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The Effect of Leadership Competencies in the Performance of Start-Up Business in Addis Ababa, Ethiopia: The Case of Akufada Microfinance

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Abstract
The study focused on examining the impact of leadership competencies on the performance of start-up businesses in Addis Ababa, specifically in the Akufada microfinance institution. It aimed to explore how analytical, personal, communication, organizational, and disciplinary leadership competencies influence the success of new start-ups. A mixed research approach combining descriptive and explanatory research designs was employed, utilizing both primary and secondary data sources. Quantitative data were collected through questionnaires completed by 70 respondents, while qualitative insights were gathered from interviews with six key informants. Data collection methods included purposive sampling for interviews and a census method for questionnaires. The qualitative data were analysed using narrative analysis, while quantitative data were processed using descriptive statistics (frequency, mean, percentage) and inferential statistics (correlation and regression) with SPSS software (version 26). The findings revealed a positive and significant correlation between leadership competencies and start-up business performance, with all dimensions of leadership competencies—analytical, personal, communication, organizational/managerial, and disciplinary—having a notable impact on performance. Among these, disciplinary leadership competency had the strongest effect, followed by communication, organizational, personal, and analytical competencies. The study concluded that leadership competencies are critical for enhancing start-up performance and recommended that start-ups prioritize leadership education through continuous formal training to improve the understanding and application of these competencies. Furthermore, it emphasized the importance of regularly assessing and utilizing all dimensions of leadership competencies to foster employee and customer satisfaction, ensure consistent service delivery, and develop effective leadership practices that contribute to the overall growth and success of the business.

Key Words: *Analytic Leadership Competency, Personal Leadership Competency, Communication Leadership Competency, Organizational Leadership Competency & Disciplinary Leadership Competency*
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Background of the Study

Leadership, as described by Keys and Thomas (2020), involves the ability to inspire and motivate individuals to work towards a shared goal while fostering personal and collective growth. Over time, leadership styles have evolved, integrating elements from earlier approaches to address contemporary challenges. Van Ahmad F. Arham (2018) highlights that effective leadership styles can drive transformation and instigate change, making leadership a critical factor for organizational success. In today's dynamic environment, the role of leaders and their chosen leadership styles are pivotal in determining the performance and success of organizations.

Small and medium-sized enterprises (SMEs), despite their limited resources, play a significant role in global economies by employing a large portion of the private-sector workforce, driving innovation, and promoting regional development. In low-income regions, such as parts of Africa, micro and small enterprises (MSEs) contribute substantially to GDP growth and job creation. Leadership competencies are essential for the success of business start-ups, emphasizing the need to nurture and develop these skills. Strengthening leadership capabilities can guide governments and development actors in fostering entrepreneurship, enhancing start-up competitiveness, and driving national economic growth.

In Ethiopia's competitive and rapidly changing global economy, the survival of business start-ups depends on effectively leveraging entrepreneurial resources to enhance performance. Entrepreneurial leadership, characterized by its unique and non-imitable nature, is considered a vital resource for addressing emerging challenges. Scholars have explored how leadership and entrepreneurship intersect, initially focusing on

personality traits and later shifting to behavioural and contextual factors. Entrepreneurial leadership combines these fields, emphasizing the role of leaders in guiding start-ups through dynamic and disruptive environments.
Akufada Micro Finance Institution S.C. exemplifies the importance of leadership in fostering economic development. By providing financial and non-financial services to underserved communities, Akufada supports the active poor and middle-income groups through affordable loans, savings, and micro-insurance. With its growing customer base and investments in modern banking technology, the institution is well-positioned to contribute to national economic growth while positively impacting the community. This highlights the critical role of leadership in driving organizational success and societal development.

Problem Statement

Leadership competence plays a vital role in enhancing performance; yet people-related leadership competencies have received limited attention (Riaz & Vittal, 2017). While specialized project management tools are valuable, they alone are insufficient to improve performance without strong leadership skills (Berg et al., 2016). Although previous studies have examined the relationship between leadership and work performance and engagement (Abun et al., 2017, 2021), there is a lack of empirical research on how leadership competencies are developed within Ethiopian business start-ups. This gap is particularly evident in the Ethiopian micro-finance sector, where inadequate leadership and management skills hinder effective decision-making, strategic planning, and resource management (MFIs, 2017).
The challenges in leadership competencies within the micro-finance sector result in weak governance structures, poor risk management, and limited innovation. Additionally, start-up businesses supported by micro-finance institutions often struggle due to borrowers' lack of entrepreneurial skills and business acumen. These deficiencies restrict their ability to manage businesses effectively, access markets, and achieve sustainable growth. Leadership competencies such as personal leadership, communication skills, managerial expertise, and disciplinary leadership are often lacking, further impeding the performance of start-ups in the financial sector.
Despite the importance of leadership competencies, there has been limited research on their effects on the performance of start-up businesses, particularly in the financial sector. Specific areas such as analytic leadership, personal leadership, communication leadership, organizational/managerial leadership, and disciplinary leadership competencies remain underexplored. These gaps highlight the need for a deeper understanding of how these competencies influence start-up performance and growth.
This research seeks to address the lack of empirical evidence by investigating the impact of various leadership competencies on the performance of start-up businesses. Focusing on Akufada Micro Finance Institution in Addis Ababa, Ethiopia, the study would explore how analytic, personal, communication, organizational/managerial, and disciplinary leadership competencies contribute to the success and growth of start-ups. This investigation aims to provide valuable insights into enhancing leadership capabilities within the micro-finance sector to improve start-up performance.

