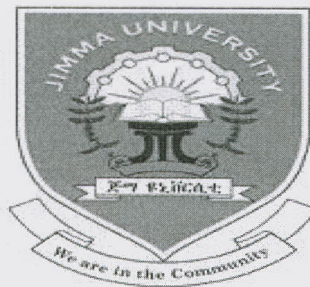


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**THE RELATIONSHIP BETWEEN TRANSFORMATIONAL LEADERSHIP AND
COMPETITIVE ADVANTAGE GAINING IN ETHIOPIAN AIRLINES**

*A Thesis Submitted to the School of Graduate Studies of jimma University in
Partial Fulfillment Of the Requirements for the Award of the Degree Of Masters
of Business Administration*

BY: WULETAW FENTIE AYALEW



JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

MBA PROGRAM

JUNE 2015

JIMMA UNIVERSITY, ETHIOPIA

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Under the Guidance of

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And

Mr. Hayelom Nega



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MBA PROGRAM

Board of Examination Thesis

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JUNE 2015
JIMMA, ETHIOPIA

CERTIFICATE

This is to certify that the thesis entitles “The Relationship between transformational leadership and competitive advantage in Ethiopian airlines”, submitted to Jimma University for the award of the degree of master of Business Administration (MBA) and is a record of bonafide research work carried out by Mr. Wuletaw Fentie under our guidance and supervision.

Therefore, we hereby declare that no part of this thesis has been submitted to any other university or institutions for the award of any degree or diploma.

Main Adviser’s Name

Date

Signature

Co-advisor’s Name

Date

Signature

DECLARATION

I hereby declare that this thesis entitled “The Relationship between transformational leadership and competitive advantage in Ethiopian airlines” has been carried out by me under the guidance and supervision of Ashenafi Haile (PhD Candidate) and Hayelom Nega (MBA).

The thesis is original and has not been submitted for the award of any degree or diploma to any university or institutions.

Researcher's Name

Date

Signature

Abstract

Effective and efficient leaders are those who step up their organizations to change, transformation, and maintain competitiveness in the market. Studies on management and leadership indicated transformational leadership as integral to excellent company's performance. The purpose of this study was to investigate the relationship between transformational leadership style (idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration) and competitive advantage (quality advantage, flexibility advantage, time advantage, and cost advantage) in EALs. A total of 325 respondents were participated in the research, including 143 managers and 182 non-managers with a non-response rate of 19.75% from all employees of EALs. Two separate instruments, namely Multifactor Leadership Questionnaire (MLQ) and Competitive Advantage Questionnaire (CAQ), were used to measure transformational leadership style and competitive advantages of EALs respectively. The findings of the study revealed that all dimensions of transformational leadership have significant and strong positive correlations with competitive advantage. The findings also revealed that transformational leadership affects positively competitive advantage. Individualized consideration and idealized influence have the strongest affection on competitive advantage respectively.

Key Words: Transformational Leadership, Competitive Advantage, EALs.

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ACRONYMS

EAL Ethiopian Airlines

NOC National oil Company

MLQ Multifactor Leadership Questionnaire

MAQ Competitive Advantage Questionnaire

SPSS Statistical Package Software for Social Science

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CHAPTER ONE

I.INTRODUCTION

1.1 Background of the Study

In today's highly competitive global market place, the survival of any business organization is largely dependent on the effectiveness and efficiency of its leaders. The profound changes in the business environment engendered by globalization, technological advances, social and demographic trends, and legal and ethical issues; and indeed, the changes in the organizations of work, require the business leaders reappraise their style and approach in line with these exigencies (Kew & Tadwick, 2008; Jones & George, 2006).

The ways in which organizations' leaders manage people can remarkably influence company performance and competitiveness (Bateman and Snel, 1999). These companies have to pose some changes in order to adopt themselves with the environment. These changes could be occurred in areas such as human resources, aims, strategies, structures etc. (Jandaghi, Matia & Farjami, 2009).

Despite this realization, scholars, managers and practitioners alike disagree on the most appropriate approach to leadership and leadership styles that yields the best result for organizations in contemporary times (Ekuma, 2014). While the debates rage, an increasingly dominant discourse is that transformational leadership is central to organizational effectiveness and gaining of competitive advantage (Kustiyadji, n.d).

The study results conducted by Anjum and Kahn (2012) found that leadership style apparently could affect the company's competitive advantage. Companies are always trying to win the completion in the market by being the market leader. Leaders have a strategic role to achieve a competitive advantage because they can lead the organization to be successful in the market.

In recent years, the transformational leadership paradigm has gained much scholarly attention. It has been proven that a transformational leadership style has positive effects on motivation, alignment, performance and satisfaction of followers (Beck-Tauber, 2012).

Leaders who have the transformational leadership style will have a visionary characteristic and could indirectly create an environment that supports learning, is willing to take risks, and can share ideas with others. Transformational leadership is based on the influence and the relationship between the leaders and his followers or subordinates (Bass, 1999). The followers trust, admire, respect and are loyal to the leader, and have the commitment and high motivation to achieve a higher work performance. According to Yuki (1998), a transformational leader can motivate their followers in three ways, namely(1)making them more aware of the importance the results they work for,(2)encouraging them to be more concerned with the organization rather than themselves, and (3)able to pay close attention to the needs of his followers (Kustiyadji, n.d).

Recently with the “ vision 2025”, a fifteen years strategy, under which Ethiopian airlines anticipates increasing its fleets to 120, the number of destinations to 90, carrying more than 18 million passengers and 720,000 tons of cargo and 17,000 employees accompanied by a fourfold expansion of the capacity building for trainees in the airline aviation academy with a new CEO came in to place to realize the vision and compete globally in addition to the previous aggressive marketing campaign and major cost cutting measures.

Hence, the study focuses on assessing the relationships between transformational leadership dimensions and gaining competitive advantage related with cost, quality, flexibility and time.

1.2 Statement of the Problem

Several research findings and empirical studies indicate that Transformational leadership contributes immensely to organizational competitiveness. For example, Barling et al (2000), using Bass and Avolio’s (1995) Multifactor Leadership Questionnaire (MLQ 5X – short) found that among 60 managers studied, those with transformational attributes, tended to be more effective and liked by subordinates. In the same vein, Jones and George (2006) point out that in the 1990s, Heienrich Von Pierer as CEO of Seimens Electronics, literarily transformed the company because, he was a ‘transformational leader’ and emotionally intelligent.

However, the ability of organization to achieve this objective lay in the efficacy of its leadership to maximally harness and utilize the potentials of available resources in the face of intense social- Darwinism. Laudon and Laudon (2005, p.43) collaborate this view, when they argue that

'businesses continuously seek to improve the efficacy of their operations in order to achieve higher profitability.' This need has been heightened by the dynamics and peculiarities of the contemporary business environment, particularly demographic trends and the changing nature of the organization of work (Christy, 2009; CIPD, 2009). These changes, together with profound general attitudinal changes in the face of severe labor shortages, mean that organizational leaders need to adopt other approaches other than exchange based relationship (transactional leadership) if they are to maximize the utility of their subordinates to achieve greater efficiency (Steward, 2006). Further, the disappearance of the idea of 'jobs for life', or the concept of job security and loyalty to the firm for one's entire career; or the fact that steady pay, secure benefits and lifetime employment were no longer guaranteed for outstanding meritorious performance. It means turnover rate became astronomically high with severe implications for organizational performance. (Kew & Stradwick, 2008; Bass, 1999; 2008, Laudon & Laudon, 2005).

In the same vein, the increasingly flattening of organizational structure and hierarchy, coupled with a shift in focus to a more service oriented and customer centered strategy, means that leaders need to empower their followers by developing them into high involvement individuals and teams focused on quality, service, cost- effectiveness, and quality of output of production (Bass, 1999, pp. 9-10).

The consequence of the foregoing is that organizational members need to be highly motivated, committed and enthusiastic, and above all, align their interests with that of the organization as a way of achieving maximum efficiency, adding that extra value and gaining the much-needed competitive advantage (Podsakoff et al, 1990). Undoubtedly, achieving this requires more than just establishing an exchanged based relationship that centers on rewards/punishments (salaries, benefits, reprimands, etc) and services rendered between employees and employers – i.e. transactional leadership. Rather, it requires a shared vision and an unalloyed commitment to organizational goals and objectives centered on mutualism, trust, self-esteem, need for personal growth and an awareness of general societal well being even as the pursuit of self-interest are minimized (Bass, 1999; Rooke & Tobert, 2009).

Consistent with earlier definitions of transformational leadership, this ideal, can only be accomplished by the transformational leader.

Humphreys and Einstein (2003) and Bass (1990) stated that in order to lead their followers to conduct performance higher than expected, leaders could use behavioral traits of transformational leadership.

Based on the recent study of transformational leadership it has been shown that Ethiopian Airlines was under intense competitive pressures resulting from soaring fuel costs, impacts of low fare airlines, the high employee turnover and increasing presence of bigger airlines in Africa and the Middle East in addition to the existing huge American and European airways (Muluken, 2007).

According to the research conducted in recent years in the world and the importance of transformational leadership style to succeed in today's organizations the relationships between transformational leadership and competitive advantage has not been done in the research and academic institutions in our country. Therefore, the researcher is motivated to study the relationship between transformational leadership and gain competitive advantage at Ethiopian airlines.

Research Questions

What is the nature of transformational leadership and competitive advantage gain in Ethiopian airlines? Main research question

In this study, the following specific questions are answered.

Is there significant relationship between transformational leadership and gain competitive advantage in Ethiopian airlines?

Is there significant relationship between idealized influence and competitive advantage in Ethiopian airlines?

Will inspirational motivation positively relate to competitive advantage in Ethiopian airlines?

Is there a relationship between intellectual stimulation and competitive advantage in Ethiopian airlines?

Will individualized considerations positively relate to competitive advantage in Ethiopian airlines?

1.3 Objectives of the study

1.3.1 General objective:

This research generally aims to examine the relationship between transformational leadership and gaining competitive advantage in Ethiopian airlines.

1.3.2 Specific objectives:

1. To identify employees perception about transformational leadership and competitive advantage in EALs
2. To determine if there is relationship between idealized influence and competitive advantage gaining in Ethiopian airlines
3. To explore whether inspirational motivation is related with competitive advantage gaining in Ethiopian airlines
4. To determine intellectual stimulation and competitive advantage gaining are related in Ethiopian airlines.
5. To explore if there is relationship between individualized consideration and competitive advantage gaining in Ethiopian airlines

1.4 Scope of the study

The researcher focuses on permanent employees of EAL who have a feeling of job security and have direct impact on the efficiency and effectiveness of the airlines. The conceptual scope of the study is therefore limited to what extent transformational leadership and competitive advantage are related. The researcher targets transformational leadership dimensions (i.e., ideal influence, inspirational motivation, mental persuasion and individualized consideration) as independent variable and competitive advantage as dependent variable though there are other factors that lead to gain competitive advantage.

The researcher believes that it is more appropriate to conduct the study in large scale. However, the limited time and other resources did not allow doing so. Hence, the study is confined only to head office of EAL, Addis Ababa.

1.5 Significance of the study

The study of transformational leadership is important because those leaders emerged as transformational foster innovation and attainment of long-term goals and make important decisions that may break with traditions and organizations are required to have leaders' attributes and behaviors that can boost the performance of employees and organizations to gain competitive advantage.

