



**ADDIS ABABA UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF MANAGEMENT**

**EFFECTS OF BUSINESS LEVEL STRATEGIES ON  
PERFORMANCE OF PRIVATE COMMERCIAL  
BANKS IN ETHIOPIA**

**MASTER'S THESIS SUBMITTED TO DEPARTMENT OF  
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## DECLARATION

I, the undersigned, declare that this thesis is my original work and all sources of material used for the thesis have been dully acknowledged.

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## Letter of Certification

This thesis project entitled “**Effects of business level strategies on performance of private commercial banks in Ethiopia**” has been submitted to Addis Ababa University, Department of Management for examination with my approval as a University advisor.

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## **ABBREVIATIONS AND ACRONYMS**

**CBE-** Commercial Bank of Ethiopia

**CS-** Combination Strategy

**CLS-**Cost Leadership Strategy

**DS-** Differentiation Strategy

**FS-** Focus Strategy

**NBE-** National Bank of Ethiopia

**S.C-** Share Company

**SPSS-** Statistical Package for Social Science

## **ABSTRACT**

*The general objective of this study was to assess the effects of business level strategies on performance of private commercial banks in Ethiopia. The research has quantitative nature. To accept or reject the research hypothesis relevant questions by means of questionnaire were created and distributed to the survey's respondents. Self-administered questionnaires were used to gather primary data, and they were distributed through non random sampling technique. An explanatory research design was used. The hypotheses were examined using multiple regression analysis and Pearson's product moment correlation analysis. The result showed that there was a positive significant effect of cost leadership, differentiation, focus and combination strategy on performance of Private Commercial Bank. Therefore, from the outcomes and conclusions, it is suggested that the management and professional staffs of Private Commercial Banks in Ethiopia should enhance their performance by improving the management of: economies of scale, supply of quality and superior products to their customers, give close attention to unique customer preferences, monitoring of combination strategy and more investment in business level strategies.*

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Businesses in the twenty-first century, regardless of how big or little, will be a part of the global business community that both affects and is influenced by societal change, events and forces from across the world. This is due to the highly competitive, chaotic, dynamic, and discontinuous corporate climate. The interaction between business and society has undergone a significant transformation over this time. In today's competitive financial markets, establishing long-term connections with consumers has become a vital strategy for most financial organizations.

The implementation of strategy steadily involves functional areas like accounting, marketing, human resource management, and information management on a global scale. (Kibicho, 2015). Business decision-making has become more complex and sophisticated as a result of the competitive business climate. The duties of the modern CEO go beyond managing a variety of complex internal activities. The immediate external environment of the company presents a second set of difficult conditions. Executives create strategic processes they believe will enable the company to take the best possible position in its competitive environment in order to cope with those factors that have an impact on a company's capacity to grow profitably. Private Banks can concentrate on sectors that provide them an advantage over their rivals by defining their core strengths.

In accordance with Porter (2008), One of two methods allows a business to outperform a rival. It either has a cost advantage (the ability to offer a similar good or service at a cheaper cost) or a differentiation advantage (the ability to offer a good or service that is distinctive enough that the client is willing to pay more for it). On the other hand one of the most important issues for scholars as well as practitioners in the field of strategic management has consistently been the path to business success (Takata, 2016). Improved performance and a persistent competitive advantage are the results of effective competitive strategies (Porter, 2008). Mecagni (2015) emphasizes that historically speaking, financial liberalization, reforms, and improvements in regulatory and monitoring ability have been the factors that have led to the change of African banking.

Private Banks were able to function in Ethiopia following the fall of the Derg regime by Proclamation No. 84/1994, which declared the licensing and regulation of the banking industry. Since the economy was liberalized in 1991, there have been significant changes in the country, as a result, twenty eight private commercial banks were open but, overseas investors are still prohibited from getting financial services. According to NBE (2021/2022) annual report twenty eight private commercial banks are operating in Ethiopia. Those are Awash Bank, Bank of Abyssinia, Wegagen Bank, Hibret Bank, Nib International Bank, Dashen Bank, Cooperative Bank of Oromia, Lion International Bank, Oromia Bank, Zemen Bank, Bunna Bank, Abay Bank, Berhan Bank, Addis International Bank, Dehub Global Bank, Enat Bank, Zamzam Bank S.C, Hijira Bank S.C, Siinqee Bank, Shabelle Bank, Amhara Bank, Goh Betoch Bank S.C, Ahadu Bank, Gadaa Bank, Thedey Bank, Tsehay Bank, Rammis Bank S.C and Omo S.C Bank.

Those private commercial banks in Ethiopia compete with one another and with various financial entities, including: government owned commercial bank, micro financial institutions and savings and credit cooperative society. The research on Kenya commercial bank to assess how the success of the firm is influenced by competitive strategies by Kennedy Ogollah published in 2017 R. N. & Ogollah, K. (2017). draw the conclusion regarding those Kenya Commercial Bank's implemented of business level strategies namely: cost leader strategy, focus strategy, differentiation strategy and innovative strategies achieve a significant impact on performance. By reviewing various literatures the researcher attempted to find previous researches done on effect of business level strategies on organizational performance of private commercial banks in Ethiopia but couldn't find. By understanding this gap, this topic encouraged the researcher to carry out research on it.

## **1.2 Statement of the Problem**

Business has historically been run in a very steady environment in earlier times. However, nowadays the business environment has become more intensely competitive and dynamic as a result of a number of factors, including technological advancement, globalization, economic growth in various countries, customer demand for easily accessible high-quality products (goods or services), firms' business experience, and others (Reynolds, 2011). The private banking service in Ethiopia has become very dynamic and they have reacted in a variety of ways, including strategy reformulation to ensure that they gain the competitive advantage. Their

services have encountered expanded rivalry throughout the past recent years because of expanded advancements among the players and the government owned CBE into the market. The government-owned CBE, which controlled around two-thirds of banking assets and had a deposit of 68% and a profit share of 65% in 2014/15, had an impact on the sector's competitive environment (Bezabeh & Desta, 2014). The banking sector in Ethiopia has reportedly faced different kinds of competition over the past few years as a result of advances in technology, strategy differentiation on product or service, human resource, pay structure, deposit and foreign currency mobilization, and other environmental complexities, according to Tekestebirhan (2016).

Since its initial debut in 1994 NBE (2017/18), performance of private commercial banks in the Ethiopian economy has exhibited development in terms of expansion, profitability, market outreach, innovative banking services, and other areas. The regulatory body (NBE) has consistently issued new regulations, such as the requirement to maintain non-performing loan below 5% and the minimum capital needed to establish a new bank, which was increased from Birr 10 million in 1994 to birr 75 million in 1999, to birr 500 million in 2011, and birr 5 billion in 2021. Those factors affect the competitive business environment and make the competition stiffer than before. The private commercial banks response to the competitive and challenging environment by making huge investment in their branch network expansion, adopting new technology and rolling out new products with the intention of beating the standards of their competitors.

Rarely studies are available on the effect of business level strategies on the effectiveness of banking practices in Ethiopia. As a result, no research with a similar focus on the performance of private commercial banks in Ethiopia or the consequences of business level strategies were listed or discovered under this topic in the manner in which the researcher needs to address. That is effects of business level strategies on the performance of private commercial banks in Ethiopia.

However, some research has been done on the competitive strategies employed by private commercial bank in Ethiopia. Tilhaun (2016) sought to examine the effectiveness of competitive strategies in Ethiopia. The case studies used in the study were Dashen Bank and Awash Bank, and it was shown that there is a strong correlation between their competitive strategies and performance. In 2016, Tekestebirhan conducted a study on the five competitive strategy design

and execution practices in Ethiopia. A case study of Hibret Bank S.C. The above studies have limited themselves on the relationship between business level strategies and performance and strategy execution. The earlier publications I assessed did not figure out the extent to which the competing strategies affect the performance of private commercial banks in Ethiopia.

To the best of the researcher's knowledge, there is not any reported research on this subject. This study was carried out in a manner that bridges the gap to analyze how business level strategies affect the performance of private commercial banks in Ethiopia. This study aims to fill this gap by performing a case study to assess the effects of business level strategy on the performance of private commercial banks in Ethiopia. The researcher conducted research on the specified subject in the specified area as a result of the aforementioned information as well as other pertinent concerns in order to produce conclusions and recommendations regarding the obtained results.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objective**

The main objective of this study was to analyze the effects of business level strategies on performance of private commercial banks in Ethiopia.

#### **1.3.2 Specific Objectives**

- To examine the effect of cost leadership strategies on the performance of private commercial banks in Ethiopia.
- To explore the effect of differentiation strategies on the performance of private commercial banks in Ethiopia.
- To assess the effect of focus strategies on the performance of private commercial banks in Ethiopia.
- To investigate the effect of combination strategies on the performance of private commercial banks in Ethiopia.

### **1.4 Scope of the Study**

The study covered eight private commercial banks in Ethiopia that had performance records of five years (2018–2022) or longer. The geographic scope and respondents of the research were restricted to management member and senior professional staff because they have their own

contribution on developing and implementing strategies. Therefore the geographic scope and respondents of the research were limited to top management members and professional staffs of eight selected private commercial banks operating at head offices. The unit of analysis was each private commercial bank's management members and professional staff those who to formulate, implement, and evaluate strategies in their activities at each private commercial bank's at their heads offices were the respondents of the study.

### **1.5 Limitations of the Study**

In this study, the impact of business level strategies on performance of private commercial banks in Ethiopia was evaluated. However, the study was restricted to eight private commercial banks in Ethiopia, with a small sample size that only included senior management and professional employees who develop, implement, and oversee their banks' strategy. So the study do not cover the whole top management members of private commercial banks in Ethiopia and the research relies on judgments and perception of respondents, which can introduce biases and may not accurately reflect the actual environment. Moreover methodological the study was limited to quantitative research methods.

### **1.6 Significance of the Study**

The findings of this research will be significant in contributing to the existing body of knowledge in strategic management. This study is important particularly in advancing the resource based view and industry structure approach of strategic management as it will be investigated the business level strategies on performance of those banks.

Since there will be limited prior studies on the effect of business level strategies on performance of those banks, the findings bridge the theoretical gap in the existing debates on the business level strategies and performance.

The results of this study should aid in the advancement of strategic management among scholars and researchers in the subject of strategy. The findings of this study can also serve as the foundation for future research initiatives by strategic management students.

Apart from its theoretical contributions to the academic field, the findings of this study also

contribute, among others, to practitioners, policy makers, consultants and other professionals in the banking services industry in general and private commercial banks in particular. Practitioners such as executives and managers who are involved in strategic planning and execution may benefit from the findings and recommendations of this research.

### 1.7 Definition of Terms

- **Business Level strategy:** is a sum of the strategic planning and implementation activities that set and steer the direction of an individual business unit. These activities will generally include how to gain a competitive advantage and create customer value in the specific market the business unit operates in (Tom Wright, 2023).
- **Competitive advantage:** is the ability of a corporation to produce more economic value than its marginal competitors through differentiation and/or cost advantages (Peteraf & Barney, 2003).
- **Cost leadership strategy:** using low-cost methods to gain a large portion of the market (Peters & Zelewski, 2013).
- **Differentiation strategy:** a series of coordinated measures performed by a business to develop goods and services with unique qualities that customers value (Teeratansirikool, Siengthai, Badir, & Charoenngam, 2013).
- **Focus strategy:** a form of business level strategy employed by companies to focus on distinctive goods and services (Morgan, 2015).
- **Performance:** includes information on financial and marketing performance in terms of client satisfaction, market share, pace of customer acquisition, profit margin, return on assets, and overall profit levels. (Balcor, 2020).

### 1.8 Organization of the Study

This thesis had five chapters:

- ❖ Chapter one contain the orientation of the study, which discussed the background of the study, the statement of the problem, objectives of study, scope of study, significance of study, limitation of study, operational definition of terms and organization of thesis.
- ❖ The second chapter presents the theoretical and empirical literature review, gaps of the study and conceptual framework are presented.

- ❖ The third chapter presents the study design, methodology, sampling approach, data collection and analysis technique.
- ❖ The fourth chapter covers discussion and research finding.
- ❖ Chapter five includes study's summary, conclusions, recommendations and list implication for future study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The important theoretical and empirical approaches relevant for the study are thoroughly reviewed and presented in this chapter. The theoretical review gives the theoretical viewpoints and justifications for the issues under study. Further past research on the topics of interest is presented in the empirical review.

#### **2.2 Theoretical Review**

The theories that support the variables being studied are presented in this section. Those theories are: Michael Porter's five forces, resource based view and capability based theories.

#### **2.3 Business Level Strategies**

Porter formulated a theory of competitive strategy in the 1980s. Business owners seek competitive advantage in order to outperform above an industry standard, in accordance with Porter's theory. According to Adib and Habib (2016), the competitive strategy theory examines the action plans used by companies to create business initiatives that result in long-term competitive advantage. Business owners employ the business level strategy theory, according to Dimitrieska (2016), to entice clients, confront rivals, and strengthen their market position.

Cost leadership, differentiation, and focus strategy are the three strategies that form the competitive strategy theory (Porter, 1980). Business owners should thoroughly research their rivals and the industry in which they operate before implementing any competitive strategy (Safari, Farhang, & Rajabzadehyazdi, 2016). Owners of businesses should have learn how to accomplish business sustainability by putting competitive strategies into practise (Dimitrieska, 2016). Business owners should employ competitive techniques to seek market niches while maintaining quality resource allocation (Porter, 1980).

##### **2.3.1 Cost Leadership Strategy**

According to Peters and Zelewski (2013), the cost leadership strategy aims to reduce costs as market share increases. The efficient utilisation of resources is increased by business owners that employ cost-effective solutions (Saunders, 2015). To outperform their rivals, business owners

employ cost-effective strategy (Kyengo, Ombui, & Iravo, 2016). The cost leadership strategy is price sensitive, and business owners ought to be aware of this (Hernández-Perlines et al., 2016). The cost leadership strategy also has the advantage of deterring new companies from joining a market where there is already a cost leader. The main reason for this is that a new business would find it difficult to succeed by undercutting the cost leaders' prices.

### **2.3.2 Differentiation strategy**

A company's differentiation strategy is a collection of coordinated action plans used to develop goods and services that have unique qualities that customers value (Teeratansirikool et al., 2013). To maintain their companies distinctive in the marketplace, business leaders employ differentiation strategy (Porter, 1980). Price, design, product and service characteristics, customers, technology, and other aspects are only a few of the many features that differentiate a strategy (Lin & Chang, 2015). firm owners must creatively distinguish their services from those of other service providers in order to sustain a firm (Olubunmi et al., 2014). When a business delivers unique goods and services, customers are likely to be pleased and devoted (Simeone, Marotta, & Rotondo, 2015). Business owners employ the differentiation technique to demand higher pricing than average for their distinctive goods and services (Salavou, 2015). Profit margins grow when prices rise (Simeone et al., 2015).

Businesses that use differentiation techniques to increase market share can keep their competitive edge over the long term (Grant, 2010). According to Haddad et al. (2015), certain American companies using differentiation techniques have increased profitability. Business owners use differentiation strategies to sustain higher financial performance throughout long term (Banker, Mashruwala, & Tripathy, 2014). Further highlighting the significance of differentiation techniques for producing unique performances was Banker et al. Innovation is a byproduct of a differentiation strategy and improves corporate success (Gehani, 2013). Porter (1980) highlighted that business owners who employ differentiation strategy create enticing product images for consumers.

The demands of the market ought to be considered by business owners prior to implementing a differentiation strategy (Guisado-González, Ferro-Soto, & Guisado-Tato, 2016). According to Porter (1980), organizations using a differentiation strategy need a high degree of service

flexibility to adapt to changing consumer expectations. Owners and managers of businesses should guarantee that staff members have enough training to provide services under circumstances requiring high levels of flexibility (Haddad et al., 2015).

### **2.3.3 Focus strategy**

According to Porter (1980), the focus strategy instructs business owners to target a certain market segment with their services. Business owners employ focus strategies in an effort to tailor services to particular client requirements (Ibrahim, 2015). Businesses can concentrate on distinctive goods and services with the use of the focus strategy (Morgan, 2015). Business leaders who use a focus strategy, according to Morgan, have predetermined market objectives. When concentrating on a particular market, business managers can identify potential customers (De Melo & Guerra Leone, 2015). A business owner that uses a focus strategy selects a market niche where customers have a clear preference (Kyengo et al., 2016). Business owners must embrace a limited competitive scope while concentrating on a chosen market or set of services (Gituku & Kagiri, 2015).

Porter described a company's competitive scope as the target market coverage required to uphold an optimal positioning. Because business owners must cater to the unique needs of customers, adopting and implementing focused strategies may be expensive and occasionally challenging (Pulaj, Kume, & Cipi, 2015). As recommended by Pulaj, it is essential for business owners to implement focus strategies with low-cost techniques in the market segment to make profit. Focus strategy can help businesses with long-term objectives improve their operational procedures, establish benchmarking procedures, and network for superior results (Palupiningrum, Daryanto, & Fahmi, 2016). Owners of businesses must create focus strategies to capitalise on certain supply and demand trends if they want to get favourable results (Peltokorp, Linna, Malmström, Torkki, & Lillrank, 2016). Peltokorpi et al. claim that standardization and knowledge acquisition are necessary for the successful application of focus strategy in a company.

Business owners develop new defense strategy and competencies as a result of putting focus strategy into practice (Dhliwayo, 2014). Additionally, Dhliwayo advised business owners to be aware of the risk involved in implementing and using a focus strategy if the targeted sector is tiny and unprofitable. Market focus strategy is likely to give businesses a long-term competitive edge through product innovation and brand promotion. Because the chosen market sectors are

less susceptible to alternatives, market focus strategy can provide substantial returns on investments. The focus differentiation strategy is pursued by businesses through a variety of action strategies. These include market niche focus strategies based on distinct customer preferences, product customization strategies based on specific market needs, attention to social class in differentiating offers, such as prestige selling, and attention to physiological market factors informing product design, package, value, and appearance (Best, 2012).

#### **2.3.4 Combination Strategy**

The Porter Generic Competitive Strategies (1980, 1985) of total cost leadership, differentiation, and a focus cannot be overstated on strategic management research. The pursuit of what has been described as hybrid, mixed, integrate or combination strategies was hypothesized by Allen & Helms (2006). Cost leadership and differentiation strategy may be suitable techniques to overcoming competitive problems according to (Kim et al. (2004) and Spanos et al. (2004). Such hybrid approaches include low-cost and differentiation components (Gopalakrishna & Subramanian, 2001; Proff, 2000).

To choose a strategy is to decide which strategic group to compete in as the three general strategies correspond to three major categories of strategic groups (Porter, 1980). If a business fails to grow its strategy in at least any of the three directions, it is considered to be "stuck in the middle" and is in very poor strategic fitness. This company lacks the market share, funding, the willingness to play the low-cost game, the industry-wide differentiation required to prevent the necessity of a low-cost position, as well as the attention to develop differentiation or a low-cost position in a more confined region. Porter (1980) claimed that a business that is "stuck in the middle" is "almost ensured poor profitability." This company either loses a large number of customers who seek low prices or must bid away its profits to be able to compete with low-cost rivals. However, it also loses high-margin clients, the cream of the crop, to other organizations who have differentiated themselves or are laser-focused on high-margin goals. In addition to having a murky corporate culture, the middle-of-the-road company often also has a competing set of organizational structures and a motivational system.