Hypothesis of the Study

The study would answer the following research hypothesis:
H1: Analytic leadership competency has positive and significant effect performance of start-ups business.
H2: Personal leadership competency has positive and significant effect performance of start-ups business.
H3: Communication leadership competency has positive and significant effect performance of start-ups business.
H4: Organizational/managerial leadership competency has positive and significant effect performance of start-ups business.
H5: Disciplinary leadership competency has positive and significant effect performance of start-ups business

Conceptual Framework of the Study

Based on the overall review of related literatures and the theoretical framework, the following conceptual frame work in which this specific study governed is developed. As explained in the literature. It is based on five independent variables and one dependent variable as represented diagrammatically in the below figure.

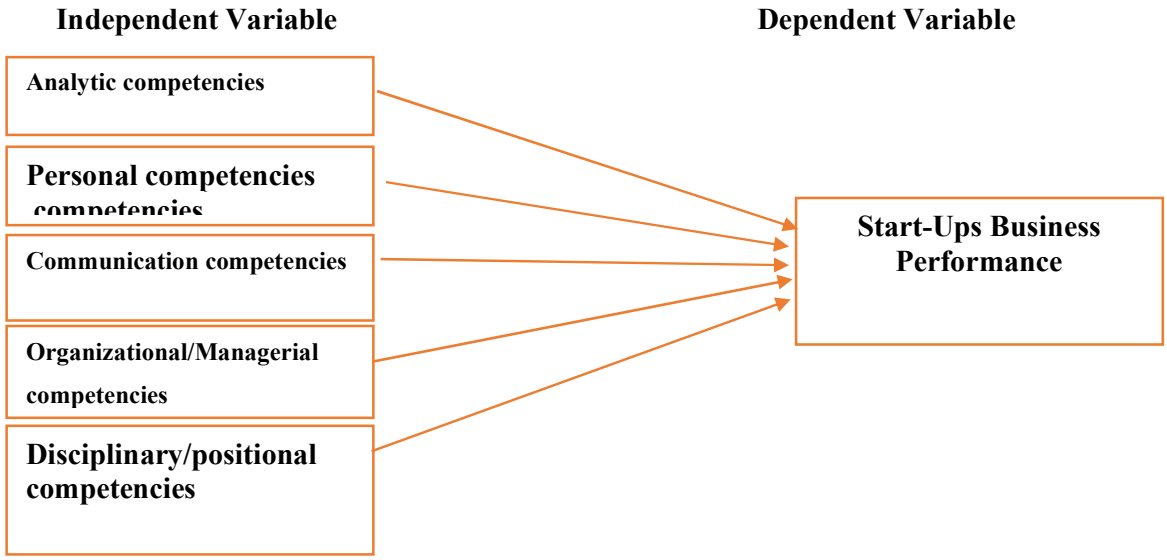


Figure 1: Conceptual Framework of the study

Source: (Own compilation, 2024)

Materials and Methods

A research design serves as a blueprint for conducting a study, outlining the procedures, timing, participants, and conditions for data collection and analysis. Its primary purpose, as noted by Kerlinger and Lee (2000), is to answer research questions while ensuring validity, objectivity, and cost-effectiveness. This study employs both descriptive and explanatory research designs. Descriptive research, as explained by Kothari (2004), focuses on observing and interpreting phenomena without controlling variables, using qualitative and quantitative methods to explore and narrate events. Meanwhile, explanatory research seeks to establish cause-and-effect relationships between variables through empirical analysis (Mark, Philip, & Adrian, 2009).

The study adopts a mixed research approach, combining qualitative and quantitative methods to leverage the strengths of both. Qualitative research focuses on subjective assessments of attitudes and behaviours, often used to explore complex issues, while quantitative research applies mathematical models to establish measurable relationships (Guba and Lincoln, 2004; Saunders et al., 2007; Cameron, 2009). The target population for this study includes employees of Akufada Micro Finance, specifically those involved in financial operations. These individuals are considered key stakeholders with valuable insights into the issues being investigated (Hair et al., 2010).

The workforce of Akufada Micro Finance consists of 70 employees across six branches, making it feasible to use a census method for data collection. This ensures that all employees are included in the study, providing robust and comprehensive findings. Both primary and secondary data sources are utilized to achieve the study's objectives. Primary data is collected first hand through surveys, questionnaires, and interviews, while secondary data is obtained from existing literature and discussions. This combination allows for a well-rounded analysis of the research problem.