The study helps to identify and understand if EAL used transformational leadership dimensions(all or one)to have transformational leadership style which helps in addressing and correcting weaknesses, and supporting strengths in employed of those dimensions-if are used by EAL, and which one is most widely used to have transformational leadership style.

The study also affords EAL giving the opportunity of understanding of gaining competitive advantage and addresses which competitive advantage dimensions take corrective actions in weaknesses. In addition, it informs those who are at the helm of affairs in gaining competitive advantage.

Finally, this study is considered as the first studies that investigate the relationship between the two variables at EAL and will help as a reference for those who have an interest to study on this area.

1.6 Limitations of the Study

Some constraints such as time and lack of sufficient fund hindered the need to include a large sample size that could nearly represent the total population of the study. In order to get a stronger picture of the issues in the different organizations I would have liked to involve a larger number of respondents. However, due to the time frame limitations provided by our study program, this was not possible. The shortage of up to date reference materials and research works, specifically to the Ethiopian context, also narrowed the content of the study.

Transformational leadership dimensions that were part of this study may not have been extremely important factors in gaining competitive advantage of organizations. Instead, other factors such as organizational culture, structure, ownership of large capital and technology may have been more important for these organizations. As well, results might be different for other airlines.

Another barrier I came across in the process of data collection was refusal by some employees, especially those holding managerial positions to formally permit the distributions of the questionnaires for unconvincing reasons such as lack of time to fill the questionnaire, fear of sensitivity of the questionnaire contents if its results present to public, etc. Although I have a great group of participants who were willing to fill the questionnaire, some employees were not volunteer to be part of the study for unknown reasons. Unfortunately, non-returned questionnaires were also limitations for this study.

1.7 Organization of the Paper

This thesis is organized into five chapters. Chapter- 1 is already presented in the current section; the contents of the following chapters are briefed here.

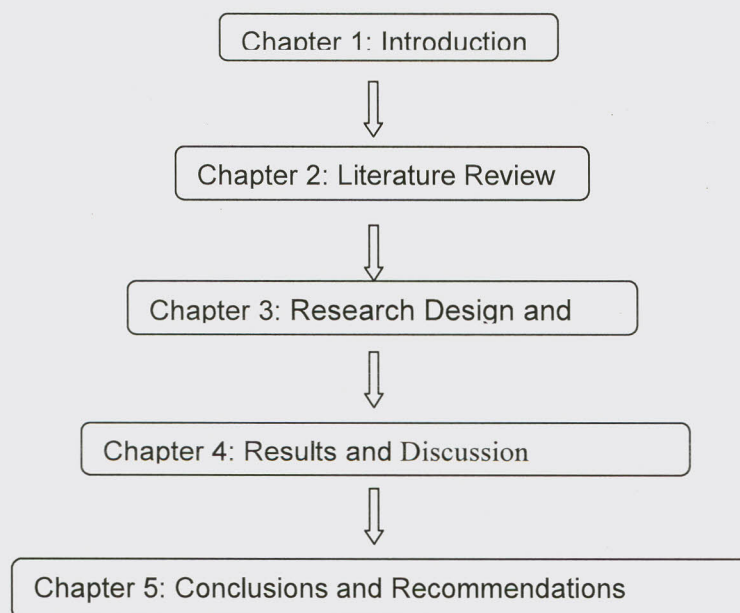


Figure 1.1: Outline of the thesis

Chapter-2 provides an overview of the state of the art analysis of the existing literature.

Chapter-3 presents the research design and methodology used in this thesis. The chapter includes the research approach as well as describes the data collecting and analysis methods used.

Chapter-4 analyses and presents the research findings obtained through the thesis methodology by showing how each of the research questions has been answered and how these findings together contribute to the main purpose of the study. Finally, Chapter-5 ends the thesis with conclusions and a set of suggestions derived from the research findings and the conclusions of this work. At the end of the thesis document, references and a set of appendices are included that contain the questionnaires of the survey forms used to collect primary data for this work and other supplementary documents of the study.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURES

2.1 Transformational Leadership

The concept of transformational leadership has attracted much attention on different literatures of leadership and that has no same definition. As a term, transformational leadership first appeared in J. W. Downton (1973) leadership: commitment and charisma in a revolutionary process, but was popularized as a leadership concept by J.M. Burns (1978), who made the distinction between transformational and transactional leadership (Ekuma, 2014).

According to Burns, transformational leadership is a process in which leaders and their followers to look at old problems through a new perspectives. They stimulate their followers to attempt higher than expected or usual levels. Transformational leaders inspire their followers to think more than their own aims and interests to focus on greater team, organizational, national and global objectives by providing future perspectives, such leaders influence over their followers in a manner that they assume that perspective as their own aim and show high efforts to achieve it. These leaders are able to move the organization towards the ideal perspective by coordinating the employees and integrating all system components (Jandaghi, Matin& Farjami, 2009).

Burns focuses the interactive relationship between the leader and the followers and emphasizes that leader - followers relations are characterized by differences in motivation, power and skill but both leaders and followers engage and strive for a common goal (Beck-Taubeur, 2012).

According to Burns, transactional leadership is a kind of leadership based on transacts between leader and follower in a way that mutual personal tendencies are met. In other way, he believes that anything is observed from what persons are gaining and relationship between leader and follower is profit-oriented and based on exchanging one thing to other thing. Transactional leadership points out the relationship between leader and follower to provide their personal interest (Moghali, 2002). This approach to leadership emphasizes on the importance of relationship between leader and follower as well mutual advantages that are generated through a

contract. Based on this contract, leader grants followers the incentives and cognition in lieu of their commitment and loyalty (Robins, 2003).

On the other hand, the aim of transformational leadership is more than meeting immediate needs. According to Burns, transformational leaders are looking for followers' potential motivations. The distinguished trait of transformational leaders is a common and shared objective. This objective links leaders and followers. Burns believes that transformational leadership is mainly superior to transactional leadership. He believes that transformational leadership is motivational, supreme and ethical in which human behavior and leaders/followers' ethical tendencies will grow up. Burns sees transactional and transformational leadership as polar extremes of leadership styles that exist exclusively (Beck-Tauber, 2012) & (Moghali, 2002).

Bass (1985) noticed transformational leadership in terms of the impact leaders would have on subordinates. According to Bass, transformational leadership achieves its goal by raising followers' level of awareness, consciousness about importance and value of designated outcomes, and ways of reaching them; getting followers to transcend their own self-interest for the sake of the team, organization, or large polity; and expanding followers' portfolio of needs and wants (Beck-Tauber, 2012).

According to Bass, the relationship between leader and follower manifests in the behavioral aspects of charisma and inspiration, intellectual stimulation and individualized consideration. This leads to a transformation within followers which results in higher performance and increased satisfaction (Ekuma, 2014).

Bass believes that transformational leadership influences over followers' traits and behavior. Transformational leadership is a process in which the leader determines the followers' needs and demands as well as meeting such needs through a comprehensive effort in achieving determined aims (Barling, Slater and Kelloway, 2000; Jandaghi et al, 2009).

In 1995, Bass and Avolio expanded the model and defined the aspects of transformational leadership, and operationalised it in a questionnaire called "multi factor leadership questionnaire." In this model, the aspects of transformational leadership include idealized influence, intellectual stimulation, inspirational motivation and individualized consideration (Jandaghi et al, 2009).

2.2 Dimensions of transformational leadership

2.2.1 Idealized Influence (Charisma)

Charismatic leadership is a component of transformational leadership and idealized influence includes idealized traits and idealized behaviors. Inspiring the honor and proud to followers and their contribution to group interests are, *inter alia*, most obvious idealized characteristics of a leader. Followers' exaltation, dignity, respect and unquestioned obedience transmit an idealized feeling. Talking about the most important values and a strong feeling to aims as well as spiritual and moral results of decisions is among idealized behaviors indicators. Idealized influence causes that leader be a behavioral model for followers (Beck-Tabeur, 2012; Kamali, 2014).

Idealized influence shows the capability of trust making and understanding the leadership by followers. It is a radical factor in accepting changes in the organization. Without such trust and braveness, any effort to conduct the organization in order to achieve its aims will be fruitless. A man can lead others when they are ready to be led by him/her. Others will believe and appreciate such person if he/she performs his/her duties well (potential followers). In other words, a man is a leader when he has idealized influence and has expressed it to his own followers. The followers will try to obey the leaders because of their idealized influence. However, the most successful leaders are achieving to a high level of trust and understanding because that followers mitigate them. Leaders with idealized influence are respected and trusted persons. Followers recognize themselves via him/her and try to mitigate him/her (Beck-Tabeur, 2012, p.8).

Leaders with idealized influence perform right work and possess high human and moral behaviors. Such leaders are not using their leadership power and capacity to achieve personal aims. They try to achieve organizational objectives by conducting and guiding their followers. Charisma explains those individuals who are special and stimulates others to follow their own perspectives (Northhouse, 2001; Simic, 1999; & Jandaghi et al, 2009).

2.2.2 Inspirational Motivation

Inspirational motivation is one of the capabilities of transformational leadership that introduces the leader as a figure who encourages the followers to suitable behaviors inspirationally. When transformational changes should be posed in the organization, the leader shall encourage the followers to accept new belief and idea (change) continuously. Therefore, transformational leaders should behave in a special way and stimulate their followers. Implicitly, such behavior shows the tendency and optimistic and encourages team working (Simic, 1999; Beck-Tabeur, 2002, p.8).

Peter Senge believes that inspiration is the basis of motivation and this motivation stimulates the followers' commitment to perform organizational aims. Actually, in inspirational motivation, leaders create a shared insight for followers. The individuals learn when there is a factual vision not because the leaders tell them but because they themselves like to do that and not because that the leaders command them but because that they themselves want to act in this manner. This insight is higher than needs hierarchy levels and is inspired among followers by stimulating a shared insight of organizational aims (Jandaghi et al, 2009).

Generally, inspirational motivation consists of optimistic speaking of future, enthusiastic speaking about what needed to be done, expressing an attractive perspective of future, stating the confidence to the fact that the aims will be met, drawing an excited picture of what should be considered, and taking up challenging problems (Moghali, 2002, p. 70)

2.2.3 Intellectual Stimulation

Intellectual stimulation is one of the capabilities of transformational leaders which play an important role in diversifying process of the organizations (change). Transformational leaders try to encourage their followers to creativity and innovation. Such leaders encourage changing in thinking methods about problem solving and use metaphors and examples. Therefore, they may use new and creative ideas to resolve the problems (Simic, 1999; Jandaghi et al, 2009).

Bass believes that intellectual motivation is a driving force that stimulates the followers to think about beliefs and values as well as being aware of problems and their resolutions. In this line,

transformational leadership promotes the followers' capabilities to understand the organizational nature and difficulties. What is considered here more is paying further attention to creative and developed ideas rather than rapid reactions. The leader creates a challenge for followers in order that they think about what they are doing. This factor is also, recognized as a tool to generate learning organization (Jandaghi et al, 2009).

Overall, intellectual stimulation involves Reinvestigating basic assumptions and questioning them, looking for various perspectives when resolving the problems, enforcing others to look at the problem from different perspectives, encouraging nontraditional thinking to address traditional problems, and encouraging revising the ideas that are not questioned yet (Moghali, 2002, p.71).