#### **2.4 Performance of Organization**

Depending on their functional expertise and backgrounds, academics have different perspectives on performance. It is challenging to arrive at a consistent conception of the term "performance"

and its metrics since, for example, accountants view performance from the standpoint of economics, while marketers may interpret it from a customer's pleasure and retention perspective (Lebas & Euske, 2007). When evaluating a company's performance, one might look at internal factors like profitability, return on investment, return on assets, and shareholder wealth generation as well as external factors like market performance and customer satisfaction.

In order to assess the validity of the construct as initially envisaged by the resource based view, rather than in absolute terms, firm performance as the dependent variable must be quantified and operationalized relative to its competitors (Newbert, 2014). As a result, there is limited agreement among researchers in determining frequently accepted performance measures of organizations (Rubio & Aragon, 2009). On the other side, scholars approach performance assessment from their own functional disciplines. In order to quantify business performance, several scholars have proposed a variety of metrics (Rubio & Aragon, 2009). In order to quantify business performance, several scholars have proposed a variety of metrics (Rubio & Aragon, 2009). While non-financial or operational performance measurement indicators use metrics like market share, new product introduction, innovativeness, technological efficiency, marketing effectiveness, and product quality, financial measures are accounting-based metrics like return on investment, return on sales, profit, cash flow, return on equity, and earnings per share (Allen & Helms, 2006).

A strategic performance measurement system that is supported by the alignment of strategies with their drivers, goals, and objectives, resource allocation, and performance measurement to these drivers can improve performance achievement, according to Ittner et al. (2003). Profit margin, revenue, return on assets, return on sales, employee happiness, and capacity utilization are a few examples of internal performance metrics. Besides there are several external performance measurements that can be used, including market share, customer happiness, customer retention, and product quality.

## **2.5 Michael Porter's Five Forces Theory**

Porter's theory of competitive strategy was authored by Porter (1980) and essentially illustrates a framework of five competitive forces that shape the choice and application of business strategy. Along with these other factors, the five forces model also considers the negotiating power of

suppliers and customers, the threat posed by new competitors and substitute goods, and rivalry among firms operating in the same sector. Those forces are ideally external competitive forces that influence the level of competitive intensity in the sector.

### **2.5.1 Threats of New Entry**

Threats from new competitors are the potential entry of new rivals into an already established market (Galbreath & Galvin, 2008). New competitors in an industry have an effect on a firm's expenses, prices, and rate of investment because of their fresh capabilities and desire to take market share (Porter, 2008). To protect their markets from entrants, established businesses could lower their prices or spend more. According to Grant (2010), new competitors cannot compete on an even playing field with established companies that have an advantage over them. Entry barriers and the responses of current rivals determine the scope of challenges posed by future entrants (Pearce & Robinson, 2009). In the words of Lipczynski et al. (2009), the primary contributors of barriers to new entrants that might benefit the existing firms are: economies of scale, differentiation of products, customer switching costs, capital requirements, accessibility to distribution networks, cost disadvantages, independence of size, government policy or regulations, and expected retaliation.

#### **➤ Economies of Scale:**

The term "economy of scale" describes reduces in a product's unit cost as the absolute volume per time increases and the fixed cost is spread across a larger number of units due to more efficient technology, better prices from input suppliers, or network rewards from clients (Porter, 2008). Because a whenever a corporation produces a product in large quantities, economies of scale occur across its supply chain, reducing the cost per unit of that product (Lipczynski et al., 2009). These scale advantages are referred to as supply-side economies of scale, which are scale advantages produced by businesses and developed by enterprises (Porter, 2008).

#### **➤ Product Differentiation and Customer Switching Cost**

Because of their earlier advertising, customer service image, standing as industry leaders, and distinctive product offerings, established enterprises may encourage brand preference and client loyalty (Grant, 2010). Differentiation puts up obstacles for new players and makes them spend a

lot of money to win over clients. It is going to be difficult for the new entrant to attract customers who have a strong brand preference and loyalty (Thompson, Peteraf, Gamble & Strickland, 2012). A reduced cost, superior services, and effective marketing and advertising campaigns, among other factors, might lead clients to switch to a new entrant (Lipczynski et al., 2009).

If the switching cost is high, customers could find it hard to move vendors. Then, it becomes challenging for a novice to draw clients (Porter, 2008). A supplier may be mandated to pay fixed expenses when clients switch them by providing: replacement, as well as installation costs, searching and learning costs, product and/or system enhancements, staff retraining to take advantage of the newly developed goods and processes, and so on (Lipczynski et al., 2009).

#### ➤ **Capital Requirement**

Barriers to entry may be brought on by the amount of capital required to launch a new firm, especially if the venture requires prior investment in marketing and research (Porter, 2008). Massive startup costs may act as barriers to entry, reducing the number of businesses in a certain sector. Entry barriers are produced by the need for working capital, client credit services, inventory growth, startup loss and other financial obligations in addition to the cash needed for fixed assets. In addition to these Porter argues that if a sector is viable and the capital markets are functional, new entrants can obtain funding for startup (Porter, 2008).

#### ➤ **Access to Distribution Channels**

According to Thompson, Strickland & Gamble (2010), A new entrant must influence distribution channel organizations to allow access or agents who have been working with established items. With fewer retailers, wholesalers, or branches, it will be more difficult for newcomers to flourish and the more established competitors have established enduring bonds with high-quality client services (Porter, 1985). In other cases, unbalanced accessibility to distribution channels places substantial entrance obstacles in the way of new entrants, forcing them to either develop their own platforms or pay high costs for entry (Porter, 2008).

#### ➤ **Cost Disadvantages Independent of Scale**

Incumbents can enjoy cost advantages regardless of their size or advantage in economies of scale because of their experience curve, alliances with the most capable and least priced suppliers, subsidies from the government, attractive locations, ownership of unique technologies, low fixed

expenses, and brand identity and identities that enable them to run more effectively (Porter, 2008; Thompson, et al., 2012).

### ➤ **Government Policy**

By implementing certification criteria and other legal and regulatory restrictions, government policies can impede or even forbid entry into a certain industry (Porter, 2008). When it influences industrial structure via the five factors, its significance becomes relevant (Magretta, 2012).

For instance, Ethiopia's finance industry forbids foreigners from doing business there. Businesses like banks, insurance, telecommunications, ad agencies, and the media are subject to severe laws and are only open to Ethiopian citizens (Ethiopia Proclamations No. 592/2008; 746/2012).

In spite of the fact that the Porter's five-force model fails to consider the government to be the sixth force, it is crucial to comprehend and assess how pertinent government policies affect both established businesses and in terms of encouraging, stifling, and regulating competition in an industry new entrants face a challenge (Porter, 2008).

### ➤ **Expected Retaliation**

In order to deter new entrants, businesses may employ entry-deterring methods through their pricing, product, branding, and marketing initiatives (Lipczynski et al., 2009). Newcomers' decisions about whether to enter a particular industry are influenced by the severity of firms' responses and reprisals to new entrants.

In addition to preparing for retaliation from incumbents, newcomers must develop acceptable entry strategies to counteract those of their rivals while increasing their profit on the investment they made.

## **2.5.2 Bargaining Power of Buyers**

Customers with more negotiating power have the power to decrease costs, demand better quality goods or services, and maximize value from sellers, all of which can put pressure on the success of firms in a certain industry (Altuntas, Semercioz, Mert & Pehlivan, 2014). The relative costs that each party bears as well as each side's capacity to control its position determine the

bargaining power of customers compared to suppliers (Grant, 2010).

When the costs of switching are low, when there are some and concentrated buyers, while they make large purchases, and when the sellers' goods and services basically the same with minimal variation, consumers gain an upper hand over sellers (Porter, 1985; Thompson et al., 2012). Buyer will have more negotiating power, resulting in lower pricing and greater services, additional products can be bought (Tavitiyaman, et al., 2011). If customers make minimal profits and buy generic or undifferentiated items, they become powerful.

Since there are no differences between standardized goods or services, buyers can always choose another provider, which motivates them to demand lower prices, greater services, or even the potential for incorporation backward (Porter, 1985; Pearce & Robinson, 2009). For instance, consumers who are adequately informed about the supply and demand for a product may typically bargain more effectively than those who are not (Porter, 2008; Grant, 2010).

### **2.5.3 Bargaining Power of Suppliers**

Suppliers provide their customers with labor, components, raw materials, technology, research, and training. Resource providers gain power by keeping a larger portion for themselves through increased charges, decreased service standards, or by making businesses pay a large portion of the expenses than they should have covered (Porter, 2008; Altuntas, et al., 2014). The negotiation positions of suppliers can be superior than their clients:

- If the industry/sellers are fewer than the limited number of providers,
- When the suppliers are not heavily dependent on the sector for their income,
- When goods or services are distinct or stand out,
- When switching expenses are severe in an industry,
- In the event that a supplier's resources cannot be replaced,
- When there are real concerns about future incorporation into industry operations and
- When the sector is not a key client for the supplier (Porter, 2008; Pearce & Robinson,

2009).

#### **2.5.4 Rivalry among Existing Firms**

Competing businesses employ a range of strategies to attract new customers, earn repeat business, and gain a competitive edge. Both the level of competition and its dimensions are indicators of how fierce competition is among current businesses (Porter, 2008). Competition between already-existing competitor companies becomes intense when:

- ❖ Rivals are numerous and fairly equal in strength and size.
- ❖ The sector is growing slowly,
- ❖ Goods are perishable and fixed costs are significant.
- ❖ High departure barriers exist and
- ❖ Products or services are not differentiated enough, or switching costs are null

In addition to price-based competition, factors including product features, new product releases, delivery times, brand image and promotional campaigns, and support services all help businesses compete and stand out (Porter, 2008; Thompson, et al., 2012).

#### **2.5.5 Threats of Substitutes**

The use of substitute items is influenced by the tendency of the buyer to do so as well as the relative costs and qualities of available alternatives (Porter, 1985; 2008). Replacing product increase pressure on established items because customers may see them as potential need-satisfiers. By setting a price ceiling businesses may profitably charge, substitute items restrict industry profitability (Porter, 1985). Suppliers of substitute goods put pressure on prices when:

- Alternative products are easily accessible
- Customers believe the substitute to be equivalent to or superior in terms of performance, quality, and other important factors.
- The cost for consumers to make the switch to the alternatives is minimal. (Thompson, *et al.*,

2010; 2012).

The severity of industry competitors is often determined by the combined effect of the five factors, which also influences the efficiency and competitiveness of companies in an industry (Wilson, 2012).

Based on Porter (1998; 2008), all five forces influence and decide the performance of the firm as a whole. The five competing forces affect a business's performance to maximize their own benefits, regardless of the organization's stage of development or level of regulation (Porter, 2008).

## **2.6 The Resource-Based View**

The five forces of Porter's model are not the only factors that affect how well a corporation performs, claim resource based view proponents (Barney & Hesterley, 2010). According to Barney and Clark (2007), the industry's makeup depends on market power explanations while the resource based view emphasizes the effectiveness of businesses as performance drivers.

The five-force industry analysis model takes into account that enterprises own homogeneous resources that may be purchased on a free market. As the resource based view (Barney, 1991) suggests, firm-specific resources cannot be distinctive and heterogeneous to provide competitive advantage.

Rapidly changing industry environments and the belief that competitive advantage is a more important factor in superior performance than firm attractiveness have been cited as the justification for the growing focus on the worth of resources and capabilities as the foundation for strategy and in the end, superior performance (Grant, 2010; Goddard, et al., 2009).

According to proponents of company-specific characteristics under the resource based view of the firm, performance variations between firms depend on whether or not their resources and competencies are distinctive, uncommon, one-of-a-kind, and irreplaceable (Newbert, 2014). Organization was also mentioned by Barney (1995) as a resource to use in conjunction with special, unusual, and inimitable resources to gain a competitive edge.

A competitive advantage and superior performance may result from having resources and

abilities that are valuable, uncommon, and one-of-a-kind and are appropriately organized, according to the resource based view (Sheehan & Foss, 2009).

It is an efficiency-based theory that explains how different enterprises in sector have different competitive advantages and levels of increased performance. The resource based view, in contrast to Porter's five-force model, illustrates how a firm can use its resources to achieve competitive advantage and higher performance even when operating in unfavorable industry conditions (Barney & Hesterly, 2010). When looking at organizations from a resource-based perspective, disparities in their expertise, resources, assets, and capacities prevent them from being comparable (Ehlers & Lazenby, 2010). Finally, performance variations between organizations depend on the acquisition and use of resources as well as competencies (Bamiatzi et al. 2016).

### **2.6.1 The Concepts of Resources and Capabilities**

Grant (2010) and Pearce and Robinson (2009) refer to resources as inputs or the useful assets that a firm owns. On the other hand, capabilities are the capacities to mobilise and turn those inputs into outputs like products or services.

According to Barney and Hesterly (2010), organizations' resources and capacities can be divided into four categories: Financial, physical, human, and organizational resources. Money, investments, and a company's borrowing power are examples of financial resources (Barney & Hesterly, 2010; Grant, 2010). Physical resources, as defined by Barney and Hesterly (2010), include land, buildings, machinery, and the availability of raw materials. Including technology a firm's culture and reputation, as well as informal relationships between groups inside the firm and between the firm and its surroundings, are examples of organizational resources. They also include culture, processes for planning, directing, and coordinating, and formal reporting structures. Human resources include skills and expertise, knowledge, intelligence, connections, and the ability to communicate and work with others (Barney, 1995; 1992 Barney & Hesterly, 2010; Grant 2010).

### **2.6.2 Tangible Assets**

Assets that can be considered financially and physically in monetary terms in a company's

financial statements are considered tangible assets (Grant, 2010). They consist of things that can be valued and reported in financial accounts, such as production facilities, raw materials, computers, real estate, money reserves, currency equivalents, equipment, and branch offices. (Thomson, et al., 2012; Pearce & Robinson, 2009; Galbreath & Galvin, 2008)

### **2.6.3 Intangible Assets**

Technical know-how, organisational culture, structure, and policies, as well as acquired experiences, brands, images, reputational assets (such as reputation of customer service, service/product and firm), and employee morale are examples of intangible asset (Thompson et al., 2012). Non-material resources are more challenging for rivals to exchange and replace than tangible ones (Arrighetti, Landini, & Lasagni, 2014).

### **2.6.4 Capabilities**

Unless businesses have the capacity to use them through intricate networks of interactions and procedures, neither tangible nor intangible assets are productive enough to give them a competitive advantage (Grant, 2010). These assets serve as the foundation for the skills that businesses can use to accomplish their goals (Grant, 2010).

In contrast to resources, capabilities are created by combining and managing a variety of resources, including cooperation between individuals and with external resources (Teece et al., 1997). The firm coordinate corporate assets to increase productivity and accomplish goals.

Capabilities are sophisticated collections of skills and acquired information that are used to coordinate and make use of both real and intangible resources through organizational procedures as well as by integrating the techniques and knowledge of a corporation to generate goods and services. (Pearce & Robinson, 2009).

### **2.6.5 Dynamic Capabilities**

As per Teece et al. (1997), a firm's capabilities shows its capacity for change adaptation, integration, and reconfiguration of internal as well as external organizational resources, skills, and functional knowledge and competences. Dynamic capabilities, as defined by Teece and Winter (2007), are a firm's skills to consciously create and alter its resource structure in response

to shifts in the environment.

## **2.7 Competitive Advantages**

Porter (1985) is credited with popularizing the fundamental ideas and tenets of competitive advantage. A company with a competitive edge raises prices and/or experiences cheaper costs than rivals, which benefits the bottom line (Magretta, 2012).

An attempt was made to define competitive advantage using its origins and outputs as a company's superiority in its resources and abilities, or "distinctive competencies," and its "positional advantage" by providing value to customers at a cheaper cost. The second definition is taken upon Porter's five-force strategy (Porter, 1985), whereas the first definition is from the logic of the resource based view and identifies idiosyncratic firm-specific resources as the basis of competitive advantage (Barney, 1991).

### **2.7.1 Types of Competitive Advantage**

The Cost and differentiation are the two paths that contribute to competitive advantage (Porter, 2008). A corporation must use one of the three broad strategies namely: cost leadership, differentiation, or focus to get an advantage in an industry. Cost leadership and differentiation strategies result in cost and differentiation-based advantages, whereas focus strategies might create either a cost advantage, a differentiation advantage, or both advantages in an industry (Juga, 1999). A company should be better able than its rivals to use these general techniques to influence the industry structure and position itself as a low-cost producer or provider of special benefits to its clients (Porter, 1991). According to Barney and Clark (2007), a company's resources and expertise are used to increase economic value, gain a cost and/or differentiation advantage over rivals, increase market share, and increase profitability. Below is a discussion of the two categories of competitive advantage.

#### **➤ Cost Advantage**

A company that follows a cost leadership strategy makes use of all potential sources of cost advantages and provides customers with goods or services that are superior to those of its rivals (Thompson et al., 2012). Cost advantage results in appealing profits and increased market share

through lower prices or charging the same price as competitors while maintaining the benefits of it (Thompson & Martin, 2010). This increases total profit and market share.

When a company's overall relative cost of performing operations is lower than that of its rivals, it has achieved a cost advantage (Porter, 1985; 2008). In order to achieve this, it must take control of the value chain's cost drivers and restructure it in a way that is both more efficient and unique. Porter contends that the cost advantage is consequently a result of cost drivers in each activity along the value chain in comparison to rivals and only remains sustainable if it is not imitated by rivals.

### ➤ **Differentiation Advantage**

According to Porter (1985), differentiation is the degree to which a company sets itself apart from its rivals and provides something special and worthwhile to its clients. It refers to a customer's view of a good or service that stands out from similar offerings (Thompson & Martin, 2005). Every distinguishing quality of a product that a company links with itself and the customers who value these qualities more than those of competitors, are considered differentiators (Porter, 1985; Barney & Hesterly, 2010). Customers must value such distinctive characteristics (Porter, 1985; 1998). Differentiation advantage outperforms low cost advantage in terms of performance and customer loyalty (Grant, 2010).

When a company builds client loyalty and raises pricing as a result of its differentiating factors, it can differentiate itself in an industry (Porter, 1985; Grant, 2010). The characteristics of a product, ties between a company and its customers, and internal and external business linkages all contribute to differentiation advantage (Barney & Hesterly, 2010).

When there is technical superiority, greater quality, better customer services, and more value for the money in comparison to its competitors, differentiation is successful and sustainable, according to Porter (1985). When seen from the standpoint of marketing, differentiation advantage can be produced by differentiating products, prices, distribution, promotions, and brands (Hooley et al., 2004). Due to its distinctiveness and strong customer base, a company with a differentiation advantage can erect barriers to entry that make it difficult for new entrants, reduce the bargaining power of customers as their interest in competing products wanes, and

defend itself from threats of substitutes (Porter, 2008).

