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College of Business and Economics

The Effect of Digital Leadership and Digital Adoption on Organizational Performance in the Banking Industry

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By: Yomu Fikru

ID: GSE/0164/16

Advisor: Jemal Mohamed (Ph.d)

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I hereby this research proposal entitled The Effect of Digital Leadership and Digital Adoption on Organizational Performance in the Banking Industry A first principal study by Yomu Fikru approved as fulfilling the research proposal requirement.

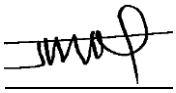
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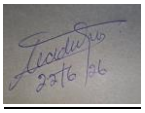
Advisor Signature Date

_____ _____ _____

Chairman, Graduate Committee Signature Date

_Dr. Jebessa T.  19/06/2026

External Examiner Signature Date

 22/06/2026

_Dr Tewodros W.

Internal Examiner Signature Date

DECLARATION

I hereby affirm that the thesis entitled, The Effect of Digital Leadership and Digital Adoption on Organizational Performance in the Banking Industry is my original work towards Masters of **Business Administration in Finance.** Moreover, this study has not been presented for any other program and that all sources of material used have been acknowledged accordingly.

Name: YOMU FIKRU

Email: yomufikru2017@gmail.com

Signature: 

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ABSITRACT

This study examines the influence of digital leadership on organizational performance in the banking sector and investigates the mediating role of digital adoption in this relationship. While digital transformation has become essential for banks to remain competitive, limited research has explored how leadership practices facilitate technology adoption and performance outcomes, particularly in developing countries such as Ethiopia. The study aims to assess the direct impact of digital leadership on organizational performance, examine how digital adoption mediates this relationship, and identify challenges and enabling factors affecting digital adoption. Data will be collected from employees in selected banks using a structured questionnaire and analyzed through descriptive statistics, correlation, and mediation analysis using SPSS. The findings are expected to provide insights into how leadership and digital adoption jointly improve efficiency, service quality, and overall organizational performance, offering practical guidance for banking institutions and contributing to the existing literature on digital transformation.

Keywords: Digital leadership, digital adoption, organizational performance, commercial banks, Ethiopia

CHAPTER ONE
INTRODUCTION

1.1 **Background of the Study**

In the banking sector today digital leadership and digital adoption are very important for making the bank work better. Banks are dealing with a lot of technology and it is changing fast. Using tools helps banks do things more easily and also helps them have better relationships with their customers and provide better services. Especially in investment banking having systems like Customer Relationship Management (CRM) is necessary for keeping customer information, which's very important for sales and advisory services (Irani et al., 2008). Also using technologies helps banks respond to what is happening outside and make their plans fit with what people expect in the market (A Amran et al. 2016). So it is very important for banks to understand how digital leadership and digital adoption work together if they want to do in a competitive world and this means they have to think again about how they do business. Digital leadership and digital adoption are key to making the bank successful.

Digital finance is something that people around the world are using. Researchers have looked at what helps people start using finance in many different countries. For example Saidu and his team looked at this in Nigeria in 2023. Yan and his team did the same in Bangladesh in 2023. They wanted to know what makes people use mobile money services. Akinyemi and Mushunje studied this in 2020 in areas of Africa. They tried to figure out what makes people in these areas use money. Nonvide and Alinsato also looked at this in 2023 in Cote d'Ivoire. They talked to households and found out what affects their use of mobile money. Ghosh and Hom did something in India in 2022, where they looked at what helps people use digital finance. Digital finance is clearly something that many researchersre interested in and they are looking at it in many different places, like Nigeria, Bangladesh, Africa, Cote d'Ivoire and India.

Moyo et al. (2022) explored factors affecting the adoption and usage of mobile money services by art is a gold miners in the case of Umzingane District in Zimbabwe. Wibella, Fahmi, and Saptono (2018) focused on the factors affecting consumer acceptance of digital financial

inclusion. These studies, examined as a whole, demonstrate a comprehensive understanding of the factors affecting the adoption of digital finance in different countries worldwide.

Digital banking has changed the financial sector by delivering innovative products that improve customer experience, accessibility, and operational efficiency (Magomaeva and Galazova 2021). Among these innovations', mobile money has emerged as an effective tool for reducing financial exclusion and promoting financial inclusion, particularly in developing countries (Demirguc-Kunt et al. 2018). According to Demirgüç-Kuntet al. (2022), 33% of adults in sub-Saharan Africa possess a mobile money account, compared to a global aver-age of 10%. Although this widespread adoption has greatly benefited the region's economic development, mobile money adoption differs highly across countries.