2.2.4 Individualized Consideration

Individualized consideration is another characteristic of transformational leadership. Paying attention to others is one of the most important aspects of transformational leadership. Individuals are supported by leaders and leaders are concerned about their personal feelings and needs (Podsakoff, 1990).

Transformational leaders help their subordinates in fulfilling their potential talents and increasing their responsibilities in the organization. Transformational leaders differ from transactional leaders in diagnosing the needs because that transactional leader tries to meet lower needs than higher needs such as development and maturity (Simic, 1999; Jandaghi et al, 2009).

Generally, individualized consideration comprises of spending time in teaching and coaching, behaving others as persons not just as group members, paying attention to others as persons who are the owner of different needs, capabilities, dreams and wishes, helping others to develop and grow their own capabilities, listening to others demands and interests, and developing individuality and facilitating individuals' growth (Moghali, 2002, p.73).

2.3. Competitive advantage

Now a day's Competitive advantage is a management concept that has been so popular in the contemporary literature of management. The reason behind such popularity include the rapid change that organizations face today, the complexity of the business environment, the impacts of globalization and unstructured markets, the ever changing consumer needs, competition, the revolution of information technology and communication, and the liberalization of global trade(Al-Rousan and Qawasmah, 2009).

Kotler also defined Competitive advantage as an organization's capability to perform in one or more ways that competitors find difficult to imitate now and in the future (Kotler, 2000).

Businesses become successful because they possess some advantage relative to their competitors. The two prominent sources of competitive advantage can be found in the businesses' cost structure and its ability to differentiate the business from its competitors (Pearce II and Robinson, 2011).

One cost advantage that organizations provide products and services with a low cost is associated with the cost of manufacturing, logistics, distribution etc. and secondly distinct advantage the fundamental difference in how consumers view the product features and organization than competitors. The competitive advantage is the perceptions of competitive strategy through low cost or differentiation through the creation of value. Cost advantage requires systematic efforts to increase efficiency while a distinct advantage is considered as a benefit products and services that are innovative, higher quality product or service and rapid responses to customers' needs and expectations (Kaleka, 2012).

According to Ehmke (2011), a competitive advantage essentially answers the question of why the customers purchase from the operation of the firm rather than the competitors. For some ventures, particularly those in markets where products or services are less differentiated, answering this question can be difficult. A key point to understand is that a company has customers for a reason. Successfully growing a business is often dependent upon a strong

competitive edge that gradually builds a core of loyal customers, which can be expanded over time (Ekuma, 2014).

In the study of competitive advantage on a resource-based theory, Barney (1991) filed a formal definition that is close to the understanding sustainable competitive advantage that is often used today, which is the advantage achieved by implementing continuous strategies to create the unique values that are not owned by competitors.

A company is said to have sustainable competitive advantage if the company is able to create a unique and distinct value compared to competitors and potential competitors where they will not be able to replicate the advantage of this strategy (Barney, 1991).

Resources cannot usually be productive by themselves. Productive tasks require the cooperation of a set of resources (Kustyadi, 2014). According to Barney, in order to make the potential resources as a source of competitive advantage, four attributes or criteria must be met. These are value, rareness, imperfect limitability and substitutability- not easily substituted (Barney, 1991).

2.4 Competitive Dimensions

One of the organizations major concerns is to care about customers' needs and wants and transform such needs and wants in to targeted aptitudes or areas called "competitive dimensions". These dimensions that organizations focus on and show great interest in, while providing services and products so as to meet market demand, can help organizations achieve competitive advantage (Kahreh, Ahmadi,& Hashemi, 2011).

Most literatures in this subject determined different number of competition dimensions, but the adopted by the researcher in this study are four dimensions can be summarized in Cost, flexibility, time, and quality (Diab, 2013).

2.4.1 Cost

Organizations must make some kind of compromise between the cost and the characteristics of their products and services. Most organizations choose to cut total cost by stripping fixed costs

and applying continuous control on raw materials, reducing employee compensation rates, and by achieving higher levels of productivity (Dilworth, 1992).

The focus on cost reduction is the most commonly dimension used by the organizations, especially those in markets where the customers are sensitive to prices. The factors that lead to lower costs are increased experience, qualifications, and education, successful investment, initiated suitable policies for production and distribution, and the exploitation of resources available (Deborah, 1998, p. 33). The organizations that have this dimension often allow to control on the market, and have the ability to outperform competitors. In addition, we can say that the organizations have a competitive advantage, when the accumulated costs related to productive activities less than those of competitors (Baranes&Bardy, 2004, p. 19).

2.4.2 Flexibility

Flexibility can be viewed as the ability of the processes to switch from one product to another or from one customer to another at the least cost or impact. Flexibility can also be defined as the ability to adapt the production capacity to changes in the environment or market demands (Evans, 1993). Johnson et al. (2003) defined flexibility as the firm's intent and capabilities to generate firm-specific real options for the configuration and reconfiguration of appreciably superior customer value propositions.

Flexibility also encompasses product flexibility in the first place which is defined as the ability of the organization to trace changes in consumers' needs, tastes and expectations so as to carry out changes in product designs. In other ways, it is the organization's ability to provide a variety and different levels in the target market through its ability to keep pace with developments in technology, and design products and services according to customer expectations (Russell &Tyllor, 2000, pp. 117-119).

The second flexibility has to do with volume that stands for the organization's capability to respond to changes in consumer demand. It is believed that such flexibility can yield benefits such as introducing new products along with product variety, and controlling volume and delivery time (Stack et al, 1998).

In addition to the ability of the organizations to respond to the changes in the customer demand either increases or decreases, flexibility is important dimension for the purpose of competition by quick responding to the customer's needs (Fleisher & Bensoussan, 2003, p.65). Flexibility is expressed as a property of company's operations that enable to respond to the needs of its customers quickly and efficiently (Karajewski and Ratzman, 2005, 65).

Dillworth Confirms flexibility as adjusting services to respond to customers' requirements and to avoid their complaints and then to achieve high levels of customer satisfaction. In addition to that, the organization has owned a largest market share than other competitors, in order to reduce the overall costs (Dillworth, 1996, 76).

2.4.3 Time

Organizations can consider the time factor to compete among each others. Delivery time can be a source of competitive advantage when organizations try to reduce the period of time between receiving and accepting customer orders and provisions of products or services to customers (Stonebrake & Leong, 1994). Consistent to this, Bakri (2005) stated that the speed of service and response to customer demand had become one of the factors of competitions between organizations. This was linked to the customer's willingness to pay higher cost for the services or products he/she needed in time.

Noori and Redford said that the organizations could produce product or services at faster delivery than its competitors could whenever they achieved a reduction in costs and managed to get a large market share. Speed delivery could be measured as a time taken between receipts of customer demand and meet the needs by that request on time (Noori and Redford, 1995, 53).

It is also a measure of the organizations' adherence to delivery schedules agreed upon with customers. The speed of product development also refers to the time factor; that is the time period between product idea generation till achieving the final design or production (Evans, 1993).

Whenever an organization was able to respond to the needs and requirements of the customer quickly and shortest time over competitors, that organization would receive a larger market share

and charge higher prices for their services, at least until the arrival of competitors to the market (Rabaawi , 2000 , p. 53).

2.4.4 Quality

Quality can be achieved by adding unique attributes to products to enhance their competitive attractiveness to benefit customers in the final stage (Best, 1997). Quality can also be achieved through a couple of dimensions such as the quality of design which means to adapt product design to its function (Adam & Ebert, 1996), and the quality of conformity which stands for the organizational capability to transform inputs to conformable outputs (Hill, 1993:35) or quality of specification meaning producing outputs in accordance to the specific design characteristics, and the focus on quality will be reflected in competitive advantage and profitability of the organization.

Many companies emphasize quality as a means to stay competitive in the marketplace over the long run. They have a reputation of high quality as representing future market share for new customers and maintaining market share for existing customers over their lifetime. Further, improving quality can provide term financial savings (Franca et al., 2010).

Organizations focus on the quality of services and products, which in turn, achieve the customer satisfaction and meet expectations through quality of design of the product or service in addition to the quality of the service itself (Bakri&SelmN, 2006, PP. 20-25).

Many organizations work to achieve high quality for their services or products in order to remain and continue working in the competition market. Using quality as a tool for competition requires organizations to consider the quality as the entrance to satisfy customers, not just as a way to solve problems and reduce costs (Baker, 1992, p.52).

Any organization can achieve a larger market share and a high rate of returns on investment, and achieve customer satisfaction, in addition to control the prices of services provided through the provision of high quality Service or product offered through that organization (Kotler, 2003, p. 296).

2.5 Review of Empirical Studies

Given the fact that the survival of any business organization in today's highly competitive global market place is largely dependent on the effectiveness and efficiency of its leaders, thereby researchers are attracted on the role of leadership styles on competitive advantage. These studies reveal that there is a positive relationship between the leader and competitive advantage and the leader is the main source of it.

A study on the concept of transformational with a view of highlighting its contributions to organizational effectiveness and performance by synthesizing organizational and leadership theories and integrating literatures in organizational development and HR showed that there are evidences suggesting a clear linkage between transformational leadership, organizational effectiveness and improved performance (Ekuma, 2014).

Abasi, Bin Aqeel, and Awan (2011) evaluated the effectiveness of leadership, performance and employee contributions paid to produce a competitive advantage with the approach of total quality management. The results revealed that providing effective leadership to managers, employees, and employee participation in decision-making and management of all stuffs in the performance of employees with emphasis to the strategic goals of the organization in order to implement TQM results in superior value to customers and thereby gains competitive advantage.

A study conducted on consolidated state owned enterprises in Indonesia with a sample of 121 managers on the influence of organizational culture towards organizational commitment, transformational leadership, and competitive advantage showed that organizational culture has significant positive effect on organizational commitment, on transformational leadership, and on competitive advantage. The result also revealed organizational commitment has positive effect on competitive advantage and transformational leadership on competitive advantage (Kustiyadji, n.d).

The research done by Muhamed, Shurbagh, and Zahri (2012) on the relationship between transformational leadership, job satisfaction and effect of organizational culture in national oil corporation of Libya showed that the organizational culture impact the relationship between

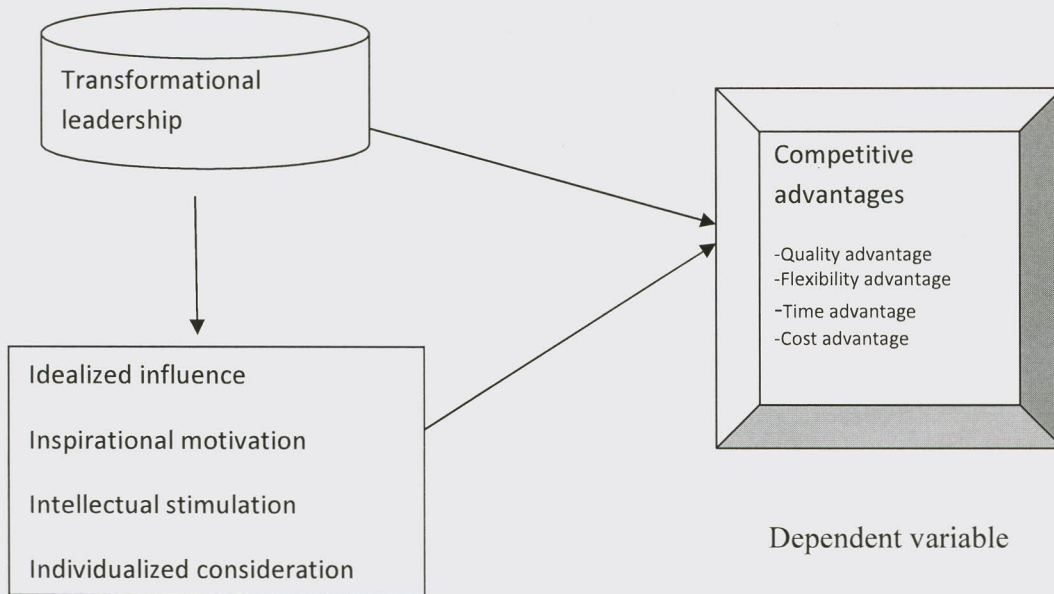
transformational leadership and job satisfaction. In addition, the leaders of NOC in Libya follow transformational leadership style to manage their organization and the relationship between transformational leadership, job satisfaction and organizational culture was positive and significant while the dominant culture in NOC of Libya was hierarchy culture.