## **2.8 Empirical Literature Review and Research Gaps**

Pimtong, Hanqin, and Hailin (2012) looked at how competing strategies and organizational structure affected hotel performance to determine whether there was a relationship between them. The study didn't look into how business level strategies like cost leadership, differentiation, focus, and combination strategy affected the performance of the organization, therefore there are both contextual and objective gaps.

Yasar (2010) concentrated on examining the performance and business level strategies of a corporation in Beijing's carpets industry. Aykan and Aksoylu (2013) looked into how competitive strategies and strategic management accounting methodologies affected company efficiency. The study categorized three business level strategies: cost leadership strategy, focus strategy, and differentiation strategy from Turkish factories. Regression study revealed a substantial and favorable correlation between focus leadership and company performance. But both study didn't examine impact of business level strategies such as cost leadership, differentiation, focus, and combination strategy effect on performance of the organization, so there are still contextual gaps.

The business level strategies and performance of few small and medium-sized businesses in Nigeria were the focus of Uchegbulam and Akinyele's (2015) study. The results showed that the emphasis differentiation strategy, particularly product customization, had performance-improving benefits on the performance of small and medium-sized firms. Kinyuira's (2013) investigation of the effects of Porter's Generic Competitive Strategies was centered on the performance of Savings and Credit Cooperatives in Kenya's Murang'a County. The study discovered that the differentiation strategy had measurable positive benefits on performance. Those studies didn't investigate the effects of business level strategies including cost leadership strategies, differentiation strategies, focus strategies and combination strategy on organizational performance of private commercial bank in Ethiopia; therefore there are both contextual and objective gaps.

Sifuna (2014) assessed how business level strategies affected the performance of Kenya's public universities. Cost leadership, differentiation, and market emphasis were proven to have a significant impact on public institutions' effectiveness. The report highlights contextual gaps about the necessity to turn attention to private institutions, especially those in the financial sector like SACCOs.

In his 2013 study, Waema, concentrated on how business level strategies affected the performance of Kenyan dairy companies Waema (2013). According to the study's findings, performance is positively and significantly correlated with each of the three business level strategies of cost leadership, differentiation, and market focus. Contextual gaps are found on the necessity of conducting research on Kenya's under-researched banking industry.

In a 2014 study, Bisungu, Chege, and Musiega focused on the competitive strategies farmers' cooperatives in Kenya's Butere sub-county use to gain an advantage over rivals. According to the research's findings, business level strategies for cost leadership, market focus, and quality management have an impact on performance of firms. On the need to address industries that have been under addressed in prior research, such as the financial sector, a contextual gap has been found. Additionally, there is a conceptual void on the requirement to broaden the focus strategy assessment's scope.

## **2.9 Research Hypotheses**

The following four research hypotheses were proposed for this study:

### **Hypothesis 1**

- Cost leadership strategy has a significant and positive effect on performance of private commercial banks in Ethiopia.

### **Hypothesis 2**

- Differentiation strategy has a significant and positive effect on performance of private commercial banks in Ethiopia.

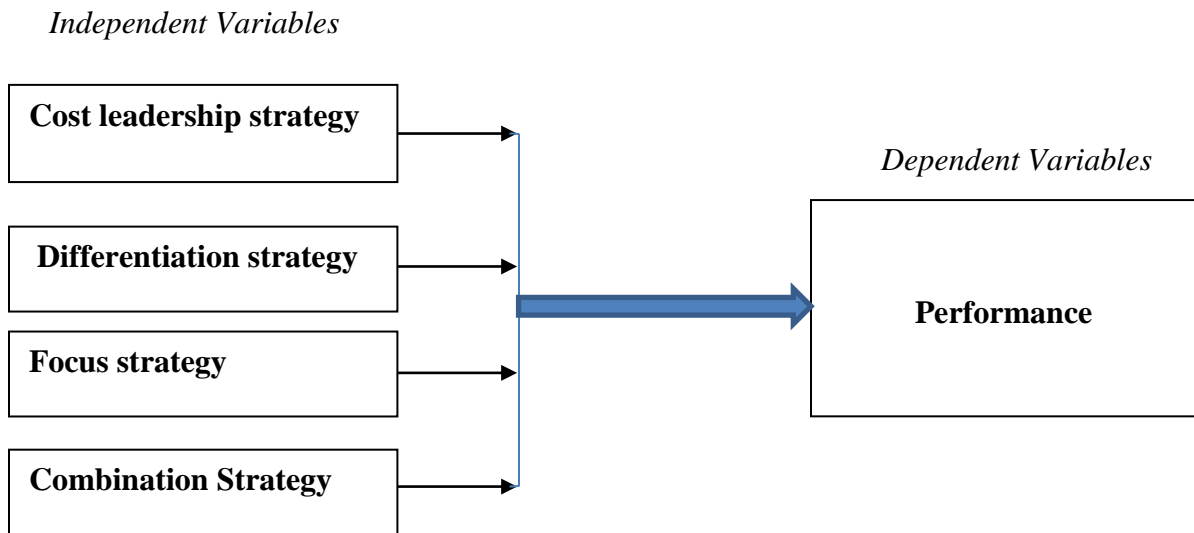
### **Hypothesis 3**

- Focus strategy has a significant and positive effect on performance of private commercial banks in Ethiopia.

#### Hypothesis 4

- Combination strategies (cost leadership strategy and differentiation strategy) have a significant and positive effect on performance of private commercial banks in Ethiopia.

#### 2.10 Conceptual Framework



*Figure 1: Conceptual Framework*

**Source:** Adopted from (Michael Porter's five forces, resource-based view and capability based theories)

From both the independent and the dependent variables we can make up the conceptual framework. The independent variables are business level strategies including cost leadership strategy, differentiation strategy, focus strategy and combination strategy. The dependent variable is performance of the selected private commercial banks in the Ethiopia.

## **CHAPTER THREE**

### **METHODOLOGY OF THE STUDY**

#### **3.1 Introduction**

This chapter covered the methods used to organize the research process in gathering & analyzing information to accomplish the goals of the research. It contains; a description of study area, research design, research approach, target population, sampling method, sample size, types of data and instruments to collect data, procedure of data collection & method of data examination.

#### **3.2 Study Area**

Based on NBE (2021/2022) annual report twenty eight private commercial banks are operating in Ethiopia. Therefore, those private commercial banks operating in Ethiopia are the population of this study.

#### **3.3 Research Design**

For this study, the researcher used explanatory research designs. Considering this places a strong emphasis on determining how business level strategies and organizational performance of private commercial bank in Ethiopia relate to one another. The survey layout is quantitative or numerical description of patterns, beliefs, and attitudes of a population [established] by studying a sample of that population (Creswell, 2014). This design is appropriate for the present research because of its convenience to respondents, its economic advantage and the relatively faster data collection period it made possible (Creswell, 2014).

In addition, the study was cross-sectional since appropriate data was gathered at a given time once. The cross-sectional study with Porter's five-force (2008) framework and the resource based view (Barney, 1991) directing the development of the business level strategies on the performance of the private commercial bank in the highly regulated banking sector of Ethiopia's emerging economy.

#### **3.4 Research Approach**

This research uses a quantitative method in order to understand and forecast occurrences on a larger sample size.

### **3.5 Population, Sampling Techniques and Sample Size**

#### **3.5.1 Population**

The thesis target population was the management members and professional staff at heads offices of Awash bank, bank of Abyssina, Hibret bank, Cooperative bank of Oromia, Oromia bank, Buna bank, Berhan bank and Dehub global bank. The rationale of choosing these eight private commercial banks was based on year of establishment and availability of required data from experienced employees to assess effect of business level strategies on performance of private commercial banks in Ethiopia in the last five years (2018-2022). As compared to that, the rationale of choosing the management members and professional staff at heads offices of eight selected private commercial banks was that to get reliable information from respondents because the job of those employees directly or indirectly connected with the business level strategies formulation, execution and evaluation. Therefore, the total target population is 255 (two hundred fifty five). The data was gathered from management members & professional worker that have at least five years' experience based on their perceptions of past five years (2018-2022).

#### **3.5.2 Sampling Techniques**

Among twenty eight private commercial banks in Ethiopia, only sixteen of them had performance records of five years (2018–2022) or longer. Eight representative sample banks are chosen by systematic random sampling from those sixteen private commercial banks. The banks are initially arranged according to the year they were founded, after which the first bank is randomly chosen, the first every second bank appears after the first bank is chosen for the survey.

Since the target populations involved are only top management members and professional staff data from the census was gathered from all eight commercial banks that have 156 top management members and professional staff. All of respondents were responded to close ended questionnaires by considering their past five years (2018-2022) performance and business level strategic period they had practiced.

#### **3.5.3 Sample Size**

By using Yemane's (1967) formula, the sample size was determined with a 95 percent confidence level and a 5 percent level of precision.

$$n = \frac{N}{1 + N(e^2)}$$

Where:

n - sample size,

N - the target population, and

e - error term.

The sample size was estimated using the above formula at a 95% confidence level and a 5% degree of precision.

$$n = \frac{255}{1 + 255(0.05^2)}$$

$$n = 155.725 \approx 156$$

*Table 1: List of Sample size*

S/N	Lists of private banks	Year of Establishment G.C.	Number of management and professional staffs	Target population
1	Awash Bank	1994	41	Awash Bank 41
2	Dashen Bank	1995	35	
3	Bank of Abyssinia	1996	38	Bank of Abyssinia 38
4	Wegagen Bank	1997	33	
5	Hibret Bank	1998	35	Hibret Bank 35
6	Nib International Bank	1999	32	
7	Cooperative Bank of Oromia	2005	32	Cooperative Bank of Oromia 32
8	Lion Bank	2006	34	

9	Oromia Bank	2008	28	Oromia Bank 28
10	Zemen Bank	2009	32	
11	Bunna Bank	2009	30	Bunna Bank 30
12	Abay Bank	2010	30	
13	Berhan Bank	2010	27	Berhan Bank 27
14	Addis International Bank	2011	26	
15	Debub Global Bank	2012	24	Debub Global Bank 24
16	Enat Bank	2013	26	
<b>Total</b>			<b>503</b>	<b>255</b>

Source: own survey (2023)

### 3.6 Data Types and Sources

Both primary and secondary data sources were used to achieve the study's goal. Primary data: The primary data was acquired through survey distributed to employees of eight different selected private commercial banks in Ethiopia at their respective heads offices in Addis Ababa.

Data acquired from various secondary sources of documents was analyzed to produce secondary data about selected private commercial banks in Ethiopia. This means document of the private commercial banks under study and from their web, internet so on, to substantiate the data obtained through questionnaires. In addition to this, published annual reports of the private commercial banks and National banks of Ethiopia, books, magazines, academic journals were obtained from Google, online and academic data bases were used.

### 3.7 Method of Data Analysis

A quantitative approach was used to investigate statistics, measure differences and relationship. After using the aforementioned techniques to gather all the information that was feasible and

pertinent, the study began to analyze and interpret the data. The data gathered from primary sources was examined using Statistical package for Social Science (SPSS) version-25. In particular, the Pearson Coefficient of Correlation was employed to determine whether there was a relationship between the two variables. In this study, a multiple regression model was used to forecast organizational performance as a dependent variable based on the value of business level strategies as an independent variable (business level strategies). To maintain data validity and robustness of the regressed results of the research under the linear regression model, the fundamental assumptions for multiple regression analysis, such as residual normality, linearity and homoscedasticity, multicollinearity, and residual in dependence (autocorrelation) was addressed.

### **3.8 Variables and Model Selections**

**Independent Variables:** are variables assumed for this study. Those are cost leadership strategy, differentiation strategy, focus strategy and combination strategy.

**Dependent Variables:** it was performance of selected private commercial banks in Ethiopia

**Model Selection:** Multiple linear regressions, which seek to model the relationships between explanatory variables and the response variable by fitting a linear equation to observed data, were the acceptable model assumed for this investigation.

#### **3.8.1 Correlation Analysis**

To determine a statistically significant association exists between, cost leadership, differentiation, focus, combination and performance of selected private commercial banks in Ethiopia. The design was done using the coefficient of product moment correlation. According to Pearson's correlation coefficient, it may be anywhere between -1 and +1. A value of -1 signifies a perfect negative correlation, while a value of +1 signifies a perfect positive correlation. There is no association when the value is 0. The correlation coefficient results can be understood as follows.

#### **3.8.2 Regression Analysis Model**

The dependent variable in this study was performance of private commercial banks in Ethiopia, and the independent factors were cost leadership strategy, differentiation strategy, focus strategy,

and combination strategy. These two sets of variables formed the basis of the equation of multiple regressions used in this study. Using numerous regression equations in this study the goal of improving the researcher's ability to explain, comprehend, predict, and regulate the specified variables.

### **Independent Variables**

1. Cost leadership strategy
2. Differentiation strategy,
3. Focus strategy and
4. Combination strategy

### **Dependent Variables**

Performance of private commercial banks

$$\text{PPCB} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:-

PPB - Performance of private commercial banks (dependent variable)

$\alpha$ - constant

$\beta_1, \beta_2, \beta_3$  and  $\beta_4$ - are coefficient

X1 – Cost leadership strategy

X2 - Differentiation strategy

X3 - Focus strategy

X4 - Combination Strategy and

$\varepsilon$  - error term.

### 3.9 Variables Measurements and scale

Table 2: List of Measurement of Variables and Scales

Description of variables	Symbol	Description	Unit of measurement	Items of measurement
Performance of private commercial banks in Ethiopia	PPCB	A set of 8 questions. The minimum score is 8 and the maximum score is 40.	(1-5 Likert Scale) Ordinal	From survey data
Cost leadership strategy	CLS	A set of 7 questions. The minimum score is 7 and the maximum score is 35.	(1-5 Likert Scale) Ordinal	From survey data
Differentiation strategy	SD	A set of 8 questions. The minimum score is 8 and the maximum score is 40.	(1-5 Likert Scale) Ordinal	From survey data
Focus strategy	FS	A set of 6 questions. The minimum score is 6 and the maximum score is 30.	(1-5 Likert Scale) Ordinal	From survey data
Combination Strategy	CS	A set of 8 questions. The minimum score is 8 and the maximum score is 40.	(1-5 Likert Scale) Ordinal	From survey data

### 3.10 Reliability and Validity

Validity and reliability are key criteria of confidence in any research findings. According to Zikumand (2003), the degree of reliability refers to how error-free a measure is and how consistently its results are reliable. Testing the scale's reliability before using statistical techniques is crucial because it demonstrates the degree to which a scale yields consistent results when measurements are taken repeatedly. This was accomplished by identifying the correlation between scores acquired from various scale administrations. If the relationship is strong, the scale produces credible results that are consistent. The Cronbach's Alpha method is quite popular. Usually, Cronbach's Coefficients Alpha values range from 0 to 1, and an elevated number denotes a higher level of internal consistency. However, the questionnaires were demonstrated to be valid and reliable in testing the variables meant to measure with a Cronbach's alpha Coefficient over 0.7 (Mugenda and Mugenda, 2003). Different authors accept different values of the test to attain internal reliability.

Table 3: Reliability Value of the Scale

No	Variables	No of Items	Cronbach's Alpha Result for pilot test	Cronbach's Alpha Result for Total sample
1	Cost Leadership Strategy	7	0.897	0.911
2	Differentiation Strategy	8	0.927	0.840
3	Focus Strategy	6	0.899	0.812
4	Combination Strategy	8	0.815	0.799
5	Performance	8	0.928	0.887
	<b>Total</b>	<b>37</b>		

For each of the questionnaires used in this study, Cronbach's alpha coefficients were calculated. The Cronbach's alpha value for each questionnaire as well as the overall questionnaire is displayed in Table 3 above. Cronbach's alpha values for the field vary between 0.799 to 0.911. This range took into account more than 0.07. Thus, the outcomes guarantee the validity of each questionnaire area. The entire questionnaire has a Cronbach's alpha of 0.942, which is a very high level of reliability. The aforementioned questionnaires were therefore sufficiently reliable or had a greater level of internal consistency.

**Validity:** Validity, as defined by Collis and Hussey (2009), is the extent to which the study findings accurately reflect the subject under investigation. According to Saunders et al. (2009), the researcher should interpret the responses provided by the respondents in the same way that the respondents intended for the researcher to interpret the questions used in the data collection instrument. Validity, the most crucial requirement, describes how accurately a tool assesses what it is designed to measure (Kothari, 2004). One of the subject-matter experts engaged to establish the content validity of the questionnaire was the research adviser, who evaluated the questionnaire items and provided feedback on whether they adequately addressed the target constructs. Through this procedure, the instrument is guaranteed to measure what it is meant to measure (Creswell & Creswell, 2017).

## **CHAPTER FOUR**

### **DATA PRESENTATION AND ANALYSIS**

#### **4.1 Introduction**

The discussion of the final findings from the primary data that was gathered on the ground using a questionnaire is presented in this chapter. This includes preliminary details of respondents and the statistical methods of analysis of the data obtained from them, namely descriptive analysis, secondary data analysis, correlation analysis, and regression analysis, as the general objective of the study was to determine the effects of business level strategies on organizational performance with special reference to selected private commercial banks in Ethiopia.

The study was intended for 156 respondents in total. Only 144 respondents, or 92.31%, completed and returned their surveys, leaving 12 (7.69%) uncollected. According to Mugenda & Mugenda (2003), a response rate of 50% is adequate for analysis and reporting, a rate of 60% is good, and a rate of 70% or above is outstanding; hence, this response rate is sufficient for analysis and reporting.

#### **4.2 Descriptive Results of the Respondents Profiles**

This component in question of the analysis focuses on the research participants' personal information, which includes: gender, age, marital status, educational stage, & work experience and job category. Descriptive statistics such as percentages, frequency & tables are utilized to define socio-demographic characteristics of respondents' information gathered on this part are summarized, analyzed and presented below.

Table 4: Respondents Profile

Demographic		Frequency	Percent
Gender	Male	112	77.8
	Female	32	22.2
	<b>Total</b>	<b>144</b>	<b>100.0</b>
Age	20-30	6	4.2
	31-40	72	50.0
	41-50	57	39.6
	>50	9	6.3
	<b>Total</b>	<b>144</b>	<b>100.0</b>
Marital Status	Single	10	6.9
	Married	134	93.1
	<b>Total</b>	<b>144</b>	<b>100.0</b>
Position	Executive	4	2.78
	Director	33	22.91
	Manager	71	49.31
	Professionals	36	25
	<b>Total</b>	<b>144</b>	<b>100.0</b>
Education Level	First Degree	39	27.1
	Second Degree	101	70.1
	Doctorate Degree	4	2.8
	<b>Total</b>	<b>144</b>	<b>100.0</b>
Service Year	5-10	51	35.4
	11-15	68	47.2
	>15	25	17.4
	<b>Total</b>	<b>144</b>	<b>100.0</b>

Source: Own survey (2023)

When the data from the questionnaire are analyzed, table 4 above shows that there were 32 female participants in the study, while there were 112 male workers, or 77.8% of the total. This

suggests that male employees in particular private commercial banks in Ethiopia carry out more duties than female employees.

