

**Arab American University**  
**Faculty of Graduate Studies**  
**Department of Administrative and Financial**  
**Sciences**  
**Master Program in Leadership**



**The Effect of Leadership Styles on Employee's Loyalty and  
Engagement: The Moderating Effect of Leadership Powers  
in Banks Operating in Palestine**

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**This Thesis Was Submitted in Partial Fulfilment of the  
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**Arab American University**  
**Faculty of Graduate Studies**  
**Department of Administrative and Financial Sciences**  
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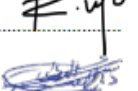

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## **Declaration**

I declare that, except where explicit reference is made to the contribution of others, this thesis is substantially my own work and has not been submitted for any other degree at the Arab American University or any other institution.

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Fouad Sadeq Fouad AlhajAsad

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## **Abstract**

This study aimed to investigate the impact of selected leadership styles on employee loyalty and engagement, with a focus on the moderating effects of leadership powers in banks operating in Palestine. The research employed a quantitative approach, targeting a population of 3,514 employees across six banks in Ramallah - West Bank. A total of (366) employees were surveyed using a structured questionnaire, and the data was analyzed using advanced statistical techniques through Smart PLS4. The findings revealed that leadership styles, specifically transformational, transactional, and authoritarian, positively influence both employee loyalty and engagement. However, these leadership styles have a more pronounced effect on loyalty than on engagement. Additionally, the study found that soft power capabilities—such as effective communication, cultural understanding, and relationship-building—significantly enhance the impact of leadership styles on engagement. In contrast, hard power capabilities, including authority, control over resources, and rule enforcement, have a more substantial impact on employee loyalty. As a results, the study recommend bank leaders to focus on transformational leadership, balance various leadership styles, and develop both soft and hard power capabilities to optimize employee loyalty and engagement, thereby fostering a more balanced and motivated workforce.

**Keywords:** Leadership styles, Employee loyalty, Employee engagement, Leadership powers.

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## List of Definitions of Abbreviations

Abbreviation	Title
AVE	Average Variance Extracted
CR	Composite Reliability
$f^2$	Assessment of Effect Size
GoF	Goodness of Fit of the Model
$Q^2$	Predictive Relevance.
SEM	Structural Equation Models
$R^2$	The R-squared value

# **Chapter One: Introduction**

## **1.1 Introduction**

Over time the concept of Leadership in organizations has evolved. For instance, in transformational leadership, employees are motivated and inspired by their leaders to achieve high levels of performance and commitment (Burns, 1978; Stewart, 2006). Leaders in this type of leadership are seen as role models that encourage employees to put the organizations interest over their self-interest. This leadership style has been shown to positively impact employee engagement and loyalty by enhancing employees' feelings of belonging and increasing their commitment within the organization (Berkovich & Eyal, 2021). On the other hand, transactional leadership, builds an exchange relationship between the company leaders and the employees, tying rewards with achievement, this also can enhance loyalty and engagement from the employees towards the company but it's often seen as a short-term motivational tactic (Kuhnert & Lewis, 1987; Jensen et al., 2019).

The influence of leadership styles on employee engagement is well-documented, with studies highlighting that engaged employees are more likely to be loyal, productive, and committed to their organizations (Blomme et al., 2015; Kumar & Pansari, 2015). Engagement is closely linked to how employees perceive their leaders and the extent to which they feel supported and valued. Transformational leadership, with its emphasis on vision, inspiration, and personal development, is particularly effective in fostering high levels of engagement (Alrowwad et al., 2020; Thanh & Quang, 2022). Employees under transformational leaders often exhibit higher levels of job satisfaction, organizational commitment, and overall engagement, which in turn leads to greater loyalty (Kaluza et al., 2022).

On the other hand, transactional leadership, while effective in certain contexts, might not always lead to sustained engagement or loyalty. This leadership style, which relies on clear structures, rewards, and punishments, may lead to compliance rather than genuine commitment (Tavanti, 2008). In the banking sector, where performance is often measured by quantitative metrics, transactional leadership might drive short-term results but could fail to build long-term loyalty and engagement among employees (Kabiru & Bula, 2020). This distinction is crucial in understanding why some leadership styles are more effective than others in different organizational contexts (Goleman, 2018).

In the context of Palestinian banks, leadership powers as a moderating variable adds another layer of complexity. Leadership power, as discussed by Nye (2008), encompasses both the authority that leaders hold and the influence they exert over their subordinates. This power can significantly alter the effects of different leadership styles on employees. For instance, in organizations where leaders hold substantial power, their ability to influence employee loyalty and engagement might be amplified, especially in hierarchical or authoritarian settings where obedience and adherence to directives are emphasized (Rafaeli, 1965; Pierro et al., 2013). Conversely, in more egalitarian environments, the moderating effect of leadership power may be less pronounced, allowing other factors such as organizational culture and employee autonomy to play a more significant role in determining loyalty and engagement levels (Meyer & Allen, 1991).

Moreover, the cultural and socio-economic context of Palestine introduces additional variables that can influence the relationship between leadership styles and employee outcomes. The region's political instability, economic challenges, and cultural norms may affect how leadership is perceived and how employees respond to different leadership styles (Omolayo, 2007; Kesto & Aregawi, 2021). For example, authoritarian leadership, which may be more prevalent in certain hierarchical cultures, might lead to different outcomes in terms of employee loyalty and engagement compared to more participative or transformational approaches (Cheng et al., 2004; Zhang & Xie, 2017).

Today's business climate necessitates understanding the effect of various leadership styles on the loyalty and engagement of employees, particularly in sectors like banking—where leadership and employee commitment are directly tied to performance and organizational success (Donkor, 2021). From the study of previous literature, leadership styles ranging from transformational to transactional, and even authoritarian approaches, considerably influence how employees view their roles and the organization and their level of engagement and loyalty. The banking sector in Palestine, like many others, presents a unique context for examining the interplay between leadership styles and employee outcomes because of the complex array of socio-economic and cultural challenges facing the region (Zanabazar et al., 2023).

In conclusion, our research is on the effect of leadership styles on employee loyalty and engagement, the moderating effect of leadership powers in bank operating in Palestine, where the study of leadership styles and their impact on employee loyalty and engagement,

particularly in the context of Palestinian banks, is of great importance. The moderating effect of leadership power adds another dimension to this relationship, highlighting the need for a nuanced understanding of how leadership influences employee outcomes. By exploring these dynamics, this research aims to provide valuable insights that can help organizations in Palestine and similar contexts to foster stronger, more engaged, and loyal workforces, ultimately contributing to their long-term success and sustainability (Singh et al., 2020; Masood et al., 2020).

## **1.2 Problem statement**

In our research on the effect of leadership styles on Employee's loyalty and Engagement: The moderating effect of leadership powers in banks operating in Palestine, it is important to know that Leadership styles affects employee's performance which impacts the overall performance of the institution (Al-khajeh, 2018). Moreover, for any organization to be successful a leadership style must be employed to assure the organization achieves its targets (Ibrahim & Daniel, 2019). Hence, the use of a specific leadership style has a direct effect on employee's loyalty and engagement which will affect employee's performance, satisfaction and effectiveness (Mert et. al, 2010; Kesto & Aregawi, 2021; Ates & Nas, 2022).

In this highly competitive market place, for any organization seeking to develop employee's performance and retaining star talents it is crucial to comprehend the effect of different leadership styles on employee's loyalty and engagement. In addition to that, understanding the moderating effect of leadership powers grants a broader view on how leadership styles effect differs based on the leadership power implemented. Our research target is to display leadership styles function in influencing employee loyalty and engagement with the moderating effect of leadership power for the purpose of improving performance which will ultimately lead to organizational goal achievement.

## **1.3 Study Questions**

This study answered the following main and sub questions:

1. What is the degree of implementation of the selected leadership styles (Transformational, transactional, and authoritarian) in the Palestinian banking sector?
2. What's the level of employee's loyalty and engagement in Palestinian banks?

3. What type of power do bank managers use mostly (hard or soft)?
4. What is the effect of the selected leadership styles used by bank leaders (transformational, transactional, and authoritarian) on employee's loyalty?
5. What is the effect of the selected leadership styles used by bank leaders (transformational, transactional, and authoritarian) on employee's engagement?
6. Do soft leadership powers moderate the effect of the relationship between leadership styles and employee's loyalty?
7. Do soft leadership powers moderate the effect of the relationship between leadership styles and employee's engagement?
8. Do hard leadership powers moderate the effect of the relationship between leadership styles and employee's loyalty?
9. Do hard leadership powers moderate the effect of the relationship between leadership styles and employee's engagement?

#### **1.4 Research significance**

The significance of this research comes from the persistent needs of the continuously changing business environment, with a goal of revealing the impact of various leadership styles on loyalty and engagement, justified with an additional test on the moderating effect of leadership power used, to further explore the interaction of those variables. The importance of our research stems from two main dimensions:

##### **Theoretical aspect significance**

This research presents an important research topic due to the scarcity of previous research done on the effect of various leadership styles on employee loyalty and engagement while examining the moderating effect of leadership powers on this relationship. Moreover, our topic also is the first to address this interactive combination on the banking sector in Palestine. In addition, it establishes the foundation for further and more thorough research on the topic.

##### **Practical aspect significance**

The banking sector is the backbone of the economy as a whole where almost all transactions are processed through and managed by banks. Banks are responsible for facilitating and organizing economic transactions. Thus, the expected results of this research will hold applications that can be used by banks to improve employee performance through the adequate usage of leadership styles for the purpose of increasing



loyalty and engagement. As a result, the bank vision, mission and goals are achieved, which will eventually participate in the rise of the economy.

### **1.5 Research objectives**

This study aimed to achieve the following objectives:

1. To determine the degree of implementation of the selected leadership styles (Transformational, transactional, and authoritarian) in the Palestinian banking sector.
2. To evaluate the level of employee's loyalty and engagement in Palestinian banks.
3. To identify the type of power do bank managers use mostly (hard or soft).
4. To assess the effect of the selected leadership styles used by bank leaders (transformational, transactional, and authoritarian) on employee's loyalty and engagement.
5. To determine the moderating effect of soft leadership powers on the relationship between the selected leadership styles and employee's loyalty and engagement.
6. To analyze the moderating effect of hard leadership powers on the relationship between the selected leadership styles and employee's loyalty and engagement.

### **1.6 Research hypotheses**

This study tested the following hypotheses:

**H1:** Leadership styles used by bank leaders (transformational, transactional, and authoritarian) have a positive effect on employee's loyalty.

**H2** Leadership styles used by bank leaders (transformational, transactional, and authoritarian) have a positive effect on employee's engagement.

**H3:** Soft power capabilities positively moderate the effect of the selected leadership styles on employee's loyalty.

**H4:** Soft power capabilities positively moderate the effect of the selected leadership styles on employee's engagement.

**H5:** Hard power capabilities positively moderate the effect of the selected leadership styles on employee's loyalty.

**H6:** Hard power capabilities positively moderate the effect of the selected leadership styles on employee's engagement.

## 1.7 Research Limits and Boundaries

The research is subject to some limits that might have an effect on the accuracy of the results, the list below summarizes those limits and boundaries:

- 1- **Time:** the research is conducted in a limited period of time and the data collected in a short period. As a result, the research will not be able to observe long term changes in studied relationships and the changes in the banking industry as a whole.
- 2- **Geographical:** the research is conducted on banks operating in Palestine. In addition to, the unique social, economic and political situation in Palestine. Hence, the results may be un-generalizable to other countries or contexts.
- 3- **Restricted sample and limited population:** the use of non-random sample due to banks internal policy in distribution may limit the diversity and representativeness of the sample. As a result, the finding may not be generalizable to the whole population of the banking industry in Palestine. Moreover, the focus on banking sector that might have distinct leadership style, powers, and employee dynamics may limit the results generalized to other sectors.
- 4- **Conceptual limits:** the measurement of the variables and the moderator is complex. Due to, the complexity of the concepts itself and the possibility they may be recognized differently by different employees. Moreover, the focus on specific leadership styles may exclude other related styles to the population. In addition to, response bias, since respondents may underestimate positive or negative experience in their answers.
- 5- **External factors:** there are factors that are out of the researcher control and they are not included in the research topic where they might have significant effect on the response that will affect the results. Such as, the instable political and economic situation, culture and regulations.

## 1.8 Conceptual definitions

- 1- **Leadership Styles:** Leadership style is defined as the methodology used by a leader to influence a follower (Luthans, 1977 as cited in Khan et al., 2015). Khan et al., 2015 also emphasized that the style of leadership used is dependent on different factors. Such as, the situation, organizational culture, social culture, the quality of influence needed, desired goal and the follower's sophistication level. That guides a leader to adopting one style rather than another.

**2- Leadership power:** Leadership power can be defined as the use of bases of social power that gives prudence to the leaders on the impact of using social power in influencing followers (J. French and B. H. Raven, 1959).

**3- Employee Loyalty:** The concept of employee loyalty refers to the deep sense of attachment and emotional connection that employees feel toward their organizations, which drives them to be dedicated in their work (Yao et al., 2024).

**4- Employee Engagement:** Employee engagement can be referred to as the psychological and emotional link between the employee and his work, organization, and colleagues. It extends beyond mere satisfaction where it enclose the level of dedication, devotion, and eagerness that employees present to their jobs (Kwon et al., 2024).

## **1.9 Research structure**

This study is divided into five chapters as follows:

**Chapter One: Introduction**

**Chapter Two: Literature Review**

**Chapter Three: Methodology**

**Chapter Four: Data Analysis and Discussion**

**Chapter Five: Conclusions, Recommendations and limitations**

## **Chapter Two: Literature review**

This research topic seeks to examine the effect of different leadership styles used by Palestinian bank leaders on the level of bank employee's loyalty and engagement. In addition to exploring the moderating role of the leadership power used on the effect of the various leadership styles on employee's loyalty and engagement. In substance, it aims to reveal the link between employee's loyalty and engagement and different styles of leadership while bringing to the spotlight the leadership powers function in casting this link.

### **2.1 leadership styles**

A leader is the person who is able to direct and influence others into voluntarily pursuing and achieving a desired goal (Omolayo, 2007). A leader is the one who assist a person or a group in achieving a desired goal (Nye, 2008).

The leader is a transition from being a traditional manager, where a manager is a person with visibility, awareness and experience. On the other hand, a leader is a person with management qualities but refines those qualities with openness, continuous learning, and always in a change state of mind to be able to cope with the changes of life and work environment circumstances evolution (Bennis & Towsend, 1989). Having great emotional intelligence is the main identifier of a good leader (Goleman, 2018).

In research done by Ciulla & Ciulla (2020), leaders and leadership in terms of ethics and effectiveness and stated that a leader's character is based on a special relationship between individuals, where the leader withholds the capacity to impact or guide others. In addition to, presenting goals, virtues, fairness, commitment and the ability to practice considerable greatness.

Kaluza et. al., (2022) stated in their research that a leader is the person who care for their followers' emotions and wellbeing. Thus, a good leader motivates capable employees to do extra work while supporting and relieving those who are maxed out.