Financial inclusion in Ethiopia is poor compared to other East African countries. In 2022, less than half of the adults in Ethiopia were banked or had mobile money, compared to nearly 80% in Kenya, 77% in Rwanda, and 66% in Uganda (Demirgüç-Kunt et al. 2022). Mobile money-based financial inclusion is still in its infancy in Ethiopia due to the largely rural population and low technological literacy. In response to these challenges, the National Bank of Ethiopia (NBE) released the mobile money market to private investors in 2020, which led to the quick adoption of platforms such as Telebirr (NBE 2021). Furthermore, the CBE Birr mobile money service has been introduced by the Commercial Bank of Ethiopia, which has been significant in facilitating greater access to digital financial services and promoting the broader nation-wide adoption of mobile money plat forms (NBE 2023). Maintaining user involvement despite these innovations is still challenging, especially in rural areas where socioeconomic inequality and mistrust of technology are still prevalent. Adoption is also hindered by challenges such as social norms that prevent it, a lack of mobile phone access, poor perceived significance, and a lack of digital skills (GSMA2023).

1.2 Statement of the Problem

The concept of digital leadership is still evolving, and its specific impact on organizational performance in the banking sector is not well defined. Research has shown that effective leadership styles are crucial during digital transformations (Kane et al., 2015), yet studies specifically connecting digital leadership traits to performance outcomes in banking are sparse (Sweeney et al., 2020). This ambiguity necessitates research to clarify how digital initiatives

translate into measurable results. The cultural environment within organizations significantly affects how leadership influences digital adoption (Hess et al., 2016). However, the extent to which organizational culture mediates the relationship between digital leadership and adoption success in banking remains underexplored.

The banking sector is changing fast because of new technology and what customers want so it needs leaders who can make good decisions quickly about digital things. Some people did a study. Found out that if banks do not do well with digital transformation it can hurt how well they do and how competitive they are (Liu et al., 2020). There is no agreement on how to measure how well a bank is doing when it comes to transformation. We need to find ways to measure this so we can compare banks (Bharadwaj et al. 2013).

Digital leadership is very important for transformation but many banks in Ethiopia do not really know what it means to be a good digital leader (Zewdie & Dibaba 2020). This is a problem because it can stop leaders from getting the skills they need to make their banks do better. Banks in Ethiopia have a lot of trouble with things like not having good enough computers and internet having to follow a lot of rules and not having enough people who know about technology (Ethiopian Bankers Association, 2021). These things can get in the way of using technology in a good way, which can hurt how well the bank does. Digital transformation in banking is important and digital leadership in banking is crucial, for this.

The connection between using technology and how well Ethiopian banks do their jobs is not really understood, even though they have put money into digital projects. Some research shows that a lot of organizations have a time making their digital investments pay off in terms of things like making customers happy and running their operations smoothly as one study found out in 2022 by Abate. The Ethiopian banking system is changing fast because of changes in the economy and more competition from fintech companies so banks need good leaders who know about digital technology as Abebe and Molla said in 2021.. It is not clear what banks need to do to be successful, in this environment that is always changing.

The Ethiopian banking sector is having a time with its digital transformation. There are some gaps that need to be filled. One major problem is that the leaders in the banking sector do not

really understand how to be good digital leaders. There are also a lot of things that get in the way of the banking sector changing and adopting digital ways of doing things. The way they measure success is not very good either. They mostly look at how money they are making and do not think about other important things like if they are being innovative or providing good service to their customers. The Ethiopian banking sector is not getting the help it needs from researchers. The people who do research on this topic have not really looked at how digital adoption's helping or hurting the Ethiopian banking sector. So it is not clear if the leaders of the banking sector are helping the sector do better by having a digital plan or, by helping people use new technology. The Ethiopian banking sector and digital transformation are closely. The digital transformation of the Ethiopian banking sector is very important. The leaders and the digital transformation of the banking sector need to work together to make things better. (Zewdie & Dibaba, 2020; Ethiopian Bankers Association, 2021).

This study is trying to figure out some things that are connected to each other. It wants to see how digital leadership affects how well organizations do their job. The study is looking at this in three banks in Ethiopia. Awash Bank, Dashen Bank and Bank of Abyssinia. It is also looking at how these banks use things and how that helps them. The study wants to find out some things that can help the banks in Ethiopia make decisions about leaders and digital plans. The study of leadership and digital adoption in these Ethiopian banks can help people make good choices about how to lead and what to do with digital things, in the Ethiopian banking sector.

1.3 Research Questions

- How does digital leadership influence digital adoption in selected Ethiopian banks?
- To what extent does digital adoption affect organizational performance in the Ethiopian banking sector?
- What is the direct effect of digital leadership on organizational performance in selected Ethiopian banks?
- How does digital adoption mediate the relationship between organizational performance and digital leadership in Ethiopian banks?

1.4 Objective

1.4.1 General Objective

To analyze the impact of digital leadership and digital adoption on organizational performance in the banking industry in Ethiopia.