The study employs questionnaires and interviews as data collection tools. Questionnaires, initially prepared in English and later translated into Amharic, include both open-ended and closed-ended questions in a semi-structured format. Respondents rate their answers on a five-point Likert scales, ranging from strongly agree to strongly disagree, which enhances the precision of evaluations (Kamilah, 2018). Interviews are conducted with managers from six branches of Akufada Micro Finance, using a prepared guide to gather their opinions and knowledge about the impact of leadership competencies on start-up performance. While interviews are versatile and insightful, they can be time-consuming and prone to bias (Aaker & Day, 1990).

Data analysis involves applying reasoning to identify patterns, trends, and relationships within the collected data, as described by Zikmund et al. (2010). This process includes statistical operations to determine the reliability of relationships among variables. Data processing, as explained by Hyndman (2008), involves coding, editing, and entering data into statistical software like SPSS version 26, which is user-friendly and widely used for such

purposes. The study employs descriptive statistics (e.g., percentages and frequencies) and inferential statistics, including multiple linear regression models, to measure the relationships between independent and dependent variables. Moderating variables are also analysed to assess their influence on the strength and direction of these relationships (Aiken and West, 2009).

Model Specification

Multiple regression analysis is a major statistical tool for predicting the unknown value of a variable from the known value of variables. And it is about finding a relationship between variables and forming a model. The model for this study is developed using independent variables and dependent variable. The study would use a multiple regression model to examine the relationship between several independent variables and a dependent variable.

Thus, multiple regressions calculated by using the proposing formula

$$Y = a + b1X1 + b2X2 + b3X3 + b4X4 + b5x5 + e$$

Y =represents the dependent variable,
X1, X2, X3, X4 =independent variables
a= Represents the intercept or constant
b=Represent the partial regression coefficient
E=error
Y=Start up business performance (SBP)
X1= analytical competencies (AC)
X2=personal competencies (PC)
X3= communication competencies (CC)
X4= organizational/managerial competencies (OC)
X5=disciplinary/positional competencies (DC)

Reliability Analysis

The internal consistency of the instrument was tested using reliability analysis. Chronbanc's coefficient alpha is an internal consistency estimator where the values exceed 0.60 (Hair, 1995). The following table shows the summery of reliabilities of all variables Cronbanch's Alpha is used. According to George and Mallery (2003), Chronbanch's Alpha is an indicator of degree of internal consistency of scales. The higher the coefficient the higher degree of consistency denotes; >0.9-Excellent, >0.8-Good, >0.7-Acceptable, >0.6 Questionable, >0.5Poor, <0.5-Unacceptable. Therefore, as shown in the table below, the result of the reliability test revealed that the items in the questionnaire exhibited Chronbanch's Alpha rate more than enough to be called consistent or acceptable and it discussed on the table 4.4 below.

Table 1: Reliability of the Instrument

ALC	**6**	**.690**	**Acceptable**
CLC	**6**	**.802**	**Acceptable**
OLC	**6**	**.865**	**Acceptable**
PLC	**6**	**.786**	**Acceptable**
DLC	**6**	**.816**	**Acceptable**
SBP	**5**	**.737**	**Acceptable**
Average mean value		**.782**	**Acceptable**

Source: Own Survey, 2024

Analytic Leadership Competency (ALC), Personal Leadership Competency (PLC), Communication Leadership Competency (CLC), Organizational/Managerial Leadership Competency (OLC), Disciplinary/Positional Leadership Competency (DLC), Start-up Business Performance(SBP)

Effect of analytic leadership competency on performance of start-up business.

Analytical leadership competency plays a critical role in enhancing the performance of start-up businesses, as leaders with strong analytical skills are better equipped to make informed decisions and develop effective strategies. By leveraging data to evaluate market trends, assess risks, and identify growth opportunities, analytical leaders create a foundation for success in the dynamic start-up environment. According to Houghton and Neck (2002), such leaders foster a data-driven culture that improves team performance, operational efficiency, and innovation by encouraging evidence-based exploration of new ideas. This approach enables start-ups to navigate challenges effectively and achieve superior outcomes. Similarly, Ruben et al. (2017) emphasize that integrating analytical leadership into entrepreneurial ventures strengthens resilience and adaptability, which are essential for long-term success.