#### **2.1.1 leadership**

Leadership is considered a form of social process that has existed since ancient times and is regarded as essential in life for all humans, as early nations had leaders who guided individuals, planned for work, and led the group. It is one of the most complex and

enigmatic human phenomena (Baig et al., 2021). Based on this, leadership has garnered the attention of many scholars, philosophers, and writers who began studying it and everything related to it, making it now the core of the administrative process and its beating heart, and the basis by which the success or failure of an organization is judged. At its essence, leadership means the influence that a leader exercises over subordinates to achieve a certain goal (Al Khajeh, 2018).

Given the scholars' interest in leadership and its various branches, definitions of leadership have varied. Some researchers view it as a set of personal traits, others see it as authority and formality, while others perceive it as behavior, interaction, and influence over others. Based on this, Al Khajeh (2018) emphasized the need for a consistent framework based on a certain system to interpret leadership. Thus, leadership theories emerged, serving as a guide and directive for leaders, explaining and supporting their work, helping them achieve their goals and desires, and aiding in making more accurate predictions about organizational work.

Leadership theories are important for two main reasons: they provide a way to understand and interpret the actions of leaders, and they offer a guide for practicing leadership for managers and other leaders, expanding perspectives and avoiding reliance on limited individual or collective experience. Globalization and technological advancements continuously push organizations to adapt to a dynamic business environment, which forces organizations to be aware of leadership models to follow different leadership styles. Therefore, leaders must recognize the effectiveness of their roles and leadership styles, as leadership is crucial in the development of organizations (Fiaz, Su, & Saqib, 2017).

The researcher believes that the multitude of theories and studies on leadership is due to the fact that leadership is a vital subject for study and research, influencing and being influenced by its concept and practices according to the time in which it exists. Leadership concepts have diversified with the varying directions and theoretical frameworks throughout its development stages. Some researchers have defined leadership as a set of personal traits, while others have considered leadership as a mandate and formal authority. Modern studies, however, have focused on leadership as behavior, interaction, and influence over others. From this perspective, the researcher will present a number of definitions to illustrate the evolution of the concept of leadership over time.

At the beginning of the last century, as mentioned by Sousa & Rocha (2019), leadership symbolized certain personal traits and special abilities granted by God to certain individuals, whether they were mental, physical, or moral. Following this, the concept of formal authority emerged, viewing leadership as representing authority, with the belief that leadership must possess all authority, as some viewed that authority alone is capable of subjecting the group to the leader's will to avoid accountability.

The behavioral school rejected this concept and emphasized that leadership is linked to the leader's behavior and their influence over others. In light of this, Rahbi, Khalid, & Khan (2017) affirmed that leadership in the current era has changed to align with the requirements of the time and the various specialized organizations, making it impossible to rely solely on personal traits. Accordingly, Rudolph, Rauvola, & Zacher (2018) defined leadership as a set of processes carried out by the leader to influence the activity of an organized group towards determining or achieving a certain goal. Fiedler added that leadership behavior means the specific actions taken by the leader in directing and coordinating the work of group members.

Furthermore, many researchers have contributed additional definitions in the field of leadership, revealing their interest in the subject. Among the most prominent definitions, as mentioned by Al Khajeh (2018), is that leadership is the art of dealing with human nature or the art of influencing human behavior to direct a group of people towards a specific goal in a manner that ensures their obedience, trust, respect, and cooperation.

### **2.1.2 The Importance of Leadership**

The importance of leadership lies in the effective and efficient management of an organization's resources, including managing employees, financial affairs, and physical assets to ensure that the organization operates smoothly and achieves its goals. Leaders are responsible for ensuring that their organizations comply with all relevant laws and regulations, which is crucial to avoiding legal issues and maintaining the organization's reputation (Bhattacharjee et al., 2022). Additionally, leaders set the tone for organizational culture by establishing and enforcing rules and regulations, promoting an environment of collaboration, innovation, and job satisfaction, which is essential for attracting and retaining top talent and creating a positive image for the institution (Ikram et al., 2021).

Leaders are also responsible for setting the organization's goals, policies, and strategies. They develop and implement plans to ensure the organization achieves its long-

term objectives, maintaining competitiveness and responsiveness to changing market conditions. Furthermore, they motivate and develop their teams, which involves setting expectations, providing feedback, and creating opportunities for professional growth. This contributes to maintaining employee engagement, productivity, and investment in the organization's success (Al-Hadithi & Al-Hamdani, 2022).

The researcher believes that leadership is essential for the success of any organization. It ensures that the organization is managed effectively and efficiently, operates in compliance with relevant laws and regulations, and fosters a positive organizational culture that supports employee engagement, job satisfaction, and productivity. Effective leadership improves the organization by providing direction and vision, building a strong team, enhancing organizational culture, promoting operational efficiency, developing and implementing strategic plans, encouraging innovation, and managing resources effectively. By doing so, leaders can help organizations achieve their mission and goals in a responsible and sustainable manner.

### **2.1.3 General overview on leadership styles**

Leadership style is defined as the methodology used by a leader to influence a follower (Luthans, 1977 as cited in Khan et al., 2015). Khan et al., 2015 also emphasized that the style of leadership used is dependent on different factors. Such as, the situation, organizational culture, social culture, the quality of influence needed, desired goal and the follower's sophistication level. That guides a leader to adopting one style rather than another.

Leadership styles affects the performance of employee which in turn transfers this effect to the overall performance of the institution. As a result, the leader in any organization needs to choose the leadership style that best suits the nature of the organization and its employees in a manner that best improves the performance and motivation of followers (Al-khajeh, 2018).

For any organization to be successful and achieve its goals it must have the right person in the right place specially the leader, where the leadership style employed by this leader will reflect down in the hierarchy and will have a direct impact on whether the organization achieves its targets (Ibrahim & Daniel, 2019).

The leadership style used affects bank employee's loyalty (Mert et. al, 2010). Moreover, the style of leadership used have a direct impact on follower's effectiveness

(Kesto & Aregawi, 2021). In addition, in a research done on employee job satisfaction in the banking sector found that the leader's attitude affects the employee's contentment of their job (Ates & Nas, 2022).

Amongst the various known leadership styles the research will focus on three styles of leadership. Transformational, transactional, and authoritarian leadership style.

#### **2.1.4 Transformational leadership**

Transformational leadership refers to leaders who adopted engagement and fulfilling substantial needs of followers as means of influence that seeks transforming followers into leaders (MacGregor, 1978).

Burns (1978) identified transformational leaders as leaders who are mentors and lead by example, they seek to influence followers in an inspirational manner that drives them towards results that are exceptional. In addition, inspires followers into becoming leaders by growing their feel of involvement and loyalty to the organization by matching the goals of the organization with their individual goals.

Moreover, it indicates leaders who are eager to develop, grow and empower their followers to be capable of creating new ideas and shine in their organizations which will lead to loyalty and engagement for the purpose of leveraging performance (Korejan & Shahbazi, 2016).

Stewart, J. (2006) studied from the works of Burns, Bass, Avolio, and Leithwood the developed notion of transformational leadership which identified four evolved compositions of transformational leadership:

1. A transformational leader is considered as a mentor. As a result. Subordinates seeks to simulate the actions of the leaders out of appreciation and consideration.
2. The actions of a transformational leader acts as a motivation to followers.
3. Transformational leaders are always in a continuous learning state of mind and one of their main goals is to develop followers.
4. Considering the cultural variance and the needs of each follower amongst other differences between followers.

Behaviours that aim to create, communicate, and maintain a vision in an effort to motivate followers to put the organization's objectives ahead of their personal self-interest are known as transformational leadership. Hence, the goal of transformational leadership is to influence the followers to change their attitude willingly so that they can best collaborate and implement the vision (Jensen et. al. 2019).



Transformational leadership style is distinguished by the leader's interest in their follower's growth, wellbeing, and being a mentor with a vision to follow (Berokovich & Eyal 2021).

Transformational leadership plays an important role in achieving organizational goals. Moreover, supporting and developing follower's ideology in banks will enhance employee's productivity through engagement which will result in successful regeneration (Alrowwad et. al., 2020).

Employee engagement and loyalty in banks are positively affected by transformational leadership style. As a result, it has a main role in the development and sustainability of the organization (Sonmez Cakir & Adiguzel, 2020).

From our study of previous research on transformation leadership style we concluded that transformational leadership is a style dependent on a leader acting as a role model for followers where the communication of the leader's vision is so attractive that the follower adopts it as their own. Due to the fact that this vision fulfils the psychological, engagement and communication needs of the followers. Moreover, it fosters employee's desire towards self-development.

#### **2.1.5 Transactional leadership:**

MacGregor (1978) suggested that transactional leadership is the foundation of communication and influence where a leader approaches the follower for the purpose of exchanging value. Moreover, transactional leadership represents the state of influence from the leader over the follower to achieve a desired objective in exchange of presenting something of value in return (Kuhnert & Lewis, 1987).

Tavanti, M (2008), summarized transactional leadership from the work of Bass (1974) as a transaction composed of a leader who sets targets to achieve and purposes to reach and transfers his vision on how things should be done to followers. As a result, goals are achieved. Hence, Tavanti assures that a consent on scale divergence between leaders and followers is a must for accommodating transactional leadership. Moreover, a clear control hierarchy best benefits work environment and production, resulting that penalizing and rewarding are the main stimulators (Kuhnert, 1994; as cited in Tavanti, M, 2008).

Transactional leadership is composed of three categories (Bass, 1998; Burns, 1978; As cited in Stewart, J. 2006):

- 1- Conditional rewarding: this dimension is the main illustration of transactional management where managers ask followers to do specific tasks or achieve pre-defined goals which in return are awarded if the job is done or punished if they fail.
- 2- Operational freedom: or management by exception it is when a transactional leader gives the freedom to followers to do the job as they desire within some boundaries and only participate under exceptional circumstances.
- 3- Specific issues management: or Laissez-faire leadership that is a transactional leadership approach where the leader only provide the needed tools or resources to followers that are needed to attain the desired outcome, where the leader doesn't take part on the daily operations.

Using performance-based incentives and penalties to persuade followers to behave in the best interest of themselves while still advancing corporate objectives is known as transactional leadership. This is built on the notion that meeting followers needs and the success of the company may coincide with suitable rewards. Hence, anytime an employee receives a reward or punishment, it should be directly related to their particular work or performance. As a result, it is not reasonable to believe the actions to be successful otherwise (Jensen et. al., 2019).

Berokovich and Eyal (2021) described transactional leadership style as the style when the leader provides guidance and goals and if needed there will be an intervention to correct when goals are not met. In addition to highlighting incentives when goals are achieved.

Alrowwad et. al., (2020) stated in their research findings that transactional leadership is a significant player in the process of goal achievement. Hence, for the purpose of succeeding in banks renovation which is dependent on the improvement of employee performance and motivation there must be a great concern for supporting the growth of follower's insights.

Transactional leadership style is a main contributor in extracting better performance from followers, mainly through engagement that motivates subordinates towards achieving great results (Kabiru & Bula, 2020)

From previous literature and research done on transactional leadership style we can say that transactional leadership style is built on a cost benefit relationship which involves exchanging benefits. In this case, the leader offers a benefit (reward) to the employee in exchange of a benefit (achieving goals), which if not achieved the employee will be deprived of the benefit.

#### **2.1.6 Authoritarian leadership**

Authoritarian leadership style also known autocratic leadership style is a style of leadership that has no participation from followers in decision making or an input on the process with clear discrimination and rigid hierarchy where the management with-holds the greatest amount of power to control and enforce decisions (Khan et al., 2015). Moreover, it is a leadership style where the leader is in charge of everything and withholds power over all the details and operations of the organization imposing punishment and compliance (Mansaray, 2019).

Authoritarian leaders rule over their subordinates and make decisive choices. In a hierarchical role structure, this kind of leadership, which involves the exercise of official authority and status power, may prevent individuals from engaging in extra-role activities. It is anticipated that authoritative conduct would cause followers to perceive role overload, ambiguity in roles, and role conflict (Zhang & Xie, 2017).

Defined as one of the components of paternalistic leadership, Cheng et. al., (2004) conducted from the work of Farah & Cheng (2000) on studies done from 1976 to the date of their research on paternalist leadership that Authoritarian leadership “authoritarianism” is a leader attitude where maximum power and dominance on followers requires unimpeachable submission from followers to the commands of their leader.

Authoritarian leadership as one role of paternalist leadership asserts full control, ascendancy and power as the main leader traits which entails unquestionable subordination (Latif et. al., 2017).

Adiguzel et. al., (2020) stated that the main feature of authoritarian leadership is the ultimate dominance of leaders over their followers. Moreover, authoritarian leadership style imposes dominance, pressing and a repression work environment (Chiang et. al., 2021).

Our conclusion from the study of previous literature on authoritarian leadership style can summarize this leadership style as a dictatorial leadership style where the followers are not allowed to discuss instruction or provide suggestions they are meant to receive instruction and implement them in the manner dictated to them. Hence, a punishment can take place if the leader's desired outcome is not fulfilled.

## 2.2 Leadership powers

Power is the ability of a leader to influence followers (Ginnett et al. 2015; D. McGregor, 1966; Hall & Donnell, 1979). Taking into consideration that power is a compounding role of the leader, the situation, and the follower (Hall & Donnell, 1979).

Kovach (2020) reviewed literature conducted on the topic in 70 years, and concluded that almost all research is built upon the initial work of French and Raven in 1959 on social powers. In addition, the writer focused on the importance of understanding leadership powers which affects both organizational and social construct relationships and interactions. Hence, this relationship impacts follower's performance and organizational results.

There are six main bases of social power - legitimate, expert, reward, referent, coercive, and informational power. Comprehending these bases of social power can give prudence to the leaders on the impact of using social power in influencing followers (table 2.1) for brief summary on each power base (J. French and B. H. Raven, 1959; Raven, B. H., 1965). Social power bases are categorized into soft. The ability to influence and attract other without giving or threatening and having free choice of compliance. And hard powers. The ability to influence through giving or threatening and not having free choice of compliance (Nye, 2008; Pierro et al., 2013).

Table (2.1): Bases of social power

POWER BASE	ILLUSTRATION	CATEGOR
Expert power	Power of influence gained by the leader due to having superic experience and knowledge in a specific field of work.	SOFT
Referent power	Power of impact gained due to the nature of communication tl leader builds with followers. Positive or negative.	SOFT
Legitimate power	Authority power granted legally by the position of the leader.	HARD

Reward power	Influence power gained by the leader due to the ability and willingness to give rewards, rewards can be financial or nonfinancial.	HARD
Coercive power	Leverage power gained by the leader due to the ability of penalizing or the threat of eliminating privileges.	HARD
Informational power	Power of influence that one possess due to having knowledge the ability to gain knowledge that others need or want.	SOFT

Previous research by Meyer & Allen in (1991) pointed out three reasons for an employee to commit to a specific organization where the most important one stated as being delight working for the organization and feeling some emotional attachment towards that specific organization where this reason is believed to be directly related to the social power used by the leader (Pierro et al., 2013). Furthermore, a leader to be effective needs to assess the deficiencies of followers, and understand their needs which will provide a guide line on which power can best influence each follower (Conger & Kanungo, 1998).