The age breakdown of the respondents is also shown in Table 4. Six responders (4.2% of the total) are between the ages of 20 and 30, 72(50.0%) of the respondents are found between the ages 31-40 years, 57(39.6%) of the respondents are found between the ages 41-50 years and the remaining 9(6.3%) are found above 51. This suggests that a large number of workers are responsible enough to submit accurate data, improving the study's quality, and it is reasonable to deduce that respondents of various ages took part in the survey.

Table 4 also shows that married respondents made up the majority of participants, accounting for 134 (93.1%), with single respondents coming in second with 10 (6.9%).

According to table 4 above, the majority of respondents 71(49.31%) are managers, followed by 33(22.91%) directors, 36(25%) professionals, and the final responder, 4(2.78%), are executive member. This occurred as a result of the general targeted population's tendency to collect a lot of management workers in this job group.

Table four further reveals that 39(27.06%) of the respondents have a bachelor's degree, 101(70.14%) have a master's degree, and the 4(2.78%) are PhD holders. According to the aforementioned information, it is possible to conclude that every responder has a first-degree or higher, which suggests that the majority of respondents are well educated and have better knowledge.

Concerning with work experience as table 4 reveals, the majority of participants had been employed for between 11 and 15 years. Which are 101(70.1%) and the second major group of participants had experience between above 5-10 years which are 51(35.4%) of the participants. Finally the third group of respondents had worked above 15 years which are 25(17.4%). This suggests that the majority of the respondents have a wealth of professional expertise, which enables them to evaluate the topic under discussion in a thorough and in-depth manner.

### **4.3 Descriptive Analysis**

This section presents the descriptive results of all variables of the study. The information gathered from questionnaires is presented by utilizing mean, standard deviation & average of

overall response. Data was collected and analyzed to be a way to figure out the effect of business level strategies on performance of selected private commercial banks in Ethiopia. The questionnaire was completed by a responder using a 5-point Likert scale, with 'extremely agree '(5) being the highest and 'not at all' (1) being the lowest. Further the following statistics are utilized to analyze the findings of the study based on 1.00-1.80 strongly disagree/very dissatisfied, 1.81-2.60 disagree/dissatisfied, 2.61-3.40 moderate agreement/moderate satisfied, 3.41-4.20 agree/satisfied and 4.21-5.00 strongly agree/very satisfied (Rohanis Salleh et al. 2012).

#### 4.3.1 Descriptive Results for the Cost Leadership Strategy

The aim of the study was to examine the relationship between Ethiopia's private commercial bank's performance and their cost leadership strategy.

*Table 5: Analysis of Cost Leadership Strategy*

Items	N	Mean	Standard Deviation
Our bank use tight cost control	144	3.33	1.064
Pursues important ties and connections with service providers and influential partners.	144	3.29	1.070
Structured organization and responsibilities	144	3.28	1.093
Our bank use low cost channel to reach to customers	144	3.28	1.087
Our bank provide staff with a variety of tasks to lower labor costs	144	3.28	1.106
Strong process Engineering skills	144	2.49	0.996
Keeping lower over heads than the competitors	144	2.43	1.008
<b>Overall Average Mean</b>		<b>3.11</b>	
<b>Overall Average Standard Deviation</b>			<b>1.11</b>

Source: Survey result (2023)

On analysis findings most of respondents are moderately agreed that tight cost control (3.33), pursues key linkages and alliances (3.29), structured organization and responsibilities (3.28), use of low cost channel (3.28), provide staff with a variety of tasks to lower labor costs (3.28), strong process engineering skills (2.49) and keeping lower over heads than the competitors (2.43) as stated in Table 5.

Giving employees several job duties to cut down on staff expenditures had the biggest standard deviation (1.106), according to a study of the data. This indicates that the variance among those who agreed, disagreed, and were neutral was greater, whereas the deviation for those with good process engineering abilities was the lowest at (0.965). This suggests that there was minimal difference between the opinions of the two groups.

Additionally, the data showed that the mean scores varied from 2.43 for maintaining lower overhead than the competition to 3.33 for tight cost control. In selected private commercial banks in Ethiopia, the cost leadership strategy had an overall mean score of 3.11 and a standard deviation of 1.11.

As a result, the majority of respondents said that their banks had adopted and put into practice a cost leadership strategy over the previous five years. This suggests that the majority of Ethiopia's private commercial banks are aware of and practicing cost leadership. The findings are in line with Wheelen's (2012) claim that cost leadership components lay the groundwork for improved performance in organizations.

#### 4.3.2 Descriptive Results for the Differentiation Strategy

The aim of the study was to examine how the differentiation strategy of selected private commercial banks in Ethiopian related to their organizational performance.

*Table 6: Analysis of Differentiation Strategy*

Items	N	Mean	Standard Deviation
Attract highly skilled and creative employees	144	3.34	0.940
Use multichannel or modern technology to reach customers	144	3.32	1.022
Strong brand creation	144	3.26	0.966
Offer superior benefits to customers	144	3.19	0.908
Use of innovate marketing techniques	144	3.15	0.953
Use new product/service development	144	3.14	0.905
Gives more emphasis to marketing promotion	144	3.04	0.852
Faster respond to market needs	144	2.89	0.803
<b>Overall Average Mean</b>		<b>3.16</b>	
<b>Overall Average Standard Deviation</b>			<b>0.92</b>

Researcher's computation; SPSS 2023

The findings also showed that the mean value ranged from 2.89 belongs to faster respond to market needs to 3.34 for attract highly skilled and creative employees. Overall, cost differentiation strategy scored a mean value of 3.16 and standard deviation of 0.92 in private commercial banks in Ethiopia.

The findings are in line with those of Brush (2015), who discovered that organizations are increasingly integrating more differentiation components in order to improve performance. Brush's research focused on the effects of time on strategy and performance.

### 4.3.3 Descriptive Results for the Focus Strategy

The goal of the study was to examine how focus strategy and organizational performance of selected private commercial banks in Ethiopia relate to one another.

*Table 7: Analysis of Focus Strategy*

Items	N	Mean	Standard Deviation
Takes distinctive physiological into account to inform product differentiation	144	3.20	0.958
Unique demographic groups are taken into account while producing products for a certain market niche.	144	3.11	0.976
Pricing policy is influenced by the distinctive qualities of customers from various market categories.	144	3.07	0.921
Products and services are developed to satisfy the unique needs of various social classes.	144	3.024	0.9412
Gives attention to various income levels of customer	144	2.90	1.043
focuses on consumer choice and demand analysis to inform specialized product design	144	2.85	1.066
<b>Overall Average Mean</b>		<b>3.02</b>	
<b>Overall Average Standard Deviation</b>			<b>0.98</b>

Source: Survey result (2023)

The majority of respondents agreed, based on means analysis, that their banks designed takes into account distinctive physiological characteristics to inform product differentiation (3.20), When offering products that target a certain market niche, unique demographic groups are taken into account (3.11), Products and services are created to satisfy the distinct wants of various social classes (3.02), and pricing strategy is informed by the unique characteristics of customers from various market categories (3.07). Pays attention to clients' varying income levels (2.90),

focuses on consumer choice and need analysis to inform niche product creation (2.85), as illustrated in Table 7.

On analysis of focuses need analysis of customer preferences to guide niche product design scored the significant deviation of (1.066). This means there was a bigger variation between those who agreed, disagreed and neutral. In addition, Pricing strategy is informed by the unique characteristics of clients from different market had the lowest deviation of (0.921). This means that there was little variation between those who agreed, disagreed and neutral. The results also revealed that overall mean score for focus strategy hold a mean result of 3.02 and standard deviation of 0.98 in private commercial banks in Ethiopia.

The study's findings concur with Stock's (2010) assertion that market-focused businesses are data-driven entities that sought information about consumer wants, preferences, and industry competitiveness while deciding on precise target markets for marketing initiatives. In order to prevent intense rivalry, the market focus strategy will produce items for specific wants and preferences, which will aid in growing sales.

#### 4.3.4 Descriptive Results for the Combination Strategy

The study sought to examine the connection between combination strategy and organizational performance of private commercial banks in Ethiopia.

*Table 8: Analysis of Combination Strategy*

Items	N	Mean	Standard Deviation
Use publicity to communicate, establish and maintain communication with the public	144	3.42	0.840
Offering a wide range of services	144	3.39	0.954
Stakeholder involvement	144	3.33	0.801
Reduce prices relatively below competitors but remained solvent	144	3.32	0.906
Intensive staff training	144	3.28	0.994
Liaising with competitors	144	3.26	0.908
Automation of business process	144	3.26	0.877
Improved customer service	144	3.17	1.003
<b>Overall Average Mean</b>		<b>3.30</b>	
<b>Overall Average Standard Deviation</b>			<b>0.91</b>

Source: Researcher's computation; SPSS 2023

A large number of respondents believed, based on an examination of the means, that their firm use publicity to communicate, establish and maintain communication with the public (3.42), offering a wide range of services (3.39), stakeholder involvement (3.33), reduce prices relatively below competitors but remained solvent (3.32), intensive staff training (3.28), liaising with competitors (3.26), automation of business process (3.26) and improved customer service (3.17) as stated in Table 8.

Improved customer service had the biggest standard deviation (1.003), meaning there was a wider range of responses among those who agreed, disagreed, and were neutral. Stakeholder participation also had the lowest deviation (0.603). This indicates that the opinions of those who agreed, disagreed, and were neutral were largely consistent.

According to the findings, the mean ratings varied from 3.17 for improved customer service to 3.42 for using publicity to communicate, establish and maintain communication with the public. Overall, combination strategy contains a mean value of 3.30 and standard deviation of 0.91 in private commercial banks in Ethiopia.

#### **4.3.5 Descriptive Results for the Organizational Performance**

Using a five-point scale from considerably worse to much better, the study aimed to compare the organizational performance of private commercial banks in Ethiopia over the previous five years to that of its competitors. A variety of questions were provided to the respondents, and they were instructed to score them from best to worst, with five being much better and one considerably worse.

*Table 9: Analysis of Performance of Private Commercial Banks in Ethiopia*

<b>Items</b>	<b>N</b>	<b>Mean</b>	<b>Standard Deviation</b>
Our bank branches expansion Increased	144	3.81	0.938
Our bank scored better performance in Return on assets	144	3.79	0.844
Our bank's market share Increased	144	3.69	0.970
Our bank's new customers Increased	144	3.29	1.044
Our bank's sales revenue Increased	144	2.72	1.151

Our bank scored better performance in profit	144	2.38	1.010
Our bank maintained adequate number of employees	144	2.36	0.943
Our bank's sales to existing customers Increased	144	2.35	0.979
<b>Overall Average Mean</b>		<b>3.05</b>	
<b>Overall Average Standard Deviation</b>			<b>0.98</b>

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#### Survey result (2023)

the vast majority of respondents concurred with the means analysis on number of branches increased (3.81), scored better performance in return on assets (3.78), market share increased (3.69), new customers increased (3.29), sales revenue increased (2.72), scored better performance in profit (2.38), maintained adequate number of employees (2.36) and sales to existing customers increased (2.35) as shown in Table 9.

As per of the findings, the mean scores varied from 2.35 sales to existing customers increased to 3.81 for branches expansion increased. Overall, performances hold a mean score of 3.05 and standard deviation of 0.98 in private commercial banks in Ethiopia.

Sales revenue growth had the biggest deviation (1.151) when the standard deviation was examined. This indicates that the differences between those who agreed, disagreed, and were neutral were greater. Additionally, the return on asset performance, which was ranked better, had the smaller deviation (0.844). This indicates that the opinions of those who agreed, disagreed, and were neutral were largely consistent.

#### 4.3.6 Summary of Descriptive Analysis Results

The performance of selected private commercial banks in Ethiopia performed best, with a mean point of 3.05 and a standard deviation of 0.738, followed by the cost leadership strategy with a mean score of 3.054 and a standard deviation of 0.856, the differentiation strategy with a mean value of 3.165 and a standard deviation of 0.632, and the combination strategy with the highest mean value of 3.30. The focus strategy had the lowest mean value and the lowest standard deviation. Overall, the standard deviation scores ranged from 0.589 to 0.856, and the mean values ranged from 3.025 to 3.304. This suggests that there are differences in the survey respondents' responses. In addition to this those response indicate the presence of practice of

study variables in the sector. Table 10 displays the descriptive results for all five research variables in terms of mean and standard deviation scores.

*Table 10: Descriptive Results of all Variables of the Study*

<b>Variables</b>	<b>N</b>	<b>Mean</b>	<b>Standard Deviation</b>
Cost leadership strategy	144	3.054	0.856
Differentiation strategy	144	3.165	0.632
Focus strategy	144	3.025	0.708
Combination strategy	144	3.304	0.589
Performance of private commercial banks	144	3.050	0.738

Survey result (2023)

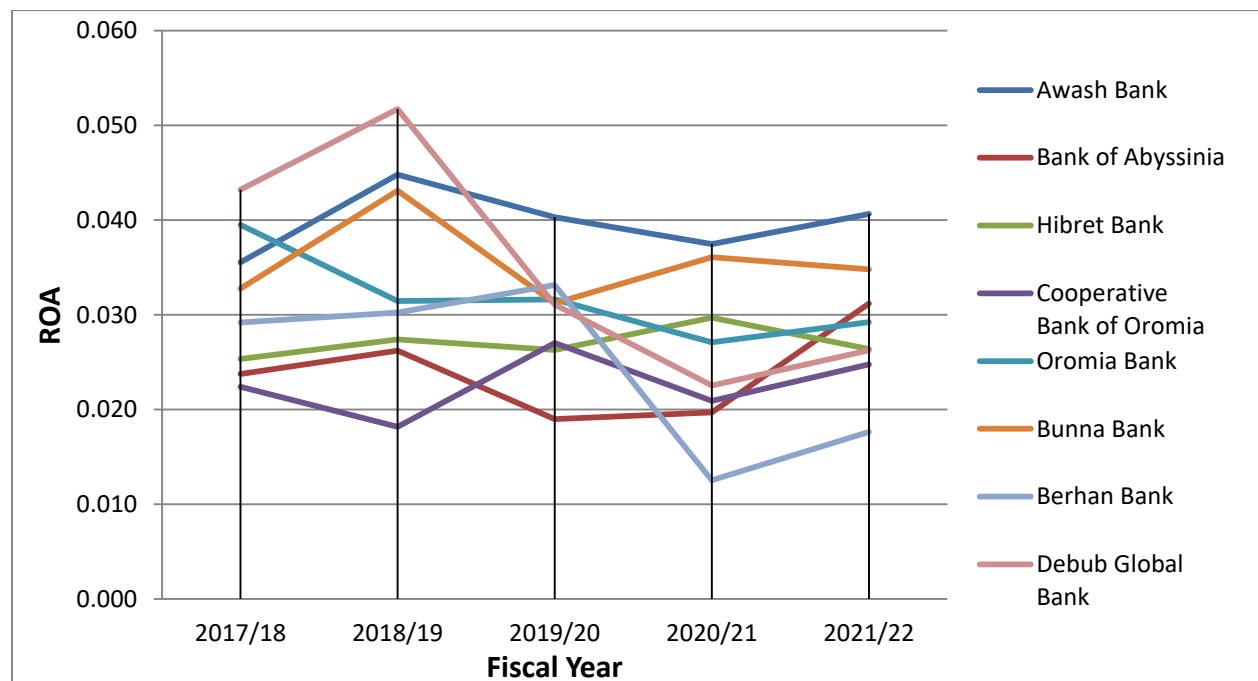
#### **4.4 Analysis of Performance of selected banks by utilizing secondary data.**

**1. Return on asset:** the return on assets measures the efficiency with which the company is managing its investment in assets and using them to generate profit. It shows the amount of profit earned relative to the firm's level of investment in total assets. Table 11 below shows return on assets of selected private commercial banks in Ethiopia from fiscal year of 2017/2018 to 2021/2022. Accordingly, on average Awash bank had greater return on assets score with average value of 0.040 than other banks. On the other hand cooperative bank of Oromia had lower return on assets score with average value of 0.023 in the given study period.

Table 11: Return on assets of selected Private Commercial Banks in Ethiopia

Name of Banks	Fiscal Year					Average
	2017/18	2018/19	2019/20	2020/21	2021/22	
Awash Bank	0.036	0.045	0.040	0.037	0.041	0.040
Bank of Abyssinia	0.024	0.026	0.019	0.020	0.031	0.024
Hibret Bank	0.025	0.027	0.026	0.030	0.026	0.027
Cooperative Bank of Oromia	0.022	0.018	0.027	0.021	0.025	0.023
Oromia Bank	0.039	0.031	0.032	0.027	0.029	0.032
Bunna Bank	0.033	0.043	0.031	0.036	0.035	0.036
Berhan Bank	0.029	0.030	0.033	0.013	0.018	0.025
Debub Global Bank	0.043	0.052	0.031	0.023	0.026	0.035

Figure 2: Trend analysis of return on assets of selected Private Commercial Banks in Ethiopia



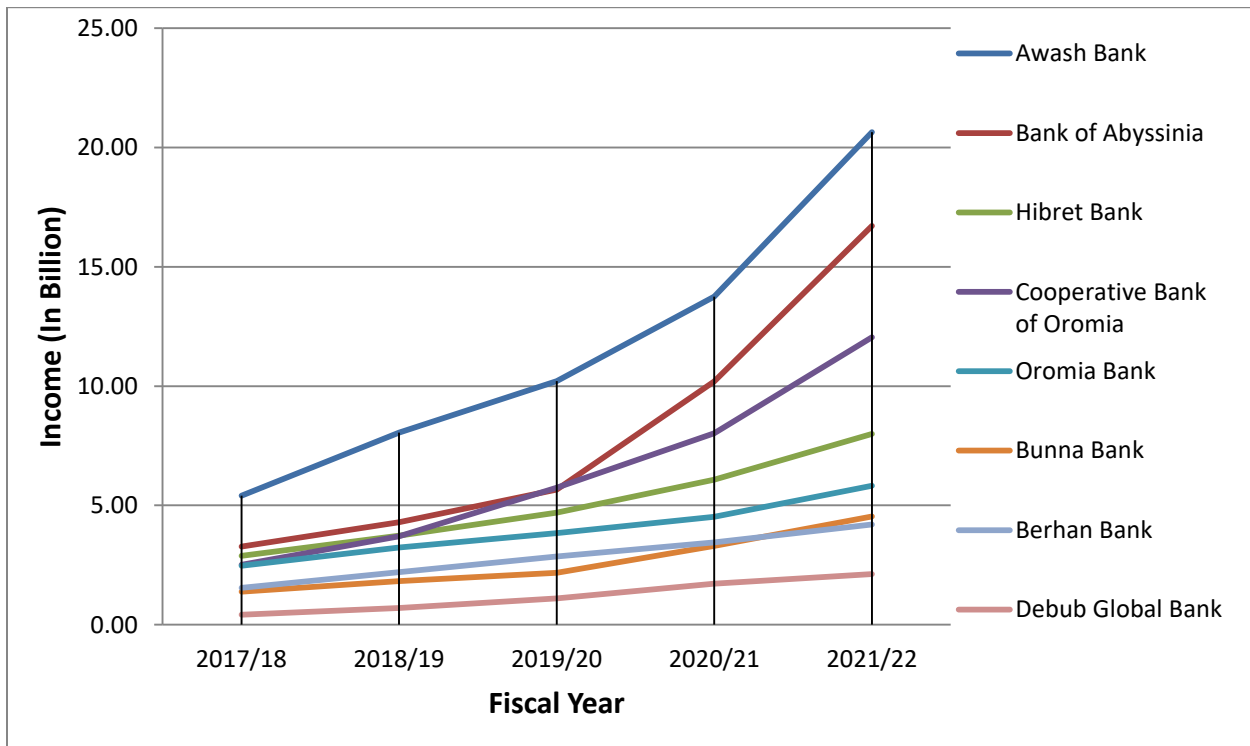
The trend in figure 2 shows, the return on asset of selected private commercial bank in Ethiopia fluctuates. It was minimum in fiscal year of 2020/21 by Berhan bank with value of 0.013, and the maximum was in 2018/19 with value of 0,052 by Dehub global bank in the study period. Generally, the return on asset of selected private commercial banks in Ethiopia in the given period show small fluctuation.