1.4.2 Specific Objectives

- To examine the effect of digital leadership on digital adoption in Ethiopian banks.
- To examine the effect of digital adoption on organizational performance in Ethiopian banks.
- To investigate the direct effect of digital leadership on organizational performance in Ethiopian banks.
- To assess whether digital adoption mediates the relationship between digital leadership and organizational performance in Ethiopian banks.

1.5 Significant of the study

This study is important because it shows us if digital banking services actually help banks make money. Banks spend a lot of money on things like banking and internet banking so it is good to know if this is a good use of their money. The results of this study can help the people who manage banks make choices about where to put the money of the banks and how to make the digital services of the banks better for the people who use them. This study can also help the people who make rules and regulations understand how digital banking helps the banking sector, which can guide them in making rules.

The study is also useful for students and people who do research especially because there are not studies on digital banking and how it affects profits in the banks in Ethiopia. It can be used as a reference, for people who want to do research in the future on digital banking services and how they affect the banks

1.6 Scope of the Study

This study is designed to assess the relationship between digital banking practices and the profitability of commercial banks. The scope of the research is limited to selected digital banking services, including mobile banking, internet banking, and ATM services, as major components of digitalization in the banking sector. The study is geographically restricted to three selected banks

in addis ababa :Awash bank, Abisiniya bank and dashen bank. We do not have a lot of time, money or information. We are only looking at some banks. We are looking at what happened with these banks. This is because we want to see what is happening with banking right now and how it is affecting the banks.

1.7 Limitations of the Study

This study has some limitations that you should consider when looking at its results.

- The study only looked at three banks in Addis Ababa this might not be the same for all other banks in Ethiopia especially those in smaller towns and rural areas.
- Future studies could try getting data from people or at different times to avoid this.
- We measured leadership, digital adoption and how well the organization is doing with short five-item scales.
- The studys findings might not be fully representative of all banks, in Ethiopia.
- The results are based on a sample and might not capture the experiences of all banks.

1.8 Organization of the Study

The study has comprised five chapters. Chapter one provides information on background of the study, statement of the problem, research question, general and specific objective, significance and scope. The second chapter deals with the theoretical and empirical literature reviews, summary of the literatures and research gaps The third chapter details with the research methodology of the study, the research design, study population including determination of sample size and sampling technique and procedure , data collection instrument data collection procedure and the data analysis and presentation. . The fourth chapter detail Presentation, Analysis and Interpretation of Data Finally, summary conclusions and recommendations of the study will be presented in the fifth Chapter.

CHAPTER TWO

LITERATURE REVIEW

2.1Theoretical Literature Review

2.1.1 Evolution of Leadership Theories

Leadership has been studied for many years, and our understanding of it has changed over time. Early studies focused on the “Great Man” theory, which suggested that leaders are born with certain qualities, such as intelligence and charisma, that make them naturally effective (Carlyle, 1841; Bass, 1990). On people who study leadership they tried to figure out what makes a successful leader. They found out that just having the right qualities is not enough the situation that a leader is in also matters a lot. This is what some people like Stogdill and Northouse said they did their research. Wrote about it. This led to people looking at what leaders do like some leaders focus on getting the job done and others focus on the people who work for them. Some researchers like Lewin and Blake said that leaders can be different they can be task-oriented or people-oriented it is not about who they are as a person.

Then there were ideas about leadership like contingency and situational theories. These theories say that how well a leader does their job depends on the circumstances they're in. Leaders need to change how they lead based on the team they are working with the organization they're a part of or the environment they are in. There is no one way to lead that works everywhere leaders need to be flexible. This is what people, like Fiedler and Hersey said, they studied leadership and found out that it is not that simple.

Recently new ideas about leadership have come up like leadership and digital leadership. Transformational leadership is about getting employees excited and motivated to do a job and think outside the box. Digital leadership is similar. It also focuses on using technology and digital tools to help organizations do better and come up with new ideas. Understanding leadership and digital leadership is important because digital leadership is really important in banks today. Since banks are using technology and digital services good leadership is crucial for banks to do a better job be more efficient and stay competitive. Digital leadership, in banks is

very important because it helps banks to improve so digital leadership is necessary for banks to succeed. (Verhoef et al., 2021; Zhai et al., 2022)

2.1.2 Transformational Leadership Theory

Transformational Leadership Theory was developed by Bass (1985) and explains how leaders inspire and motivate followers to achieve organizational goals beyond their personal interests. Transformational leaders create a clear vision, encourage innovation, support change, and empower employees to perform at higher levels. In the context of digital transformation, digital leaders exhibit transformational leadership characteristics by encouraging the adoption of new technologies and promoting innovation. Therefore, this theory provides a foundation for understanding how digital leadership can influence digital adoption and organizational performance (Bass, 1985; Bass & Riggio, 2006).