Leadership powers is considered as a motivational tool employed by leaders on influence followers based on a specific situation and the individual follower character. As a result, a desired outcome is achieved through effective leadership (Friederichs et. al, 2023).

### 2.3 Employee loyalty

Employee loyalty is one of the most critical elements that contribute to the success of any organization. When employees feels loyal to their company, they are more inclined to show a greater interest in contributing to the achievement of shared goals, produce innovative ideas, and become highly dedicated and committed to their work (Nguyen & Ha, 2023). This level of commitment brings immense benefits to the organization as a whole. Understanding employee loyalty has become essential for employers due to its significant role in increasing productivity (Salameh et al., 2023).

The concept of employee loyalty refers to the deep sense of attachment and emotional connection that employees feel toward their organizations, which drives them to be dedicated in their work. This feeling extends beyond mere job satisfaction and routine tasks, as it fosters a willingness to make personal sacrifices for the benefit of the organization (Yao et al., 2024).

When employees feel loyal to the organization, they become more devoted towards achieving its goals and exert more effort toward this end. This loyalty manifests in other actions, such as promoting the company outside of the workplace, performing job duties optimally, and offering suggestions that help improve the company and enhance its operations (Andriani, 2023).

Building employee loyalty requires employers to create a workplace culture that involves recognizing employees both materially and morally, treating them with respect, providing career development opportunities, and enhancing communication with them. Ultimately, this leads to the creation of a positive and productive work environment (Ateeq et al., 2023).

### **2.3.1 Types of Employee Loyalty**

Employee loyalty can be divided into seven main types (Ateeq et al., 2023; Salameh et al., 2023; Yao et al., 2024). First, Emotional Loyalty which Refers to the deep emotional attachment an employee feels toward the organization they work for. Second, Cultural Loyalty that means that the employee's values align with the cultural values of the organization, along with alignment in tasks and goals. Third, Transactional Loyalty that stems from the employee's interest in mutual self-interest, given the rewards or incentives provided by the employer. Forth, Temporal Loyalty which is a form of loyalty based on the duration the employee has worked at the organization. Fifth, Normative Loyalty that indicates the employee's sense of obligation to stay with the organization due to their commitment to its responsibilities. Sixth, Continuous Loyalty which results from the high costs of leaving the job, thus indicating the employee's need to continue with the organization. Finally, Blind Loyalty which refers to the employee's intense, unconscious sense of belonging to the organization, which drives them to actions regardless of whether they are right or wrong.

### **2.3.2 The Impact of Employee Loyalty on the Workplace**

Here are the importance of employee loyalty and its positive effects on the workplace (Andriani, 2023; Nguyen & Ha, 2023):

1. **Increased Productivity:** Employee loyalty and a sense of belonging in the workplace lead to increased employee productivity, and consequently, the productivity of

the organization as a whole. This feeling makes employees enthusiastic about their work, prompting them to exert their utmost efforts out of desire rather than obligation.

2. **Increased Profits:** When organizations invest in their human assets and work to instill a sense of loyalty in them, this can lead to increased productivity as employees take the initiative in projects to achieve the best possible results. This is especially evident during times of economic downturn.
3. **Improved Company Image:** The Company's employees are the most critical factor in building its image; they serve as ambassadors for its brand. Therefore, their sense of loyalty to the company and their fulfillment of responsibilities toward it enhances its image in the competitive market, guiding customers to engage with it and investors to invest in it.
4. **Attracting the Best Talent:** Employee loyalty to the company is an indication that they receive both material and moral recognition within it and that management is keen on investing in them. This leads to an improved company reputation, making it a desirable place to work for many skilled and talented individuals.
5. **Spreading Positivity in the Workplace:** The feeling of belonging and loyalty to the company is contagious, as these positive feelings spread widely within the workplace when employees feel proud and appreciated by the organization they work for.
6. **Reducing Employee Turnover:** Employee loyalty plays a prominent role in reducing turnover within the company and increasing the retention of skilled and experienced employees, thereby reducing costs associated with training and hiring.

### **2.3.3 Sources and Elements Influencing Employee Loyalty**

Several factors play prominent roles in influencing employee loyalty, including (Ateeq et al., 2023; Salameh et al., 2023; Yao et al., 2024):

1. **Organizational Culture in the Company:** The prevailing culture within the company is one of the most prominent elements shaping employee loyalty. The more positive, supportive, and inclusive the company's culture, the more likely employees are to feel valued, creating a sense of loyalty to the company.
2. **Leadership in the Company:** One of the most influential factors in creating employee loyalty is the interaction between employees and friendly leaders who strive to

create an environment of trust and empowerment, characterized by transparency and recognition of employee contributions, and the provision of opportunities for their professional growth.

3. **Company Values:** When employees work within a company that embraces values aligned with their own, they are more likely to feel satisfied with their work, making them more loyal to the company.
4. **Work-Life Balance:** Employees feel satisfied and loyal to the company when it offers them the opportunity to achieve a balance between life and work, through flexible work policies and regular vacations, ensuring they do not spend excessive time working or take on tasks outside of official working hours, thereby avoiding constant fatigue.
5. **Recognition of Contributions:** Employee loyalty to their company is positively influenced when they feel appreciated and recognize the company's acknowledgment of their contributions and achievements at work, which motivates them to increase their efficiency.
6. **Fair Salaries:** One of the factors affecting employee loyalty is the company's recognition of the value employees bring to it, leading to the provision of fair salaries that match their efforts, meet their needs, and align with industry standards.
7. **Work Environment:** Employees can perform their tasks easily when they work in a healthy work environment, characterized by spaciousness, good ventilation, and lighting, which improves their health and safety, makes them feel comfortable while working, and fosters a sense of loyalty.
8. **Opportunities for Career Development:** Employees feel loyal to the company when it provides them with opportunities for career development and promotion to higher positions with better salaries, whether through internal training courses to enhance their skills or by covering part of the fees for courses that the employee takes outside the company.
9. **Provision of Benefits and Privileges:** Employees feel highly satisfied when the company provides them with benefits and privileges in various forms, which, in turn, fosters a sense of loyalty towards it.

## **2.4 Employee Engagement**



Employee engagement can be referred to as the psychological and emotional link between the employee and his work, organization, and colleagues. It extends beyond mere satisfaction where it enclose the level of dedication, devotion, and eagerness that employees present to their jobs (Kwon et al., 2024). Employees who are engaged typically of a higher motivation, productivity, and satisfaction with their work, which results in better job performance levels and success to the organization (Susanto, et al., 2023).

Strong relationships are developed between engaged employees and their supervisors inside the organization (Abrahams et al., 2024). They like the interpersonal parts of their jobs and feel deeply bonded to the people they work with (Hajjami & Crocco, 2024). Employee engagement is higher when they are aware of their roles and responsibilities as well as their objectives and expectations. They understand their roles and how their work contributes to the success of the company (Chopra et al., 2024).

Regular feedback and work encouragement are essential elements of employee engagement. When workers feel that their efforts are valued and acknowledged, their level of involvement increases (Chopra et al., 2024). Active employees always seek out opportunities for growth on both a personal and professional level. They have a self-envisioned future and a strong desire to grow and learn inside the organization. Elevated levels of employee engagement can be attributed to increased autonomy and decision-making authority over work-related matters. When staff members feel empowered and have a sense of responsibility, employee engagement increases (Gede & Huluka, 2024).

When an organization's values align with those of its employees, engagement levels may rise. If employees feel that the organization's mission and culture reflect their own values, they are more inclined to be active. External factors also affect the degree of involvement exhibited by an employee. Employee engagement may rise for companies that support work-life balance by offering flexible scheduling options or remote work options. Although it is not the only factor, fair and competitive compensation may help maintain employee engagement in addition to bonuses and incentives (Al Zeer et al., 2023; Susanto, et al., 2023).

#### **2.4.1 Employee Engagement Importance**

Employee engagement importance stands out due to the benefits earned by the management and employees alike. This leads to the refinement of performance and productivity. Consequently, achieving work best results.

### **1. Work team performance maximization.**

Employee engagement extends beyond individual employee benefit, but also escalate the whole team work. Which is due to the high employee engagement when they work more cooperatively, which maximize the performance of employee, in addition to increasing employee morale when their colleagues are passionate, inspired and adores their work (Chopra et al., 2024). Since individual engagement enrich the engagement of the team and team performance is enhanced by the improvement of individual performance. As a result, all employees feels the significance of their participation in the team work.

### **2. Increasing employee productivity**

The efficiency and productivity of the employee are linked to their engagement and collaboration at work, as linked individuals attain great results at work, since all members in the team attaches substantial significance to their performance as they invest in their job. On the other hand, cooperative individuals who are compatible with the goals of the work and the team, and take responsibility for their contributions. This naturally means increasing the productivity of the team (Gede & Huluka, 2024). Therefore, lower productivity is a great signal of low engagement within the team.

### **3. Low turnover rates and high employee retention**

In order to develop a great-performing team, the organization needs to keep its team members. Where it is hard for teams to deliver great results if there is frequent employee turnover within the work system (Hajjami & Crocco, 2024). Also, losing a team member means the team loses a part of the knowledge and experience, and a long period of time, resources and energy, is lost for training new employees, especially in the case of small and medium-sized businesses (Susanto, et al., 2023). Therefore, to maintain a strong team, with great experience, and capabilities to fulfill organizational goals you need more engaged employees.

### **4. Achieving team goals**

Employee engagement plays a big role in the success and achievements of the team, especially when it comes to achieving goals. As a manager, it is natural to focus attention on the team's goals, but when the manager shifts focus to employee engagement, business goals will be directly and positively impacted. The more the team believes in the

organization's goals, the more each individual will do their best to advance the work to the highest levels (Chopra et al., 2024).

## **5. Reduce absenteeism**

An employee who is engaged in his work works with more enthusiasm than an employee who is not engaged, as his job does not constitute an effort for him. Studies show that the number of vacations at work increases in uncooperative teams (Chopra et al., 2024; Gede & Huluka, 2024; Kwon et al., 2024). Conversely, participation within the work team increases innovation and creativity, and thus achieves goals with high productivity and unparalleled performance (Susanto, et al., 2023).

communicating with the work team when noticing a change in their behavior towards work is also important, such as an increase in the percentage of taking more sick days or low participation in team meetings, gaps and weaknesses should be discovered and addressed, so that the level of work remains high and distinguished (Hajjami & Crocco, 2024).

## **6. Work stress reduction**

Engagement minimize stress and strain, where the outcome of this stress can vary depending on the scale of engagement. A good manager formulate a major influence in reducing this stress, as employees work more efficiently when they find a manager who supports all their steps. It is likely that it will be more simple to manage some of the stress at work and turn it into incentives to move forward (Brennan et al., 2024).

As a result, the key that is dominant in the engagement process is the support which gives employees the sense of power and that their leader is by their side when facing challenges. Hence, it is natural for stress at work to lower engagement within the team, as people cannot appear at their best when they feel stressed from work (Lee et al., 2024).

## **7. Reduced indicators of burnout at work**

Burnout is defined by the World Health Organization as an occupational phenomenon resulting from chronic levels of stress in the workplace due to its failure to be successfully managed. It is one of the biggest problems facing the workforce today. When employees reach the point of exhaustion, this will directly affects them, other individuals, and thus the organization as a whole (Jacobs, 2024).

However, levels of burnout are lower when the manager maintains high levels of active team engagement, so it is important to be vigilant and check the team's burnout levels (Jacobs, 2024). The most prominent indication of burnout resulting from pressure at work are summarized as follows (Demerouti & Adaloudis, 2024):

- Physical and mental exhaustion.
- Decreased productivity.
- Missing feeling of accomplishment.
- Decreased job satisfaction.
- Lack of engagement in work.

## 2.5 Previous studies

For the purpose of exploring previous research done on our topic or some of its variables to find guidance in what needs to be further studied or avoided, in this section we are going to summarize and discuss some of the previous studies similar to our topic, see table (2.2) Empirical literature review.

Table (2.2): Empirical literature review

#	Study	Aim of the Study	Study Design	Main Result	Main Recommendation
1	Memon (2014)	Examine the effect of leadership styles on the performance of employees using culture, gender and communication as mediators and moderators.	Quantitative research using questionnaire survey, analyzing data using statistical tools.	Culture and gender influence the style of leadership effect on performance; communication is crucial in leadership effectiveness.	To develop a model that addresses gaps in literature by focusing on Eastern contexts like China.
2	Salahat & Majid (2016)	To test transformational and transactional leadership impact on client satisfaction using performance of the employee as a mediator.	Quantitative research using questionnaire survey and analysis via SmartPLS 2 and PLS-SEM path modeling.	Leadership styles have an indirect relationship with client satisfaction mediated by employee performance.	To explore how client satisfaction is affected indirectly by leadership styles through employee performance.
3	Danso et al. (2020)	To study the relationship between transformational leadership and employee loyalty, with affective commitment and rewards as mediators and moderators.	Quantitative research using purposive sampling survey analyzed with SPSS and AMOS.	Transformational leadership positively impacts loyalty and commitment, but affective commitment does not mediate the effect.	To focus on the broader impact of leadership styles on loyalty and commitment, considering complex relationships.

4	Aljileedi & Amoozegar (2023)	To examine how transformational leadership style components affect employee performance, commitment as a mediator.	Quantitative research with survey analyzed using SPSS and Smart PLS.	Certain components of transformational leadership positively affect performance, but not all components are significant.	To focus on the overall impact of leadership styles, not just specific components, for broader applicability.
5	Sönmez Çakır & Adıgüzel (2020)	To explore how transformational leadership influences employee involvement and loyalty in the banking sector.	Quantitative research with survey analyzed with SPSS and PLS-SEM.	Transformational leadership positively affects participation behavior and citizenship behavior within the organization.	To consider multiple leadership styles in future studies, as leaders rarely use only one style.
6	Khudhair et al. (2022)	To study how the relationship among authoritarian leadership, employee commitment is mediated by the organizational culture.	Quantitative research with survey analyzed using SPSS.	Authoritarian leadership positively impacts organizational commitment mediated by organizational culture.	To consider a wider range of leadership styles and contexts beyond authoritarian leadership.
7	Nauman & Ghafoor (2023)	To test the effect of transformational leadership on employee engagement.	Quantitative research with survey analyzed using SPSS 25.	A positive effect exists between transformational leadership and employee engagement.	To incorporate more leadership styles and moderators for a comprehensive understanding of engagement.
8	Archon (2020)	To research the relationship between transformational and transactional leadership styles and employee satisfaction with leader communication.	Quantitative research with online survey analyzed using multiple regression and ANOVA.	A significant relationship exists between leadership style and communication satisfaction affecting employee loyalty.	To conduct broader research to further explore the impact on employee engagement.
9	Thanh & Quang (2022)	To examine the effects of transformational, transactional, and laissez-faire leadership styles.	Quantitative research with cross-sectional survey analyzed using SPSS.	Positive relationships were found between all tested leadership styles and employee engagement.	To build upon the study's findings and apply them to other contexts for broader relevance.

		employee engagement in Vietnamese public sector.			
10	Hussein et al. (2022)	To explore the effects transformational, transactional, charismatic leadership styles employee commitment, with conflict management as a mediator.	Quantitative research using survey distributed employees with significant managerial interaction.	All tested leadership styles positively affect employee commitment, conflict management mediating relationship.	To further investigate the complex interactions between leadership styles, conflict management, and commitment.
11	Masood et al. (2020)	To study how transformational, transactional, and laissez-faire leadership styles affect employee loyalty and turnover intentions.	Quantitative research with survey analyzed using SPSS.	Transformational and transactional leadership styles positively influence citizenship behavior and reduce turnover intentions.	To leverage leadership styles to enhance employee experience and minimize turnover.

