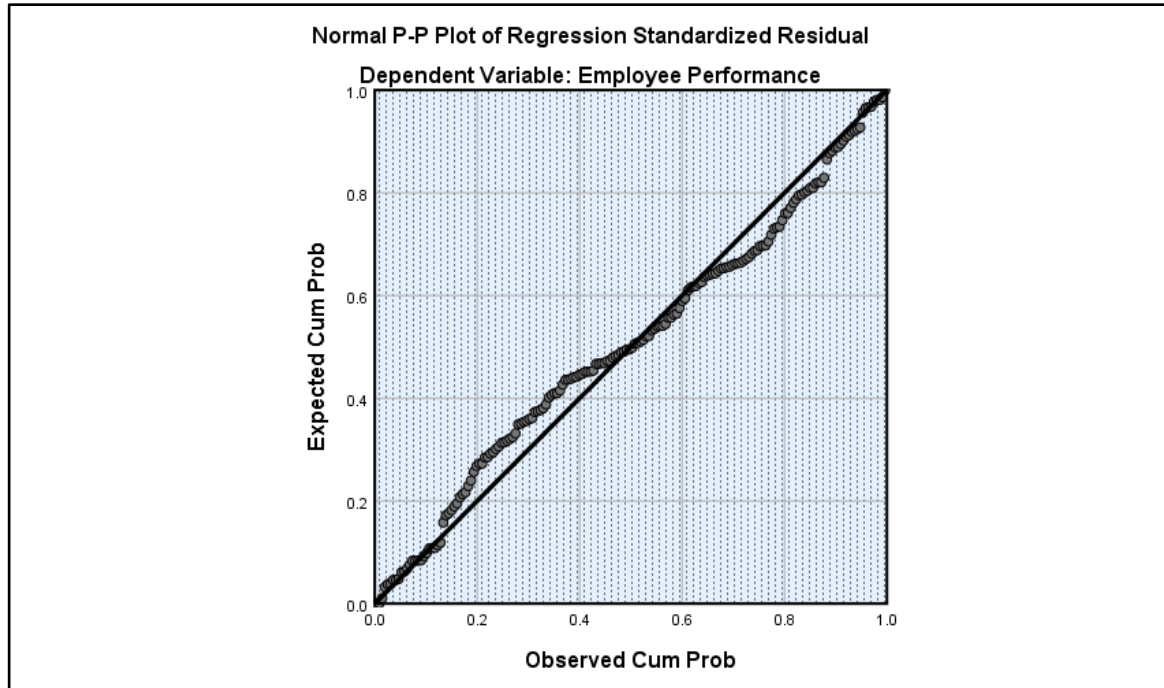


Figure 2 Test of Linearity for Variables

Source: Own survey, 2023.

Figure 2 presents the Normal P-P Plot of Regression Standardized Residuals for the dependent variable, Employee Performance. This plot is used to examine whether the residuals from the regression model follow a normal distribution, which is an important assumption in linear regression analysis. In a properly specified linear model, the observed cumulative probabilities of the standardized residuals should closely follow the expected cumulative probabilities, forming a pattern that aligns along the diagonal reference line.

As illustrated in the figure, the plotted points largely cluster around and follow the diagonal line with only minor deviations at certain probability levels. This pattern indicates that the residuals are approximately normally distributed and that there is no substantial violation of the normality assumption. Consequently, the linearity assumption between leadership styles, job satisfaction, and employee performance appears to be satisfied. The absence of pronounced curvature or systematic deviation from the reference line further suggests that the regression model is appropriately specified and suitable for inferential analysis.

Table 6 Coefficients of Multicollinearity

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.794	0.142		5.606	0		
	Transformational Leadership Styles	0.71	0.053	0.752	13.438	0	0.55	1.819
	Transactional Leadership Styles	0.195	0.081	0.261	2.414	0.017	0.148	6.774

	Laissez-Faire Leadership Style	0.163	0.065	0.237	2.49	0.014	0.19	5.261
	Job Satisfaction	0.29	0.095	0.341	-3.04	0.003	0.137	7.288
a. Dependent Variable: Employee Performance								

Note: Own survey, 2023.

Table 6 presents the multiple regression results examining the effects of leadership styles and job satisfaction on employee performance, including collinearity diagnostics. The regression model indicates that transformational leadership has a strong and statistically significant positive effect on employee performance ($B = 0.71$, $\beta = 0.752$, $t = 13.438$, $p < 0.001$), suggesting it is the most influential predictor in the model. Transactional leadership ($B = 0.195$, $\beta = 0.261$, $t = 2.414$, $p = 0.017$) and laissez-faire leadership ($B = 0.163$, $\beta = 0.237$, $t = 2.490$, $p = 0.014$) also show statistically significant positive effects. Interestingly, job satisfaction demonstrates a significant but negative standardized coefficient ($B = 0.29$, $\beta = 0.341$, $t = 3.040$, $p = 0.003$), indicating a suppressor or potential multicollinearity effect that warrants further interpretation.