**2. Income:** It refers the income from normal business operations. Table 12 below shows income of selected private commercial banks in Ethiopia from fiscal year of 2017/2018 to 2021/2022. Accordingly, on average Awash bank had greater income with average income of 11.61Billion birr than other banks. On the other hand Dehub global bank had lower income with average value of 1.21billion birr within the given study period.

*Table 12: Income of selected Private Commercial Banks in Ethiopia*

Name of Banks	Fiscal Year					Average
	2017/18	2018/19	2019/20	2020/21	2021/22	
Awash Bank	5.41	8.06	10.21	13.74	20.64	11.61
Bank of Abyssinia	3.27	4.29	5.67	10.20	16.72	8.03
Hibret Bank	2.89	3.73	4.70	6.09	8.00	5.08
Cooperative Bank of Oromia	2.51	3.71	5.74	8.03	12.05	6.41
Oromia Bank	2.47	3.23	3.84	4.52	5.82	3.98
Bunna Bank	1.39	1.83	2.17	3.30	4.54	2.65
Berhan Bank	1.55	2.21	2.86	3.45	4.20	2.85
Dehub Global Bank	0.420	0.695	1.110	1.717	2.118	1.21

Figure 3: Trend analysis of income of selected Private Commercial Banks in Ethiopia



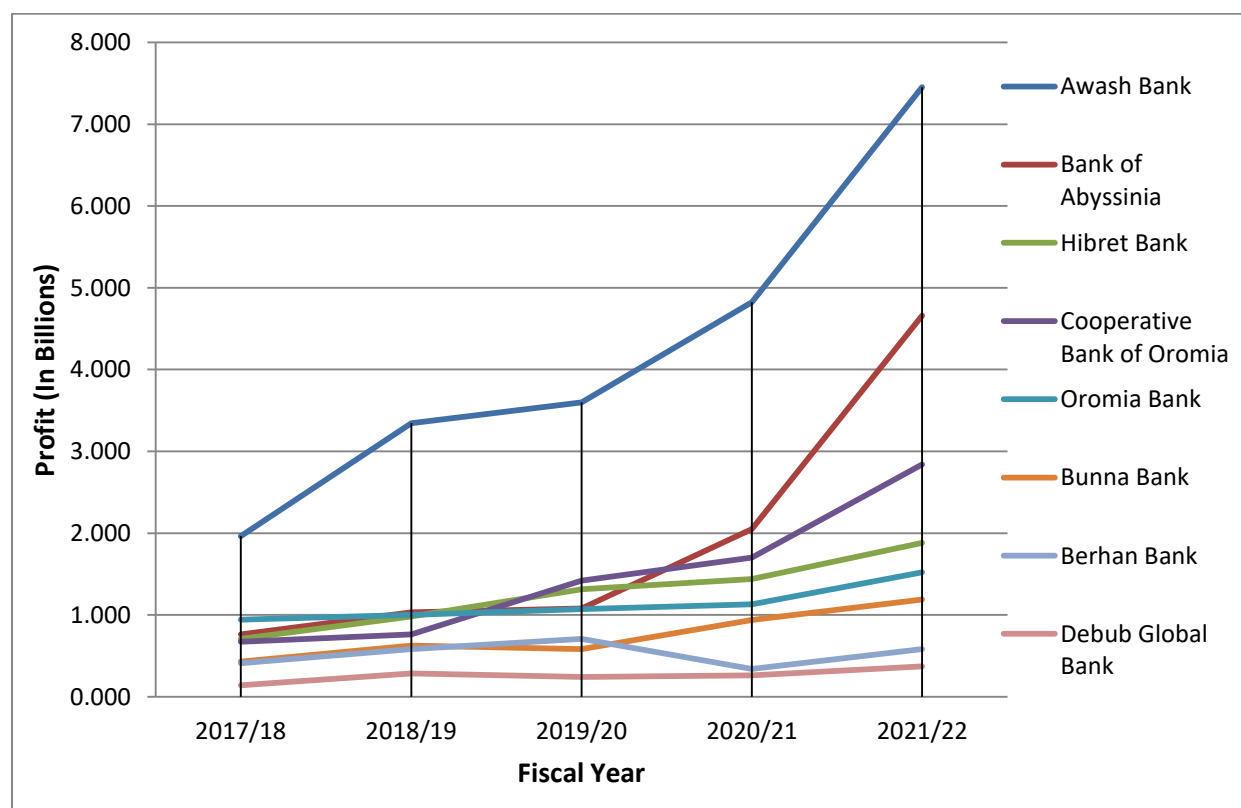
The trend in figure 3 shows, the income of selected private commercial banks in Ethiopia had continuous increment. The maximum income was collected by Awash bank on average by 11.61 billion and the minimum average value was 1.21billion by Debut global bank in the study period. Generally, the income of selected private commercial banks in Ethiopia in the given period shows increment.

**3. Gross Profit:** is the money left after paying for business expenses. The revenue of a company after it accounts for what had to be paid out to return that revenue is called the company's gross profit, meaning it is the amount of money actually earned. Accordingly, on average Awash bank had greater profit with average profit of 4.237Billion birr than other banks. On the other hand Debut global bank had lower profit with average value of 0.26billion birr within the given study period.

Table 13: Profit of selected Private Commercial Banks in Ethiopia

Name of Banks	Fiscal Year					Average
	2017/18	2018/19	2019/20	2020/21	2021/22	
Awash Bank	1.964	3.344	3.600	4.823	7.453	4.237
Bank of Abyssinia	0.760	1.030	1.080	2.050	4.660	1.916
Hibret Bank	0.707	0.980	1.312	1.438	1.879	1.263
Cooperative Bank of Oromia	0.670	0.760	1.420	1.700	2.840	1.478
Oromia Bank	0.940	1.000	1.070	1.130	1.520	1.132
Bunna Bank	0.427	0.625	0.582	0.937	1.187	0.752
Berhan Bank	0.411	0.580	0.708	0.338	0.583	0.524
Debub Global Bank	0.141	0.284	0.243	0.262	0.370	0.260

Figure 4: Trend analysis of profit of selected Private Commercial Banks in Ethiopia



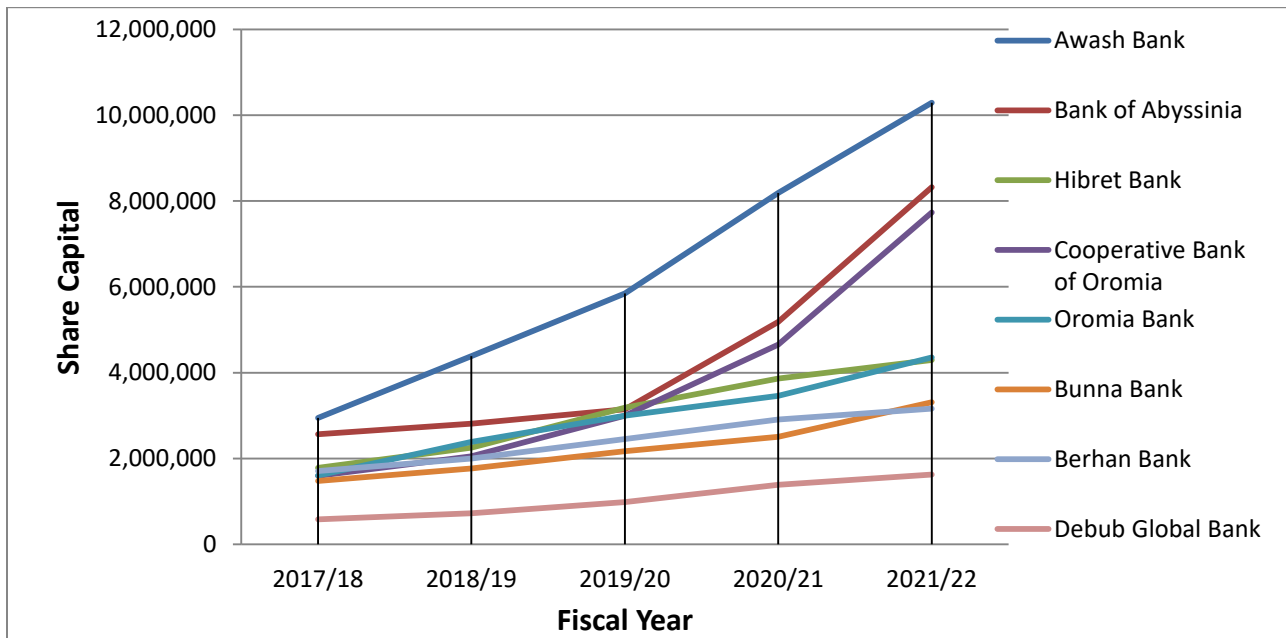
The trend in figure above shows, the profit of selected private commercial banks in Ethiopia had almost continuous increment. The maximum profit was generated by Awash bank on average by 4.237 billion and the minimum average value was 0.26billion by Dehub global bank in the study period. Generally, the profit of selected private commercial banks in Ethiopia in the given period shows increment except Berhan bank in 2020/2021, Buna bank and Dehub global bank in 2019/2020.

**4. Share capital:** is the money a company raises by issuing common or preferred stock. It provides reassurance to lenders, creditors, customers, and investors that a limited company is financially secure. As a result, Awash bank lead all bank under study by capital share of 10,291,407 birr in 2022 and average share capital 237Billion birr than other banks. On the other hand Dehub global bank had lower capital share from banks under study with amount of 1,628,055birr in 2022.

*Table 14: Share capital of selected Private Commercial Banks in Ethiopia*

Name of Banks	Fiscal Year				
	2017/18	2018/19	2019/20	2020/21	2021/22
Awash Bank	2,943,546	4,384,696	5,848,271	8,188,948	10,291,407
Bank of Abyssinia	2,563,112	2,811,564	3,149,158	5,182,212	8,319,678
Hibret Bank	1,780,974	2,256,565	3,182,165	3,866,653	4,297,570
Cooperative Bank of Oromia	1,597,005	2,048,699	3,000,000	4,651,021	7,731,771
Oromia Bank	1,606,949	2,385,981	3,000,000	3,463,660	4,352,200
Bunna Bank	1,474,788	1,771,141	2,167,605	2,506,886	3,314,741
Berhan Bank	1,709,050	2,000,000	2,451,225	2,906,029	3,159,025
Dehub Global Bank	579,756	721,860	986,000	1,390,481	1,628,055

Figure 5: Trend analysis of share capital of selected Private Commercial Banks in Ethiopia



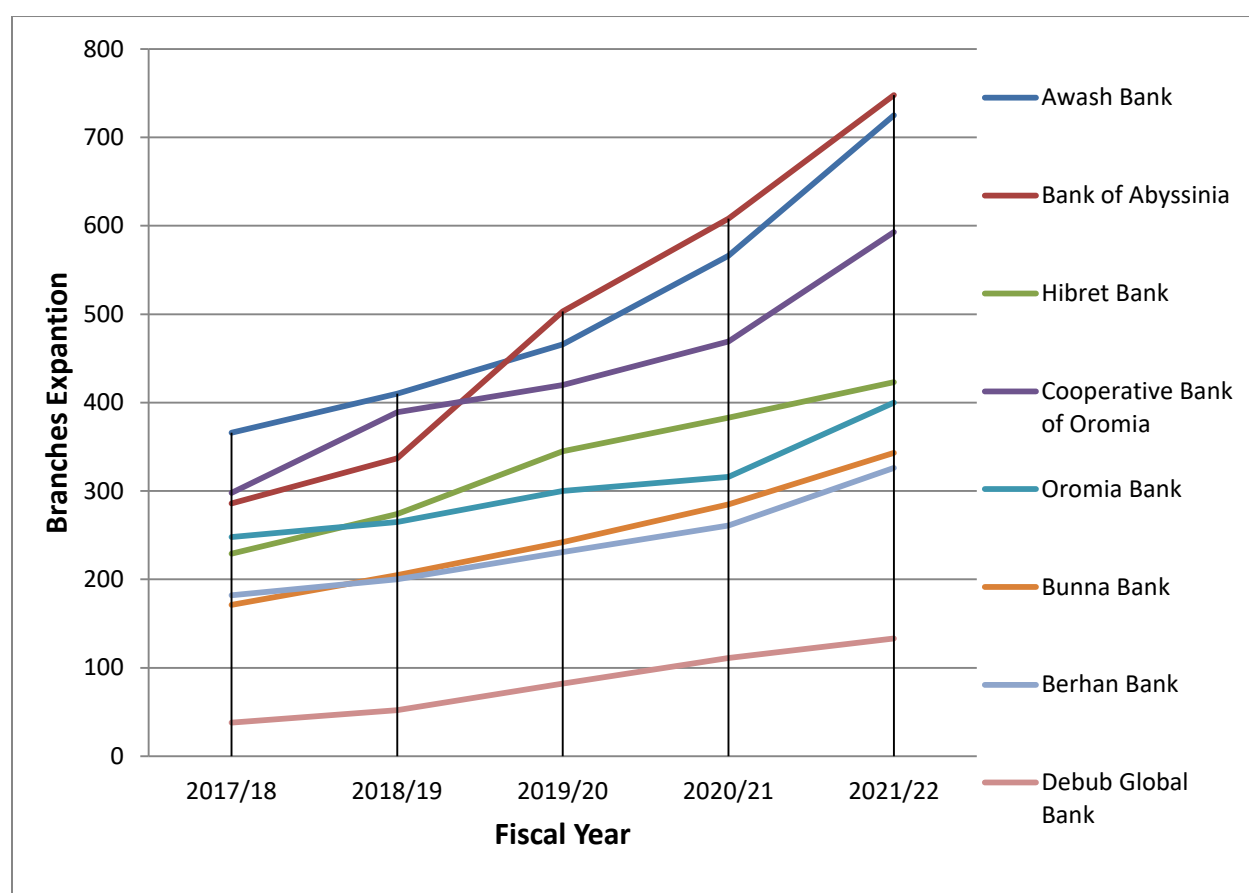
The pattern in the aforementioned graph demonstrates, the share capital of selected private commercial bank in Ethiopia had continual growth. The maximum share capital was collected by Awash bank and the minimum by Debut global bank within the study period. Generally, the capital share of selected private commercial banks in Ethiopia in the given period shows continuous increment.

**5. Branches Expansion:** From analysis of annual report of all bank under study Abyssinia bank lead the banks under study with 748 branches and Debut global bank had the least number of branches among banks under study in 2022.

Table 15: Number of branches of selected Private Commercial Banks in Ethiopia

Name of Banks	Fiscal Year				
	2017/18	2018/19	2019/20	2020/21	2021/22
Awash Bank	366	410	466	566	725
Bank of Abyssinia	286	337	503	608	748
Hibret Bank	229	274	345	383	423
Cooperative Bank of Oromia	298	389	420	469	593
Oromia Bank	248	265	300	316	400
Bunna Bank	171	205	242	285	343
Berhan Bank	182	200	231	261	326
Debub Global Bank	38	52	82	111	133

Figure 6: Trend analysis of branch expansion of selected Private Commercial Banks in Ethiopia



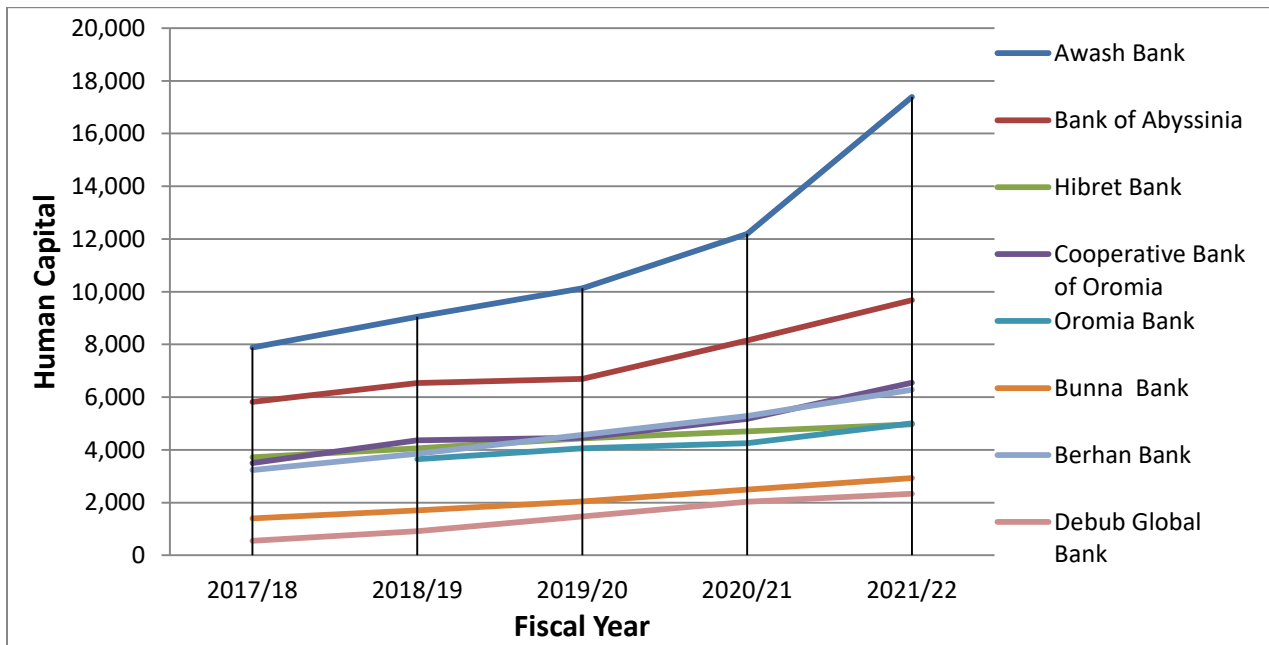
The graph shown above shows a trend in which the branch of selected private commercial banks in Ethiopia had grown. The maximum number of branches was opened by Abyssinia bank and the minimum of branches was opened by Dehub global bank among the bank under study within the study period. Generally, the branches of selected private commercial banks in Ethiopia in the given period demonstrate an ongoing increase within study period.