Romeo (2005) examined the leadership, culture and competitive advantage in a survey. The results reveal that tangible features may be easily imitated by competitors, but if a company has unique culture, transformational leadership and other intangible assets, these assets cannot be easily imitated by competitors and this can be a competitive advantage for the company.

A study in Malaysian logistics companies on the influence of innovation and transformational leadership on organizational performance found that both transformational leadership and innovation were found to be the significant influence to organizational performance. This shows that transformational leadership and innovation have significantly enhanced the organizational performance. This study also revealed that charisma aspect of transformational leadership and product or service in innovation emerged as the most important factors that influence performance of organization (Samad, 2012).

Bhat, Rengneker, and Barua(2013) explored the impact of transformational leadership on organizational learning on a sample of 125. The results revealed that transformational leaders affect significantly negative to organizational learning.

2.6 Conceptual Framework of the Study



Independent variables

Source: Kamali (2014) and modified with current research

CHAPTER THREE

3 RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

The researcher chooses quantitative research for this study because in line with the interest of the study, this method proposes to quantify the variation in a phenomenon, situation, problem or issue; to gather information using predominantly quantitative variables and to analyze in order to ascertain the magnitude of variation (Kumar, 2005, 12). One of the advantages of quantitative research design is that the findings are organized to a more analytical in nature, used to drawing inferences and conclusions, and testing magnitude and strength of a relationship (Ibid). The researcher used a quantitative research design and survey method for the study in which the participants answers the questions administered through questionnaire.

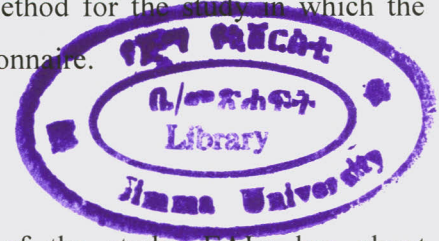
3.2 Target Population

All employees of Ethiopian airlines are the population of the study. EALs has about approximately 10,281 employees. However, this study targeted at permanent employees of EAL located in Addis Ababa that has 5,500 workers. The researchers selected the head office, Addis Ababa, because of access to information, and used a stratified sampling technique in any class of simple random sampling with the proportionate allocation of employees that each class included the level of education.

3.3 Sources of Data

To achieve the research objectives and address its problems, the researcher used primary and secondary sources of data.

Primary data are data collected at source and include survey data, which the researcher obtained in uncontrolled situation by asking questions. The closed ended questionnaires that are designed on an ordinal scale of measurement basis were used to collect primary data so that the variables could be ranked to measure the degree of their strength or the agreement or the disagreement of the respondents with the variables.



Secondary data are data, which have already existed such as books, documents, reports, internet sources and articles. These data are used to get better insight on the research topic, to establish the viable platform for the theoretical framework constituting the bases of this research, and to design the sample frame and questionnaire for retrieving the primary data. Another advantage of using secondary data is its comparability character. I used it to validate and compare the data get through questionnaire to existing literature and articles.

3.4 Sample Size

As it was difficult to take all employees of EALs as a sample because of cost and time constraint, it was essential to consider sample from infinite population of employees of EAL. Thus, the researcher calculated sample size by using infinite population formula as suggested in Kothari (2004, p, 179)

$$n = \frac{z^2 p \cdot q}{e^2} \quad \text{where;}$$

n= sample size

p= sample proportion

$$q = 1 - p$$

z = standard normal variable and its value that corresponds to 95% confidence interval equal 1.96

e=allowable error 5 % (0.05)

Accordingly, the sample size is determined to be:

$$n = \frac{1.96^2 \cdot 0.5 \cdot 0.5}{0.05^2} = 384.14 \approx 385$$

Therefore, the sample size for this study was 385 respondents. Besides 4 % (15) respondents were added for the contingency to overcome potential non-response rate and invalid responses to make the number of respondents 400.

3.5 Sampling Techniques

There are two approaches of sampling techniques. These are Probability sampling techniques and non-probability sampling techniques. In Probability sampling techniques all population have equal chance to participate in sample size selection and unlike in non-probability sampling technique.

Because probability-sampling techniques are representative, stratified simple random sampling design was used to select representative respondents. A simple random sampling method was applied over the stratum of employees by their educational qualification to allocate the sample size proportionally. In this method, samples were chosen at random from different strata of usually different sizes of population and these were based on priority information about the variation in education. Heterogeneous populations were divided into several more or less homogenous sections or groups. These groups are called "Strata". Samples were drawn from each stratum by simple random sampling method. In this study, the target population was the total number of permanent employees at head office, Addis Ababa.

The strata of the employees are shown below:

- Diploma holders = $N_1 = 729$
- BA/BSC holders = $N_2 = 3534$
- MA/Mac holders = $N_3 = 1237$

Using proportional allocation, samples from each educational qualification level (class) were calculated as follows:

Proportion allocation: It is used to determine how many sample we can take from each stratum. That is:

$$n_h = n * \frac{N_h}{N}$$

Where: n_h = the required sample size from the h^{th} strata

n = determined sample size

N_h = total number of employees in the h^{th} strata

N = total number of employees at head office

The sample size allocated for each class was as follow:

N_1 = sample size from diploma holders

$$N_1 = 400 * \frac{729}{5500} = 53$$

N_2 = sample size from BA/BSC holders

$$N_2 = 400 * \frac{3534}{5500} = 257$$

N_3 = sample size from MA/MSc holders

$$N_3 = 400 * \frac{1237}{5500} = 90$$

The total sample size taken from the employees is, therefore, $n_1+n_2+n_3 = 53+257+90=400$

3.6 Measuring Instruments

Transformational leadership was measured by Bass and Avolio (2004) Multi Factor Leadership Questionnaire (MLQ). This instrument has been modified several times and is most widely used to measure transformational leadership in different countries in the world and the reliability of this scale have been established through previous research and was 0.92 cronbach alpha coefficients (Appendix C). Respondents were asked to describe their supervisors (leaders) leadership behavior on 20 items. A five-point likert scale was used with the responses ranging from strongly disagree (1) to strongly agree (5). In the MLQ (form 5×), transformational leadership was measured using five dimensions of transformational leadership. The dimensions were idealized influence (attribute), idealized influence (behavior), intellectual stimulation, inspirational motivation and individualized consideration and were measured by four items for each. High score shows high effectiveness of transformational leadership style perception while low score implies low effectiveness perception in the dimension.

Competitive advantage was measured by Diab (2013) Competitive Advantage Questionnaire with four dimensions. The performance constructs have theoretical and empirical support. The

most commonly cited competitive priorities in the production management literature are low cost, high quality, flexibility, and time (Krajewsky et al., 2004; Hayes et al., 2005). Indicators for competitive advantages are based on published production and operation management literature focusing on quality performance, product flexibility, process flexibility, cost control, and time-based competition, etc. For these reasons, cost, quality, flexibility, and time dimensions were used with a set of 15 questions in a form of 5-point likert scale ranging from bad(1) to excellent(5). Each dimension has four items except three items for cost advantage. The cronbach's alpha coefficient of this scale was 0.959(Appendix D).

3.7 Independent and Dependent Variables of the Study

The dimensions used in measuring transformational leadership behaviors were considered separately as independent variables. These are idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. The subscales for these variables are contained in the Multifactor Leadership Questionnaire (MLQ Form 5X). On the other hand, four separate measures of competitive advantage were used as dependent variables. These measures are the quality, flexibility, time, and cost dimensions of competitive advantage.

3.8 Data Collection Procedures

The researcher employed self-administered questionnaires to collect primary data. The purpose of the questionnaire is to examine the relationship between transformational leadership and competitive advantage. Secondary sources of data like management policies, magazines, books, and strategic management and information from previous studies that were conducted on this related topic were gathered from internet library. In this procedure, the researcher collected the data by taking transformational leadership dimensions as independent variables and competitive advantage as dependent variable.

3.9 Data Analysis and presentation

After the data collected, it is necessary to utilize statistical techniques to analyze the information as this study is quantitative in nature. Therefore, the survey data was processed using an SPSS

(version 16). First, the relevant data was coded, summarized and then transferred to SPSS to be analyzed and presented.

Frequency tables were used to summarize the respondents profile in the form of frequency and percentages whereas the descriptive statistics such as mean and standard deviations of employees' answers to transformational leadership style and competitive advantage were calculated in order to determine employees' perceptions of transformational leadership style and company's competitive advantage.

Subsequently, the researcher employed two-tailed Pearson correlation analysis to investigate the correlations between various transformational leadership dimensions and competitive advantage dimensions.

Finally, regression analysis was also employed and the empirical model used in the study to test the relationship between transformational leadership and competitive advantage is presented as follows:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon \quad (2)$$

Where: Y: competitive Advantage; X1: idealized influence; X2: inspirational motivation; X3: intellectual stimulation; and X4: individualized consideration

F-test was used to test the joint significance of all coefficients and t-test for the test significance of individual coefficients. The significance of the regression model was determined at 95% confidence interval and 5% level of significance. This was followed with presentation of the detail discussions on variables along with interpretations.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

This chapter presents and discusses the results of the study. Several key findings emerged that shed light on transformational leadership style and its association with competitive advantage. Findings about the demographics of the study participants and the statistical analysis used to answer the research questions are also presented. This helped to interpret and understand the results.

4.1 Demographic Characteristics of the Respondents

A total of 400 questionnaires were distributed to managers and non-managers of Ethiopian Airlines employees found in Addis Ababa who were selected based on the level of their education through stratified sampling technique. Of which 325 questionnaires were collected. This number is about 81.25% of the total questionnaires distributed, which is regarded as good. The table below summarized questionnaires distributed and response rates of participants:

Table 4.1 A summary of distribution of questionnaires and responses

	Questionnaires Distributed	Questionnaires Responded	Differences
Diploma holders	53	37(69.81%)	16(30.19%)
BA/BSC holders	257	209(81.32%)	48(18.68%)
MA/Mac holders	90	79(87.78%)	11(12.22%)
Total	400	325(81.25%)	75(19.75%)

A majority of respondents 244(75.1%) were males and the rest 81(24.9%) were females. The current positions of the respondents showed that 143(44%) occupied managerial positions where as 182(60%) respondents held non-managerial positions. From 143(44%) managers, 116(81.1%) were males and 27(18.9%) were females. Of 182(56%) non-managerial respondents, 128 (70.3%) were males and 54(29.7%) were females. This notifies males occupied more managerial

positions than that of females in EAL. The table below summarized the distributions of sex and positions of respondents.