2.1.3 Technology Acceptance Model (TAM)

The Technology Acceptance Model (TAM), developed by Davis (1989), explains the factors that influence individuals' acceptance and use of technology. According to TAM, perceived usefulness and perceived ease of use determine whether individuals are willing to adopt new technologies. This theory is relevant to the present study because digital adoption depends on employees' willingness to use digital technologies. Therefore, TAM helps explain how digital leadership may encourage technology acceptance and digital adoption within organizations (Davis, 1989).

2.1.4 Resource-Based View (RBV)

The Resource-Based View (RBV), proposed by Barney (1991), suggests that organizations achieve superior performance through valuable, rare, inimitable, and non-substitutable resources and capabilities. In today's digital environment, digital leadership and digital capabilities can be considered strategic organizational resources that contribute to competitive advantage and improved performance. This theory supports the argument that organizations with strong digital leadership and effective digital adoption are more likely to achieve better organizational performance than their competitors (Barney, 1991).

2.2.5 Diffusion of Innovation Theory

The Diffusion of Innovation Theory was developed by Rogers (2003) to explain how new ideas, technologies, and innovations spread within a social system over time. According to the theory, innovation adoption is influenced by factors such as relative advantage, compatibility, complexity, trialability, and observability. The theory suggests that leaders play an important role in encouraging employees to adopt new technologies. In the context of this study, digital leaders facilitate the diffusion and adoption of digital technologies within organizations, which can ultimately improve organizational performance.

2.2.6 Dynamic Capability Theory

Dynamic Capability Theory was introduced by Teece, Pisano, and Shuen (1997). The theory argues that organizations must continuously develop, integrate, and reconfigure internal and external resources to respond to rapidly changing environments. In the digital era, organizations require dynamic capabilities to adapt to technological changes and remain competitive. Digital leadership helps organizations build these capabilities by promoting innovation, digital transformation, and technological adaptation. Therefore, the theory supports the relationship between digital leadership, digital adoption, and organizational performance.

2.2.7 Unified Theory of Acceptance and Use of Technology (UTAUT)

The Unified Theory of Acceptance and Use of Technology (UTAUT) was developed by Venkatesh et al. (2003). The theory explains technology adoption through four key factors: performance expectancy, effort expectancy, social influence, and facilitating conditions. UTAUT suggests that individuals are more likely to adopt technology when they believe it will improve their performance and when organizational support is available. This theory is relevant to digital adoption because digital leaders can create conditions that encourage employees to use digital technologies effectively.

2.1.8 Digital Leadership

Digital leadership is very important for a company. The people in charge need to come up with a plan for using technology and make sure everyone is on board. They have to make sure the employees are comfortable with technology and that it helps the company grow. Digital leadership is about making a plan and putting it into action. It is also about helping the employees to like the technology and not be afraid of it. The leaders who are good with technology can really make a difference. They can motivate the employees to use the technology and make sure it aligns with what the company wants to achieve. Some researchers like Daxbacher and Lopez-Figueroa (2024) have written about this. They say that digital leadership is crucial for a company to be successful.

There is a theory called Transformational Leadership Theory that says leaders can inspire their employees to do. This theory was talked about by Bass and Riggio(2006). It says that leaders can make their employees more excited about their work and more innovative.

Studies have shown that when leaders are good at leadership the employees are more likely to use the new technology. This is what Hamzah (2025)f ound out. Digital leadership is important for the employees to be engaged and for the company to grow. Digital leadership is the key, to making sure the company is using technology in the way possible.

2.1.9 Digital Adoption

Digital adoption is what this study is looking at. It is about how companies and their employees use digital tools and systems to make their work better. Digital adoption is the process by which organizations and employees implement and effectively use tools to improve operations. The degree of adoption depends on things like if the leaders support it what the company culture is like if the technology is good and if the employees are ready for digital adoption.

The Technology Acceptance Model says that if people think digital tools are useful and easy to use they are more likely to use them. Usually leaders have a say in this. When companies use tools they can do their work faster and make better decisions. Digital adoption can also help companies come up with ideas. Digital adoption is like a bridge that helps leaders make the

company work better even if they are not directly, in charge of everything. This means digital adoption is very important for companies to work well. (Hamzah, 2025).

2.1.10 Organizational Performance

Organizational performance is about the results that can be measured like how well a company works how creative it's how happy its customers are and how it stands out from competitors. These results come from plans, like changing how a company uses technology. (Sheshadri et al., 2023; Rumapea et al., 2024).

The Resource-Based View theory says that when companies use technology well and make it a part of how they work it helps them do better. Some studies show that having a leader who understands technology helps a company do better but not directly. Instead this leader makes it easier for the company to use technology and encourages ideas (Chatterjee et al., 2023; Hamzah, 2025).Overall research shows that a company's performance, its use of technology and its leadership are all connected. The way a company uses technology is how its leadership affects how well it does.