**6. Human Capital:** From analysis of annual report of all bank under study Awash bank lead the banks under study with total staff of 17,393 and Dehub global bank had the least number of staff of 2,332 among banks under study in 2022. Besides on 2017/18 fiscal year the researcher can't got the data of human capital of Oromia Bank.

*Table 16: Number of staff of selected Private Commercial Banks in Ethiopia*

Name of Banks	Fiscal Year				
	2017/18	2018/19	2019/20	2020/21	2021/22
Awash Bank	7,881	9,046	10,130	12,188	17,393
Bank of Abyssinia	5,825	6,534	6,700	8,146	9,677
Hibret Bank	3,725	4,064	4,433	4,706	4,971
Cooperative Bank of Oromia	3,505	4,369	4,457	5,174	6,547
Oromia Bank		3,647	4,066	4,259	5,004
Bunna Bank	1,396	1,709	2,043	2,491	2,932
Berhan Bank	3,237	3,853	4,572	5,283	6,278
Dehub Global Bank	551	915	1,477	2,027	2,332

Figure 7: Trend analysis of staff growth of selected Private Commercial Banks in Ethiopia



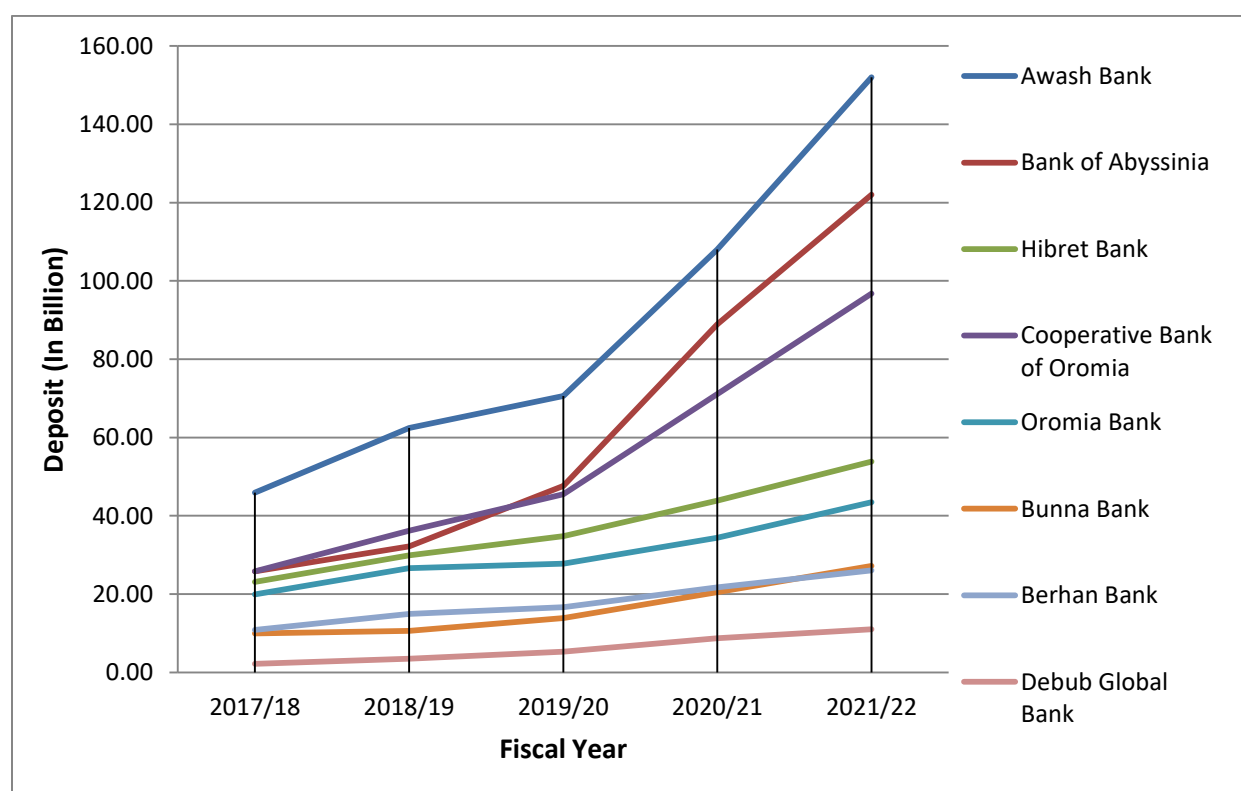
The graph up top displays a pattern in which the total staff number of a certain private commercial bank in Ethiopia had expanded. Awash bank had maximum number of staff and Debub global bank had the lowest staff number among the bank under study within the study period. Generally, the branches of selected private commercial banks in Ethiopia in the given period demonstrate an ongoing increase within study period.

**7. Deposit:** refers placing cash in a financial institution, such as a bank. From analysis of annual report of all bank under study Awash bank lead the banks under study with total cash deposit of 152.01billion birr and Debub global bank had the least cash deposit of 10.99 billion birr among banks under study in 2022 fiscal year.

Table 17: Cash deposited in selected Private Commercial Banks in Ethiopia

Name of Banks	Fiscal Year				
	2017/18	2018/19	2019/20	2020/21	2021/22
Awash Bank	45.91	62.46	70.58	108.07	152.01
Bank of Abyssinia	25.79	32.15	47.63	88.88	122.05
Hibret Bank	23.07	29.92	34.77	43.83	53.81
Cooperative Bank of Oromia	25.81	36.17	45.51	71.12	96.77
Oromia Bank	19.93	26.59	27.73	34.35	43.50
Bunna Bank	9.95	10.59	13.87	20.46	27.18
Berhan Bank	10.86	14.96	16.61	21.71	26.03
Debub Global Bank	2.15	3.52	5.29	8.70	10.99

Figure 8: Trend analysis of Cash deposited in selected Private Commercial Banks in Ethiopia



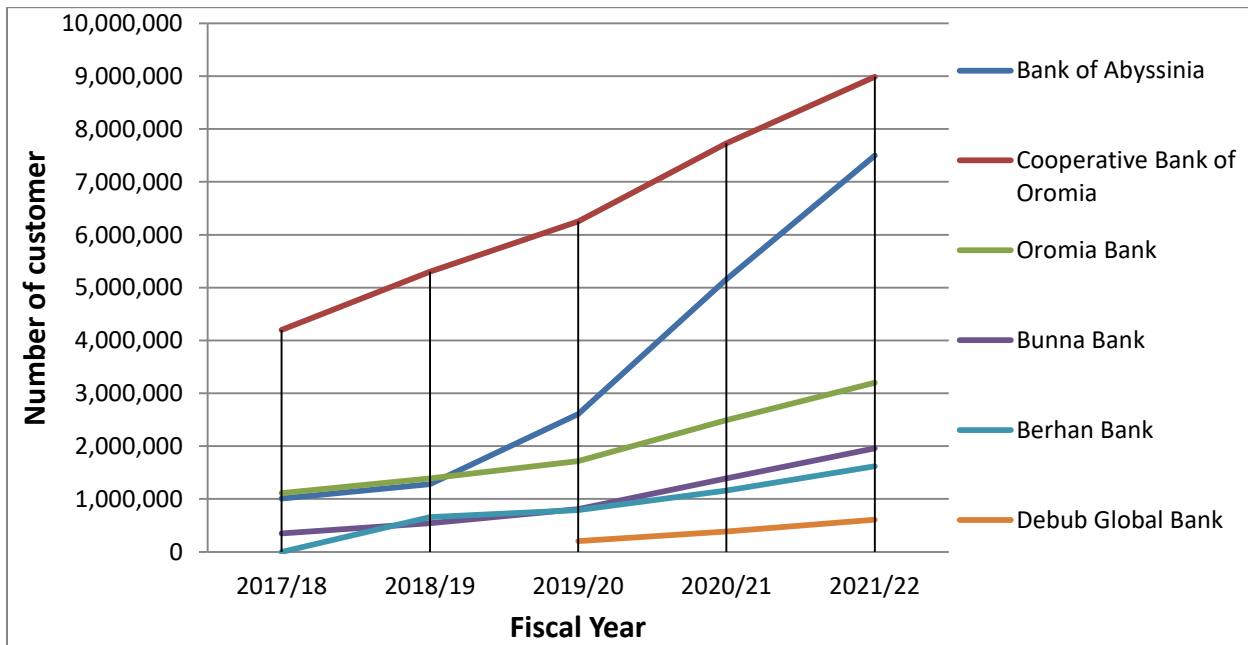
The graph up top shows a progression of the amount of money deposited at a selected private commercial bank in Ethiopia. Awash bank had the largest cash deposit and Debu global bank had the lowest cash deposit among the bank under study within the study period. Generally, the cash deposited in selected private commercial banks in Ethiopia in the given period demonstrate an ongoing increase within study period.

**8. Number of customer:** the annual report of Awash bank and Hibret bank doesn't include the number of their customer. The annual report of Debu global bank covers number of their customer since 2020. Therefore based on annual report of other banks under study cooperative bank of Oromia had higher number of customer which is 8,990,000 whereas Debu global bank had lower number of customer than other banks under study with total customer of 607,670 in 2022 fiscal year.

*Table 18: Number of customer of selected Private Commercial Banks in Ethiopia*

Name of Banks	Fiscal Year				
	2017/18	2018/19	2019/20	2020/21	2021/22
Bank of Abyssinia	1,012,000	1,283,000	2,605,000	5,158,000	7,500,000
Cooperative Bank of Oromia	4,200,000	5,300,000	6,250,000	7,730,000	8,990,000
Oromia Bank	1,114,467	1,390,773	1,716,131	2,489,484	3,200,000
Bunna Bank	349,000	541,000	809,000	1,388,000	1,961,000
Berhan Bank	523,705	657,026	789,071	1,159,297	1,619,947
Debu Global Bank			203,445	382,477	607,670

Figure 9: Trend analysis of customer growth of selected Private Commercial Banks in Ethiopia



The graph up top displays the growth in the number of customers at a selected private commercial bank in Ethiopia. Cooperative bank of Oromia had the largest number of customer and Debub global bank had the lowest number of customer among the bank under study within the study period. Generally, the number of customer of selected private commercial banks in Ethiopia in the given period demonstrates an ongoing increase.

#### 4.5 Inferential Analysis

The outcomes of inferential statistics are presented in this section. After evaluating the fundamental multiple regression analysis assumptions, Pearson's correlation coefficient and regression analyses were carried out to evaluate the research's objectives. These statistical methods enable conclusions to be established about the sample and decisions to be made about the study hypothesis.

#### 4.6 Testing for the Basic Assumptions for Multiple Regression Analysis

Due to the complexity of the interaction between variables, validating the fundamental assumptions for multiple regression analysis is crucial when making conclusions about a population based on an examination of sample data (Hair et al., 2010). Normality of residuals, linearity and homoscedasticity, multicollinearity, and residual in dependency (autocorrelation)

are the fundamental presumptions for multiple regression analysis. As a result, the outcomes of each assessment method are reported in the sections that follow.

#### **4.6.1 Testing for Normality**

The most fundamental presumption in multivariate analysis, as was previously covered in chapter three, is normality, which refers to the structure of the data distribution for a variable and its connection to the normal distribution. (Hair et al., 2010). The data's normalcy can be determined in a number of ways. The normality test analyses the degree to which the distribution of the data follows a normal distribution. Examining the skewness and kurtosis data serves as the initial test for normality. Kurtosis and skewness are two crucial aspects of normality (Tabachnick & Fidell, 2014). Kurtosis investigates the relative peakedness of the distribution, whereas skewness evaluates the data's divergence from the mean.

Although in theory skewness and kurtosis have zero values when a distribution has a perfect distribution, which is an extremely rare event in social science, But according to Hair et al. (2010), the skewness value must be within 2.00 standard error of skewness and 3.00 standard error of kurtosis for a distribution to be regarded as normal. The statistical skewness and kurtosis for each of the five study variables are shown in Table 20.

The data set was regarded as having a somewhat normal distribution because all of these values did not surpass the absolute values of 2 for the skewness indices and 3 for the kurtosis indices. Therefore, the greatest likelihood estimator was used. Hair et al. (2010) stated that for a distribution to be regarded normal, the skewness value must be between 2.00 standard error of skewness and within 3.00 standard error of kurtosis. The distributions of all the variables show no signs of serious deviation from normality.

To design a linear regression model, one also needed to do the histogram and normal p-p plot test Grossard (2016). As a result, the histogram in this study seems to be symmetric, and the standard p-p plot test was used to determine how much the independent variable deviates from the centre. The researcher discovered that the histogram appears symmetrical, the normal p-p plot revealed results that were fairly consistent with those of the line, and the residuals are normally distributed by looking at graphs 1 and 2 from Appendix 2.

Table 19: Testing for Normality using Skewness and Kurtosis

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Cost Leadership Strategy	144	-0.289	0.202	-0.572	0.401
Differentiation Strategy	144	-0.481	0.202	-0.187	0.401
Focus Strategy	144	-0.340	0.202	-0.510	0.401
Combination Strategy	144	-0.382	0.202	-0.594	0.401
Performance	144	-0.025	0.202	-0.546	0.401

Source: Survey result (2023)

#### 4.6.2 Testing for Linearity and Homoscedasticity

The linearity assumption was examined by looking at the p-plot graphs for all of the variables. The linearity assumption, according to Hair et al. (2010), asserts that the relationships between the dependent and independent variables are straight lines. The assumption of linearity is essential since Pearson's r only considers linear relationships between variables (Tabachnick & Fidell, 2014). Variables are omitted if there are any stable nonlinear interactions between them. The linearity between two variables can be roughly estimated using a bivariate scatter plot analysis. If the two variables are both normally distributed and linearly correlated, the scatter plot will take the shape of an oval (Tabachnick & Fidell, 2014).

Homoscedasticity is preferable due to the dependent variable's variance shouldn't be concentrated in a narrow range of independent values as described by the dependence relationship (Hair et al., 2010). Homoscedasticity is the presumption that the variance of the dependent variable(s) and the range of independent variables are equal. By looking at the correlation between the various variables, the homoscedasticity assumption was put to the test. The performance of private commercial banks exhibits significant positive correlations between the four business level strategies (cost leadership, differentiation, focus, and combination strategies), which suggests that linearity and homoscedasticity were observed across all variables. This further attests to the fact that the distribution of all the variables shows no signs of a severe departure from the mean. The correlation among the cost leadership strategy and performance was positive and significant ( $r = 0.585$ ;  $p 0.01$ ), as were the correlations between the differentiation strategy and performance ( $r = 0.597$ ;  $p 0.01$ ), the focus strategy and

performance ( $r = 0.732$ ;  $p < 0.01$ ), and the correlation between the combination strategy and performance ( $r = 0.585$ ;  $p < 0.01$ ). The values of the Pearson correlation coefficient are shown in matrix format across all variables in Table 20 for correlation analysis to determine homoscedasticity among the variables.

Alternatively, a graph was shown in Appendix 3 to examine the scatter plot of residuals, or pattern of errors when plotted against the anticipated values, to test for homoscedasticity. Since the cluster of dots in the residuals plot has almost the same width across the average residuals, the data are fairly homoscedastic. In actuality, the residuals plot displays data that are homoscedastic.

Table 20: Linearity and Homoscedasticity Test in Terms of Correlation Analysis

		<b>Cost Leadership Strategy</b>	<b>Differentiation Strategy</b>	<b>Focus Strategy</b>	<b>Combination Strategy</b>	<b>Performance</b>
<b>Cost Leadership Strategy</b>	Pearson	1				
	Correlation					
	Sig. (2-tailed)					
<b>Differentiation Strategy</b>	N	144				
	Pearson	.324**	1			
	Correlation					
<b>Focus Strategy</b>	Sig. (2-tailed)	0.000				
	N	144	144			
	Pearson	.437**	.432**	1		
<b>Combination Strategy</b>	Correlation					
	Sig. (2-tailed)	0.000	0.000			
	N	144	144	144		
<b>Performance</b>	Pearson	.387**	.413**	.482**	1	
	Correlation					
	Sig. (2-tailed)	0.000	0.000	0.000		
<b>Performance</b>	N	144	144	144	144	
	Pearson	.585**	.597**	.732**	.585**	1
	Correlation					
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	
	N	144	144	144	144	144

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

Source: Survey result (2023)

### 4.6.3 Testing for Multicollinearity

To check for multicollinearity, the variable inflation factor (VIF) and tolerance values for each variable were analyzed. Multicollinearity is defined by a significant correlation between the predictor variables, according to Hair et al. (2010). Multicollinearity poses a risk to both the internal validity of multiple regression analysis and the probability of mistakes in hypothesis testing (Field, 2013). Tabachnick and Fidell (2014) claim that in order to prove the absence of multicollinearity, the tolerance values and VIF values must both be less than 10 and greater than 0.1. Table 21 shows the findings, which showed no evidence of multicollinearity among the variables.

*Table 21: Testing for Multicollinearity in Terms of VIF and Tolerance*

<b>Variables</b>	<b>Tolerance</b>	<b>VIF</b>
Cost Leadership Strategy	0.758	1.319
Differentiation Strategy	0.748	1.336
Focus Strategy	0.651	1.536
Combination Strategy	0.691	1.448

Source: Survey result (2023)

### 4.6.4 Testing for Autocorrelation

The notion of autocorrelation, according to Hair et al. (2010) and Tabachnick & Fidell (2014), holds that prediction errors are unconnected to one another. The Durbin-Watson statistic was used to calculate the autocorrelation of errors over the course of occurrences, which, if significant, reveals reliance of errors. Field (2013) asserted that the Durbin-Watson statistic performs better when it is nearer 2.0. Additionally, according to Johnson and Wichern (2006), the optimal Durbin-Watson value should be between 1.5 and 2.5 in order to rule out autocorrelation. According to the results, there was no evidence of autocorrelation between the variables for the cost leadership, differentiation, focus, and combination strategy, and model summary, with Durbin-Watson values of 1.898, 1.964, 2.037, 1.845, and 1.989, respectively.

*Table 22: Autocorrelation Test*

Model	Durbin-Watson
1	1.989

a. Predictors: (Constant), Combination, Cost Leadership, Differentiation, and Focus Strategy

b. Dependent Variable: Performance

Source: Survey result (2023)

#### **4.7 Pearson’s Correlation Analyses**

According to Pallant (2010), correlation analysis can be utilised to describe two variables' linear correlations in terms of both the strength and the direction of the link. This investigation used the bivariate Pearson Product- Moment Coefficient (r) to establish the relationship between the dependent and independent variables. The Pearson's product moment correlation was also performed to cover particular aspects of the correlations between the variables, test the hypotheses, and address the research objectives.