Table 4.2 Characteristics of the respondents by sex and position

			Current position of respondents		Total	
			Managerial	Non managerial		
Sex of Respondents	Male	Frequency	116	128	244	
		% within Sex of respondents	47.5%	52.5%	100.0%	
		% within Current position of respondents	81.1%	70.3%	75.1%	
		% of Total	35.7%	39.4%	75.1%	
	Female	Frequency	27	54	81	
		% within Sex of respondents	33.3%	66.7%	100.0%	
		% within Current position of respondents	18.9%	29.7%	24.9%	
		% of Total	8.3%	16.6%	24.9%	
	Total		Frequency	143	182	325
			% within Sex of respondents	44.0%	56.0%	100.0%
			% within Current position of respondents	100.0%	100.0%	100.0%
			% of Total	44.0%	56.0%	100.0%

Source: the data from questionnaire

With respect to age distribution of the respondents, the following table summarized as follows:

Table 4.3 Summary of age, qualification and work experience and marital status distributions of respondents

		Qualification of Respondents			Total	
		Diploma	BSC/BA	MSC/M A		
Age of Respondents	18-25	Frequency	22	86	14	122
		% of Total	6.8%	26.5%	4.3%	37.5%
	26-35	Frequency	3	69	13	85
		% of Total	.9%	21.2%	4.0%	26.2%
	36-45	Frequency	12	51	20	83
		% of Total	3.7%	15.7%	6.2%	25.5%
	>45	Frequency	0	3	32	35
		% of Total	.0%	.9%	9.8%	10.8%
Total	Frequency	37	209	79	325	
	% of Total	11.4%	64.3%	24.3%	100.0%	

Source: the data from questionnaire

Table 4.4 Marital status and Work experience (in years) of respondents

			Work experience (in years)				Total
			Less than 3 years	3-5 Years	6-10 Years	More than 10 Years	
Marital status of Respondents	Married	Frequency	24	51	44	76	195
		% of Total	7.4%	15.7%	13.5%	23.4%	60.0%
	Single	Frequency	73	36	6	15	130
		% of Total	22.5%	11.1%	1.8%	4.6%	40.0%
Total		Frequency	97	87	50	91	325
		% of Total	29.8%	26.8%	15.4%	28.0%	100.0%

Source: the data from questionnaire

Considering the age of the respondents, it was found that 122(37.5%) were in the age category of 18-25 years, 85(26.2 %) were between 26-35 years, 83(25.5%) were between 36-45, and other 35(10.8 %) were above the age of 45.

Regarding educational qualification of the respondents, about 37(11.4%) were Diploma holders, 209(64.3 %) were BSC/BA holders, and the rest 79(24.3%) respondents were MSC/MA holders. As table 4.3 shows, respondents holding BSC/BA takes the largest share in all age categories.

The work experience of the respondents showed that that 97(29.8 %) were found less than 3 years, 87(26.8%) were between 3-5 years, 50(15.4%) were between 6-10 years and 91(28.0%) had more than 10 years. Of the total respondents, 195(60%) were married while 130(40%) were single.

4.2 Descriptive Statistics for Transformational Leadership and Competitive Advantage

To examine the mean and standard deviation, descriptive statistics was used, as it was needed to determine the respondents' perception to transformational leadership and competitive advantage gaining in Ethiopian airlines. Table 4.5 shows the descriptive data summaries of the dimensions of transformational leadership and competitive advantage respectively expressed by mean and standard deviations as indicated by the respondents. The distribution of scores for the sample contained reasonable variance and normality for use in subsequent analyses.

Table 4.5 Mean and Standard Deviations of Transformational Leadership and Competitive Advantages

	Minimum	Maximum	Mean	Std. Deviation
Idealized Attributes	1.00	3.80	2.49	.60
Idealized Behavior	1.00	4.00	2.57	.72
Idealized Influence	1.20	3.60	2.53	.62
Inspirational Motivation	.80	3.80	2.57	.70
Intellectual Stimulation	1.00	3.80	2.49	.67
Individualized Consideration	.80	4.00	2.52	.76
Transformational Leadership	1.08	3.60	2.53	.61
Quality	.80	4.00	2.73	.87
Flexibility	.80	4.00	2.32	.86
Time	.80	4.00	2.27	.89
Cost	.60	3.00	1.79	.61
Competitive advantage	.75	3.60	2.28	.77

Note: N=325

Each dimensions has four items except three items of cost advantage

4.2.1 Employees Perception to Transformational leadership Style

The mean values for the dimensions of transformational leadership lies between 2.49 to 2.73 where as the standard deviations fall in between 0.60 to 0.89.

Of all the dimensions of transformational leadership, inspirational motivation has the highest mean score of 2.57 followed by idealized influence (2.53) and individualized consideration (2.53), and intellectual stimulation shows the least with a mean score of 2.49. On the other hand, the standard deviations of transformational leadership dimensions show that individualized consideration with 0.76 value is the highest followed by inspirational motivation of 0.70 standard deviations. Idealized influence has 0.62 standard deviations, which is the lowest of all dimensions of transformational leadership.

The mean for idealized influence proposes that these findings supported the results of the previous study by Muluken(2007) who pointed out that the leaders of EALs lacked idealized influence attributes on their subordinates. These attributes included instilling pride, going beyond self-interest, building respect, and displaying power and confidence.

On contrary, the mean scores for inspirational motivation implied that some of the respondents perceived their supervisors slightly as performing beyond the average job of talking optimistically and enthusiastically about what needs to be done, articulating a compelling vision, and expressing confidence that goals will be achieved. This is similar to idealized influence (behavior) mean, which entails some subordinates perceived their supervisors as talking important values and beliefs, having a strong sense of purpose, considering decisions morally and ethically, and having a collective sense of mission. Individualized consideration which involves teaching and coaching, developing, treating others as individuals, and considering each individual as having different needs, abilities and aspirations from others has also been relatively behaved in EALs, however, slightly below inspirational motivation and individualized consideration.

The mean score of intellectual stimulation proposes, as some employees perceived that their immediate supervisors tended not to examine critical assumptions to questions, seek differing perspectives, get others to look problems from different angles, and suggest new ways to

complete assignments. This result also supports the study of Muluken (2007) who indicated that intellectual stimulation had the lowest mean. This means new ideas and creativities were not appreciated in EALs, pointing the prevalence of highly procedural approaches that can work only in ideally static environment.

As it can be seen clearly, the overall scores of the data (2.52) is different from what Bass and Avolio (1995) suggested with three or more mean to be transformational leader. The suggested scores for most transformational leaders is a mean of 3 or higher for each dimensions of transformational leadership which is slightly higher than the score of the data with a mean of 2.49(idealized attributes), 2.57(idealized behavior), 2.53(idealized influence), 2.57(inspirational motivation), 2.49(intellectual stimulation) and 2.52(individualized consideration).

4.2.2 Employees Perception to Competitive Advantage Gaining

The mean and standard deviations of the dimensions of competitive advantage are also presented in table 4.3.

The mean and standard deviation scores for each of the competitive advantage dimensions are ranked by respondents as quality advantage has 2.73 and 0.87, flexibility advantage has 2.32 and .86, time advantage has 2.27 and 0.89, and cost advantage has 1.79 and 0.61 respectively.

When we see from highest to lowest mean scores, respondents ranked their company's quality advantage with highest mean of 2.73 whereas their cost advantage having lowest mean of 1.79 from total. From standard deviation scores, time advantage has the highest value of all, i.e., 0.89.

In describing the application of their Organizational Competitive Advantage Questionnaire (CAQ), Li and Zhao did not provide guidance about average, required, ideal, or expected means for quality, flexibility, time, and cost advantages. Instead, they and other researchers (Diab, 2013) proposed that the required pattern to be ranked starting from highest to lowest scores.

When we look at the table, quality advantage has the highest mean score approximately 2.73 followed by flexibility and time advantages with approximate mean scores of 2.32 and 2.27 respectively where as cost advantage is shown with the least mean score of 1.79 from all dimensions of competitive advantage.

The results of this study indicate that quality advantage was the first prevailing of all competitive advantages as perceived by employees of EALs.

The mean scores for cost advantage proposed that EALs is experienced with the last prevalence of and lowest attention to low and competitive fares, no-frills service on-board and selling tickets directly to customers.

The mean score of overall competitive advantage is approximately 2.28, which is slightly lower than the average score, i.e. 2.50. This implies that employees perceived EALs has gained competitive advantage a little bit below average as compared to other airlines.

4.3 Correlations between Dimensions of Transformational Leadership and Competitive Advantages

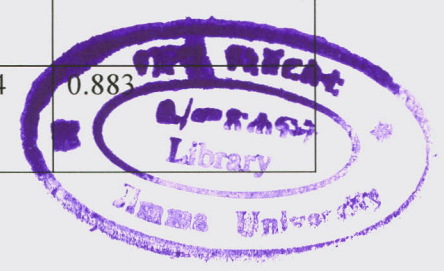
In this section, correlation analysis was conducted in light of the research questions mentioned. Studying the relationships between transformational leadership and competitive advantage will help managers understand transformational leadership dimensions and build appropriate solutions to improve their companies' competitive advantage.

The relationship between transformational leadership and competitive advantage was investigated using two-tailed Pearson correlation analysis. This provided correlation coefficients, which show the direction and strength of the relationships. Significance of the probability of the relationships was also indicated by the p- value.

A summary of correlation matrices among four transformational leadership dimensions (independent variables) and competitive advantages (dependent variables) is shown in table 4.5.

Table 4.5 Correlations between Transformational Leadership and Competitive Advantages Dimensions

Dimensions	Quality Adv.	Flexibility Adv.	Time Adv.	Cost Adv.	Total Competitive Adv
Idealized Influence	0.761	0.731	0.787	0.791	0.803
Inspirational Motivation	0.716	0.648	0.726	0.732	0.738
Intellectual Stimulation	0.780	0.728	0.732	0.744	0.782
Individual Consideration	0.850	0.786	0.829	0.803	0.858
Transformational Leadership	0.858	0.803	0.855	0.854	0.883



** Correlation is significant at the 0.01 level (two-tailed)

4.3.1 Correlations between Idealized Influence and Competitive Advantage Dimensions

The result of the findings indicated that idealized influence has relatively strong and significant positive relationship with quality advantage (0.761**), flexibility advantage (0.731**), and relatively very strong and significant positive relationship with time advantage (0.787**) and cost advantage (0.791**).

These findings suggest that there is a positive and very strong relationship between idealized influence and all the dimensions of competitive advantage; i.e. quality advantage, flexibility advantage, time advantage, and cost advantage.

For quality advantage, this suggests the attributes and behaviors that transformational leaders have which involves instilling pride in others, going beyond self-interest for the good of the group, acting that build respect, displaying a sense of power and confidence, talking about important values and beliefs, having a strong sense of purpose, considering the moral and ethical decisions, and emphasizing the importance of having a collective sense of mission are positively

related to what employees feel about unique attribute to products and services they provide to satisfy their customers in Ethiopian airlines.

With respect to flexibility advantage, this finding suggests that these same idealized attributes and behaviors of transformational leaders are related to the feelings of employees about their organization ability to respond to changes in customers' needs, tastes, and preferences in Ethiopian airlines.