Regarding multicollinearity diagnostics, tolerance values range from 0.137 to 0.55, and Variance Inflation Factor (VIF) values range from 1.819 to 7.288. While transformational leadership shows acceptable collinearity levels (VIF = 1.819), the higher VIF values for transactional leadership (6.774), laissez-faire leadership (5.261), and job satisfaction (7.288) suggest moderate multicollinearity concerns. Although these VIF values remain below the commonly cited critical threshold of 10, values above 5 indicate substantial intercorrelation among predictors. Therefore, while the model remains statistically valid, caution is required in interpreting the individual regression coefficients due to potential overlap among the independent variables.

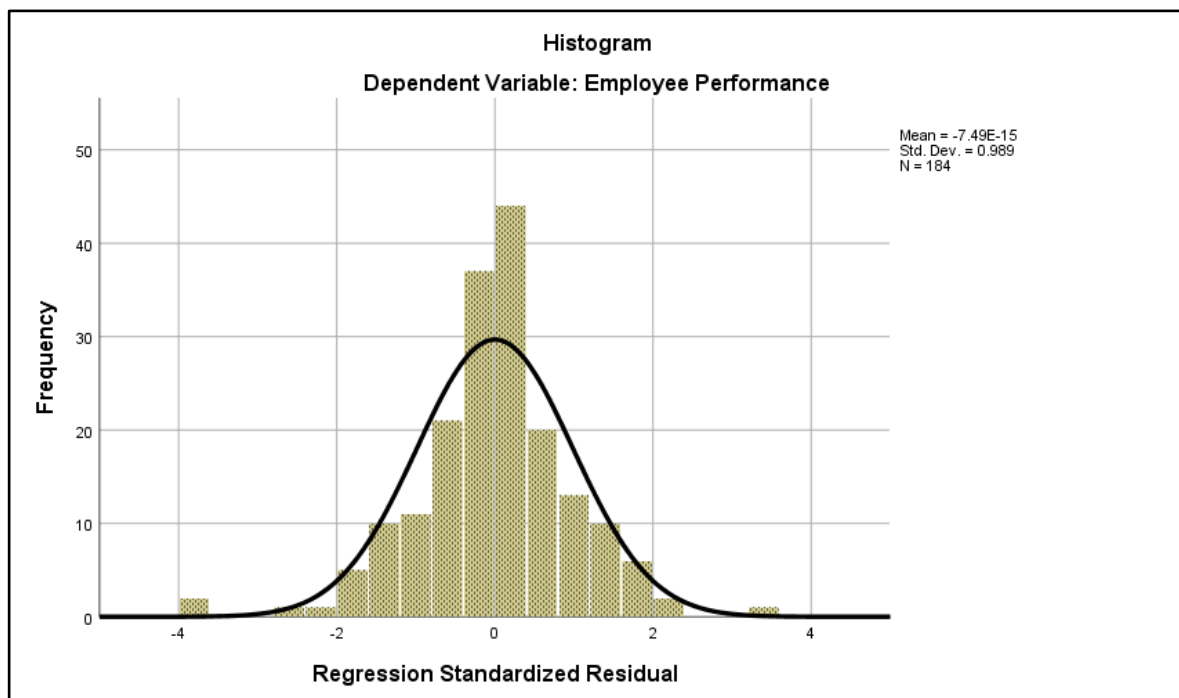


Figure 3 Histogram

Source: Own survey, 2023.

Figure 3 presents the histogram of regression standardized residuals for the dependent variable, Employee Performance, used to assess the normality assumption of the regression model. The histogram displays a bell-shaped distribution centered approximately around zero, with a reported mean close to zero (Mean $\approx 7.49E-15$) and a standard deviation of 0.989, based on 184 observations. The residuals appear symmetrically distributed, and the overlaid normal curve closely follows the shape of the bars, indicating that the residuals approximate a normal distribution. Although minor deviations may be observed at the tails, no substantial skewness or extreme outliers are evident. This pattern suggests that the assumption of normality is reasonably satisfied, supporting the appropriateness of applying parametric regression analysis in examining the relationship between leadership styles, job satisfaction, and employee performance.

Table 7 Pearson Correlation Matrix

		Transformational Leadership Styles	Transactional Leadership Styles	Laissez-Faire Leadership Styles	Employee Performance	Job Satisfaction
Transformational Leadership Styles	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	184				
Transactional Leadership Styles	Pearson Correlation	0.565**	1			
	Sig. (2-tailed)	0				
	N	184	184			
Laissez-Faire Leadership Styles	Pearson Correlation	0.552**	0.884**	1		
	Sig. (2-tailed)	0	0			
	N	184	184	184		
Employee Performance	Pearson Correlation	0.803**	0.589**	0.587**	1	
	Sig. (2-tailed)	0	0	0		
	N	184	184	184	184	
Job Satisfaction	Pearson Correlation	0.666**	0.899**	0.869**	0.601**	1
	Sig. (2-tailed)	0	0	0	0	
	N	184	184	184	184	184

Note: The significance threshold for correlation is 0.01 (2-tailed).