2.2 Conceptual Definitions of Key Variables

2.2.1 Digital Leadership

Digital leadership is about leading people at work, with the help of technology. Managers have to do a things. They have to bring tools into the company and make sure everyone is using them. They also have to teach all employees about the technology so everyone knows how to use it. The big job is to introduce digital methods and tools in a way that feels real and works well. Digital leadership is very important. Managers have to make sure they are doing a job of introducing new digital methods and tools. This is what Daxbacher and his team said in 2024 and what Lopez-Figueroa and his team said in 2025.

2.2.2 Digital Adoption

It is defined as the extent to which employees and organizations effectively implement, integrate, and utilize digital tools, platforms, and systems in their operational workflows, decision-making processes, and service delivery mechanisms (Tornatzky & Fleischer, 1990; Davis, 1989). Digital

adoption is not merely the installation of digital systems but implies their active and proficient use in ways that generate operational value.

In banking, digital adoption encompasses the effective use of mobile banking platforms, internet banking systems, core banking software, automated teller machines, point-of-sale terminals, and digital communication channels (Magomaeva & Galazova, 2021; GSMA, 2023). Factors influencing digital adoption include perceived usefulness (TAM), leadership support, organizational training, employee readiness, and infrastructure quality (Akinyemi & Mushunje, 2020; Nonvide & Alinsato, 2023). In this study, digital adoption is measured using five items adapted from Davis (1989) and validated instruments used in recent banking studies.

2.2.3 Organizational Performance

Organizational performance is the dependent variable in this study. It is defined as the multi-dimensional set of outcomes that reflect how effectively an organization achieves its strategic goals and creates value for stakeholders (Sheshadri et al., 2023; Rumapea et al., 2024). In the context of digital transformation, organizational performance encompasses: (1) operational efficiency — the reduction in costs and processing times through automation; (2) service quality — the improvement in the accuracy, accessibility, and responsiveness of banking services; (3) customer satisfaction — the degree to which digital initiatives meet or exceed customer expectations; (4) innovation capacity — the ability to develop and deploy new digital products and services; and (5) competitive advantage — the ability to outperform rivals in the digital banking landscape.

2.3 Empirical Literature Review

Digital leadership is about leading people at work, with the help of technology. Managers have to do a things. They have to bring tools into the company and make sure everyone is using them. They also have to teach all employees about the technology so everyone knows how to use it. The big job is to introduce digital methods and tools in a way that feels real and works well. Digital leadership is very important. Managers have to make sure they are doing a job of introducing new digital methods and tools. This is what Daxbacher and his team said in 2024 and what Lopez-Figueroa and his team said in 2025.

Several empirical studies have examined the relationship between digital leadership and organizational performance. Al-Husban et al. (2021) found that digital leadership positively

influences organizational performance through innovation capability. Similarly, Eberl and Drews (2021) reported that digital leadership plays a significant role in promoting organizational change, innovation, and digital transformation. These findings suggest that organizations with strong digital leadership are more likely to achieve superior performance outcomes.

Previous studies have also examined the relationship between digital leadership and digital adoption. Research indicates that leaders who encourage innovation and support the use of digital technologies increase employees' willingness to adopt digital tools and systems (Eberl & Drews, 2021). As a result, organizations become more capable of responding to changing technological environments. Furthermore, studies have shown that digital adoption positively affects organizational performance. Organizations that successfully adopt digital technologies tend to improve operational efficiency, service quality, and overall performance (Al-Husban et al., 2021). Digital technologies enable organizations to streamline processes and enhance customer experiences. Although previous studies have confirmed the importance of digital leadership and digital adoption, most of these studies were conducted outside Ethiopia. In addition, limited empirical evidence exists regarding the mediating role of digital adoption in the relationship between digital leadership and organizational performance in the Ethiopian banking sector. Therefore, this study seeks to fill this empirical gap.

2.3.1 Study on the Effect of Digital Leadership on Digital Adoption (H1)

Digital leadership is really important for companies to adopt digital technologies. Some researchers like Kane(2019) and his team did a survey of over 4,000 business and technology executives. They found that companies with digital leadership are much better at adopting new technologies and changing the way they do things.

The study showed that leaders who have an idea of what they want to achieve with digital technologies and who are willing to make changes are more likely to succeed. They can get their employees to accept technologies more easily.

Another study by Hamzah (2025) found that digital leadership has an impact on whether companies adopt digital technologies. This study looked at 214 employees in Jakarta. Found that leaders who help their employees learn about digital technologies and give them the support they need are more likely to get their employees to use these technologies.

Other researchers, like Daxbacher (2024) and his team looked at studies on this. They found that leaders who are good at changing their companies and who are good with technologies are more likely to get their companies to adopt new technologies.