However, the rate in the relationship between idealized influence (attributes and behaviors) and flexibility advantage is slightly lower than the rate at which idealized influence and quality advantage are related but slightly higher than the rate idealized influence has relationship with time advantage.

Of all the dimensions of competitive advantage, cost advantage has the strongest and most significant positive relationship with idealized influence.

Generally, the study showed that transformational leaders exhibiting idealized influence (attributes and behaviors) have a more significant positive relationship with the company's competitive advantage in quality, flexibility, time, and cost advantages dimensions. This is consistent with the study by Ekuma(2014) who indicated idealized influence has the largest impact on the companies' competitive advantages. Besides this supporting finding, the present study is also strengthened by the study of Jones and George (2006) that indicated companies having transformational and emotionally intelligent leaders have recorded best performance and gained competitive advantage.

4.3.2 Correlations between Inspirational Motivation and Competitive Advantage Dimensions

According to the results of the analysis, there is strong positive and statistically significant relationship between inspirational motivation and quality advantage (0.716**), inspirational motivation and flexibility advantage (0.648**), inspirational motivation and time advantage (0.726**), and inspirational motivation and cost advantage (0.732**).

These strong positive and statistically significant correlations between inspirational motivation and competitive advantage dimensions suggest that inspirational motivation of transformational leaders involving talking optimistically about the future and enthusiastically about what needs to be accomplished, articulating a compelling vision of the future, and expressing confidence that goals will be achieved is related to what employees think of their organization regarding the unique attributes to the products and services it provides for customers satisfaction.

This relationship also suggests that inspirational motivation between leaders and followers affects performance beyond expectations of employees and relates to their feelings about the brand quality of products and services, and gaining quality advantage of the organization.

In the case of flexibility advantage, the findings suggest that the same transformational leaders' behaviors displaying inspirational motivation on their followers are related to what employees feel about their company's responsibility and ability to respond to changes in customers' needs, tastes and preferences.

However, as in the relationship between idealized influence and competitive advantage dimensions, the rate in the relation between inspirational motivation and flexibility advantage is lower than the rate in which inspirational motivation and quality advantage are related as well as the relationships inspirational motivation and time advantage, and inspirational motivation and cost advantage have.

When we look at each relationship between inspirational motivation and all dimensions of competitive advantage, the study revealed that inspirational motivation has the highest correlation with cost advantage followed by time advantage. This result is similar to the relationships between idealized influence and competitive advantage dimensions though both relationships have different correlation coefficients.

4.3.3 Correlations between Intellectual Stimulation and Competitive Advantage Dimensions

Based on the findings of the result, intellectual stimulation has relatively a very strong positive and significant relationship with quality advantage (0.780**), a strong positive and statistically

significant relationship with flexibility advantage (0.728**), time advantage (0.732**), and cost advantage (0.744**).

These findings indicate that intellectual stimulation has a very strong positive and statistically significant relationship with all competitive advantage dimensions. The findings of the study suggested that transformational leaders showing intellectual stimulation consisting of re-examining critical assumptions to questions, seeking differing perspectives when solving problems, letting others to look at problems from different angles, and suggesting new ways of looking at how to complete assignments are related to what employees believe that their organization excels in providing a clean, tidy, quiet and fume-free aircrafts and offering a courteous, helpful and user-friendly time table to their customers.

The findings also suggested that transformational leaders displaying the above intellectual stimulation behaviors are related to the opinions of employees as to what their company excels in introducing new routes, having a large number of locations, adjusting the frequency of services , and rescheduling trips.

When compared, the rate at which intellectual stimulation is related to flexibility advantage is the lowest rate in which intellectual stimulation is related to all the dimensions of competitive advantage.

Regarding time advantage, the study suggested leaders displaying intellectual stimulation behaviors is related to the employees thoughts as to their organization to which they serve keeps the published time table, seats for passengers constantly available, and turn-around time to a minimum.

In addition, transformational leaders behavior mentioned above is suggested to have a relation with the employees perception of what their company performs in offering low and competitive fares in the market, providing no-frills service on-board, and selling tickets directly to their customers.

Here, the rate in which intellectual stimulation is related to quality advantage is the largest rate that intellectual stimulation has relationship with all competitive advantage dimensions.

In general, intellectual stimulation has relatively strong positive and statistically significant relationship with competitive advantage.

4.4.4 Correlations between Individualized Consideration and Competitive Advantage Dimensions

Individualized consideration, according to the research data, has relatively the most strong positive and statistically significant correlations with quality advantage (0.850**), relatively the least strong positive and statistically significant correlations with flexibility advantage (0.786**), a more strong positive and statistically significant correlations with time advantage (0.829**), and a strong positive statistically significant correlations with cost advantage (0.803**).

The existence of such significant and positive correlations between individualized consideration and quality advantage suggests the strength of positive influence that individualized consideration has on quality advantage. Therefore, transformational leadership behaviors involving spending time teaching and coaching others, treating others as individuals rather than just as a member of the group, considering each individual as having different needs, abilities and aspirations from others, and helping others to develop their strengths are positively related to what employees perceive of cost advantage in Ethiopian airlines.

The results of the data also suggests that transformational leaders showing individualized consideration, however the rate is least, has a strong positive influence on the employees perception of flexibility advantage in Ethiopian airlines.

Besides the above results, the study suggests displaying individualized consideration behavior by the leaders influences more positively and strongly on what employees of Ethiopian airlines feel about their company's time and cost advantages.

When we observe the relationship between individualized consideration and all competitive advantage dimensions, the findings revealed that the rate that individualized consideration displayed by leaders is related to what perceive of their company in the provision of a clean, tidy, quiet, and fume-free aircrafts, and in having a courteous, helpful, and user-friendly time table Is

the largest relationship rate followed by time, cost, and flexibility advantages respectively in EAL.

4.4.5 Correlations between Transformational Leadership Dimensions and competitive Advantage

The findings the study show that idealized influence (attributes and behaviors) has relatively very strong and statistically significant positive relationship with competitive advantage (0.803**). This finding suggested that transformational leaders who exhibit and display idealized attributes consisting of instilling pride in others, going beyond self-interest for the good of the group, acting in ways that build others' respect, displaying a sense of power and confidence; and idealized behavior involving talking about important values and beliefs, having a strong sense of purpose, considering the moral and ethical consequences of decisions, and emphasizing a collective sense of mission is positively related to what employees think of the relative quality that their organization claims to possess and through which Ethiopian airlines exceeds its rivals' performance and achieve long lasting benefits as perceived by clients.

This finding also indicated that business leaders having and demonstrating the above idealized attributes and behaviors affects competitive advantage in Ethiopian airlines.

In addition, such findings of the result indicates the role of transformational leaders displaying idealized attributes and behaviors, the importance for organizations to nurture idealized attributes and behaviors among business leaders.

The other aspect of the study is the relationship between inspirational motivation and competitive advantage. As of the study, inspirational motivation has relatively strong positive relationship with competitive advantage and their relationship is also statistically significant with correlation coefficient of 0.738** two- tailed at 0.00 significant level. This suggests that leaders of EAL who exhibited inspirational motivation such as talking optimistically and enthusiastically about what needs to be accomplished, articulating a compelling vision of the future, and expressing confidence that goals will be achieved is related to the employees thought of their organization in gaining competitive advantage in EAL.

The study also revealed that there is a very strong positive and statistically significant relationship between intellectual stimulation and competitive advantage having a 0.782** correlation coefficient at 0.000 significant level.

This study suggests leaders functioned and experienced with intellectual stimulation are related to the employees' perception regarding their company's performance in gaining competitive advantage. This finding is consistent with the previous studies by Hosseini and Moshbaki(1386) who revealed that there is significant positive relationship between intellectual capital and competitive advantage.

As per the findings of the study, individualized consideration is related positively to competitive advantage. Their relationship is very strong and statistically significant (0.858**). This suggests business leaders spending time teaching and coaching followers, treating followers as individuals, considering each follower as having different needs, abilities, and aspirations from others, and helping other employees to develop their strengths is related to employees perception of their company's competitive advantage gaining in EAL.

When we see the relationships that idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration have with competitive advantage, individualized consideration is related at the highest rate to competitive advantage(0.858**), followed by idealized influence(0.803**), intellectual stimulation(0.782**), and inspirational motivation takes the least(0.738**) though it is significantly related to competitive advantage.

This finding to some extent supports the findings by Kamali(2014) in that he indicated idealized influence and inspirational motivation have the greatest impact on a company's competitive advantage. In some way, it contradicts in that my study revealed individualized consideration and idealized influence have the greatest positive affection on competitive advantage in EAL.

Generally, the findings of the present study indicated that transformational leadership is related to competitive advantage. This result confirms the findings of Ekuma(2014) who indicated transformational leadership contributes to organizational effectiveness and gaining competitive advantage. Similarly, the findings also support the study of Kustyadi(n.d) who showed that transformational leadership has a significant positive effect on competitive advantage.

4.5 Relationship between transformational leadership dimensions and competitive advantage

4.5.1 Simple regressions

Simple regression analysis with four dimensions of transformational leadership as independent variables and competitive advantage as dependent variable were conducted.

The Table 4.6 shows the result of the regression. It includes value of model R², the two-tail p-value for the significance of beta (or the regression itself), and the estimate of the intercept. The estimates of the under standardized and standardized slope (beta) are also presented.

Hypothesis 1. There is a significant relationship between idealized influence and competitive advantage in Ethiopian Airlines

Idealized influence (X1) is significantly correlated with competitive advantage (Y1) at a significant level of $p < 0.01$ (Table 4.6). This relationship is also strong ($R = 0.803$) (Table 4.6). The value of the R square is relatively high (.645) meaning that 64.5 percent of the variance in competitive advantage can be explained by idealized influence and the model fits the collected data well. In addition, $F = 586.804$ and is significant at 0.000 (smaller than 0.05). This indicates that idealized influence variable do a good job in explaining the variation of competitive advantage. We can conclude that there is a significant and positive relationship between the idealized influence and competitive advantage and this relationship can be express as function:

$$Y1 = -0.241 + 0.997 X1$$

Where Y1: Competitive advantage

X1: Idealized influence

Table 4.6 Single Regression model Summary

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)		.107		-2.247	.025
Idealized influence	.997	.041	.803	24.224	.000
R=0.803 R2=0.645 Adjusted R2=0.644 F=586.804 Sig.=0.000					
Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.188	.110		1.704	.089
Inspirational motivation	.813	.041	.738	19.650	.000
R=0.738 R3=0.545 Adjusted R2=0.543 F=386.121 Sig.=0.000					
Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.039	.103		.376	.707
Intellectual stimulation	.900	.040	.782	22.579	.000
R=0.782 R2=0.612 Adjusted R2=0.611 F=509.796 Sig.=0.000					
Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.090	.076		1.184	.237
Individualized consideration	.867	.029	.858	30.080	.000
R=0.858 R2=0.737 Adjusted R2=0.736 F=904.800 Sig.=0.000					

Hypothesis 2. Inspirational motivation will positively relate to competitive advantage