Table 2: Effect of analytic leadership competency on performance of start-up business

C1	**62**	**3.95**	**.664**
C2	**62**	**3.95**	**.734**
C3	**62**	**3.97**	**.789**
C4	**62**	**3.89**	**.832**
C5	**62**	**3.79**	**.813**
C6	**62**	**3.50**	**.954**
lid N (listwise)	**62**		

Source: Own Survey, 2024

The descriptive statistics for Analytical Leadership Competencies (ALC) reveal a generally positive perception among respondents, with mean scores ranging from 3.50 to 3.97 on a 1 to 5 scale. ALC3 received the highest mean score of 3.97, indicating it is viewed as particularly strong, while ALC6 had the lowest mean of 3.50, reflecting a weaker perception. Standard deviations, ranging from 0.664 to 0.954, show moderate variability, with ALC6 displaying the widest range of opinions. This variability underscores differing views on leadership competencies, which could impact leadership development efforts. Key informant interviews at Akufada Microfinance highlighted the significant role of analytic leadership during a major restructuring, where leaders maintained open communication, provided support, and leveraged technology to guide the transition successfully, improving performance. Additionally, analytic leadership was linked to tracking performance metrics like staff evaluations, customer growth, and portfolio size, enabling informed decision-making and operational efficiency. Interviews also emphasized fostering leadership skills naturally, gathering feedback, using predictive tools, and assessing emotional intelligence, character, and work ethic to evaluate leadership effectiveness comprehensively.

Effect of personal leadership competency on performance of start-up business.

The significance of personal leadership competency in the performance of start-up businesses is substantial, as it includes self-awareness, emotional intelligence, and strong interpersonal skills, which are crucial for effective leadership. This competency enables leaders to set an example by embodying the behaviours they wish to see, motivating their teams to align with a shared vision and organizational objectives. According to Ruben et al. (2017), leaders with strong personal competencies foster better team dynamics, boost employee engagement, and improve retention rates—factors essential for the sustained success of start-ups. In essence, cultivating personal leadership skills enhances decision-making and operational efficiency, providing a solid foundation for start-up growth.

Table 3: Effect of personal leadership competency on performance of start-up business

C1	**62**	**3.34**	**.974**
C2	**62**	**3.68**	**.919**
C3	**62**	**3.77**	**.756**
C4	**62**	**3.71**	**.818**
C5	**62**	**3.97**	**.868**
C6	**62**	**3.71**	**.755**
Valid N (listwise)	**62**		

Source: Own Survey, 2024

The descriptive statistics for Personal Leadership Competencies (PLC1-PLC6) indicate a generally positive self-assessment among respondents, with mean scores ranging from 3.34 to 3.97 on a 5-point scale. PLC5 holds the highest mean of 3.97, reflecting strong confidence in this area, while PLC1, with the lowest mean of 3.34, suggests a need for further development. Standard deviations ranging from 0.755 to 0.974 highlight moderate variability, particularly for PLC1, which shows diverse perceptions of leadership abilities. Insights from key informant interviews at Akufada Microfinance reveal that the management team demonstrates adaptability, commitment, and emotional intelligence, crucial for effective leadership in a dynamic sector. Attributes such as social intelligence, conflict resolution, agility in decision-making, and strong interpersonal skills were emphasized as vital components of their leadership approach. Additionally, managers' ability to foster collaboration, provide situational guidance, and track branch performance ensures tailored support for their teams, strengthening both individual and organizational performance over time.

Effect of communication leadership competency on performance of start-up business.

The impact of communication leadership competency on the success of start-up businesses is significant, as it serves as the foundation for fostering teamwork, clarity, and motivation. Leaders with strong communication skills can effectively convey their vision, establish clear expectations, and provide constructive feedback, ensuring that team efforts remain aligned with organizational objectives. Hackman and Johnson (2009) emphasize that effective communication improves interpersonal relationships, strengthens team dynamics, and supports better decision-making. In the fast-paced and uncertain environment of start-ups, proficient communication enables leaders to share essential updates promptly, fostering agility and adaptability. Additionally, Ruben et al. (2017) highlight that leaders who emphasize communication create an inclusive atmosphere where team members feel valued and encouraged to contribute their ideas and express concerns. This openness not only enhances creativity and innovation but also boosts employee morale—key factors for the growth and sustainability of start-ups. Thus, developing communication leadership competencies is vital for improving performance and achieving success in entrepreneurial ventures.

Table 4: Effect of analytic leadership competency on performance of start-up business

C1	**62**	**3.90**	**.762**
C2	**62**	**3.89**	**.907**
C3	**62**	**3.74**	**.828**
C4	**62**	**3.81**	**.721**
C5	**62**	**3.76**	**.761**
C6	**62**	**3.76**	**.740**
lid N (listwise)	**62**		

Source: Own Survey, 2024

The descriptive statistics for Communication Leadership Competencies (CLC1-CLC6) reflect a generally positive self-assessment from respondents, with mean scores ranging from 3.74 to 3.90 on a 5-point scale. CLC1 stands out with the highest mean score of 3.90, indicating strong confidence in this area, while CLC3 has the lowest mean score of 3.74, suggesting a slightly less favourable perception. Standard deviations, ranging from 0.721 to 0.907, reveal moderate variability, with CLC2 showing the widest range of responses. Communication is widely recognized as a critical leadership skill, fostering trust, collaboration, and alignment toward organizational goals. Leaders at Akufada Micro finance, as highlighted in the AMFIBM1 key informant interview, demonstrate strong communication competencies by effectively gathering and sharing business insights, empowering employees to adapt to market changes. Their transparent communication approach builds confidence, encourages innovation, and ensures the development of structured frameworks that support agility and growth.