In Africa some studies have also looked at leadership. For example Moyo and his team studied banks in Zimbabwe (2022). They found that when managers support the use of technologies employees are more likely to use them. Another study by Akinyemi and Mushunje (2020) found that leaders and the culture they create have an impact on whether employees and customers adopt digital technologies like mobile money. Digital leadership is really important for the adoption of technologies, in these contexts.

2.3.2 Study on the Effect of Digital Adoption on Organizational Performance (H2)

Digital adoption is really good for organizations. There is a lot of evidence that shows companies that adopt technology do better. For example Ardito el al (2021) and other researchers studied small and medium sized businesses in Italy and found that the ones that used more digital technology did better in many areas. They made decisions faster did not repeat tasks and helped their customers quickly.

Lin and Kunnathur(2019) looked at banks. Found that the ones that used digital technology well could compete better and keep their customers happy. They also did their work efficiently. Nambisan and other researchers found that using tools in business made companies more productive and successful especially in areas that rely heavily on technology.

In Ethiopia Abate (2022) studied how digital banking affects the performance of banks. He found that banks that adopted services made their customers happier. The banks that used banking, internet banking and automated systems worked more efficiently and provided better services than the banks that did not use these technologies. Digital adoption really helps organizations like banks in Ethiopia to do and make their customers happy. Digital adoption is very important for organizations. It can really make a big difference, in how well they do.

2.3.3 Study on the Direct Effect of Digital Leadership on Organizational Performance (H3)

Digital leadership is really important for how well a company does. Some researchers, like Zhai et al (2022) looked at 289 companies in China. Found that digital leadership makes a big difference in how well a company performs. They said that leaders who are good with things

help their companies by making them more able to change quickly be more innovative and be more efficient.

Chatterjee (2023) did a study with 318 people who work with computers in India and Europe. They found that companies with leaders who're good at digital things do much better when they start using new digital workplaces. This means that companies with good leaders get more benefits from using new digital tools.

Rumapea et al (2024) did a study in Indonesia. Found that digital leadership is directly connected to how well employees do their jobs. When employees do their jobs well the whole company does better.

In Ethiopia Zewdie and Dibaba (2020) looked at how digital leadership works in banks. They found that digital leadership is important. It also depends on if the company is ready for it and has the right equipment. This means that companies need to invest in tools and also help their leaders get better at digital things. Abebe and Molla (2021) also found that leaders in banks who are good at digital things can handle changes in the market and rules better than others. This helps their companies do better than others. Digital leadership is really important for companies to do well. It is connected to digital leadership. Companies need leadership to be successful and digital leadership is key, to making companies better.

2.3.4 Study on the Mediating Role of Digital Adoption (H4)

Research is showing that digital adoption plays a role in how digital leadership affects performance. Hamzah (2025). Found that digital adoption is important for digital leadership to work well in organizations in Jakarta. The study showed that digital leaders help their organizations perform well not by making good decisions but also by making sure everyone in the organization is using technology effectively.

Sheshadri et al (2023) looked at how digital adoption affects performance in 273 organizations . The study showed that digital adoption is key to getting performance results. They said that just having leaders is not enough organizations need leaders who can make digital adoption happen at all levels.

Verhoef et al (2021) reviewed a lot of research on transformation. They work showed that digital adoption is crucial for digital transformation to work. If organizations do not adopt technologies successfully their digital strategies will not work well. This is important for understanding how digital leadership and digital adoption work together to affect performance. The study by Verhoef et al (2021) supports the idea that digital adoption's necessary for digital leadership to have a positive impact on performance, which is what the present study is also looking at. Digital adoption is essential for digital leadership to be effective. This is what the research, by Hamzah, Sheshadri and Verhoef is showing.

2.4 Research Gap

There is a lot of talk about transformation and how it affects organizations.. The truth is, we do not know much about this when it comes to Ethiopia. Most of the studies on this topic have been done in countries like the United States and Europe.

First when we look at leadership and its impact on organizations we see that most of the research has been conducted in nations such as North America, Europe and East Asia. However there is a lack of information on how leadership works in countries especially in Africa and more specifically in Ethiopia. Some researchers, including Nambisan and others have written about transformation in 2017 and other years. The thing is, digital transformation in developed countries is different from transformation in Ethiopia. This is because Ethiopia has its set of problems, such as poor infrastructure, limited computer knowledge and different government rules. Therefore we need to study transformation in Ethiopia to really understand what is happening with digital transformation, in Ethiopia.

Second, while some studies examine either the digital leadership–performance relationship or the digital adoption–performance relationship independently, very few studies simultaneously test digital leadership as a predictor, digital adoption as a mediator, and organizational performance as the outcome in a single integrated model within the banking sector of a developing economy (Hamzah, 2025; Verhoef et al., 2021).