Inspirational motivation (X2) is significantly correlated with competitive advantage (Y1) at a significant level of $p < 0.01$ (Table 4.6). The correlation coefficient (R) is 0.738 showing a strong relationship between inspirational motivation variable and competitive advantage (Table 4.10). The R square is 0.545 indicating that 54.5 percent of the variation in competitive advantage can be predicted from inspirational motivation. The F value is 386.121 and significant at 0.000 (smaller than 0.05). This indicates that inspirational motivation variable significantly predict competitive advantage. The t value of 19.650 and significant at level of 0.000 means that inspirational motivation variable is significantly contributing to the equation for predicting competitive advantage. We can conclude that there is a positive relationship between inspirational motivation and competitive advantage and this relationship can be express as function:

$$Y1 = 0.188 + 0.813 X2$$

Where Y1: Competitive advantage

X2: Inspirational motivation

Hypothesis 3. There is a positive relationship between intellectual stimulation and competitive advantage

Intellectual stimulation (X3) is significantly correlated with competitive advantage (Y1) at a significant level of $p < 0.01$ (Table 4.33). This relationship is strong (R = 0.782) (Table 4.6). The value of the R square is 0.612 and high - meaning that 61.2 percent of the variance in competitive advantage can be explained by intellectual stimulation and the model fits the collected data well. The value of $F = 509.796$ and is significant at 0.000 (smaller than 0.05). This indicates that intellectual stimulation variable does a good job in explaining the variation of competitive advantage. Furthermore the t value of 22.579 and significant at level of 0.000 meaning that this independent variable is significantly contributing to the equation for predicting competitive advantage. We can conclude that there is a positive relationship between positive relationship between intellectual stimulation and competitive advantage and this relationship can be express as function:

$$Y1 = 0.039 + 0.900 X3$$

Where Y1: Competitive advantage

X3: Intellectual stimulation

Hypothesis 4. Individualized consideration is positively related to competitive advantage

Individualized consideration (X4) is significantly correlated with competitive advantage (Y1) at a significant level of $p < 0.01$ (Table 4.6). The correlation coefficient (R) is 0.858 showing a strong relationship between individualized consideration variable and competitive advantage (Table 4.6).

The value of the R square is 0.737 and high - meaning that 73.7 percent of the variance in competitive advantage can be predicted from individualized consideration. The value of $F = 904.800$ and is significant at 0.000 (smaller than 0.05). This indicates that individualized consideration variable does a good job in explaining the variation of competitive advantage. Furthermore, the t value is 30.080 and significant at level of 0.000 meaning that this independent variable is significantly contributing to the equation for predicting competitive advantage. We can conclude that there is a positive relationship between individualized consideration variable and competitive advantage and this relationship can be expressed as function:

$$Y1 = 0.090 + 0.867 X4$$

Where Y1: Competitive advantage

X4: Individualized consideration

The results from simple linear regression analysis indicate that all the variables had a positive and significant impact on the competitive advantage.

It was found that Ethiopian Airlines putting more emphasis on individualized consideration, on idealized influence, intellectual stimulation and on inspirational motivation can expect to gain higher competitive advantage.

These findings suggest that in order to improve competitive advantage Ethiopian Airlines need to improve its leader's attributes and behaviors with respect to transformational leadership

(individualized consideration, idealized influence, intellectual stimulation and inspirational motivation).

In general, all positive relationships between transformational leadership dimensions and competitive advantage had high value of R square ranging from 0.545 (inspirational motivation variable and competitive advantage) to 0.737 (individualized consideration variable and competitive advantage). This indicates that a higher percentage of the variance in competitive advantage can be explained by each transformational leadership dimensions. These results are consistent with the findings of Kamali(2014) in that R squares were high and varied from 0.88 to 0.91. Besides this, the findings to some extent supports the findings by Kamali(2014) in that he indicated idealized influence and inspirational motivation have the greatest impact on a company's competitive advantage. In some way, it contradicts with my study that revealed individualized consideration and idealized influence have the greatest positive affection on competitive advantage in EAL.

4.5.2 Multiple regressions

Multiple regressions provide a means of objectively assessing the degree and character of the relationship between the dependent and independent variables (Hair et al., 1998). Based on multiple regression model, the impact of transformational leadership on competitive advantage is identified.

Table 4.7 Model summary

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.902 ^a	.814	.812	.33344

Adjusted R squared is coefficient of determination that tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the above table, the value of adjusted R squared was 0.812 indicating that there was variation of 81.2 percent on competitive advantage of Ethiopian airlines due to changes in idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration at 95 percent confidence interval. This shows that 81.2 percent changes in competitive advantage of Ethiopian airlines could be accounted to changes in idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. R is the correlation coefficient, which shows the relationship between the study variables, from the findings shown in the table above there was a strong positive relationship between the study variables as shown by 0.902.

Table 4.8: Model Fitness for Transformational Leadership and Competitive Advantage

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	156.134	4	39.033	351.085	.000 ^a
	Residual	35.577	320	.111		
	Total	191.711	324			

From the ANOVA statistics shown in table the processed data, which is the population parameters, had a significance level of 0% which shows that the data is ideal for making a conclusion on the population's parameter as the value of significance (p-value) is less than 5%. The F critical at 5% level of significance was 351.085 since F calculated is greater than the F critical (value = 39.033), this shows that the overall model was significant and that idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration were significantly influencing competitive advantage of Ethiopian airlines.

Table 4.9 Coefficients of Multiple Regression

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.465	.080		-5.785	.000
Idealized influence	.399	.055	.322	7.294	.000
Inspirational motivation	.064	.049	.058	1.310	.191
Intellectual stimulation	.098	.053	.085	1.844	.066
Individualized consideration	.526	.043	.520	12.282	.000

a. Dependent Variable: competitive advantage

From the data in the above table the established regression equation was $Y = -.465 + 0.399 X_1 + 0.064X_2 + 0.098 X_3 + 0.526X_4$

The above regression equation revealed that holding idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration to a constant zero, competitive advantage of Ethiopian airlines would be -0.465. A unit increase in idealized influence would lead an increase to competitive advantage of Ethiopian airlines by a factor of 0.399, a unit increase in inspirational motivation would lead to an increase to competitive

advantage of Ethiopian airlines by a factor of 0.064, a unit increase in intellectual stimulation would lead to an increase to competitive advantage of Ethiopian airlines by a factor of 0.098, and a unit increase in individualized consideration would lead to an increase to competitive advantage of Ethiopian airlines by a factor of 0.526.

In addition, the results from the regression analysis demonstrate that two of the four transformational independent variables namely idealized influence (Beta = .399, $p=.000<0.001$) and individualized consideration (Beta = .526, $p=.000<0.05$) had a positive relationship and a significant effect on competitive advantage.

However, it is worthy to note that the other two variables including inspirational motivation (Beta = 0.064, $p = 0.191 > 0.05$) and intellectual stimulation (Beta = 0.098, $p = 0.066 > 0.05$) did not have a significant positive effect on competitive advantage factor.

This leads to a conclusion that transformational leadership dimensions have moderately positive relationships with competitive advantage. This implies that transformational leadership dimensions are conducive on improving competitive advantage of an organization.

However, only two variables (idealized influence and individualized consideration) had impact on the competitive advantage. This result is different with single regression. And possible explanation that may account for this inconsistency is multicollinearity among independent variables (Table 4.9). Due to the multicollinearity, the relationship found in the regression models might be distorted.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Based on the analysis results and discussions of the study, conclusions are drawn on the nature and relationships of transformational leadership and competitive advantages to achieve the main objectives of the research.

Most employees in the sample have occupied non-managerial position (60%). The majority of employees occupying managerial positions are males (81.1%).

The mean scores for idealized attributes proposes that some employees perceived their supervisors as performing below expected average job of instilling pride, going beyond self-interest, building respect , and displaying power and confidence.

The mean scores of inspirational motivation suggest that some respondents perceived their supervisors as those who have performed the job of talking optimistically and enthusiastically about what needs to be accomplished, articulating a compelling vision, and expressing confidence that goal will be achieved.

The mean scores of intellectual stimulation suggests that employees perceived that supervisors tended not to examine critical assumptions to questions, seek differing perspectives, get others to look problems from different angles, and suggest new ways to accomplish assignments. In other ways, new ideas are not appreciated in EALs.

Consistent to other findings, quality advantage has the highest mean score followed by flexibility and time advantages, and then cost advantage has the least score. This suggests that quality advantage is the most prevailing competitive advantage in EALs as perceived by the respondents.

The lowest mean score of cost advantage suggests the no-existence of low and competitive fares, no-frills service on-board and selling tickets directly to customers.

The mean score of overall competitive advantage suggests employees perceived that EALs has performed below average in gaining competitive advantages.

Pearson correlation analysis was used to investigate the correlations between transformational leadership and competitive advantage.

The important finding of this study is that idealized influence has the greatest significant influence on cost advantage.

According to the results of the study, there is strong positive and significant correlation between inspirational motivation and competitive advantage dimensions. However, the study suggests that inspirational motivation has the strongest positive correlation with cost advantage followed by time and quality advantages respectively where as flexibility advantage has the least strong positive relation with inspirational motivation.

Intellectual stimulation was found to be significantly and positively associated with all competitive advantage dimensions though it has the least strong positive association with flexibility advantage in particular.

As the results of the findings, inspirational motivation and intellectual stimulation are relatively lesser strong but positively correlated to competitive advantage while individualized consideration and idealized influence are relatively stronger and positively related to competitive advantage. These findings suggest that leaders performing with individualized consideration and idealized influence explain most in the association of employees' perception to the organization as to gain competitive advantage in EALs.

Generally, the study concludes that there is strong positive correlation between transformational leadership and competitive advantage as per employees of EALs though leaders do not exhibit the ideal level of transformational leadership style.

The results from simple linear regression analysis indicate that all the variables had a positive and significant impact on the competitive advantage.

It was found that Ethiopian Airlines putting more emphasis on individualized consideration, on idealized influence, intellectual stimulation and on inspirational motivation can expect to gain higher competitive advantage.

These findings suggest that in order to improve competitive advantage Ethiopian Airlines need to improve its leader's attributes and behaviors with respect to transformational leadership (individualized consideration, idealized influence, intellectual stimulation and inspirational motivation).

In general all positive relationships between transformational leadership dimensions and competitive advantage had high value of R square ranging from 0.545 (inspirational motivation variable and competitive advantage) to 0.737 (individualized consideration variable and competitive advantage). This indicates that a higher percentage of the variance in competitive advantage can be explained by each transformational leadership dimensions.

Furthermore, multiple regression indicates that the model is significant at $p < 0.05$, showing a good combination of variables in predicting competitive advantage. However, only the two dimensions named individualized consideration and idealized influence are statistically significant with competitive advantage. While the other two variables, intellectual stimulation and inspirational motivation do not have a significant positive effect on either competitive advantage. This result is different with single regression. And possible explanation that may account for this inconsistency is multicollinearity among independent variables (Table 4.9).

And due to the multicollinearity, the relationship found in the regression models might be distorted.

5.2 Recommendations

It is clear that managers want their organizations to achieve companywide objectives and gain competitive advantage. One of the ways to achieve this is to create favorable conditions to employees. Based on the findings of the study, I recommend the following points.

Although transformational leadership is not the only solution for organizations and leadership functions vary, the study presented here suggests that individualized consideration and inspirational motivation of transformational leadership behaviors are potentially important point of influence in affecting the competitive advantage of the company.

It is recommended that the leaders of EALs should pay more attention to demonstrating trust and respect, considering each individuals needs, abilities and aspirations, coaching and teaching them, and recognizing and celebrating each individual's achievement. This is because leaders can play a role in building unalloyed commitments of organizational members by assuring that the organization makes efforts to accomplish their work and be able to achieve competitive advantage.