The strength of the association between business level strategies and performance of private commercial banks in Ethiopia is determined by correlation analysis in this study. The test also provides a number that can range from -1.00 to 1.00, with 0 denoting no association between the variables, -1.00 denoting a negative correlation, and 1.00 denoting a perfectly positive correlation (Pallant, 2010). The following rules are applied for the remaining values: small correlation for values between 0.1 and 0.29; medium for values between 0.3 and 0.49; and big for values between 0.50 and 1.0 (Pallant, 2010). In the correlation investigation, all essential constructs were investigated.

*Table 23: Correlation of Dimensions*

<b>Dimension</b>	<b>Pearson</b>	<b>Correlation Sig. (2tailed)</b>
Cost Leadership Strategy	0.585	0.000
Differentiation Strategy	0.597	0.000
Focus Strategy	0.732	0.000
Combination Strategy	0.585	0.000

Source: Survey result (2023)

Table 23 above demonstrates the amount of correlation coefficient of each dimension had high levels of correlation coefficient of the relationship between cost leadership, differentiation, focus, and combination strategies were 0.585, 0.597, 0.732, and 0.585 respectively, which are interpreted as a very strong positive relationship.

The study supported earlier findings, including those by Mwangi and Ombui (2013) and Sifuna (2014), who found a correlation between cost leadership and company performance. The findings validate other studies that linked differentiation strategy to company performance, including those by Gituku and Kagiri (2015), Waema (2013), and Bisungo, Chege, and Musiega (2014). The study's findings also support Uchegbulam & Akinyele (2015), who discovered a beneficial association between focus methods and performance.

#### **4.8 Multiple Regression Analysis**

Regression analysis was carried out utilizing the hierarchical regression method after the fundamental hypotheses for multiple regression analysis were tested and the suitability of the data set was determined. It was conducted to determine the relationship between the independent and dependent variables, namely the performance of selected private commercial banks in Ethiopia, and the independent variables, cost leadership, differentiation, focus, and combination strategies. Multiple regression analysis was employed to test the suggested hypotheses.

Multiple regression analysis is employed for hypothesis testing (Cooper and Schindler, 2013). Using multiple regression analysis, Tabachnick and Fidell (2014) claim that it is possible to assess the significance and direction of each predictor's link to its outcome variable. It has been said that multiple regression analysis is a powerful analytical method for determining which specific independent variables particularly forecast the variance of the dependent variables selected by the study (Hair et al., 2010).

In this study, comprehending the various correlation indices, such as  $R$ ,  $R^2$ , and adjusted  $R^2$ , unstandardized regression coefficients ( $B$ ), and standardized regression coefficients ( $B$ ), was necessary for the interpretation of the multiple regression analysis. The  $R^2$  number is between 0 and 1. Multiple Pearson's product moment correlation ( $R$ ) values between 0 and 1 denote a less-than-perfect linear relationship between predicted and criterion scores (Hair et al., 2010). A value of 0 indicates that there is no linear relationship between predicted scores and the criterion

scores, while a value of 1 indicates that the linear combination of the predictor variables perfectly predicts the criterion variable. The population of the sample's overstated (inflated) value is corrected by altering  $R^2$ , albeit (Tabachnick & Fidell, 2014). Modified  $R^2$  values are offered to demonstrate the extent (in percentage) to which particular constructs or factors were anticipated and explained by others, allowing us to assess the level of prediction between multiple constructs or factors.

Both standardized and unstandardized regression coefficients (B) were reported for the essential regression models in this inquiry. According to Pallant's (2013) advice, the standardized regression coefficients (B), which are the beta coefficients from the standardized data, showed the relative impact of a change in one standard on the criterion. The unstandardized regression coefficients (B) were used to build a regression equation, determine the predicted values for each observation, and express the expected change in the criterion variable for every variation in predictors.

As a result, the standardized regression coefficient ( $\beta$ ) was particularly pertinent to this research because of its capacity to identify the most significant independent variable, which was crucial for comprehending how business level strategies affected private commercial banks performance in Ethiopia.

The predicting power of predictors within a multiple regression model may be compared based on the values of the standardized regression coefficients ( $\beta$ ), where the higher the coefficient was, the greater effect the predictor had in predicting (Hair et al., 2010). According to the statistical results of this investigation, the performance of the selected private commercial banks in Ethiopia was significantly impacted by the business level strategies (cost leadership, differentiation, focus and combination strategy).

#### **4.8.1 Model Summary of Multiple Regression Results**

The model using only the four business level strategy practices (cost leadership, differentiation, focus, and combination strategies) was able to explain 71.5% of the variance in the performance of private commercial banks in Ethiopia. The values of R and  $R^2$  were 0.846 and 0.715, respectively.

According to Tabachnick and Fidell (2014), the  $R^2$  value tends to overestimate the true value in the population because of the sample size. The adjusted  $R^2$  provides a better estimate of the genuine population numbers as a result. The modified  $R^2$  value of 0.707 clearly shows that four business level strategy practices (cost leadership, differentiation, focus, and combination strategies) together predict and account for almost 70.7% of the variation in private commercial bank's performance in Ethiopia.

This suggests that the four business level strategies cannot account for 29.3% of the variation in private commercial banks performance in Ethiopia. As this implies, other factors may play a role. The model summary of the findings of the multiple regression analysis for the effect of business level strategies on the performance of private commercial banks in Ethiopia is shown in Table 25.

*Table 24: Model Summary<sup>b</sup> for Multiple Regression Results*

Model	R	R-Square	Adjusted R- Square	Std. Error of the Estimate	Durbin-Watson
1	.846 <sup>a</sup>	0.715	0.707	0.39948	1.989

a. Predictors: (Constant), Combination, Cost Leadership, Differentiation, and Focus Strategy

b. Dependent Variable: Performance

Focus Strategy Source: Survey result (2023)

#### **4.8.2 ANOVA of Multiple Regression Results**

The ANOVA table evaluates the model's ability to predict the result variable in comparison to the mean. The total multiple regression model (the model involving constants, cost leadership, differentiation, focus and combination strategy) achieved a high degree of fit, as indicated by an  $R^2$  of 0.715,  $F(4, 139) = 87.311$ ,  $p < 0.001$ . The findings demonstrate that the performance of private commercial banks in Ethiopia was significantly impacted by all four business level strategy practices (cost leadership, differentiation, focus, and integrated strategies). This result implies that business level strategy practices played a substantial effect in the five-year performance of private commercial banks in Ethiopia. Therefore, the success of private commercial banks in Ethiopia is significantly influenced by business level strategy practices. The effects of business level strategy practices on the organizational performance of private

commercial banks in Ethiopia are shown in Table 26 by the ANOVA of multiple regression results.

*Table 25: ANOVA of Multiple Regression Results*

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	55.734	4	13.933	87.311	.000 <sup>b</sup>
Residual	22.182	139	0.160		
Total	77.916	143			

a. Dependent Variable: Performance

b. Predictors: (Constant), Combination, Cost Leadership, Differentiation, and Focus Strategy

Source: Survey result (2023)

### 4.8.3 Multiple Regression Coefficients Results

To create a regression equation, determine the predicted values for each observation, and express the anticipated change in the criterion variable for each unit change in the predictors, the unstandardized regression coefficients (B) were used, as advised by Hair et al. (2010) and Pallant (2013). As a result, the following should be appropriate when the unstandardized regression coefficients (B) were included to the multiple regression model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y = Performance of private commercial banks in Ethiopia

$\beta_0$  = Constant

X1 = Cost Leadership Strategy

X2 = Differentiation Strategy

X3 = Focus Strategy

X4 = Combination Strategy

$\varepsilon$  = Error factor

Consequently, the equation for multiple regressions is:

$$Y = -0.636 + 0.212X_1 + 0.302X_2 + 0.446X_3 + 0.223X_4$$

- When all the independent variables have zero value, the Performance of private commercial banks in Ethiopia on average becomes -0.636. However, we can't reject the possibility that performance of private commercial banks in Ethiopia can be zero when all the independent variables become zero at 5% significance level.
- Holding the other variables constant, a unit increase in cost leadership strategy could lead to increases performance of private commercial banks in Ethiopia on average by 0.212 and the relationship is statistically significant at 1% significance level.
- Holding the other variables constant a unit increase in differentiation strategy could lead to increases performance of private commercial banks in Ethiopia on average by 0.302 and the relationship is statistically significant at 1% significance level.
- Holding the other variables constant a unit increase in focus strategy could lead to increases performance of private commercial banks in Ethiopia on average by 0.446 and the relationship is statistically significant at 1% significance level.
- Holding the other variables constant a unit increase combination strategy could lead increase performance of private commercial banks in Ethiopia on average by 0.223 and at 1% significance level, the relationship is statistically significant.

The value of ( $\beta$ ) from the standard multiple regression model below revealed that focus strategy contributed most to the performance of private commercial banks in Ethiopia ( $\beta = 0.446$ ;  $p < 0.001$ ) proceeded by differentiation strategy ( $\beta = 0.302$ ;  $p < 0.001$ ) then combination strategy ( $\beta = 0.223$ ;  $p < 0.001$ ) and finally cost leadership strategy contributed ( $\beta = 0.212$ ;  $p < 0.001$ ) at 95 percent significant level to the performance of private commercial banks in Ethiopia. As all of the variables' P-values were lower than 0.05, it is implied that all of the variables were significant. Table 27 shows the multiple coefficients for the effect of business level strategies on the organizational performance of private commercial banks in Ethiopia.

Table 26: Multiple Regression Coefficients' Result

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
	(Constant)	-0.636	0.218		-2.916	0.004
1	Cost leadership strategy	0.212	0.045	0.246	4.727	0
	Differentiation strategy	0.302	0.061	0.259	4.944	0
	Focus strategy	0.446	0.058	0.428	7.627	0
	Combination strategy	0.223	0.068	0.177	3.259	0.001

a. Dependent Variable: Performance

b. Predictors: (Constant), CS, CLS, DS, FS

Source: Survey result (2023)

#### 4.9 Testing of Hypotheses

Unstandardized Beta coefficients ( $\beta$ ) values represent the influences of independent variables on dependent variables. In addition, the values of the unstandardized Beta coefficients in the Beta column of table 27 above show which independent variable (business level strategy) elements contribute most significantly to explaining the dependent variable (performance), once the variance explained by all other independent variables in the model is controlled. The independent variable, weather, is clearly helping to forecast the dependent variable, according to the t value and sig (p) value.

On the basis of the study's t, p, and  $\beta$  values, the study's hypothesis was tested. The postulated hypotheses for this study were therefore examined using those coefficient data in the ways listed below.

#### **Hypothesis 1: Cost leadership strategy has a significant and positive effect on performance of private commercial bank in Ethiopia.**

According to table 27, the regression coefficient showed cost leadership strategy has a positive and statistically significant effect on performance of private commercial banks in Ethiopia ( $\beta = 0.212$ ;  $t = 4.727$  and  $p < 0.001$ ). The regression of the coefficient implies that holding the over

factors constant when private commercial banks in Ethiopia change their cost leadership strategy by one unit, their performance on average increase by .212 units and the relationship is statistically significant at 1% significance level the alternate hypothesis was accepted at 1% significance level.

**Hypothesis 2: Differentiation strategy has a significant and positive effect on performance of private commercial bank in Ethiopia.**

The results obtained from table 27 indicated that differentiation strategy has a positive significant impact on performance of private commercial banks in Ethiopia ( $\beta = 0.302$ ;  $t = 4.944$  and  $p < 0.001$ ). The regression of the coefficient implies that, holding the over factors constant when differentiation strategy is improved by one unit performance of private commercial banks in Ethiopia change on average increases by .183 units and the relationship is statistically significant at 1% significance level 99% confidence level and the alternate hypothesis was accepted at 1% significance level.

**Hypothesis 3: Focus strategy has a significant and positive effect on performance of private commercial bank in Ethiopia.**

The results obtained from table 27 indicated that focus strategy has a positive and statistically significant impact on performance of private commercial banks in Ethiopia ( $\beta = 0.446$  ;  $t = 7.627$  and  $p < 0.001$ ). The regression of the coefficient implies that, holding the over factors constant when focus strategy are improved by one unit performance of private commercial banks in Ethiopia on average increases by .446 units and the relationship is statistically significant at 1% significance level and the alternate hypothesis was accepted at 1% significance level.

**Hypothesis 4: Combination strategies (cost leadership strategy and differentiation strategy) have a significant and positive effect on performance of private commercial banks in Ethiopia.**

The regression coefficient showed that combination of cost leadership and differentiation strategies and performance of private commercial banks in Ethiopia ( $\beta = 0.223$ ;  $t = 3.259$  and  $p < 0.001$ ) has a positive and significant relation. The regression of the coefficient implies that, holding the over factors constant when combination strategy is improved by one unit

performance of private commercial banks in Ethiopia on average increases by .223 units. The relationship is statistically significant at 1% significance level and the alternate hypothesis was accepted at 1% significance level.

*Table 27: Summary of null Hypotheses Testing*

Research Hypotheses	Tool	Outcome
<b>H01:</b> Cost leadership strategy has no significant and positive effect on performance of private commercial banks in Ethiopia.	Multiple Regression	Rejected
<b>H02:</b> Differentiation strategy has no significant and positive effect on performance of private commercial banks in Ethiopia.	Multiple Regression	Rejected
<b>H03:</b> Focus strategy has no significant and positive effect on performance of private commercial banks in Ethiopia.	Multiple Regression	Rejected
<b>H04:</b> Combination strategies (cost leadership strategy and differentiation strategy) have no significant and positive effect on performance of private commercial banks in Ethiopia.	Multiple Regression	Rejected

Source: Survey result (2023)

n = 144

The finding showed that there was a positive and significant effect of cost leadership strategy, differentiation strategy, focus strategy and combination strategy on performance of Private Commercial Bank. The result also inferred that focus strategy contribute most to performance of private commercial banks in Ethiopia followed by differentiation strategy then combination strategy while cost leadership strategy contributed least to the performance of private commercial banks in Ethiopia. Since each variables of P-value was less than 0.05, all of them were considered significant. Therefore, based on this, the management and professional staffs of Private Commercial Banks in Ethiopia should enhance their performance by improving the management of: economies of scale, supply of quality and superior products to their customers, give close attention to unique customer preferences, monitoring of combination strategy and more investment in business level strategies.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The aim of this chapter is to discuss the summary of findings, conclusions, and suggestions. Thus, the chapter is divided into three sections: an overview of the findings, the study's conclusions, and recommendations based on those conclusions.

#### **5.2 Summary of major findings**

The study was founded on the opinions of the executives, directors, management and professional staffs of eight selected private commercial banks in Ethiopia working at their respective head offices in Addis Ababa.

The main goal of this research was to find out the effects of business level strategies on performance of private commercial banks in Ethiopia in the last five years (2018- 2022). The study was designed to directly assess how employees felt about the effect of business level strategies (Cost leadership, differentiation, focus & combination strategies) on the performance of private commercial banks in Ethiopia. The listing business level strategies were analyzed to identifying the relative influence of business level strategies (cost leadership, differentiation, focus & combination strategies) on performance of the private commercial banks in Ethiopia.

In the fourth chapter, employing descriptive statistics, correlation, and multiple regressions, the results are then examined in light of the information obtained through the questionnaire. A brief summary of the main conclusions is given below:

To achieve the objectives of study; from distributed 156 questionnaires to workers of eight selected private commercial banks in Ethiopia at their heads offices in Addis Ababa. Only (92.3% or n = 144) questionnaires were obtained valid and the data was analyzed using SPSS software version 25 through descriptive & inferential statistics.

The demographic data showed that 77.8% or 112 respondents were males. Regarding the age of respondents, 50.0% or 72 were from 31 to 40 years old which showed that nearly all of the respondents were matured. When we came to job classification of respondents, majority of respondents 49.31% or 71 are managers, 2.78% or 4 are executives, 22.91% or 33 are directors

and the remaining 25% or 36 of respondents are the professional staffs at their respective head offices in Addis Ababa. Regarding educational background, all the respondents are 1st degree and above holders and all respondents had above five years work experience within their respective organization. This suggests that the respondents are skilled and have better knowledge.

A reliability test was conducted to determine the validity of the questionnaire before moving on to the primary analysis of the study. Thus, with a Cornbach's Alph result of 0.942 values, all the questionnaires were valid and reliable. The findings of the descriptive study showed that the cost leadership strategy had a mean value of 3.054, differentiation strategy had 3.165, focus strategy had 3.025 and combination strategy had 3.304, respectively. Were above average indicate that business level strategy units are highly contributed to performance.

Additionally, the correlation analysis's findings were made. In this regard, the dependent variable (performance) and all independent factors (cost leadership, differentiation, focus, and combination strategies) are positively and strongly correlated ( $P < 0.000$ ). The focus strategy has the highest correlation ( $r = 0.732$ ), proceeded by differentiation strategy ( $r = 0.597$ ), combination strategy and cost leadership strategy with the same ( $r = 0.585$ ). The hypothesis was finally tested using multiple regression analysis. In this aspect, the outcome demonstrates that the model under test, with an adjusted R square of 0.715, is significant ( $P < 0.000$ ). This number shows that the four independent factors used in the regression account for 71.5% of the variance in private commercial banks performance in Ethiopia. Other factors are liable for the remaining 28.5 of the private commercial banks performance difference in Ethiopia. Regarding the hypothesis, all of the beta coefficients were determined to be significant, and the study accepted all of the hypotheses made.

### **5.3 Conclusions**

The conclusion of this section contain analysis of the interactions between the independent factors (cost leadership, differentiation, focus, and combination methods) and the dependent variable performance of selected private commercial banks in Ethiopia by considering the past five years (2018-2022) performances based on the perceptions of the executives, directors,

manager and professional staff of eight selected private commercial banks in Ethiopia working at their respective head offices in Addis Ababa.

The following conclusions were drawn in light of the study's aims, the data that was gathered and examined, and inferential statistics that permit conclusions to the entire population.

The regression results led to the conclusion that cost leadership had a major impact on the success of selected private commercial banks in Ethiopia. Using the results of the correlation analysis, it was determined that there is a strong and positive correlation between cost leadership and the performance of the chosen private commercial banks in Ethiopia. This means that, while controlling for other variables, increasing investment in cost leadership would result in improved performance for the chosen private commercial banks in Ethiopia.

According to the regression results, cost leadership considerably affects the performance of a selected private commercial banks in Ethiopia. An additional conclusion was drawn based on the correlation analysis's findings, which showed a strong and positive correlation between cost leadership and the performance of the chosen private commercial banks in Ethiopia. This means that, assuming all other variables remained constant, increasing investment in cost leadership would result in improved performance for the chosen private commercial banks in Ethiopia.