Effect of organizational/managerial leadership competency on performance of start-up business.

Organizational and managerial leadership competencies significantly influence the performance of start-up businesses by enabling leaders to effectively structure, coordinate, and manage resources to meet strategic goals. Leaders with strong skills in these areas can establish efficient processes, define clear roles, and foster a collaborative team environment, which are essential in the dynamic and fast-paced nature of start-ups. Mintzberg (1975) highlights the critical role of managerial capabilities in handling organizational complexities, particularly in entrepreneurial contexts where adaptability and resourcefulness are key. Additionally, leaders with well-developed organizational competencies are better positioned to make strategic decisions that align with the company's vision, enhancing operational efficiency and promoting accountability. As Ruben et al. (2017) note, strong organizational leadership is directly linked to improved performance outcomes, such as increased productivity and profitability, as it encourages strategic thinking and proactive problem-solving. Therefore, developing organizational and managerial competencies is essential for start-ups to remain competitive and achieve sustainable growth.

Table 5: Effect of organizational/managerial competency on performance of start-up business

C1	**62**	**3.82**	**.878**
C2	**62**	**3.79**	**.852**
C3	**62**	**3.77**	**.838**
C4	**62**	**3.71**	**.876**
C5	**62**	**3.84**	**.793**
C6	**62**	**3.97**	**.829**
lid N (listwise)	**62**		

Source: Own Survey, 2024

The descriptive statistics for Organizational Leadership Competencies (OLC1-OLC6) reflect a generally positive self-assessment among respondents, with mean scores ranging from 3.71 to 3.97 on a 5-point scale. OLC6 stands out with the highest mean score of 3.97, indicating strong confidence in this area, while OLC4, with the lowest mean score of 3.71, reveals a slightly less favourable perception. Standard deviations, ranging from 0.793 to 0.878, show moderate variability, particularly for OLC2, with a standard deviation of 0.852, suggesting diverse opinions on this competency. Effective organizational leaders are known for inspiring teams, fostering collaboration, and addressing challenges while driving strategic objectives. The variability in scores indicates that, although many respondents feel confident in their leadership abilities, areas like OLC4 may benefit from further development. Insights from key informant interviews (AMFIBM1, AMFIBM3, and AMFIBM4) at Akufada Microfinance emphasize the critical role of adaptability in managerial skills, alignment between HR systems and strategic goals, and identifying key competencies required for organizational success. These interviews also highlight the importance of leadership behaviors tailored to different projects and levels, as well as the careful selection of branch managers based on their leadership competencies, which collectively contribute to the organization's growth and success.

Effect of disciplinary leadership competency on performance of start-up business.

Disciplinary leadership competency is crucial for improving the performance of start-up businesses by promoting accountability and maintaining adherence to established standards. Leaders who effectively enforce disciplinary measures can set clear expectations for their teams, reducing conflicts while fostering a culture of responsibility and high achievement. Research by Chen and Farh (2010) indicates that sound disciplinary practices significantly boost employee commitment and performance, particularly in dynamic start-up environments where agility and teamwork are vital. Similarly, Luthans and Youssef (2007) emphasize that leader who apply disciplinary actions consistently and fairly are perceived as more credible, which strengthens trust within the team. This trust is a key driver of collaboration and innovation, enabling start-ups to tackle challenges and capitalize on opportunities more effectively. Therefore, cultivating strong disciplinary leadership competencies is essential for start-ups to sustain high performance and achieve growth in competitive markets.

Table 6: Effect of disciplinary competency on performance of start-up business

C1	**62**	**3.65**	**.907**
C2	**62**	**3.92**	**.963**
C3	**62**	**3.85**	**.884**
C4	**62**	**3.81**	**.846**
C5	**62**	**4.06**	**.597**
C6	**62**	**3.81**	**.623**
lid N (listwise)	**62**		

Source: Own Survey, 2024

The descriptive statistics for Disciplinary Leadership Competencies (DLC1-DLC6) indicate a generally favourable self-assessment among respondents, with mean scores ranging from 3.65 to 4.06 on a 5-point scale. DLC5 stands out with the highest mean score of 4.06, reflecting strong confidence in this area, while DLC1, with the lowest mean score of 3.65, suggests room for improvement. Standard deviations range from 0.597 to 0.963, with DLC2 showing the highest variability, indicating diverse perceptions of this competency. Effective disciplinary leadership involves maintaining accountability, enforcing standards, and fostering a culture of high performance, which is critical for organizational success. While many respondents feel confident in their abilities, areas like DLC1 highlight the need for targeted training to address specific gaps and enhance leadership effectiveness. Insights from the AMFIBM5 key informant interview emphasize the importance of employee attitudes in developing disciplinary leadership competencies. By fostering a positive and proactive mind-set among staff, leaders can collaboratively build a disciplined work culture that supports accountability and organizational growth, leading to improved performance.