The correlation analysis indicates the strength and direction of the linear relationship between variables, where coefficients (r) range from ± 0.0 to 1.0. The results show that transformational leadership has a strong positive correlation with employee performance ($r = 0.803$, $p < 0.05$), while transactional leadership ($r = 0.589$, $p < 0.05$) and laissez-faire leadership ($r = 0.587$, $p < 0.05$) demonstrate moderate positive relationships with performance. Additionally, job satisfaction is positively and significantly correlated with employee performance ($r = 0.601$, $p = 0.000$). These findings indicate that leadership styles

and job satisfaction are significantly associated with employee performance, supporting the proposed relationships in the study.

Table 8 Summary of ANOVA Results

Dependent Variable	Model	Sum of Squares	df	Mean Square	F	Sig.
Employee Performance	Regression	31.419	4	7.855	100.49	0
	Residual	13.991	179	0.078		
	Total	45.41	183			
Job Satisfaction	Regression	54.008	3	18.003	377.279	0
	Residual	8.589	180	0.048		
	Total	62.597	183			

Note: Own survey, 2023.

Table 8 presents the summary of ANOVA results for the regression models predicting Job Satisfaction and Employee Performance. The findings indicate that both regression models are statistically significant. For the Employee Performance model, the regression sum of squares is 31.419 with 4 degrees of freedom, yielding an F-value of 100.490 and a significance level of $p = .000$. This result demonstrates that transformational, transactional, and laissez-faire leadership styles, together with job satisfaction, significantly explain variations in employee performance. Similarly, the Job Satisfaction model shows a regression sum of squares of 54.008 with 3 degrees of freedom, producing an F-value of 377.279 and $p = .000$. This indicates that the three leadership styles jointly have a strong and statistically significant effect on job satisfaction. Since both significance values are below the 0.05 threshold, the null hypotheses for the overall models are rejected, confirming that the independent variables collectively contribute meaningfully to explaining the dependent variables.

Table 9 Summary of Hypothesis Tested

Hypothesis	Analytical Model	Outcomes
Ha1: Laissez-faire leadership style has significant positive effects on employee performance.	Regression Coefficient	Accept
Ha2: Transformational leadership style has significant positive effects on employee performance.	Regression Coefficient	Accept
H3a: transactional leadership style has significant positive effects on employee performance.	Regression Coefficient	Accept
Ha4: Job satisfaction has a significant and positive role in mediating the relationship between leadership styles and employee performance.	Regression Coefficient	Accept

Note: Own survey, 2023.

Table 9 summarizes the results of hypothesis testing based on regression coefficient analysis. The findings indicate that all proposed hypotheses were supported. Specifically, Ha1 confirms that laissez-faire leadership style has a significant positive effect on employee performance. Ha2 demonstrates that transformational leadership style significantly and positively influences employee performance, while Ha3a establishes that transactional leadership style also exerts a significant positive effect on employee performance. Furthermore, Ha4 verifies that job satisfaction plays a significant and positive mediating

role in the relationship between leadership styles and employee performance. Overall, the regression results provide empirical support for the proposed theoretical model, confirming both the direct effects of leadership styles on employee performance and the indirect effect through job satisfaction.

V. CONCLUSIONS

This study examined the effects of transformational, transactional, and laissez-faire leadership styles on employee performance, incorporating job satisfaction as a mediating variable at the Addis Ababa Planning and Development Commission (AAPDC). Descriptive findings revealed that laissez-faire leadership was the most frequently practiced style ($M = 3.65$, $SD = 1.011$), followed by transactional ($M = 3.54$, $SD = 1.009$) and transformational leadership ($M = 3.41$, $SD = 1.113$). Employee performance demonstrated a relatively high level ($M = 3.54$, $SD = 1.045$), while job satisfaction was moderate ($M = 3.31$, $SD = 1.064$). Regression analysis indicated that transformational ($\beta = 0.710$, $p = 0.000$), transactional ($\beta = 0.195$, $p = 0.017$), and laissez-faire leadership ($\beta = 0.163$, $p = 0.014$) all had statistically significant positive effects on employee performance. Job satisfaction also showed a significant positive effect ($\beta = 0.290$, $p = 0.003$) and demonstrated a mediating role in the leadership-performance relationship.

Based on these findings, the study concludes that although all three leadership styles are practiced within AAPDC, laissez-faire leadership is the most dominant. Importantly, each leadership style significantly contributes to employee performance, and job satisfaction strengthens this relationship through mediation. The results suggest that leadership behavior plays a crucial role in shaping both employee satisfaction and performance outcomes, confirming the theoretical assumption that effective leadership enhances organizational performance through motivational mechanisms.

In light of these results, the study recommends that AAPDC emphasize leadership development initiatives, particularly strengthening transformational leadership behaviors such as intellectual stimulation and individualized consideration. Management should also prioritize fair compensation, recognition systems, and structured leadership training programs to enhance job satisfaction. Furthermore, future research is encouraged to explore additional mediating or moderating variables such as organizational commitment, training, and income to broaden the understanding of factors influencing employee performance.

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