### **2.5.1 Study Contribution**

This study stands out in several notable ways compared to previous research. One key distinction lies in its focus on the unique context of Palestinian banks. Unlike broader studies conducted in diverse cultural and organizational settings, this research hones in on a region marked by distinct socio-political and economic challenges, which can significantly influence leadership dynamics and employee behavior. By targeting the banking sector in Palestine, the study offers insights that are directly relevant to this specific environment, where the effects of leadership may differ from those observed in more stable or developed regions.

Another significant differentiator is the study's comprehensive approach to examining leadership styles. While many previous studies have concentrated on individual leadership styles, such as transformational or transactional leadership, this research broadens the scope to include multiple leadership styles and their effects on both employee loyalty and engagement. This dual focus on loyalty and engagement allows for a more holistic understanding of how leadership impacts these interconnected but distinct outcomes. By examining a range of leadership styles, the study provides a more nuanced view of how different approaches can be leveraged to enhance employee commitment and productivity in the banking sector.

A particularly innovative aspect of this study is the inclusion of leadership power—both hard and soft—as a moderating variable. This is an area that has been relatively unexplored in previous research, which often focuses on direct effects or simple mediation models. By analyzing how leadership power influences the effectiveness of different leadership styles, the study adds a layer of complexity that offers deeper insights into the conditions under which certain leadership styles are more effective. This approach not only enriches the theoretical understanding of leadership dynamics but also has practical implications for leaders in the Palestinian banking sector who must navigate these dynamics in a challenging environment.

In summary, this study distinguishes itself through its specific geographic focus, comprehensive examination of leadership styles, and the innovative inclusion of leadership power as a moderating variable. These elements combine to create a research project that is



both theoretically enriching and practically relevant, offering valuable insights for leaders and managers in the Palestinian banking sector and potentially other similar contexts. The study's findings are likely to provide actionable strategies for optimizing leadership approaches to foster greater employee loyalty and engagement, ultimately contributing to the success and stability of organizations operating in complex environments.

## Chapter Three: Methodology

This chapter contains the research design, questionnaire validity and reliability, Population and sample, and the data collection tool.

### 3.1 Research Design

The current study used the quantitative research strategy, a scientific analysis and explanation technique, to collect data and then analyze that data with the aim of elucidating a specific social, humanitarian, or other issues (Al-Hamlan & Baniabdelrahman, 2015). The main tool used to gather the data required for the study was a questionnaire. A questionnaire was created in order to examine the effect of leadership styles on employee's loyalty and engagement: the moderating effect of leadership powers in banks operating in Palestine.

### 3.2 Data Collection Method

This study's objective is to investigate **"The effect of leadership styles on Employee's loyalty and Engagement: The moderating effect of leadership powers in banks operating in Palestine"**. In order to accomplish this, a questionnaire was developed to collect the preliminary data for the investigation, the questionnaire sections were identified to reflect our research topic variables. Moreover, each section questions were developed based on our reading of related previous literature. The reliability of the data collected, as well as the response rate and validity of the data, were all impacted by the design of the questionnaire. The four-part questionnaire served as the primary instrument for this study (for more information, see Appendix (1)) the questionnaire was divided into four parts as follows:

1. Part one: consists of the primary demographic information about the characteristics of the research sample.
2. Part two: includes (29) items related to leadership styles.
3. Part three: includes (13) items related to Employee Loyalty and Engagement
4. Part four: includes (10) items related to Employee Leadership powers

The responses to the questionnaire were analyzed using a Likert scale with five points of differentiation. According to the (table 3.1) that follows, the responses ranged from strongly

agree (5) to strongly disagree (1). This can be seen in the agreement strength column. Indicators of the equal interval between scales or absolute quantities are not the numbers that are assigned to degrees of importance (1, 2, 3, 4, 5). They are merely labels with numbers on them.

Table (3.1) Likert Scale

Scale	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
weight	5	4	3	2	1

### 3.3 Questionnaire Validity

A measurement's validity can be defined as the "degree to which it measures what it should measure" (Zikmund et al., 2012). Validity can be evaluated using a wide variety of methodologies and components. Validity of an instrument, whether it be internal or external, is examined through the lens of statistical validity (Easterby-Smith et al., 2002).

In order to ensure that the questionnaire is accurate to a sufficient degree, it was distributed to multiple experts who are affiliated with nearby universities. They were kind enough to provide their feedback regarding the questionnaire's organization and content. The final copy of the questionnaire was modified so that it better reflected their recommendations (see Appendix 2).

### 3.4 Questionnaire Reliability

The degree to which a measuring instrument maintains its consistency as well as its precision or accuracy is referred to as its reliability. The higher an instrument's level of reliability becomes, the less variation in results it produces in repeated measurements of the same attribute it produces. When discussing reliability, the terms dependability, stability, and predictability are often used interchangeably. The Cronbach's Alpha Method is the technique that is utilized to determine the reliability of the items (Easterby-Smith et al., 2002). The reliability was computed, and the results are displayed in table (3.2) as follows:

Table (3.2): Cronbach's Coefficient Alpha

Factor	Number of items	Cronbach's Alpha value
Transformational Leadership Style	9	0.776
Transactional Leadership Style	10	0.769
Authoritarian Leadership Style	10	0.812
Leadership Styles	29	0.911
Employee Loyalty	6	0.902
Employee Engagement	7	0.873
Leadership Capabilities	10	0.888

Source: Researcher Analysis using SPSS

The data displayed in table (3.2), shows that the Cronbach's Alpha of Leadership styles is (0.911), and the Cronbach's Alpha for employee loyalty is (0.902). And the Cronbach's Alpha for employee engagement is (0.873). And the Cronbach's Alpha for leadership capabilities is (0.888) this indicates that the entire questionnaire has a high degree of reliability.

### 3.5 Research Population and Sample

This research was carried out in Palestine in the year 2024. The population of this study consisted of the employees working in the Palestinian banking industry in the west bank from which we focused our research on approximately (3514) employees working in (6) banks “Arab Bank, Bank of Palestine, Bank of Jordan, Quds bank, Arab Islamic bank and Palestine Islamic bank”, The research focused on these 6 banks since they compose around 70% of the Palestinian banks work force (PMA, 2023).

Using sample size calculator providing a 5% margin of error and a confidence level of 95% our sample size was (366) (Sekaran & Bougie, 2016).

The sample was selected to cover only 6 banks due to access limitations and complexity. However, the selected banks employees represent 70% of the work force in the banking system (PMA, 2023). Moreover, non-random sampling is used due to banks internal policy restrains.

### 3.6 Statistical Methods

The data was processed and evaluated using an advanced statistical analysis program using quantitative data analysis techniques (Smart PLS4). The research used the following statistical instruments (Easterby-Smith et al., 2002; George, 2003; Zikmund et al., 2012):

1. **Cross loading:** “Examines that the loading of an indicator on its assigned latent variable should be higher than its loadings on all other latent variables”.
2. **Composite reliability (CR):** “must be greater than (0.7)”.
3. **Average Variance Extracted (AVE):** “It examines the correlations between the constructs”.
4. **The R-squared value ( $R^2$ ):** “It represents the proportion of variation in the dependent variable(s) that can be explained by one or more predictor variable”.
5. **Assessment of Effect Size ( $f^2$ ):** “Indicates the relative effect of a particular exogenous latent variable on endogenous latent variable(s) by means of changes in the R-squared”.
6.  **$Q^2$ :** Testing Predictive Relevance.
7. **T value:** “is used to determine whether a specific association is significant or not, depending on the *P* value”.
8. **Structural Equation Models (SEM):** a linear model framework that models both simultaneous regression equations with latent variables.

### 3.7 Model Estimation

In order to conduct an analysis of the PLS path model, the Smart PLS4 software was utilized. The results of the calculation performed by the PLS algorithm display the independent variables, the dependent variables, the relationships between the variables, as well as indicators for all of the variables.

#### 3.7.1 Assessment of Reflective/ Formative Measurement Models

This includes the use of average variance extracted (AVE) to determine convergent validity, the Fornell-Larcker criterion and cross loads to determine the validity of

discriminates, and composite reliability assessments for determining internal consistency (Easterby-Smith et al., 2002; D. George, 2003; Zikmund et al., 2012).

The research model, which was built from a number of different independent variables and dependent variables, was developed. As can be seen in table (3.3), each variable is composed of a number of indicators.

Table (3.3) Variables and indicators in the model

Variable	Indicator
Transformational Leadership Style	A (1-9)
Transactional Leadership Style	A (10-19)
Authoritarian Leadership Style	A (20-29)
Leadership Styles	A (1-29)
Employee Loyalty	B (1-6)
Employee Engagement	B (7-13)
Leadership Capabilities	C (1-10)

Source: Developed by the researcher

## Chapter four: Results

This chapter analyzes the data, reports the findings, uses structural equation modeling (SEM) to evaluate the study hypothesis, and analyzes the data using Smart-PLS4. A questionnaire that was prepared especially for the validation of the study model was used to collect the data up until this point.

### 4.1 Participant Profile

In all, 400 questionnaires were issued to the research sample, of which 373 were collected, yielding a response rate of 93.25%; two questionnaires were discarded due to missing data during the data entry procedure taking the total to (371) questionnaires; table (4.1) below offers a descriptive analysis of the sample:

Table (4.1) Sample Demographic Variable Distribution

Variable	Variable level	Number	Percentage
Sex	Male	199	53.64%
	Female	172	46.36%
	Total	371	100.00%
Experience	Less than 1 year	29	7.82%
	1- less than 5 years	37	9.97%
	5-10 years	161	43.40%
	More than 10 years	144	38.81%
	Total	371	100.00%
Job level	Employee	267	71.97%
	Department Head	71	19.14%
	Branch Manager	21	5.66%
	Division Manager	12	3.23%
	Total	371	100.00%
Education	Diploma	36	9.70%
	bachelors	240	64.69%
	masters	81	21.83%
	PHD	14	3.77%
	Total	371	100.00%

Source: Researchers Analysis using SPSS

An analysis of the demographic information for the study sample presented in Table (4.1) revealed that with regard to gender (sex), males formed (n=199, 53.64%) and females formed (n=172, 46.36%) of the research sample, and with regard to experience the largest group was employees having experience between (6-10) years (n=161, 43.40%) followed by employees with more than 10 years of experience (n=144, 38.81%) and employees having experience less than 5 years were collectively less (n= 29, 7.82%) for employees less than one year, (n=37, 9.97%) employees with experience between (1-5) years. As for the job level most of the study sample were employees (n=267, 71.97%) followed by department heads (n=71, 19.14%) followed by branch managers (n=21, 5.66%) and finally division managers (n=12, 3.23%), as for education, the majority of the sample held a bachelor's degree (n=240, 64.69%) followed by master's degree holders (n= 81, 21.83%) followed by diploma holders (n=36, 9.70%) and doctorate degree holders were the lowest (n=14, 3.77%).

## 4.2 Descriptive Statistics

In this section the sample responses were analyzed and the mean, standard deviation and rank was recorder for each dimension, in order to evaluate the level of each variable and its implementation in the Palestinian Banking sector answering the study's first three main question as follows:

### 4.2.1 Leadership Styles Analysis

**What is the degree of implementation of the selected leadership styles (Transformational, transactional, and authoritarian) in the Palestinian banking sector?**

Table (4.2): Means, standard deviation, for Leadership styles

Item	Mean	Standard Deviation	Rank
<b>Transformational Leadership Style</b>			
The bank management sets attractive goals that motivate to perform required tasks and inspire me to improve the bank's status.	4.736	0.466	1
The bank management assigns me tasks that contribute to developing my expertise and skills.	4.690	0.487	3
I consider the bank management influential in motivating to be creative in my work, creating a positive work environment.	4.724	0.472	2



The bank management serves as a role model in excellent performance reflecting the bank's values.	2.851	1.255	9
The bank management supports team spirit, cooperation, support as core values.	4.149	0.635	7
The bank management conducts regular evaluations of work performance, appreciating outstanding performance and correcting weak performance.	4.161	0.676	5
The bank management trusts me and grants me the authority to make and implement decisions.	4.402	0.556	4
The bank management shows flexibility and adapts to change, encouraging it.	4.057	0.717	8
I consider the bank management motivating, rewarding outstanding performance.	4.149	0.597	6
Transformational Leadership Style	4.213	0.555	
Transactional Leadership Style			
The goals set by the bank management are clear and well communicated to me.	4.425	0.580	5
The bank management regularly evaluates my performance and provides feedback based on the evaluation results.	4.253	0.629	8
There are incentive programs in the bank I work for, based on performance.	4.253	0.647	9
The bank management clearly informs me of the required goals and expected results.	4.483	0.500	4
There is a clear mechanism for verifying the completion of required work.	4.218	0.685	10
Work tasks are clarified and distributed among employees well.	4.368	0.609	6
Continuous monitoring and supervision ensure smooth workflow and compliance with policies and procedures.	4.529	0.564	3
Periodic follow-ups on completed tasks are conducted, with rewards or penalties applied accordingly.	4.701	0.482	2
The bank management implements instructions from senior management without contributing to decision-making.	4.299	0.713	7
The necessary resources to achieve goals are available to employees without discrimination.	4.770	0.447	1
Transactional Leadership Style	4.430	0.586	
Authoritarian Leadership Style			
The bank management makes work-related decisions unilaterally and enforces strictness in their implementation.	4.379	0.682	4
There is strict adherence to rules without any consideration.	4.609	0.574	1

The bank management encourages me to provide input on decisions made.	4.540	0.603	2
There are restrictions imposed by the bank management on communication with senior management.	4.379	0.682	5
Work tasks are distributed without taking into account the team's feedback.	4.448	0.639	3
The bank management shows flexibility in dealing with difficulties.	3.828	0.937	9
The bank management enforces its authority and imposes penalties to ensure compliance with instructions.	3.954	0.843	8
The bank management uses a mandatory tone when requesting the completion of work tasks.	4.276	0.581	6
There is regular follow-up on daily work tasks by the bank management.	2.563	1.069	10
The bank management uses punishment and rewards to motivate me to deliver better work performance.	4.264	0.669	7
Authoritarian Leadership Style	4.124	0.728	
Leadership styles	4.257	0.655	

Source: Researcher Analysis using SPSS

The analysis of the table reveals significant insights into the leadership styles practiced within the bank. Among the transformational leadership style items, the highest mean score is observed in the statement regarding the bank management setting attractive goals that motivate employees to perform required tasks and inspire them to improve the bank's status (4.736), indicating strong employee recognition of this aspect. Conversely, the lowest mean score in this category is for the bank management serving as a role model in excellent performance reflecting the bank's values (2.851), suggesting a perceived gap in leadership modeling. The overall mean score for transformational leadership style is (4.213).