Correlation Analysis

In this study, correlation analysis was employed to assess the degree of relationship between independent variables and a dependent variable. Correlation, defined as the statistical association between two variables, facilitates understanding how the dependent variable interacts with the independent variables. The Bivariate Correlations procedure computes pairwise associations among the set of variables, presenting results in a matrix format that succinctly illustrates the strength and direction of these relationships (Field, 2005). Utilizing the Pearson correlation coefficient (r), the analysis captures the nuances of these relationships, with values ranging from -1 to +1 indicating perfect negative and perfect positive correlations, respectively. The interpretation of r values allows for categorization of the strength of correlations: minor (0.1 to 0.2), low (0.20 to 0.40), moderate (0.40 to 0.70), high (0.70 to 0.90), and very strong (0.90 to 1.00) correlations (Burns, 2008).

Table 7: Correlation Analysis

		ALC	PLC	CLC	OLC	DLC	SBP
C	rson Correlation	1	.724**	.731**	.624**	.677**	.772**
	. (2-tailed)		.000	.000	.000	.000	.000
		62	62	62	62	62	62
C	rson Correlation	.724**	1	.734**	.651**	.766**	.802**
	. (2-tailed)	.000		.000	.000	.000	.000
		62	62	62	62	62	62
C	rson Correlation	.731**	.734**	1	.723**	.770**	.827**
	. (2-tailed)	.000	.000		.000	.000	.000
		62	62	62	62	62	62
C	rson Correlation	.624**	.651**	.723**	1	.649**	.764**
	. (2-tailed)	.000	.000	.000		.000	.000
		62	62	62	62	62	62
C	rson Correlation	.677**	.766**	.770**	.649**	1	.801**
	. (2-tailed)	.000	.000	.000	.000		.000
		62	62	62	62	62	62
P	rson Correlation	.772**	.802**	.827**	.764**	.801**	1
	. (2-tailed)	.000	.000	.000	.000	.000	
		62	62	62	62	62	62

Correlation is significant at the 0.01 level (2-tailed).

Source: Own Survey, 2024

The correlation analysis presented in Table 11 examines the relationships between various leadership competencies—Adaptive Leadership Competency (ALC), Participative Leadership Competency (PLC), Charismatic Leadership Competency (CLC), Organizational Leadership Competency (OLC), and Disciplinary Leadership Competency (DLC)—and Small Business Performance (SBP). All correlations are significant at the 0.01 level, indicating strong positive relationships among the variables. Notably, CLC exhibits the highest correlation with SBP (r = .827), suggesting that charismatic leadership has the strongest impact on business performance. This is closely followed by PLC (r = .802) and DLC (r = .801), highlighting the importance of participative and disciplinary leadership in driving performance. OLC and ALC also show substantial correlations with SBP, at r = .764 and r = .772 respectively, demonstrating their significant but slightly lesser influence. Additionally, there are strong interrelationships among the leadership competencies themselves, with correlations ranging from r = .624 (ALC and OLC) to r = .770 (CLC and DLC), indicating that these competencies are interconnected and collectively contribute to improved small business performance. This analysis underscores the critical role of diverse leadership competencies in enhancing organizational outcomes.

Regression Analysis

In this study, multiple regression analysis was utilized to examine how various independent variables collectively influence the dependent variable, offering a detailed understanding of their relationships. This statistical method is particularly effective in complex scenarios where multiple factors impact the outcome, as it quantifies the strength and direction of these influences more accurately than simple linear regression, which considers only one predictor (Field, 2009). The absence of multicollinearity in the model is confirmed by Variance Inflation Factor (VIF) values, which range from 2.292 to 3.618, well below the threshold of 10 that would indicate a problem (Robert, 2006). Additionally, tolerance values, which measure the proportion of variance in a predictor not explained by other predictors, range between 0.276 and 0.436, further supporting the model's robustness. These findings suggest that the predictors in the model do not overlap excessively in their explanatory power, ensuring reliable and meaningful results.

Multicollinearity Test

Multicollinearity is the association between two predictor variables in a regression model and also to check whether the independent variables should have very high association or correlation, multiple linear regressions were used in this study. If the VIF values of independent variables are beyond 10, then it is suggested that further investigation is required (Leybourne et. al 2006).