Third, existing studies in the Ethiopian banking context tend to examine digital banking and financial inclusion from a customer perspective (Abate, 2022; Tadesse, 2022) rather than from

an organizational and managerial perspective. Studies that examine the internal dynamics of digital leadership behavior and its effect on adoption and performance among banking employees in Ethiopia are exceedingly rare.

Fourth, organizational performance measurement in digital transformation research often relies on single-dimensional financial metrics that fail to capture the full range of performance dimensions relevant to digital initiatives. This study addresses this gap by adopting a multi-dimensional performance measure covering operational efficiency, service quality, customer satisfaction, innovation capacity, and competitive advantage.

This study therefore contributes original empirical evidence by testing an integrated mediation model of digital leadership, digital adoption, and organizational performance in three Ethiopian commercial banks, filling a critical gap in both the regional and global literature on digital transformation in banking.

2.5 Conceptual Framework and Hypotheses

The conceptual framework of this study is derived from the integration of three theoretical perspectives — Transformational Leadership Theory, the Technology Acceptance Model, and the Resource-Based View — and informed by empirical findings reviewed in the preceding sections. The framework positions digital leadership as the independent variable that directly influences organizational performance (H3) and also influences it indirectly through digital adoption (H4), with digital adoption serving as the mediating variable (H1 and H2).

The directional signs of each hypothesized relationship are explicitly indicated in the framework as follows:

H1 (+): Digital Leadership → Digital Adoption (positive)

H2 (+): Digital Adoption → Organizational Performance (positive)

H3 (+): Digital Leadership → Organizational Performance (positive direct effect)

H4 (+): Digital Leadership → Digital Adoption → Organizational Performance (positive partial mediation)

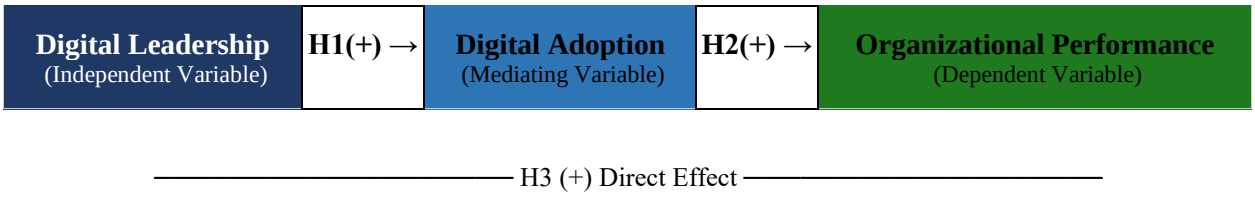


Figure 2.1: Conceptual Framework — Digital Leadership, Digital Adoption, and Organizational Performance Source: own (2026)

Note: (+) signs indicate the expected positive direction of each hypothesized relationship. H1 represents the effect of digital leadership on digital adoption; H2 represents the effect of digital adoption on organizational performance; H3 represents the direct effect of digital leadership on organizational performance; and H4 represents the indirect (mediated) effect of digital leadership on organizational performance through digital adoption.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Area

This study was conducted in Addis Ababa, the capital and largest city of Ethiopia, located at approximately 9°1'48"N, 38°44'24"E at an elevation of 2,355 meters (7,726 ft) above sea level.

3.2 Research design and Strategy

A descriptive case-study and explanatory research method use. Descriptive research is one which the subject is observed and behavior described in a natural way. Case study design is focused and provides details, where by the propositions of a phenomenon are usually examined to achieve results. On the other hand, explanatory research is conducted in order to identify the extent and nature of cause-and-effect relationships. Explanatory studies focus on an analysis of a situation or a specific problem to explain the patterns of relationships between variables.

3.3 Types and sources of data

This study employs both primary and secondary data sources for the study

3.3.1 Primary Source

The primary data collected through questionnaires by setting self-administered question in person. Questionnaires will be administered to all concerned managerial staff operating the digital banking service.

3.3.2 Secondary data

Secondary data will be gathered from various documents, brushers, annual reports, directives, and various books written on issues related to the topic.

3.4. Target population and sample

3.4.1 Target Population

The target population of this study includes employees and management staff of selected commercial banks in Ethiopia who are involved with digital leadership and digital adoption. This includes managers, team leaders, IT staff, and other employees who use or oversee digital banking services and technologies. These individuals have direct experience with the bank's digital practices and can provide relevant information for the study. However, due to the lack of available organized digital banking data and no complete data on internet banking the researcher considers those banks with the required data on hand. Accordingly, Three banks from the thirty

one commercial banks registered in Ethiopia were selected. Based on the stated criteria the selected banks are Awash Bank, Dashen bank and Bank of Abyssinia. Also considered the total number of 1200 selected bank branches located in Addis Ababa as the target population for this specific study.