For transactional leadership style, the highest mean score is found in the item concerning the availability of necessary resources to achieve goals without discrimination (4.770), reflecting a strong consensus on resource allocation fairness. The lowest score within this dimension pertains to the clarity of mechanisms for verifying the completion of required work (4.218), though still relatively high. The transactional leadership style overall mean score stands at (4.430), which is the highest among all leadership styles assessed.

In the authoritarian leadership style dimension, the highest mean score is noted in the strict adherence to rules without any consideration (4.609), indicating a strong perception of rigidity in rule enforcement. The lowest score is associated with the regular follow-up on daily work tasks by the bank management (2.563), highlighting a potential area of improvement in consistent oversight. The mean score for authoritarian leadership style is (4.124).

When examining the overall leadership styles mean score, the highest is for transactional leadership (4.430), indicating it is the most recognized and effective leadership style in this context, while authoritarian leadership, with a mean score of (4.124), is the lowest-rated, suggesting it might be less favored or effective among employees. The total mean score for all leadership styles is (4.257), reflecting a generally high perception of leadership effectiveness within the bank.

#### 4.2.2 Employee Loyalty and Engagement Analysis

##### What's the level of employee's loyalty and engagement in Palestinian banks?

Table (4.3): Means, standard deviation, for Employee Loyalty and Engagement

Item	Mean	Standard Deviation	Rank
Employee Loyalty			
I am satisfied with my current job at the bank.	4.287	0.585	2
It is likely that I will continue working at the same bank in the future.	4.287	0.545	1
I believe in the bank's vision.	4.253	0.665	3
I feel proud to work in my current job.	4.195	0.756	4
The bank I work for supports my well-being.	4.172	0.714	6
The bank I work for encourages work-life balance.	4.184	0.851	5
Employee Loyalty	4.230	0.686	
Employee Engagement			
I am happy with the training programs provided by bank.	4.207	0.760	4
I believe the bank supports my career development.	4.690	0.510	1
There is appreciation from the bank for the work I do.	3.529	1.049	7
The bank supports a team environment that makes me happy.	4.207	0.804	5

I have a role in the communication process related to my work at the bank.	4.230	0.826	3
The bank values my work-related feedback.	3.793	0.936	6
I feel important in the bank.	4.253	0.776	2
Employee Engagement	4.130	0.809	
Employee Loyalty and Engagement	4.176	0.752	

Source: Researcher Analysis using SPSS

The analysis of the table for Employee Loyalty and Engagement reveals key insights into the perceptions of bank employees. Within the Employee Loyalty dimension, the highest mean score is observed for both job satisfaction and the likelihood of continuing to work at the same bank in the future (4.287), indicating strong employee commitment and satisfaction with their current roles. The lowest mean score in this dimension pertains to the bank's encouragement of work-life balance (4.184), though it still reflects a positive perception overall. The total mean score for Employee Loyalty is (4.230), suggesting a generally high level of loyalty among employees.

In the Employee Engagement dimension, the highest mean score is attributed to the belief that the bank supports career development (4.690), highlighting a significant strength in the bank's efforts to promote employee growth. Conversely, the lowest mean score is associated with the appreciation from the bank for the work employees do (3.529), indicating a potential area for improvement in recognition practices. The overall mean score for Employee Engagement is (4.130), which, while positive, is slightly lower than the Employee Loyalty dimension.

When considering the combined mean score for Employee Loyalty and Engagement, the total score is (4.176), reflecting a strong overall level of both loyalty and engagement among employees, with loyalty being slightly more pronounced than engagement in this context.

#### 4.2.3 Leadership Capabilities Analysis

**What type of power do bank managers use mostly (hard or soft)?**

Table (4.4): Means, standard deviation, for Leadership Capabilities

Item	Mean	Standard Deviation	Rank
Soft Leadership Capabilities			

My direct manager exhibits an inspiring personality that motivates me to achieve the bank's goals.	4.218	0.850	2
My direct manager encourages positive working relationships within the team.	4.368	0.680	1
My direct manager is transparent in explaining the bank's strategy.	4.149	0.720	3
I consider my direct manager a mentor who supports my ambitions.	4.057	0.902	4
My direct manager shows empathy towards my concerns and the challenges I face.	3.839	0.969	5
Soft Leadership Capabilities	4.126	0.824	
Hard Leadership Capabilities			
My direct manager has the authority to make important decisions in the bank.	4.276	0.601	2
There is a strategy of rewards and punishments that my direct manager follows to influence my work performance.	4.333	0.600	1
My direct manager follows up and controls my tasks firmly	4.218	0.734	4
My direct manager uses their position in the allocation of financial and non-financial resources to employees.	4.092	0.654	5
The job rank of my direct manager in the bank affects the degree of compliance.	4.241	0.857	3
Hard Leadership Capabilities	4.232	0.689	
Leadership Capabilities	4.179	0.757	

Source: Researcher Analysis using SPSS

The analysis of the table for Leadership Capabilities reveals insightful distinctions between soft and hard leadership capabilities as perceived by the employees. Within the dimension of Soft Leadership Capabilities, the highest mean score is observed in the encouragement of positive working relationships within the team (4.368), indicating that employees strongly recognize and appreciate this aspect of their direct managers' leadership. On the other hand, the lowest mean score in this dimension relates to the manager showing empathy towards employee concerns and challenges (3.839), suggesting that this may be an area where managers could improve to enhance their leadership effectiveness. The total mean score for Soft Leadership Capabilities is (4.126), reflecting a generally positive perception, though with some room for improvement.

In the Hard Leadership Capabilities dimension, the highest mean score is associated with the strategy of rewards and punishments used by direct managers to influence work performance (4.333), highlighting the effectiveness and recognition of this approach in

managing employee performance. The lowest mean score in this category pertains to the use of position in the allocation of financial and non-financial resources to employees (4.092), which, while positive, is slightly less recognized compared to other hard capabilities. The overall mean score for Hard Leadership Capabilities is (4.232), indicating a strong perception of these capabilities among employees.

When considering the combined mean score for overall Leadership Capabilities, the total score is (4.179), showing that employees generally perceive their managers as capable in both soft and hard leadership dimensions, with hard capabilities slightly more pronounced than soft ones. This suggests a balanced but slightly stronger focus on authoritative and resource-related aspects of leadership in the bank.

### 4.3 Hypotheses Testing

Structural Equation Modeling (SEM) is a way of testing complex relationships between variables. This is a chi-fi technique for multivariate analysis, combining factor analysis and regression so that you can actually test the theoretical models. SEM is employed when there are intricate models which cannot be studied using simple regression techniques (such as relationships between multiple independent and dependent variables). It is popular in social sciences and especially marketing research, where complex relationships between variables are often used. SEM tests a model using mathematical equations, which gives researchers the opportunity to examine and refine theories/hypotheses regarding relationships amidst variables (Hair Jr., Hult, Ringle & Sarstedt 2016) because it accurately measures constructs as well as SEM tends to identify complex multivariable models with multiple independent predictors of each outcome; Therefore due to proper fulfillment for this feature by the Smart-PLS4 software package utilized within data analysis process related questionnaires SEM was intentionally selected.

The study assesses the two models generated by using Smart-PLS4 as follows:

1. **Measurement Model Assessment:** is the part of a structural equation model that deals with the research variables and their indicators; it describes the validity and consistency of the indicators, as well as the relationships between the observed variables and the latent variables.
2. **Structural Model assessment:** is the model that elucidates the nature of the connection between independent and dependent variables, as well as the ratio of impact

and interpretation factor to each independent factor in the dependent factor, and thus explains the existence of causal relationships between the research variables. The findings of the structural model help to shed light on the significance of relationships and the signs they provide, confirming or refuting the research hypotheses (positive or negative).

#### **4.3.1 Assessment of the Measurement Model**

In this part of the study, the convergent and discriminant validity of the model were investigated in order to provide an answer to the research's hypotheses and questions, which are as follows:

##### **Convergent Validity**

According to Hair Jr. et al., (2016), convergent validity, also known as the degree of consistency, can be determined by employing the following three indicators: Factor loading: Internal consistency, Composite Reliability (CR): Reliability, Average Variance Extracted (AVE)

The following table (4.5) outlines the requirements that must be fulfilled in order for convergent validity indicators to be accepted:

Table (4.5) Criteria for the Indicators of Convergent validity

Indicator	Accepted values
Average Variance Extracted (AVE)	$\geq 0.5$
Composite Reliability (CR)	$\geq 0.7$
Factor Loading	$\geq 0.5$

Source: (Hair Jr et al., 2016)

##### **A. Internal consistency – Factor loading**

Because they are all tied to the same latent (not directly measured) variable, multiple observed variables will always share the same response patterns; this is the central idea behind factor analysis. The factor loadings represent the degree to which each independent variable is correlated with the common factor, figure (4.1) and table (4.6) show the study's factor loadings as follows:

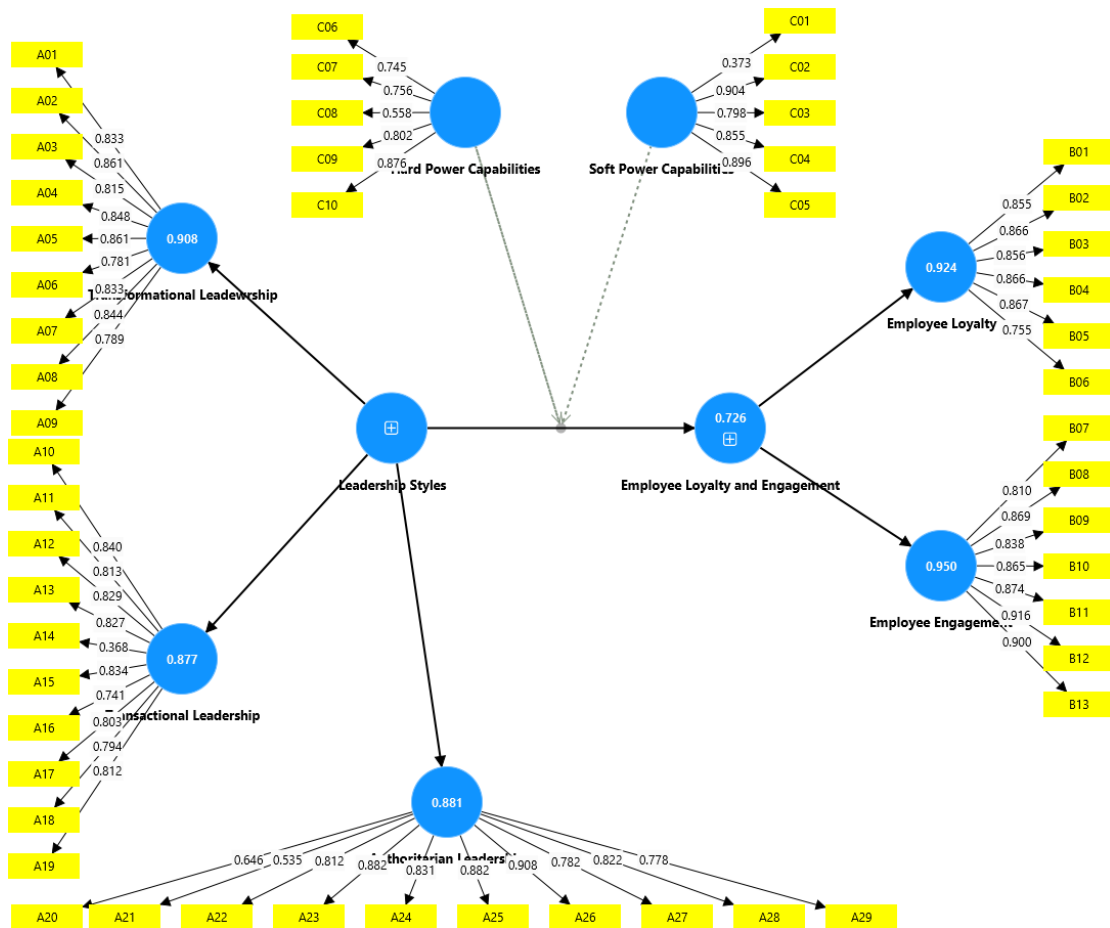


Figure (4.1) Factor loadings

Table 4.6 Factor loadings

Variable	Item	Symbol	Loading
Leadership style	The bank management sets attractive goals that motivate me to perform required tasks and inspire me to improve the bank's status.	A01	0.833
	The bank management assigns me tasks that contribute to developing my experience and skills.	A02	0.861
	I consider the bank management influential in motivating me to be creative in my work, creating a positive work environment.	A03	0.815
	The bank management serves as a model in excellent performance reflecting the bank's values.	A04	0.848



		The bank management supports spirit, cooperation, and support as values.	A05	0.861
		The bank management conducts regular evaluations of my work performance appreciating outstanding performance correcting weak performance.	A06	0.781
		The bank management trusts me grants me the authority to make implement decisions.	A07	0.833
		The bank management shows flexibility and adapts to change, encouraging it.	A08	0.844
		I consider the bank management motivating, rewarding outstanding performance.	A09	0.789
	Transactional Leadership Style	The goals set by the bank management are clear and well-communicated to me.	A10	0.840
		The bank management regularly evaluates my performance and provides feedback based on the evaluation results.	A11	0.813
		There are incentive programs in the bank work for, based on performance.	A12	0.829
		The bank management clearly informs of the required goals and expected results.	A13	0.827
		There is a clear mechanism for verifying the completion of required work.	A14	0.368
		Work tasks are clarified and distributed among employees well.	A15	0.834
		Continuous monitoring and supervision ensure smooth workflow and compliance with policies and procedures.	A16	0.741
		Periodic follow-ups on completed tasks are conducted, with rewards or penalties applied accordingly.	A17	0.803
		The bank management implements instructions from senior management without contributing to decision-making.	A18	0.794
		The necessary resources to achieve goals are available to all employees without discrimination.	A19	0.812

	Authoritarian Leadership Style	The bank management makes work-related decisions unilaterally and enforces strictness in their implementation.	A20	0.646
		There is strict adherence to rules with any consideration.	A21	0.535
		The bank management encourages employees to provide input on decisions made.	A22	0.812
		There are restrictions imposed by the management on communication with senior management.	A23	0.882
		Work tasks are distributed without taking into account the team's feedback.	A24	0.831
		The bank management shows flexibility in dealing with work difficulties.	A25	0.882
		The bank management enforces authority and imposes penalties to ensure compliance with instructions.	A26	0.908
		The bank management uses a mandatory tone when requesting the completion of work tasks.	A27	0.782
		There is regular follow-up on daily work tasks by the bank management.	A28	0.822
		The bank management uses punishment and rewards to motivate me to deliver better work performance.	A29	0.778
Employee Loyalty and Engagement	Employee Loyalty	I am satisfied with my current job at the bank.	B01	0.855
		It is likely that I will continue working at the same bank in the future.	B02	0.866
		I believe in the bank's vision.	B03	0.856
		I feel proud to work in my current job at the bank.	B04	0.866
		The bank I work for supports my career development.	B05	0.867
		The bank I work for encourages work-life balance.	B06	0.755
	Employee Engagement	I am happy with the training programs provided by the bank.	B07	0.810
		I believe the bank supports my career development.	B08	0.869

		There is appreciation from the bank for the work I do.	B09	0.838
		The bank supports a team environment that makes me happy.	B10	0.865
		I have a role in the communication process related to my work at the bank.	B11	0.874
		The bank values my work-related feedback.	B12	0.916
		I feel important in the bank.	B13	0.900
Leadership Capabilities	Soft Leadership	My direct manager exhibits an inspiring personality that motivates me to achieve the bank's goals.	C01	0.373
		My direct manager encourages positive working relationships within the team.	C02	0.904
		My direct manager is transparent in explaining the bank's strategy.	C03	0.798
		I consider my direct manager a mentor who supports my career ambitions.	C04	0.855
		My direct manager shows empathy towards my concerns and the challenges I face.	C05	0.896
	Hard Leadership	My direct manager has the authority to make important decisions in the bank.	C06	0.745
		There is a strategy of rewards and punishments that my direct manager follows to influence my performance.	C07	0.756
		My direct manager follows up and controls my tasks firmly.	C08	0.558
		My direct manager uses their position for the allocation of financial and financial resources to employees.	C09	0.802
		The job rank of my direct manager in the bank affects the degree of compliance.	C10	0.876

According to figure (4.1) and table (4.6), as well as the factor loading criteria to assess convergent validity proposed by (Hair Jr et al., 2016), the indicators show a high factor loading on all items except (A14, C01) that had a factor loading less than 0.50 and therefore they were deleted.