Table 8: Multi Collinearity Tests

.382	**2.616**
.316	**3.167**
.276	**3.618**
.436	**2.292**
.314	**3.189**

a. Dependent Variable: SBP

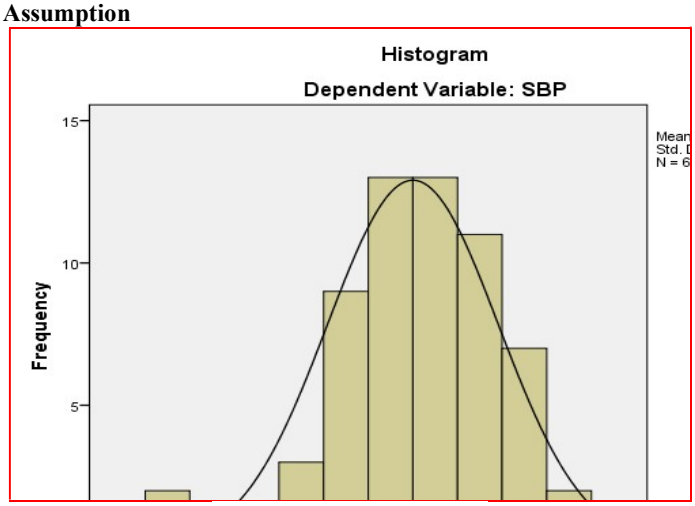
Source: Own Survey, 2024

The results of the multicollinearity test, as shown in Table 12, indicate that there is no significant multicollinearity issue in the study. The Variance Inflation Factor (VIF) values range from 2.292 to 3.618, which are well below the commonly accepted threshold of 10, suggesting that the independent variables do not exhibit problematic levels of intercorrelation. Additionally, the tolerance values, which range from 0.276 to 0.436, further confirm that there is no excessive overlap in the predictive power of the variables. These findings imply that the relationships among the independent variables are stable and do not pose a concern for the regression analysis, ensuring the reliability of the model's results.

Normality Assumption

The variables in the multiple linear regression models must follow the normal distribution. To check the normality of variables which is incorporated in the multiple linear regression model results was shown in the following diagram.

Figure 2: Normality Assumption



Source: Own Survey, 2024

Result of Multiple Regression Analysis

Table 9: Model Summary

Table 1: Model summary

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	*.907[a]*	*.823*	*.807*	*.28634*
a. Predictors: (Constant), DLC, OLC, ALC, PLC, CLC				
b. Dependent Variable: SBP				

a. Predictors: (Constant), DLC, OLC, ALC, PLC, CLC

b. Dependent Variable: SBP

Source: Own Survey, 2024

The model summary displays the significance and percentage of variation in startup business performance which is caused by independent variables. Multiple correlations R of +0.907 represent the combined correlation of all the independent variables. Adjusted R square tells us that .807% of the variation in startup business performance can be explained by variation in the five independent variables taken together. This leaves 19.3%unexplained.

Analysis of Variance (ANOVA)

ANOVA test shows the acceptability of the model from statistical perspective. The significance of the regression model was tested using the Analysis of Variance (ANOVA) which gave information about the level of variability within the regression.

Table 10: Test of Analysis of Variance

ANOVA						
del		Sum of Squares	df	Mean Square	F	Sig.
	gression	21.372	5	4.274	52.131	.000[b]
	sidual	4.592	56	.082		
	tal	25.963	61			
Dependent Variable: SBP						
Predictors: (Constant), DLC, OLC, ALC, PLC, CLC						

Source: Own Survey, 2024

In the ANOVA sub table we have the F value of 52.131 which is significant with p =000 which is less than 0.05. This informs us that the some independent variables taken together as a set are significantly related to the dependent variable. In order to see the effect of leadership competencies i in regression analysis of performance of start-up business was employed. Table 14, provides the result of multiple regression analysis beta coefficient and significance.

Table 11: Coefficients

		B	td. Error	Beta		
	nstant)	-.539	.289		-1.862	.068
	C	.214	.106	.183	2.015	.049
	C	.218	.108	.202	2.022	.048
	C	.245	.114	.229	2.141	.037
	C	.236	.091	.221	2.596	.012
	C	.246	.122	.202	2.015	.049

Source: Own Survey, 2024

Research has shown that unstandardized beta coefficients are essential for understanding the impact of various leadership competencies on start-up business performance. These coefficients indicate how much the dependent variable, such as start-up business performance (SBP), is expected to change with a one-unit change in the predictor variable, while holding other variables constant. For example, the unstandardized beta values of 0.214, 0.218, 0.245, 0.236, and 0.246 reflect the contributions of different leadership competencies—Analytic Leadership Competency (ALC), Personal Leadership Competency (PLC), Communication Leadership Competency (CLC), Organizational/Managerial Leadership Competency (OLC), and Disciplinary/Positional Leadership Competency (DLC)—to the overall performance of start-ups.

$$Y = -0.539 + 0.214X1 + 0.218X2 + 0.245X3 + 0.236X4 + 0.246X5 + \varepsilon,$$

The regression model represented how these leadership competencies uniquely contribute to predicting SBP. The significance of these coefficients at p=0.05 indicates that each competency plays a vital role in enhancing performance outcomes. This finding is consistent with previous studies that emphasize the importance of leadership in driving organizational success. For instance, research has indicated that effective leadership competencies are linked to improved team dynamics and decision-making processes, which are crucial for navigating the complexities of start-up environments.