To improve the lowest mean score of cost advantage, EALs should try to improve production efficiency and develop new production systems to reduce cost of production otherwise it runs out of competition as many low fare airlines are being emerged in the market.

From the managerial perspective, this study implies to business leaders and policy makers at the organizations that they focus in developing their employees by tapping their potentials, inspiring them, appreciating and recognizing contributions towards achieving competitive advantage to the organizations.

Since all dimensions of transformational leadership have been found to have a significant and strong positive relationship with competitive advantage, Organizations should attempt to maintain these behaviors within their organizations, as they want to stay in the market.

Based on the findings that revealed the significant relationship between transformational leadership and competitive advantage, it is imperative that leaders re-appraise their leadership

style, critically re-examine the selection and especially the training of leaders, and advocate coaching sessions and workshops as a way of inculcating transformational leadership behaviors.

5.3 Future Research Direction

In future research, it would be interesting to consider alternative mode of enquiries such as employing longitudinal design (e.g. observations or interviews) to determine if the findings tested are likely to be sustained. Further research should also involve a wide survey covering samples from the whole population of EALs.

Future studies can benefit by including other dimensions and mediating variables such as organizational culture and structure in gaining competitive advantage. Comparisons can also be made between two or more airlines.

Furthermore, the findings of this study may not be generalized to the whole air industry or to other types of organizations. Generalizations of the present findings should, therefore, be examined in future research on other airlines and organizations with balanced gender and more heterogeneous samples.

Taken as a whole, the suggestions for future research offer additional opportunities to further investigate the amount of variance that the four transformational leadership dimensions explain in each dimensions of competitive advantage.

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Appendices:

Appendix A Questionnaire Survey

JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

MASTERS OF BUSINESS ADMINISTRATION PROGRAM

Questionnaires developed for employees

Dear Sir/Madam,

I am a student from Jimma University doing my postgraduate degree on MBA to full fill the requirement degree. This questionnaire is prepared with a view of collecting on studying the relationship between transformational leadership and gaining competitive advantage in Ethiopian airlines. As each of responses has a significant impact on the ultimate findings of the study, I kindly request you to respond genuinely to each questions and I assure you that all of your responses will be kept confidential and used solely to carry out this particular research.

Please be honest and make the survey successful

Instruction: Write your responses on the space provided

Section A. Background Information (B)

B1. Sex Male Female

B2. Age 18-25 26-35 36-45 >45

B3. Qualification 12+2 MSC/MA

BSC/BA PhD

B4. Work experience (in years) less than 3 ye 6 to 10 years

3 to 5years More than 10 years

B5. Your Current Position Managerial Non Managerial

B6.Marital status Married Single

SECTION B Measures of transformational leadership

The following statements are measures of characteristics of transformational leaders who exhibit and display idealized attributes, idealized behaviors, inspirational motivation , intellectual stimulations ,and individualized considerations in relation to his followers and circle your level of agreement regarding your immediate leader with a response scale **(1) = strongly Disagree; (2) = Disagree; (3) = Neutral; (4) = Agree and (5) = strongly Agree**

Idealized Attributes (IA)

No	The Leader:-	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
IA 1.	Instills pride in others for being associated with me	1	2	3	4	5
IA2.	Goes beyond self -interest for the good of the group	1	2	3	4	5
IA3.	Acts in ways that build others' respect for me	1	2	3	4	5
IA4.	Displays a sense of power and confidence	1	2	3	4	5

Idealized Behaviors (IB):-

No	The leader:-	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
IB1.	Talks about my most important values and beliefs	1	2	3	4	5
IB2.	Specifies the importance of having a strong sense of purpose	1	2	3	4	5
IB3.	Considers the moral and ethical consequences of decisions	1	2	3	4	5
IB4.	Emphasizes the importance of having a collective sense of mission	1	2	3	4	5

Inspirational Motivation (IM)

No	The leader:-	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
IM1.	Talks optimistically about the future	1	2	3	4	5
IM2.	Talks enthusiastically about what needs to be accomplished	1	2	3	4	5
IM3.	Articulates a compelling vision of the future	1	2	3	4	5
IM4.	Expresses confidence that goals will be achieved	1	2	3	4	5

Intellectual Stimulation (IS)

No	The leader:-	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
IS1.	Re-examines critical assumptions to question whether they are appropriate	1	2	3	4	5
IS2.	Seeks differing perspectives when solving problems	1	2	3	4	5
IS3.	Gets others to look at problems from many different angles	1	2	3	4	5
IS4.	Suggests new ways of looking at how to complete assignments	1	2	3	4	5

Individual Consideration(IC)

No	The leader:-	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
IC1.	Spends time teaching and coaching others	1	2	3	4	5
IC2.	Treats others as individuals rather than just as a member of the group	1	2	3	4	5
IC3.	Considers each individual as having different needs, abilities and aspirations from others	1	2	3	4	5
IC4.	Helps others to develop their strengths	1	2	3	4	5

Section c: Measures of Competitive Advantage

Please indicate your opinion about the following statements regarding what your Company excels more in quality, flexibility, time and cost advantages as compared to other companies in the same industry s with a response scale: **(5) = Excellent; (4) Very good; (3) = Good; (2) = fair and (1) = Bad**

No	My company:-	1	2	3	4	5
Q1	provides a clean and tidy aircrafts					
Q2	provides a quiet and fume-free aircrafts					
Q3	offers accurate user-friendly timetable for our customers					
Q4	has workers who are courteous, friendly and helpful to customers					
F1	introduces new routes or excursions					
F2	has a large number of locations					
F3	is able to adjust the frequency of services					
F4	is able to reschedule trips					
T1	keeps the published timetable at all points on the route					
T2	constantly make seats for passengers available					
T3	keeps the time between a customer setting out on the journey and reaching his/her destination to a minimum					
T4	keeps the time it takes to unload a waiting plane and load it for the next flight (turnaround time) to a minimum					
C1	offers passengers low and competitive fares in the market					
C2	provides no-frills service on-board					
C3	sells tickets directly to customers					

Thank you for your sincere cooperation!

Appendix B: Operational Definitions of Key Terms

Transformational leadership: the essential quality or behavior for successful management of transformational organizational change

Idealized Influence (attributes: instills pride and builds trust.

Idealized Influence (behavior): emphasizes collective sense of mission, and talks about values and beliefs

Inspirational motivations: the ability of transformational leadership, which qualifies a leader as a figure, which inspires and motivates the followers to appreciate behavior, expresses enthusiasm, optimism, and confidence.

Intellectual stimulation: the ability of transformational leader with regard to innovativeness and creativity, stimulate permanent reexamination of the existent assumptions, stimulate change in the way of thinking about problems, and encourages problem solving and critical thinking

Individualized consideration: a behavior transformational leaders pay attention to each individuals need for achievement and growth by acting as a coach or mentor.

Competitive advantage: a relative quality that organizations claim to possess through which organizations can exceed their rivals' performance, and achieve long lasting benefits as perceived by clients.

Cost Advantage: the organizations ability to reduce the price paid to acquire resources while providing maximum satisfaction to customers

Quality Advantage: the unique attributes to products or services organizations offer

Time Advantage: the organizations ability to provide short delivery time, fast product development

Flexibility Advantage: the ability the organization to trace changes in consumers' needs, tastes, and expectations to carry out changes in product designs and deals with volume which stands for the organizations capability to respond to changes in consumers demand.

Appendix C: Reliability Measures of Transformational Leadership

	Mean	Std. Deviation	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Idealized Influence				$\alpha=0.915$
Instills pride in others for being associated with me	3.12	.993	.625	.912
Goes beyond self-interest for the good of the group	3.24	.876	.693	.906
Acts in ways that build others' respect for me	2.93	.904	.793	.898
Displays a sense of power and confidence	3.15	.908	.629	.911
Talks about my most important values and beliefs	3.21	1.095	.782	.898
Specifies the importance of having a strong sense of purpose	3.26	.991	.781	.899
Considers the moral and ethical consequences of decisions	3.20	1.186	.756	.902
Emphasizes the importance of having a collective sense of mission	3.16	.821	.746	.903
Inspirational Motivation				$\alpha=0.894$
Talks optimistically about the future	3.17	.901	.790	.857
Talks enthusiastically about what needs to be accomplished	3.30	1.004	.768	.862
Articulates a compelling vision of the future	3.22	1.017	.708	.884
Expresses confidence that goals will be achieved	3.18	1.081	.806	.848

Intellectual Stimulation				$\alpha=0.874$
Re-examines critical assumptions to question whether they are appropriate	3.15	1.039	.771	.822
Seeks differing perspectives when solving problems	3.14	.953	.746	.832
Gets others to look at problems from many different angles	3.10	1.049	.722	.843
Suggests new ways of looking at how to complete assignments	3.06	.873	.691	.855
Individualized Consideration				$\alpha=0.910$
Spends time teaching and coaching others	3.14	1.052	.853	.863
Treats others as individuals rather than just as a member of the group	3.29	1.096	.773	.891
Considers each individuals as having different needs, abilities and aspirations from others	3.10	1.043	.772	.891
Helps others to develop their strengths	3.09	1.099	.785	.887

Appendix D: Reliability measures of competitive Advantage

	Mean	Standard Deviation	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Quality Advantage				$\alpha = .985$
Provides a clean and tidy aircrafts	3.3785	1.13916	.894	.985
Provides a quiet and fume-free aircrafts	3.4308	1.15161	.910	.985
Offers accurate user-friendly time table for our customers	3.4892	1.18532	.868	.985
Has workers who are courteous, friendly and helpful to customers	3.3754	1.16030	.902	.985
Flexibility Advantage				$\alpha = 0.985$
Introduces new routes or excursions	2.9785	1.20037	.901	.985
Has a large number of locations	2.9631	1.15411	.856	.985
Is able to adjust the frequency of services	2.7508	1.10667	.863	.985
Is able to reschedule trips	2.9200	1.12755	.855	.985
Time Advantage				$\alpha = 0.985$
Keeps the published timetable at all points on the route	2.8615	1.16900	.883	.985
Constantly makes seats for passengers available	2.9108	1.26493	.902	.985
Keeps the time between a customer setting out on the journey and reaching his/her destination to a minimum	2.8338	1.19286	.901	.985
Keeps the time it takes to unload a waiting plane and load it for the next flight(turnaround time) to a minimum	2.7354	1.16169	.877	.985
Cost Advantage				$\alpha = 0.986$
Offers passengers low and competitive fares in the market	3.0185	1.02423	.864	.985
Provides no-frills service on-board	2.9538	1.12808	.855	.985
Sells tickets directly to customers	2.9908	1.04671	.864	.985

Appendix E: Correlations between Transformational Leadership and Competitive Advantages Dimensions

Dimensions	Quality Adv.	Flexibility Adv.	Time Adv.	Cost Adv.	Total Competitive Adv
Idealized Influence	0.761	0.731	0.787	0.791	0.803
Inspirational Motivation	0.716	0.648	0.726	0.732	0.738
Intellectual Stimulation	0.780	0.728	0.732	0.744	0.782
Individual Consideration	0.850	0.786	0.829	0.803	0.858
Transformational Leadership	0.858	0.803	0.855	0.854	0.883

** Correlation is significant at the 0.01 level (two-tailed)



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