It was determined about differentiation strategy that it significantly and greatly influenced private commercial banks's success in Ethiopia. According to the findings of the correlation analysis, there is a strong and favorable correlation between the performance of the chosen private commercial banks in Ethiopia and the differentiation strategy. The conclusion is that investing in differentiation initiatives will result in a notable increase in the performance of particular private commercial banks in Ethiopia.

Based on the results, we came to the conclusion that focus strategy has a statistically significant impact on the performance of a selected Ethiopian private commercial banks. According to the findings of the correlation analysis, it was further established that there is a very high and favorable association between the focus strategy and performance of a selected private commercial banks in Ethiopia.

The results of the regression analysis ultimately led to the conclusion that focus strategy was a significant factor in the success of the chosen private commercial banks in Ethiopia over the previous five years. According to the findings of the correlation research, it was also concluded that the combination strategy produces a strong and favorable association with the performance of particular private commercial banks in Ethiopia.

#### **5.4 Recommendations**

Here, the recommendations were given concerning the effects of the independent variables; (cost leadership, differentiation, focus and combination strategies) on performance of the private commercial banks in Ethiopia, based on the study's results.

- The study aimed to identify how cost leadership strategies affected private commercial banks performance in Ethiopia. The study suggests implementing improved strategies that encourage economies of scale, dedication to optimal capacity utilization, adoption of strategies to improve operational efficiency and cost control, and formation of key partnerships and alliances with crucial stakeholders to improve performance.
- The study also looked at how Ethiopia's private commercial banks performance was affected by the differentiation strategy. Differentiation strategy was discovered to be a determinant of performance of chosen private commercial banks in Ethiopia based on the study's findings and conclusions. The study makes the suggestion that the management and professional staff of private commercial banks in Ethiopia should continuously assess the implementation of differentiation strategy to differentiate their selves by offering high-quality and superior products to their customers, and take the necessary corrective measures given the industry's high level of dynamic change.
- Another issue of study aimed to clarify is the effect focus strategy on performance of selected private commercial banks in Ethiopia. Based on the findings and conclusions of the study focus strategy was found to be the main determinant of performance of selected private commercial banks in Ethiopia. The study recommends that the management of private commercial banks in Ethiopia should ensure their performance by more investment in this business level strategy. When developing new items, it is necessary to maintain paying special attention to the distinct customer preferences and income levels of private commercial banks in Ethiopia.

- The study's goal was to determine how a particular weather combination strategy affected the performance of particular private commercial banks in Ethiopia. The performance of chosen private commercial banks in Ethiopia was found to be significantly influenced by factors related to combination strategy. Due to the country's banking regulations, particularly those affecting private banks, underdeveloped infrastructures, fierce rivalry, and high environmental dynamics, the private commercial banks in Ethiopia was surely compelled to employ a variety of solutions to address the issues. The study recommended that the private commercial banks in Ethiopia should ensure their performance by enhancing management of combination strategy.

### **5.5 Suggested Areas for Further Study**

It was intended that the study's results would add to the body of existing information and serve as a starting point for further investigation. On the basis of the study's findings and recommendations, the following directions for future research are suggested.

Due to time and financial constraints, the research was only done on selected private commercial banks in Ethiopia. It is advised that future studies use a greater sample size. In addition to this, the study focused on responses from the executives, directors, managers, and professional staff at head offices as primary data through a questionnaire. Future studies are suggested to include qualitative data in order to acquire a deeper understanding of the facts and reasons for the occurrence.

Further, a longitudinal study should be carried out to reveal the effect of business level strategies on the performance of private commercial banks in Ethiopia over a period of time. Finally, it is advised that similar research be conducted in the future in other significant business sectors.

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## **APPENDICES**

### ***Appendix 1: Survey Questionnaire***

#### **QUESTIONNAIRES**

#### **ADDIS ABABA UNIVERSITY**

#### **COLLEGE OF BUSINESS AND ECONOMICS**

#### **DEPARTMENT OF MANAGEMENT**

Dear Respondent,

My name is Leka Nigusse, a post-graduate student pursuing Master of Business Administration in Management (MBA- in Management) in the College of Business and Economics, Department of Management at Addis Ababa University. Currently, I am conducting a thesis for the partial fulfillment of a master's degree to assess the effects of business level strategy on firm performance of selected private commercial banks in Ethiopia.

To achieve this objective, your genuine and timely response of the questionnaire designed for the purpose will have a tremendous impact. It is assumed that the questionnaire will take only a few of your time to complete. All information provided will be used for academic purpose ONLY and will be treated in strict CONFIDENTIALITY. I kindly request your utmost cooperation in filling the questionnaire and return it as soon as possible. I am grateful for your kind cooperation and would like to extend my heartfelt appreciation, in advance, for providing me all the relevant information regarding your respective bank.

#### **General Instructions:**

- ✓ No needs of writing your name in all cases.
- ✓ For all statements please state your level of agreement by circling on preferred level of agreement.
- ✓ Please try to honestly answer the all questions by considering past five years effects of business level strategies on performance of your bank.
- ✓ Please do not fill this questionnaire if your experience in the bank you are working in is less than five years.

- ✓ If you would like further clarification and information about the study, or have any problem in completing the questionnaire please contact me via

**Mobile number:-09-13-82-03-01, Email: [lekanigusse@gmail.com](mailto:lekanigusse@gmail.com)**

### Part I: Demographic Data of Respondents

Respondent code \_\_\_\_\_

1. Gender:            1. Male                             2. Female
2. Age in year:    1. 20-30                             2. 31-40                             3. 41-50   
                          4. Above 50
3. Marital Status 1. Single                             2. Married                             3. Divorced
4. Your current position: \_\_\_\_\_
5. Highest level of education of the respondent: 1. High School completed   
                          2. Certificate                             3. College diploma (TVET)                             4. First degree   
                          5. Second degree                             6. Doctorate degree
6.      Service      year      of      the      respondent      in      the      organization:  
                 1. 5 – 10 years                             2. 11- 15 years                             3. > 15 years

### Part II: Questions on Business level Strategies:

This section has statements regarding the effects of **Business level strategies** on performance of selected private commercial banks in Ethiopia in the past five years (2018-2022).

Please state your level of agreement regarding the statements by circling on numbers provided.

**1= Not at all,    2= Slightly,    3= Moderately,    4 = Very,    5 = Extremely**

No.	Dimensions	Level of agreement				
		Not at all	Slightly	Moderately	Very	Extremely
1	Our bank use Tight cost control	1	2	3	4	5
2	Our bank Give employees multiple job responsibilities to reduce personnel costs	1	2	3	4	5
3	Our bank use low cost channel to reach to customers	1	2	3	4	5
4	Pursues key linkages and alliances with service providers and strategic institutional partners	1	2	3	4	5
5	Structured organization and responsibilities	1	2	3	4	5
6	Strong process Engineering skills	1	2	3	4	5
7	Keeping lower over heads than the competitors	1	2	3	4	5
8	Use multichannel or modern technology to reach customers	1	2	3	4	5
9	Attract highly skilled and creative employees	1	2	3	4	5
10	Strong brand creation	1	2	3	4	5
11	Use of innovate marketing techniques	1	2	3	4	5
12	Faster respond to market needs	1	2	3	4	5
13	Gives more emphasis to marketing promotion	1	2	3	4	5
14	Use new product/service development	1	2	3	4	5

15	Offer superior benefits to customers	1	2	3	4	5
16	Products/services are designed to meet specific needs of diverse social classes	1	2	3	4	5
17	Pricing strategy is informed by the unique characteristics of clients from different market segments	1	2	3	4	5
18	Considers unique physiological aspects in informing differentiation of products	1	2	3	4	5
19	Considers unique demographic groupings in provision of products targeting particular market niche	1	2	3	4	5
20	Gives attention to different income levels of clients	1	2	3	4	5
21	Focuses on need analysis of customer preferences to guide niche product design	1	2	3	4	5
22	Improved customer service	1	2	3	4	5
23	Liaising with competitors	1	2	3	4	5
24	Stakeholder involvement	1	2	3	4	5
25	Use publicity to communicate, establish and maintain communication with the public	1	2	3	4	5
26	Automation of business process	1	2	3	4	5
27	Reduce prices relatively below competitors but remained solvent	1	2	3	4	5
28	Offering a wide range of services	1	2	3	4	5
29	Intensive staff training	1	2	3	4	5

**Part III. Performance of Private Commercial Banks Questionnaire:**

Evaluate the performance trend of your bank relative to your major competitors over the last five years (2018-2022) using a five point scale from Much worse to Much better as indicated here under.

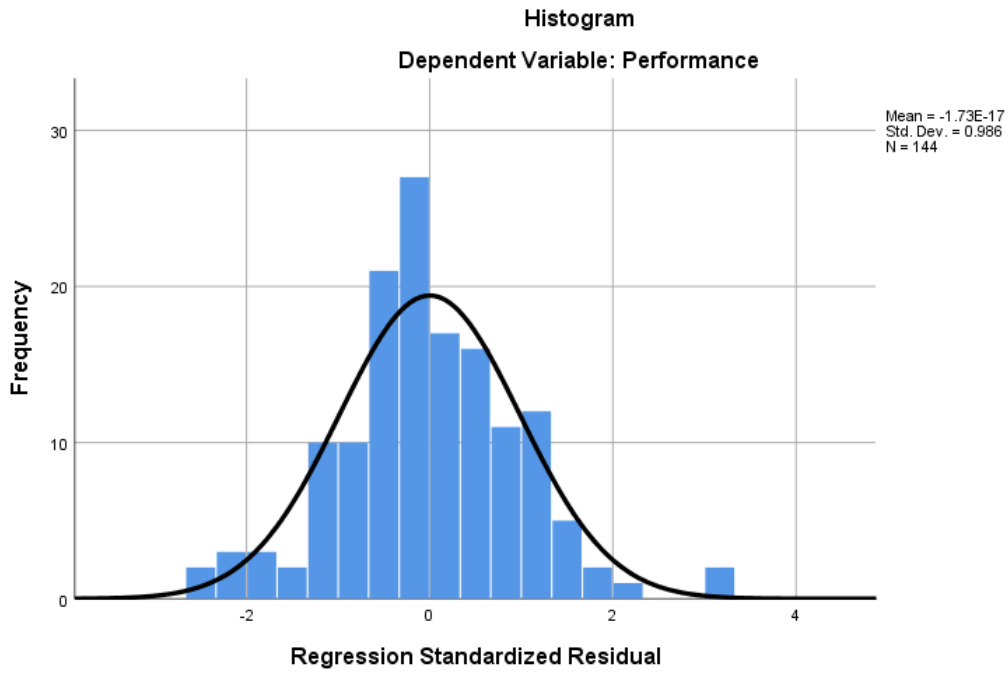
Please state your level of agreement regarding the statements by circling on numbers provided.

**1= Much worse, 2= Somewhat worse, 3= Stayed the same, 4 = Somewhat better, 5 = Much better**

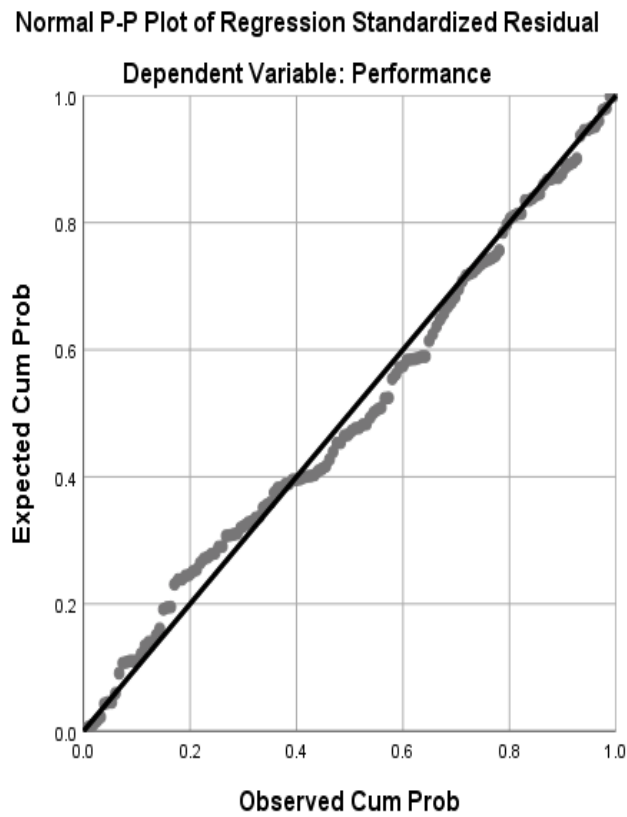
No.	Dimensions	Level of agreement				
		Much worse	Somewhat worse	Stayed the same	Somewhat better	Much better
1	Our bank scored better performance in Return on assets	1	2	3	4	5
2	Our bank branches expansion Increased	1	2	3	4	5
3	Our bank's market share Increased	1	2	3	4	5
4	Our bank's new customers Increased	1	2	3	4	5
5	Our bank's sales revenue Increased	1	2	3	4	5
6	Our bank maintained adequate number of employees	1	2	3	4	5
7	Our bank's sales to existing customers Increased	1	2	3	4	5
8	Our bank scored better performance in profit	1	2	3	4	5

**Thank you for your participation!**

Appendix 2: Test for Normality



Graph 1:-Histogram graph



Graph 2:- Normal P-P plot regression standardized residual

### Tests of Normality

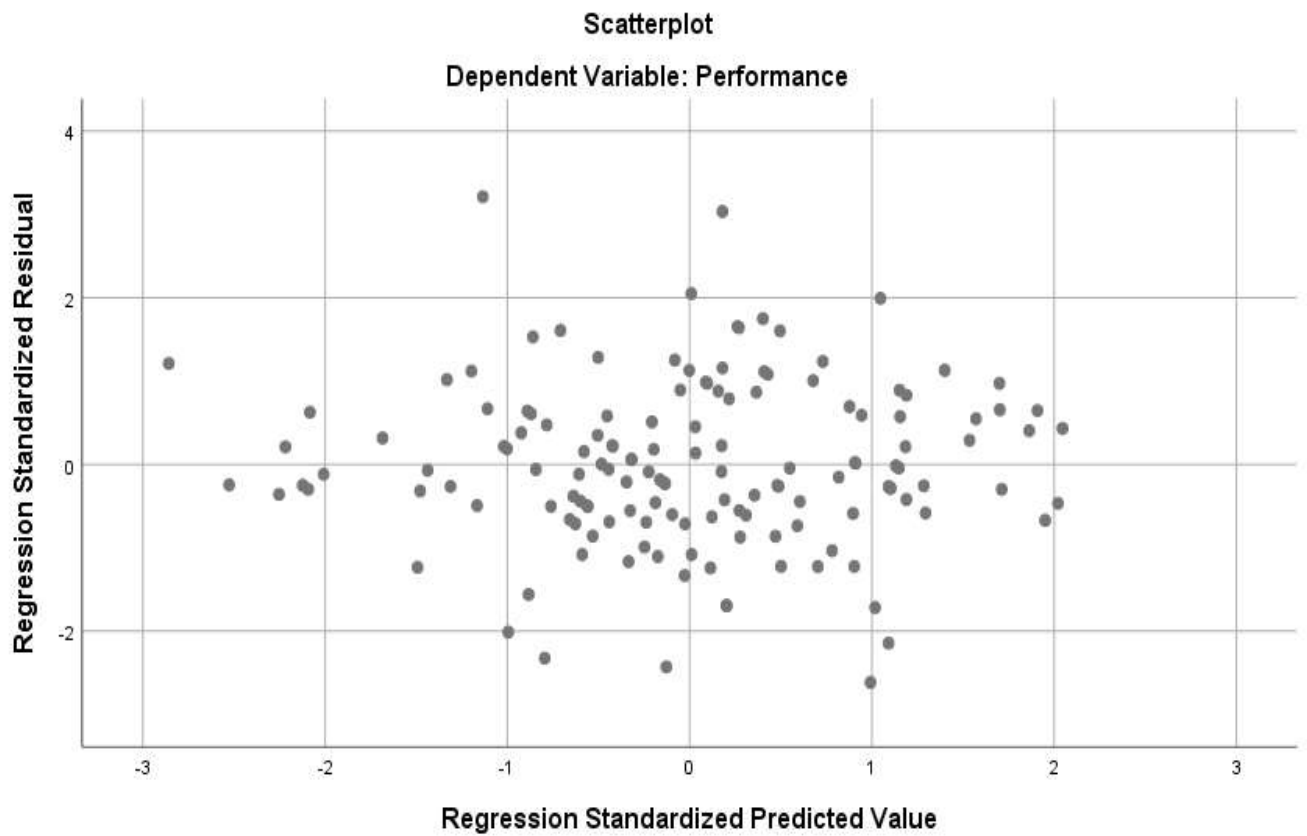
	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Unstandardized Residual	.061	144	.200 <sup>*</sup>	.987	144	.177
Standardized Residual	.061	144	.200 <sup>*</sup>	.987	144	.177

\*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Graph 3:- Shapiro Test

### Appendix 3: Homoscedasticity Test



Graph 3:- Scatter plots of residual

Source: Survey result (2023)

Appendix 4: Correlations Table

**Correlations**

		Cost_Leadership_Strategy	Differentiation_Strategy	Focus_Strategy	Combination_Strategy	Performance
Cost Leadership Strategy	Pearson Correlation	1	.324**	.437**	.387**	.585**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	144	144	144	144	144
Differentiation Strategy	Pearson Correlation	.324**	1	.432**	.413**	.597**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	144	144	144	144	144
Focus Strategy	Pearson Correlation	.437**	.432**	1	.482**	.732**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	144	144	144	144	144
Combination Strategy	Pearson Correlation	.387**	.413**	.482**	1	.585**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	144	144	144	144	144
Performance	Pearson Correlation	.585**	.597**	.732**	.585**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	144	144	144	144	144

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

Appendix 5: Multiple Regressions Out put

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.846 <sup>a</sup>	.715	.707	.39948	1.989

a. Predictors: (Constant), Combination\_Strategy, Cost\_Leadership\_Strategy, Differentiation\_Strategy, Focus\_Strategy

b. Dependent Variable: Performance

### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	55.734	4	13.933	87.311	.000 <sup>b</sup>
	Residual	22.182	139	.160		
	Total	77.916	143			

a. Dependent Variable: Performance

b. Predictors: (Constant), Combination\_Strategy, Cost\_Leadership\_Strategy, Differentiation\_Strategy, Focus\_Strategy

### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error				Beta	Lower Bound	Upper Bound	Tolerance
1	(Constant)	-.636	.218		-2.916	.004	-1.067	-.205		
	Cost Leadership Strategy	.212	.045	.246	4.727	.000	.123	.300	.758	1.319
	Differentiation Strategy	.302	.061	.259	4.944	.000	.181	.423	.748	1.336
	Focus Strategy	.446	.058	.428	7.627	.000	.330	.562	.651	1.536
	Combination Strategy	.223	.068	.177	3.259	.001	.088	.358	.691	1.448

a. Dependent Variable: Performance