## B. Composite Reliability (CR)

Comparable to Cronbach's alpha, composite reliability (also known as construct reliability) assesses the consistency between individual scale scores. It's comparable to the proportion of total true score variance to total scale score variance. A different way to put it is that it is an "indicator of the shared variance among the observed variables used as an indicator of a latent construct." Table (4.7) shows the composite reliability of the study variables as follows:

Table (4.7) Composite Reliability

Variable	CR
Transformational Leadership Style	0.943
Transactional Leadership Style	0.939
Authoritarian Leadership Style	0.932
Leadership Styles	0.972
Employee Loyalty	0.919
Employee Engagement	0.945
Soft Leadership styles	0.902
Hard leadership Styles	0.807

Source: Researchers analysis using Smart PLS4

It can be seen from table (4.6) and according to (Hair Jr. et al., 2016; Hulland, 1999), the CR must be greater than 0.7. Since all of the indicators are above the standard criteria, this indicates that the CR has been met.

## C. Average Variance Extracted (AVE)

The average variance extracted (AVE) is a measure that is used in statistics (classical test theory) to determine the amount of variance that is recorded by a construct in comparison to the amount of variance that is caused by estimation errors (Hair Jr et al., 2016; Hulland, 1999). It is common practice to evaluate validity by applying the following "rule of thumb" to the average variance that was extracted: the positive square root of the AVE for every one of the latent variables should be greater than the highest correlation to any other latent construct, table (4.8) shows the (AVE) values of the study variables:

Table (4.8): Average Variance Extracted (AVE)

Variable	AVE
Transformational Leadership Style	0.689
Transactional Leadership Style	0.661
Authoritarian Leadership Style	0.633

Leadership Styles	0.567
Employee Loyalty	0.714
Employee Engagement	0.753
Soft Leadership styles	0.772
Hard leadership Styles	0.570

Source: Researchers analysis using SmartPLS4

Table (4.8) determines that the variables that were utilized in this study are reliable because they had an Average Variance Extracted (AVE) value that was greater than 0.5, which is within the acceptable range. Furthermore, all of the variable values were found to be within the acceptable range, leading us to the conclusion that the variables have good reliability.

### **Discriminant Validity**

The concept of discriminant validity was introduced in the discussion by Campbell and Fiske (1959) on how to determine if a test is valid. They also stressed the importance of using discriminant and convergent validation procedures when assessing new tests, as this was absolutely necessary. A concept has satisfactorily passed tests of its discriminant validity (i.e., it is not highly related to other constructs that should theoretically be different concepts) (Campbell & Fiske, 1959). Table (4.9) confirms the discriminant validity among constructs in this study.

#### **1. Fornell-Larcker Criterion**

Table (4.9) Measures of validity and Correlations among variables

	1	2	3	4	5	6	7	8
Transformational Leadership	0.817							
Transactional Leadership	0.800	0.811						
Authoritarian Leadership	0.791	0.790	0.781					
Leadership Styles	0.781	0.761	0.752	0.792				
Employee Loyalty	0.777	0.759	0.755	0.703	0.797			
Employee Engager	0.773	0.743	0.737	0.701	0.614	0.817		
Soft Leadership sty	0.749	0.731	0.712	0.627	0.620	0.547	0.809	
Hard leadership Sty	0.748	0.721	0.637	0.607	0.573	0.531	0.530	0.888

Source: Researchers analysis using Smart PLS4

Table (4.9) displays the AVE and cross component loading extracted for all latent variables. In this approach, the loading of each item on its associated construct is larger than the loadings of any other move on any other construct. In order to prove the model's discriminant validity, the AVE of each factor was found to be greater than the squared correlation between those factors (Fornell & Larcker, 1981).

## 2. HTMT

Table (4.10): HTMT

	(HTMT)
Leadership Styles <-> Employee Engagement	0.599
Leadership Styles <-> Employee Loyalty	0.600
Leadership Styles <-> Employee Loyalty and Engagement	0.610

As table (4.10) shows the HTMT values for the main and sub relationships in the model are less than (0.90) this indicates that this criteria has been met according to (Hair Jr et al., 2016).

### 4.3.2 Assessment of the Structural Model

The results of the structural model evaluation are accepted after those of the measurement model's convergent validity have been accepted. Examining the predictive power of the model and the connections between the independent and dependent variables is essential. The structural model should be assessed using a tried-and-true set of criteria. Coefficient of determination ( $R^2$ ), Effect size ( $f^2$ ), Predictive Relevance ( $Q^2$ ), Goodness of Fit (GoF), and Hypothesis testing are the fundamental criteria for testing the structural model. All of the criteria used to evaluate the structural validity of the models are listed in Table (4.11):

Table (4.11) Criteria for Assessment of the Structural Model

	Range	Value
Coefficient of determination $R^2$	above 0.67	high
	between 0.33-0.67	moderate
	between 0.19-.033	weak
	below 0.19	not acceptable
Effect size $f^2$	above 0.35	large effect size
	between 0.15-0.35	Medium effect size.
	Between 0.02-0.15	small effect size

	less than 0.02	NO effect size
Predictive Relevance $Q^2$	more than zero	has predictive relevance
	less than 0.1	No fit
	between 0.1 to 0.25	Small
Goodness of Fit of the Model (Gof)	between 0.25 to 0.36	Medium
	greater than 0.36	Large

Source: (Cohen, 1988)

#### A. Coefficient of determination ( $R^2$ )

Also known as R-squared, is a statistical measure that represents the proportion of the variance in the dependent variable that is predictable from the independent variable(s). It is a value between 0 and 1, where 0 indicates that the model does not explain any of the variability in the dependent variable, and 1 indicates that the model explains all of the variability. The study found that  $R^2$  for the structural model for this research was 72.2%. Thus, the independent variables adequately described the dependent variable of interest (Employee Loyalty and Engagement).

#### B. Effect size $f^2$

By examining table (4.12), we can see that the independent variable has a sizable effect on the dependent variable (as measured by effect size).

Table (4.12) Effect size  $f^2$

	value	Result
Employee Loyalty and Engagement	0.529	High

Source: Researchers analysis using Smart PLS4

#### C. Predictive Relevance $Q^2$

Unlike  $R^2$  values, which measure predictive accuracy,  $Q^2$  values, which "suggest the model's predictive relevance, also known as 'Stone- $Q^2$  Geisser's value" were developed by Hair Jr. and colleagues (2016). More than zero  $Q^2$  values for a single reflective endogenous variable demonstrate the path model's predictive utility for the construct (Hair, Ringle, & Sarstedt, 2013). Table (4.13), which shows the results of our blindfold test with an omission Distance (D) of 7, shows that our path model has a strong predictive relevance, suggesting that our  $Q^2$  values are greater than zero.

Table (4.13) Predictive Relevance  $Q^2$

Total	RMSE	MAE	$Q^2 (=1-SSE/SSO)$
-------	------	-----	--------------------

Employee Loyalty and Engagement	0.539	0.412	0.713
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Source: Researchers analysis using Smart PLS4

#### D. Goodness of Fit of the Model (GoF)

GoF's purpose is to take into account the research model at both the quantitative and qualitative levels, with an eye toward the model's efficacy as a whole (Hair Jr et al., 2016). Here is the formula for determining the GoF:

$$GoF = \sqrt{(\overline{R^2} \times \overline{AVE})}$$

$$GOF = \sqrt{\overline{R^2} \times \overline{AVE}}$$

$$GOF = \sqrt{0.722 \times 0.690}$$

$$GOF = \sqrt{0.498}$$

$$GOF = 0.706$$

Given that the model's GoF is (0.706), it can be confidently deemed to have adequate global PLS model validity.

#### 4. 4 Path Analysis

Path analysis is used to estimate a system of equations with all variables observed. In contrast to regression models, path models allow for multiple dependent variables (system of regression models). Path model variables can be included in SmartPLS as single-item constructs. To calculate the construct scores for a variable that is dependent on several indicators, the indicators are all given equal weights (Hair Jr et al., 2016). This study tested three main hypotheses and 6 sub-hypotheses, the following figures show the P-values and T-values of all the Hypotheses tested:



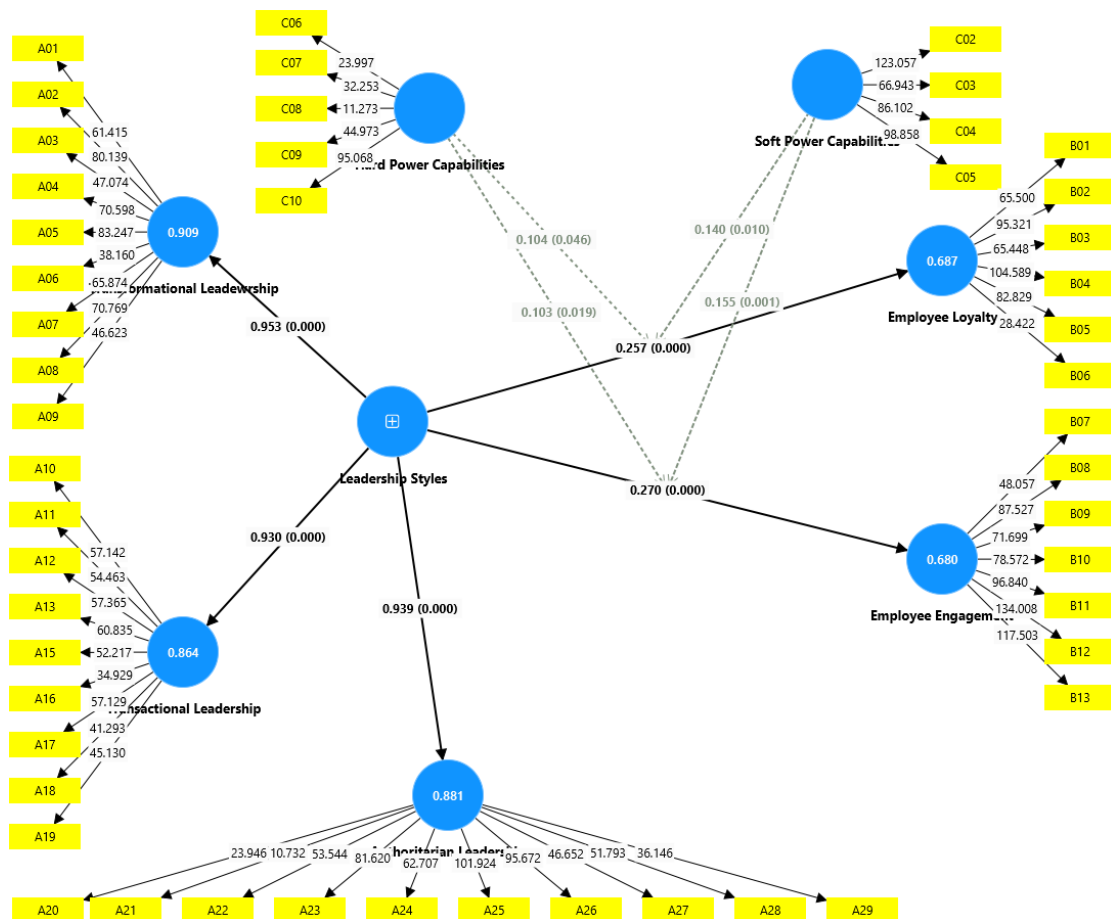


Figure (4.2) P-Values for the main Hypotheses

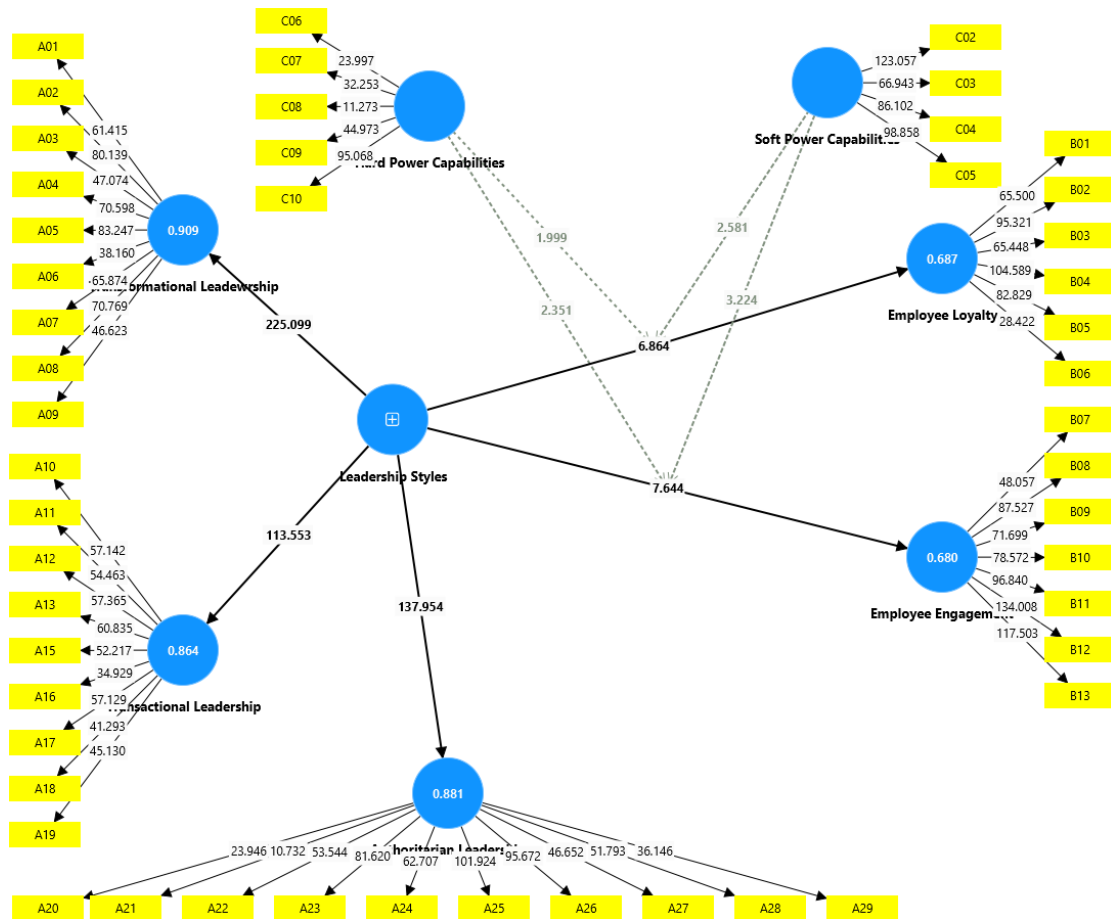


Figure (4.3) T-Values for the main Hypotheses

From figures (4.2) and Figure (4.3) the results of the hypotheses are as follows:

#### A. First Main Hypothesis

Table (4.14): First Main Hypothesis path analysis

	Path coeffic	Standar Deviatio	T-Va	P-Va
Leadership styles ->Employee Loyalty	0.257	0.037	6.864	0.000

Source: Researchers analysis using Smart PLS4

Significant \*\* $P \leq 0.01$ , \* $P \leq 0.05$

From Table (4.14) the path coefficient is found to be positive, this indicates that the associations are also positive, and a strong significance level is also shown due to the significant T-Values at ( $\alpha \leq 0.05$ ), the results of the hypothesis tests are shown as follows:

**H1: Leadership styles used by bank leaders (transformational, transactional, and authoritarian) have a positive effect on employee's loyalty.**

The hypothesis is accepted, with a significant T-value of 6.864 at  $\alpha = 0.000 \leq 0.05$ , and path coefficient of 0.257, this result supports the assumption that Leadership styles

used by bank leaders (transformational, transactional, and authoritarian) have a positive effect on employee's loyalty.

## B. Second Main Hypothesis

From Table (4.15) the path coefficient is found to be positive, this indicates that the associations are also positive, and a strong significance level is also shown due to the significant T-Values at ( $\alpha \leq 0.05$ ), the results of the hypothesis tests are shown as follows:

Table (4.15): Second Main Hypothesis path analysis

	Path coeffic	Standar Deviatric	T-Va	P-Va
Leadership styles ->Employee Engagement	0.270	0.035	7.64	0.00
Source: Researchers analysis using Smart PLS4		Significant ** $P \leq 0.01$ , * $P \leq 0.05$		

**H2: Leadership styles used by bank leaders (transformational, transactional, and authoritarian) have a positive effect on employee's engagement.**

The hypothesis is accepted, with a significant T-value of 7.644 at  $\alpha = 0.000 \leq 0.05$ , and path coefficient of 0.270, this result supports the assumption that leadership styles used by bank leaders (transformational, transactional, and authoritarian) have a positive effect on employee's engagement.

## C. Third Main Hypothesis

Table (4.16): Third Main Hypothesis path analysis

	Path coeffic	Standar Deviatric	T-Va	P-Va
Soft power $\times$ Leadership styles -> Employee Loya	0.140	0.054	2.58	0.01
Source: Researchers analysis using Smart PLS4		Significant ** $P \leq 0.01$ , * $P \leq 0.05$		

From Table (4.16) the path coefficient is found to be positive, this indicates that the associations are also positive, and a strong significance level is also shown due to the significant T-Values at ( $\alpha \leq 0.05$ ), the results of the hypothesis tests are shown as follows:

**H3: Soft power capabilities positively moderate the effect of the selected leadership styles on employee's loyalty.**

The hypothesis is accepted, with a significant T-value of (2.581) at  $\alpha = 0.010 \leq 0.05$ , and path coefficient of (0.140), this result supports the assumption that soft power capabilities positively moderate the effect of leadership styles on employee's loyalty.

#### D. Fourth Main Hypothesis

Table (4.17): Fourth Main Hypothesis path analysis

	Path coeffic	Standar Deviatric	T-Va	P-Va
Soft power × Leadership styles -> Employee Engagement	0.155	0.048	3.224	0.001

Source: Researchers analysis using Smart PLS4

Significant \*\* $P \leq 0.01$ , \* $P \leq 0.05$

From Table (4.17) the path coefficient is found to be positive, this indicates that the associations are also positive, and a strong significance level is also shown due to the significant T-Values at ( $\alpha \leq 0.05$ ), the results of the hypothesis tests are shown as follows:

**H4: Soft power capabilities positively moderate the effect of the selected leadership styles on employee's engagement.**

The hypothesis is accepted, with a significant T-value of (3.224) at  $\alpha = 0.001 \leq 0.05$ , and path coefficient of (0.155), this result supports the assumption that soft power capabilities positively moderate the effect of leadership styles on employee's engagement.

#### E. Fifth Main Hypothesis

Table (4.18): Fifth Main Hypothesis path analysis

	Path coeffic	Standar Deviatric	T-Va	P-Va
Hard power × Leadership styles -> Employee Loy	0.104	0.052	1.999	0.046

Source: Researchers analysis using Smart PLS4

Significant \*\* $P \leq 0.01$ , \* $P \leq 0.05$

From Table (4.18) the path coefficient is found to be positive, this indicates that the associations are also positive, and a strong significance level is also shown due to the significant T-Values at ( $\alpha \leq 0.05$ ), the results of the hypothesis tests are shown as follows:

**H5: Hard power capabilities positively moderate the effect of the selected leadership styles on employee's loyalty.**

The hypothesis is accepted, with a significant T-value of (1.999) at  $\alpha = 0.046 \leq 0.05$ , and path coefficient of (0.104), this result supports the assumption that hard power capabilities positively moderate the effect of leadership styles on employee's loyalty.

## F. Sixth Main Hypothesis

Table (4.19): Third Main Hypothesis path analysis

	Path coeffic	Standar Deviatric	T-Va	P-Va
Hard power × Leadership styles -> Employee Engagement	0.103	0.044	2.351	0.019

Source: Researchers analysis using Smart PLS4

Significant \*\* $P \leq 0.01$ , \* $P \leq 0.05$

From Table (4.19) the path coefficient is found to be positive, this indicates that the associations are also positive, and a strong significance level is also shown due to the significant T-Values at ( $\alpha \leq 0.05$ ), the results of the hypothesis tests are shown as follows:

**H6: Hard power capabilities positively moderate the effect of the selected leadership styles on employee's engagement.**

The hypothesis is accepted, with a significant T-value of (2.351) at  $\alpha = 0.019 \leq 0.05$ , and path coefficient of (0.103), this result supports the assumption that hard power capabilities positively moderate the effect of leadership styles on employee's engagement.

## **Chapter Five: Discussion**

This chapter discusses the conclusions in relation to the previous studies, and recommendations. In addition to limitations and future studies:

### **5.1 Conclusions related to the first main Question**

What is the effect of the selected leadership styles used by bank leaders (transformational, transactional, and authoritarian) on employee's loyalty and engagement?

The result indicating that leadership styles such as transformational, transactional, and authoritarian have a positive effect on employees' loyalty and engagement, with a stronger impact on loyalty than engagement, reflects a significant observation in leadership research. From a researcher's perspective, this suggests that these leadership styles are effective in fostering a deep sense of allegiance and commitment among employees. Leaders who adopt these styles likely create a work environment where employees feel valued, respected, and aligned with the organization's goals, which naturally enhances loyalty. However, the relatively weaker effect on engagement implies that while employees may remain loyal to their organization, their day-to-day involvement, enthusiasm, and proactive contribution to their work might not be as strongly influenced by these leadership approaches. This could be due to the fact that engagement often requires more than just strong leadership; it may also depend on factors such as job design, intrinsic motivation, and the availability of opportunities for personal growth and development within the organization.

When comparing this result with the findings of other studies, we can observe both similarities and differences. Memon's (2014) study, for instance, found that leadership styles are influenced by factors like culture, gender, and communication, which mediate their impact on employee performance. This aligns with the current finding that leadership styles positively affect loyalty, as loyalty may be more easily influenced by stable, long-term factors like culture and communication patterns. However, Memon also highlighted the importance of considering non-Western contexts, suggesting that the effect on engagement might vary significantly across different cultural settings, potentially explaining why engagement was less strongly impacted in the current study.

Similarly, Salahat and Majid (2016) observed an indirect relationship between leadership styles and client satisfaction, mediated by employee performance. This supports the notion that the impact of leadership on engagement might be less direct and more contingent on other variables, such as how leadership translates into tangible performance outcomes. This is consistent with the current finding, where the effect on engagement was less pronounced than on loyalty, indicating that engagement might require more than just leadership—it may need to be bolstered by clear performance incentives and opportunities.

Danso et al. (2020) provided further insight by examining the relationship between transformational leadership and employee loyalty, concluding that transformational leadership positively impacts loyalty and commitment. This is directly in line with the current result, where leadership styles had a more substantial effect on loyalty. However, Danso et al. found that affective commitment did not mediate this effect, suggesting that the pathway from leadership to loyalty might be more straightforward than the pathway to engagement, which could involve more complex psychological processes.

On the other hand, Sönmez Çakır and Adıgüzel (2020) found that transformational leadership positively affects participative behavior and organizational citizenship behavior, which are closely related to engagement. This suggests a potential divergence from the current finding, where engagement was less strongly affected. The difference could be due to the specific context of the banking sector, where the structured nature of the work might make it harder for leadership alone to drive engagement, compared to industries where there is more flexibility and creativity involved in daily tasks.

Khudhair et al. (2022) introduced the concept of organizational culture as a mediator in the relationship between authoritarian leadership and employee commitment, finding that culture plays a significant role in moderating this relationship. This could explain why authoritarian leadership in particular had a positive effect on loyalty in the current study, as loyalty is often deeply rooted in the cultural alignment between the employee and the organization. However, engagement, which may require more personal initiative and involvement, could be less affected by an authoritarian style, which tends to limit autonomy.

Nauman and Ghafoor's (2023) study on transformational leadership and employee engagement aligns with the current finding that leadership styles positively influence engagement, though perhaps not as strongly as loyalty. They also recommended exploring

additional leadership styles and moderators, which supports the idea that a combination of styles might be necessary to fully engage employees, beyond what is achieved through loyalty alone.

Finally, the studies by Thanh and Quang (2022) and Hussein et al. (2022) both reinforce the notion that leadership styles can positively affect employee outcomes like engagement and commitment. However, the current study's finding that loyalty is more strongly affected than engagement might suggest that while leadership styles are effective, their influence on engagement might be enhanced when combined with other factors such as job design, reward systems, or organizational culture, as indicated in these studies.

## **5.2 Conclusions related to the second main Question**

Do soft leadership powers moderate the effect on the relationship between leadership styles and employee's loyalty and engagement?

The findings indicate that soft power capabilities positively moderate the effect of leadership styles on employee loyalty and engagement, with a more significant impact on engagement than loyalty, presents a compelling insight into the dynamics of leadership effectiveness. From a researcher's perspective, this suggests that while leadership styles such as transformational, transactional, and authoritarian are crucial in shaping employee attitudes, the integration of soft power—characterized by influence through communication, cultural understanding, and relationship-building—significantly enhances the ability of these leadership styles to engage employees. This highlights that soft power plays a crucial role in not just retaining employees but actively involving them in their work, thus creating a more engaged and motivated workforce.

When comparing this result to previous studies, it aligns closely with the findings of Memon (2014), who explored how culture, gender, and communication moderate the effects of leadership styles on employee performance. Memon's study emphasized the critical role of communication—a key element of soft power—in enhancing leadership effectiveness, particularly in non-Western contexts. This reinforces the current finding that soft power, through effective communication and cultural sensitivity, can significantly amplify the impact of leadership on employee engagement, making it more potent than its effect on loyalty.

Similarly, the study by Nauman and Ghafoor (2023) focused on the relationship between transformational leadership and employee engagement, confirming a positive



relationship between the two. The current finding builds on this by demonstrating that the inclusion of soft power as a moderating factor can further enhance this relationship. This suggests that while transformational leadership is effective in driving engagement, its impact is significantly heightened when combined with soft power elements like empathy, communication, and cultural understanding, making engagement more responsive to leadership styles.

Danso et al. (2020) also contribute to understanding the role of soft power in leadership. They studied the relationship between transformational leadership and employee loyalty, finding that transformational leadership positively impacts loyalty but that affective commitment does not mediate this effect. The current study diverges by showing that soft power, which can be seen as an affective component, plays a more critical role in moderating engagement than loyalty. This difference highlights that while leadership styles may inherently foster loyalty, their ability to engage employees is significantly enhanced when combined with the relational and empathetic elements of soft power.

Finally, the work of Sönmez Çakır and Adıgüzel (2020) on transformational leadership in the banking sector, which found that this leadership style positively affects employee involvement and loyalty, aligns well with the current study's emphasis on engagement. Their findings suggest that transformational leadership naturally fosters participative behavior and organizational citizenship. The current study adds to this by indicating that when soft power is integrated into leadership practices, it further strengthens these effects, particularly in terms of engagement, which requires more active and emotional involvement from employees.

### **5.3 Conclusions related to the third main Question**

Do hard leadership powers moderate the effect on the relationship between leadership styles and employee's loyalty and engagement?

The findings indicate that hard power capabilities positively moderate the effect of leadership styles on employee loyalty and engagement, with a more significant impact on loyalty than engagement, offers a valuable perspective on the role of authoritative and coercive elements in leadership effectiveness. From a researcher's viewpoint, this suggests that while leadership styles such as transformational, transactional, and authoritarian are crucial in shaping employee behavior, the integration of hard power—characterized by the

use of authority, control over resources, and enforcement of rules—enhances these effects, particularly in fostering a strong sense of loyalty among employees. Hard power appears to bolster the ability of leaders to ensure compliance and adherence to organizational goals, which in turn strengthens employees' commitment to the organization. However, the relatively weaker effect on engagement indicates that while employees may feel obligated or compelled to remain loyal, their intrinsic motivation and enthusiasm to actively participate in their roles might not be as strongly influenced by these authoritative measures.