Furthermore, the rejection of the null hypothesis (H0) related to these dimensions reinforces the notion that leadership competencies are not only relevant but essential for the success of start-ups. The statistical significance of the five predictor variables suggests that they collectively contribute to the regression equation, making a meaningful impact on performance outcomes. This aligns with existing literature that highlights the multifaceted nature of leadership and its critical role in shaping organizational culture and strategic direction.

Test of the Hypothesis and Discussions of Major Findings

Based on the statistical output the hypothesis tested as follows.

H0: Analytic leadership competency has no positive and significant effect performance of start-ups business.
H0: Reject ß=0.214 p< 0.05
H0: Personal leadership competency has no positive and significant effect performance of start-ups business.
H0: Reject ß=0.218 p< 0.05
H0: Communication leadership competency has no positive and significant effect performance of start-ups business.
H0: Reject ß=0.245 p< 0.05
H0: Organizational/managerial leadership competency has no positive and significant effect performance of start-ups business.
H0: Reject ß=0.236 p< 0.05
H0: Disciplinary leadership competency has no positive and significant effect performance of start-ups business
H0: Reject ß=0.246 p< 0.05

Conclusions

The study analysed the relationship between leadership competencies (analytical, personal, communication, organizational, and disciplinary) and start-up business performance in microfinance institutions, revealing that all competencies achieved a composite mean score above the average rate of 2.5, indicating positive perceptions of leadership and business performance. The research concluded a positive correlation between leadership competencies and start-up performance, with personal leadership competency showing the strongest correlation. Additionally, all independent variables were interrelated, and multiple regression analysis indicated that disciplinary leadership competency had the greatest impact on start-up performance, followed by communication, organizational, personal, and analytical competencies. Overall, the findings confirmed that all leadership competencies significantly influence start-up business performance in microfinance institutions.

Recommendations

Based on the findings of the study, the researcher offers the following recommendations for start-up businesses, specifically Akufada Micro finance, in Addis Ababa, Ethiopia:

- **Analytical Leadership Competency:** According to the findings of the study, Akufada micro finance should prioritize developing the analytical leadership competency of its employees and managers. This involves providing training and development opportunities to enhance their critical thinking, problem-solving, and evidence-based decision-making skills. Investing in the analytical leadership competency of its personnel will contribute to Akufada's overall organizational effectiveness and its ability to drive sustainable growth and success.

- **Personal Leadership Competency:** The study suggests that Akufada micro finance should also prioritize the development of personal leadership competencies within its leadership team. This involves providing extensive training and coaching to enhance the leaders' self-awareness, emotional intelligence, integrity, resilience, and their capacity for self-reflection and continuous learning. Strengthening these personal leadership skills will contribute to a more cohesive, resilient, and adaptable leadership team that can navigate the challenges and opportunities facing the organization.

- **Communication Leadership Competency**: According to the study, effective communication is crucial for the success of Akufada micro finance. To develop this critical competency, the organization should prioritize enhancing the communication leadership skills of its leaders. Strengthening the communication leadership capabilities of Akufada's leaders will enable them to foster better collaboration, alignment, and understanding throughout the organization, which is essential for driving its overall success and growth.

- **Organizational/Managerial Leadership Competency:** Based on the study findings, to achieve sustainable growth, Akufada micro finance must focus on developing robust organizational and managerial leadership competencies within its leadership team. This involves providing training and development in key areas such as strategic planning, effective decision-making, problem-solving, resource allocation, and the implementation of policies and processes. Strengthening these leadership capabilities will enable Akufada leaders to guide the organization more strategically and effectively, laying the foundation for its long-term success and expansion.

- **Disciplinary Leadership Competency:** The study suggests that Akufada micro finance should also prioritize cultivating disciplinary leadership competency among its employees and managers. This should involve providing training and guidance on how to effectively set clear direction, establish high performance standards, and hold individuals and teams accountable. Investing in the disciplinary leadership capabilities of its workforce will enable Akufada to operate more efficiently, maintain high levels of performance, and foster a sense of ownership and responsibility throughout the organization.

Recommendation for Future Studies

In future research, this framework can be adopted in other micro finance institutions, as it might yield different outcomes with respect to its ability to enhance start-up business performance. Moreover, the framework of this study consisted of five constructs, each of which included several significant dimensions that were deemed capable of improving start-up business performance. In future studies in this field, additional factors related to start-up business performance could be tested, in order to assess their significance. If proven relevant, such factors could help develop new strategies for improving start-up business performance. In addition, other factors (such as, for example, demographic profiles of the respondents) could be examined in relation to the survey responses provided, as this could assist in establishing any effects of these variables on the significance participants assign to various aspects of leadership competencies. As this study aimed to examine the effect of leadership competencies in the performance of start-up business, so the effects of respondents' demographic background were outside the scope of the investigation. Therefore future studies could expand on this research by assessing the potential influence of the respondent characteristics on the start-up performance.

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