When comparing this result to related studies, certain parallels and contrasts become evident. Danso et al. (2020) explored the relationship between transformational leadership and employee loyalty, noting that transformational leadership positively impacts loyalty and commitment. However, they found that affective commitment does not mediate this effect, which aligns with the current finding that hard power, rather than fostering emotional attachment or intrinsic engagement, is more effective in securing loyalty through more formal, structured mechanisms. This suggests that while leadership styles like transformational leadership can enhance loyalty, the use of hard power can further solidify this loyalty, although it may not equally enhance engagement.

Khudhair et al. (2022) provided further insights by examining how organizational culture mediates the relationship between authoritarian leadership and employee commitment. Their findings indicated that authoritarian leadership positively impacts commitment, a form of loyalty, when mediated by organizational culture. This finding aligns with the current study, where hard power capabilities—often associated with authoritarian leadership—are shown to significantly influence loyalty. However, the effect on engagement was less pronounced, which is consistent with Khudhair et al.'s observation that the rigid and directive nature of authoritarian leadership, and by extension hard power, might limit the extent to which employees feel genuinely engaged or motivated beyond compliance.

Masood et al. (2020) studied the impact of transformational, transactional, and laissez-faire leadership styles on employee loyalty and turnover intentions, finding that transformational and transactional leadership styles positively influence citizenship behavior and reduce turnover. This is relevant to the current findings as it underscores the role of leadership in promoting loyalty and reducing negative outcomes like turnover, with hard power further reinforcing these outcomes through clear expectations and

consequences. However, like the current study, Masood et al. noted that these leadership styles might not equally drive engagement, suggesting that while hard power effectively ensures loyalty, it might not foster the deeper connection and enthusiasm necessary for high levels of employee engagement.

Sönmez Çakır and Adıgüzel (2020) explored how transformational leadership influences employee involvement and loyalty in the banking sector, concluding that transformational leadership positively affects participative behavior and organizational citizenship. While their study highlights the role of leadership in promoting engagement and loyalty, the current study's emphasis on hard power suggests that in contexts where authoritative measures are more prevalent, the impact on engagement may be less significant. This contrast indicates that while leadership can promote both loyalty and engagement, the introduction of hard power primarily strengthens loyalty, particularly in environments where structure and control are emphasized over employee autonomy and creativity.

#### **5.4 Results summary**

The study reached the following results:

1. Leadership styles used by bank leaders (transformational, transactional, and authoritarian) positively affect employee loyalty.
2. Leadership styles used by bank leaders (transformational, transactional, and authoritarian) positively affect employee engagement.
3. The impact of leadership styles on employee loyalty is stronger than their impact on employee engagement.
4. Transactional leadership style is more commonly used, followed by transformational and lastly authoritarian.
5. Soft power capabilities positively moderate the effect of leadership styles on employee loyalty.
6. Soft power capabilities positively moderate the effect of leadership styles on employee engagement.
7. The impact of soft power on employee engagement is more significant than its impact on employee loyalty.
8. Hard power capabilities positively moderate the effect of leadership styles on employee loyalty.

9. Hard power capabilities positively moderate the effect of leadership styles on employee engagement.
10. The impact of hard power on employee loyalty is more significant than its impact on employee engagement.
11. The results signals that hard leadership capabilities are given more attention.

## **5.5 Recommendations**

From the previous discussion the researcher recommends the following:

1. Bank leaders need to give more focus on enhancing transformational leadership practices to improve both employee loyalty and engagement. This can be achieved by inspiring and motivating employees through a clear vision and creating an environment of trust and respect.
2. It is important for leaders to balance different leadership styles. While transformational leadership should be prioritized, incorporating elements of transactional and authoritarian leadership where appropriate can help ensure clear direction, accountability, and discipline, which are particularly effective in strengthening employee loyalty.
3. Bank leaders' needs to develop and leverage soft power capabilities, such as effective communication, cultural understanding, and relationship-building skills, to enhance the impact of leadership styles on employee engagement. Given that soft power has a more significant effect on engagement, leaders should actively foster these capabilities to create a more engaged workforce.
4. Leaders shall recognize the importance of hard power capabilities in securing employee loyalty. By effectively using authority, control over resources, and enforcement of rules, leaders can strengthen loyalty among employees. However, they should be mindful that while hard power is effective in fostering loyalty, it may not have the same impact on engagement, and therefore, should be used in conjunction with other leadership approaches.
5. Training programs needs to be implemented to develop both soft and hard power capabilities among leaders. This will ensure that they are equipped to effectively moderate the impact of their leadership styles on both loyalty and engagement, thereby achieving a balanced and motivated workforce.
6. Banks are advised to regularly assess the effectiveness of different leadership styles and power capabilities in their specific context. This assessment will help in identifying

the most effective combination of leadership approaches to enhance both loyalty and engagement among employees.

7. Leaders need to actively seek feedback from employees to understand how different leadership styles and power dynamics are perceived within the Bank. This feedback will be valuable in refining leadership practices and ensuring that they are aligned with the needs and expectations of the workforce.
8. To maximize the positive effects of leadership styles, it is crucial to create a supportive organizational culture that complements the use of soft and hard powers. A culture that values both empathy and discipline will help in reinforcing the desired outcomes of leadership practices.
9. Banks need to consider customizing leadership development programs to address the specific needs of their workforce. This customization should take into account the balance between fostering engagement through soft power and securing loyalty through hard power, ensuring that leaders are prepared to meet the unique challenges of their organizational environment.

## **5.6 Limitations**

1. **Sample Bias:** even though high effort will be made to obtain diverse responses from bank employees and leaders there is still a risk of bias in the sample due to the probability that participants of higher motivation and stronger personality are to form the bigger portion of respondents which will pose potential distortion of results.
2. **Generalizability:** the research is directed to the banking sector. As a result, the findings may be context pounded and cannot reflect the situation in other organizational contexts.
3. **Access to participants:** availability of access to employees and leaders in banks to answer the questionnaire might be constrained due to internal policy, which might impact the composition and size of the sample.
4. **Rate of response:** it is difficult and challenging to assure matching the needed response rate, which might affect the sample representation and finding validity.
5. **External factors:** during the research period, incidence of unexpected factors or events on organizational or economic level that might influence the context of the research.

## **5.7 Future studies**

Future and more expanded research need to be done to further analyze the studied topic in relation to the following:

1. Demographic data.
2. Cross industry comparison.
3. The role of technology.
4. The role of emotional intelligence.
5. The influence of culture.

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## Appendices

### Appendix (1)

#### Questionnaire



#### Arab American University

#### Faculty of Graduate Studies

Questionnaire Dear Sir/Madam, Greetings, The researcher is preparing a master's thesis entitled "The Impact of Leadership Styles on Employee Loyalty and Engagement: The Moderating Effect of Leadership Capabilities in Banks Operating in Palestine," in fulfillment of the requirements for obtaining a master's degree in "Leadership" from the Arab American University. This questionnaire is designed to collect information on the study topic. Please kindly answer its items with honesty and objectivity, as this will greatly impact the credibility of the results. We assure you that the data you provide will be used solely for scientific research purposes and will be treated with complete confidentiality.

Respectfully,

Researcher: Fouad Al-Haj Asad

+970592052609

[fouadalhajasad@gmail.com](mailto:fouadalhajasad@gmail.com)

Please answer the following questions by placing an “X” under the appropriate response:

Section One: Demographic Information

<b>What type of bank do you work in</b>	<b>Local Commercial Bank</b>	<b>Foreign Commercial Bank</b>	<b>Islamic Bank</b>	
<b>Gender</b>	<b>Male</b>	<b>Female</b>		
<b>Number of years experience</b>	<b>Less than a year</b>	<b>1- 5 years</b>	<b>6-10 years</b>	<b>More than 10 years</b>
<b>Job level</b>	<b>Employee</b>	<b>Department Head</b>	<b>Branch Manager</b>	<b>Division Manager</b>
<b>Educational level</b>	<b>Diploma</b>	<b>Bachelor's</b>	<b>Master's</b>	<b>Doctorate</b>

## Section Two: Leadership Styles

<b>Leadership Styles</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
<b>First Axis: Transformational Leadership Style: Impact on employees by adopting a connection style through meeting important needs that seek to transform employees into future leaders.</b>					
1. The bank management sets attractive goals that motivate me to perform required tasks and inspire me to improve bank's status.					
2. The bank management assigns me tasks that contribute to developing my expertise and skills.					
3. I consider the bank management influential in motivating me to be creative.					

in my work, creating a positive work environment					
4. The bank management serves as a role model in excellent performance reflecting the bank's values.					
5. The bank management supports team spirit, cooperation, and support of core values.					
6. The bank management conducts regular evaluation of my work performance, appreciating outstanding performance and correcting weak performance.					
7. The bank management trusts me and grants me the authority to make and implement decisions.					
8. The bank management shows flexibility and adapts to change, encouraging it.					
9. I consider the bank management motivating, rewarding outstanding performance.					
<b>Second Axis: Transactional Leadership Style: Impact on employees to achieve specific goals through offering valuable rewards for achieving the required goal.</b>					
10. The goals set by the bank management are clear and well-communicated to me					
11. The bank management regularly evaluates my performance and provides					

feedback based on the evaluation results.					
12. There are incentive programs in the bank I work for, based on performance					
13. The bank management clearly informs me of the required goals and expected results.					
14. There is a clear mechanism for verifying the completion of required work					
15. Work tasks are clarified and distributed among employees well.					
16. Continuous monitoring and supervision ensure smooth workflow and compliance with policies and procedures.					
17. Periodic follow-ups on completed tasks are conducted, with rewards and penalties applied accordingly.					
18. The bank management implements instructions from senior management without contributing to decision-making.					
19. The necessary resources to achieve goals are available to all employees without discrimination.					
<b>Third Axis: Authoritarian Leadership Style: A leadership style that relies on the leader having full authority and power, influencing employees through imposing punitive measures to comply with orders and achieve goals.</b>					

20. The bank management makes work-related decisions unilaterally and enforces strictness in their implementation.					
21. There is strict adherence to rules without any consideration.					
22. The bank management encourages me to provide input on decisions made.					
23. There are restrictions imposed by the bank management on communication with senior management.					
24. Work tasks are distributed without taking into account the team's feedback.					
25. The bank management shows flexibility in dealing with work difficulties.					
26. The bank management enforces its authority and imposes penalties to ensure compliance with instructions.					
27. The bank management uses a mandatory tone when requesting the completion of work tasks.					
28. There is regular follow-up on daily work tasks by the bank management.					
29. The bank management uses punishment and reward.					



to motivate me to deliver better work performance.					
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### Section Three: Employee Loyalty and Engagement

Employee Loyalty and Engagement	Very Satisfied	Satisfied	Neutral	Dissatisfied	Very Dissatisfied
<b>First Axis: Employee Loyalty: The employee's commitment and affiliation with the company or institution they work for.</b>					
30. I am satisfied with current job at the bank					
31. It is likely that I will continue working at the same bank in the future					
32. I believe in the bank's vision.					
33. I feel proud to work for my current job.					
34. The bank I work for supports my well-being					
35. The bank I work for encourages work-life balance.					
<b>Second Axis: Employee Engagement: The degree of positive interaction and involvement that an employee feels towards their work.</b>					
36. I am happy with the training programs provided by the bank.					
37. I believe the bank supports my career development.					
38. There is appreciation from the bank for the work I do.					

39. The bank supports team environment that makes me happy.					
40. I have a role in the communication process related to my work at bank.					
41. The bank values my work-related feedback.					
42. I feel important in bank.					

#### **Section Four: Leadership Capabilities**

<b>Leadership Capabilities</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
<b>First Axis: Soft Leadership Capabilities: The ability to influence and inspire employees achieve goals without offering rewards or threatening punishment, giving them the freedom to comply with instructions using the leader's experience, knowledge, and being work reference.</b>					
43. My direct manager exhibits an inspiring personality that motivates me to achieve the bank's goals.					
44. My direct manager encourages positive working relationships within the team.					
45. My direct manager is transparent in explaining the bank's strategy.					
46. I consider my direct manager a mentor who supports my career ambitions.					
47. My direct manager shows empathy towards my concerns and the challenges I face.					
<b>Second Axis: Hard Leadership Capabilities: The ability to influence employees by offering incentives for good performance and penalties for poor performance, enforcing compliance.</b>					

<b>with instructions using the leader's authority and ability to give rewards and impose sanctions.</b>					
48. My direct manager has the authority to make important decisions in the bank.					
49. There is a strategy of rewards and punishments that my direct manager follows to influence work performance.					
50. My direct manager follows up and controls my tasks firmly.					
51. My direct manager uses his position in the allocation of financial and non-financial resources to employees.					
52. The job rank of my direct manager in the bank affects the degree of compliance.					

## Appendix (2)

### Arbitrators

<b>Name</b>	<b>Institution</b>
Dr. Saheer Al-Shomali	Palestine Technical University
Dr. Baha Roziya	Palestine Technical University
Dr. Shaher Obiad	Alquds Open University
Dr. Emad Salame	Alquds Open University
Dr. Mohamad Abu-Amsha	Palestine Technical University

## تأثير أساليب القيادة على ولاء وارتباط الموظفين: التأثير المعدل لقدرات القيادة في

### البنوك العاملة في فلسطين

فؤاد صادق فؤاد الحاج اسعد

د. احمد حرز الله

د. رائد عريقات

د. سلوى برغوثي

### ملخص

هدفت هذه الدراسة إلى التحقيق في تأثير أساليب القيادة المختلفة على ولاء الموظفين ومشاركتهم، مع التركيز على التأثيرات المعدلة لقوى القيادة في البنوك العاملة في فلسطين. استخدم البحث منهجاً كمياً، مستهدفاً مجتمعاً مكوناً من 3514 موظفاً في ستة بنوك في الضفة الغربية. تم مسح ما مجموعه (366) موظفاً باستخدام استبيان منظم، وتم تحليل البيانات باستخدام تقنيات إحصائية متقدمة من خلال Smart PLS4. وكشفت النتائج أن أساليب القيادة، وخاصة القيادة التحويلية، والقيادة التبادلية، والقيادة السلطوية، تؤثر إيجاباً على كل من ولاء الموظفين ومشاركتهم. ومع ذلك، فإن تأثير هذه الأساليب القيادية كان أكثر وضوحاً على الولاء مقارنةً بالمشاركة. بالإضافة إلى ذلك، وجدت الدراسة أن قدرات القوة الناعمة - مثل التواصل الفعال، وفهم الثقافات، وبناء العلاقات - تعزز بشكل كبير تأثير أساليب القيادة على المشاركة. في المقابل، كان لقدرات القوة الصلبة، بما في ذلك السلطة، والسيطرة على الموارد، وفرض القواعد، تأثير أكثر جوهرية على ولاء الموظفين. وبناءً على هذه النتائج، يوصى بأن يركز قادة البنوك على القيادة التحويلية، وموازنة الأساليب القيادية المختلفة، وتطوير قدرات القوة الناعمة والصلبة على حد سواء لتحسين ولاء الموظفين ومشاركتهم، وبالتالي تعزيز قوة عاملة أكثر توازناً وتحفيزاً.

الكلمات المفتاحية: أساليب القيادة، ولاء الموظفين، مشاركة الموظفين، قدرات القيادة