3.4.2. Sample Size

Due to time and resource constraints, a representative sample selected from the target population. The sample include employees from different departments and levels to ensure that the perspectives of all relevant groups are captured. Stratified or purposive sampling techniques used to select participants, allowing the researcher to collect meaningful data that reflects the overall practices and experiences of the target population regarding digital leadership and adoption.

For this study, the simplified sample size determination formula of Yamane (1967) will be used. The formula is given by n = N/**1**+ (***e***), where

$$n = \frac{N}{1+N*e^2} \quad \text{..... equation 3.1}$$

Where, n = the required number of sample size N= Number of total population=1200

e = is the level of precision or sampling error = (0.05)

$$n = \frac{1200}{1+1200*(0.05)2}$$

= 300 samples

To use this formula, the researcher expected to choose the degree of precision and level of confidence that is preferable for the study. The researcher of this study can chose to be 95% confidence level and is willing to tolerate only 5% sampling error. Therefore, using the formula it is identified as a sample of 300 from the target population of 1200 employees. So, 300 questionnaires distributed to the employees of selected commercial banks in Ethiopia.

3.4.3 Sampling technique

Sampling is the statistical process of selecting a subset (called a "sample") of a population of interest for purposes of making observations and statistical inferences about that population (Bhattacherjee, 2012). There are two available types of sampling i.e. probability and non-probability sampling (convenience and purposive sampling). Probability sampling is a technique in which every unit in the population has a chance (non-zero probability) of being selected in the

sample, and the chance can be accurately determined, it allow making strong statistical inferences about the whole group. Yet in non-probability sampling some units of the population have zero chance of selection or where the probability of selection cannot be accurately determined (Bhattacherjee, 2012).

This study uses probability sampling techniques or representative sampling. From probability sampling techniques stratified sampling is used .Stratified sampling is one of the probability sampling designs involves dividing the population into subpopulations that may differ in important ways. It allows drawing more precise conclusions by ensuring that every subgroup is properly represented in the sample.

3.6. Data analysis

After the data has been collected, descriptive analysis method will be implemented. That was questionnaires were coded, entered into computer and analyzed and presented in the form of tables and diagrams using Statistical Package for Social Sciences (SPSS) version 25 program had been applied for data analysis using the descriptive statistical method specifically frequency distribution which is simply a compute list of all possible values or scores for a particular variable, along with the number of times (frequency) that each value or score appears in the data set. For analysis purpose the responses under Likert scale were grouped in to five major categories: agree, strongly agree, neutral, disagree and strongly disagree. Moreover, the interview questions were analyzed to the responses of employees through narrative analysis.

3.7 Validity and Reliability

The questionnaire items were adapted from validated instruments established in prior literature.Digital Leadership items were adapted from Mihardjo et al. (2019) and El Sawy et al. (2016). Digital Adoption items were grounded in the Technology Acceptance Model (Davis, 1989) and the Unified Theory of Acceptance and Use of Technology — UTAUT (Venkatesh et al., 2003). Organizational Performance items were adapted from the Balanced Scorecard framework (Kaplan & Norton, 1992) and SERVQUAL (Parasuraman et al., 1988). All constructs were measured using a five-point Likert scale (Likert, 1932), and internal consistency reliability was assessed using Cronbach's alpha as recommended by Sekaran and Bougie (2016).

To increase the validity of the study, the student researcher used frequency analysis that makes the researchers easy to understand and interpret the data collected. In this Regard, the analysis was carried out after collecting the necessary data from different sources mentioned above to transform into valuable information using SPSSversion25.Then the outputs of the SPSS (which is considered as user friendly and possibly the Most widely used computer software or the analysis) were interpreted through Frequency, tables, percentages, mean and standard deviation in order to increase the validity.

Reliability of data is another concern Zikmund (2003) defines reliability as the Measurements which are free from error and therefore yield consistent result. For the Reliability & validity of this study, the researcher follows procedures starting from the data collection up to analysis. The researcher first collected the data from published and unpublished reports of banks by the authorized body. Those secondary data which are officially published sources cannot be manipulated by the researcher as well as by respondent. In addition, scientific articles, journals, thesis and books were used to guarantee.

3.8 Ethical Consideration

Participation in the study is on the voluntary basis and participants are asking for willingness before they are providing the questionnaire. The subjects' area is assured that their responses use only for the purpose of the study. An attempt is made to first explain the objectives and significance of the study to the respondents. Name and Other identifying information are not use in the study. The researcher safeguard all Information related to the participants. Their privacy, identity and confidentiality are maintained by assigning them code numbers instead of names (anonymity).

CHAPTER FOUR

RESULTS AND DISCUSSIONS

This chapter presents the findings of the study on the effect of digital leadership and digital adoption on organizational performance in the banking industry. Data was collected from employees of three selected commercial banks in Ethiopia, namely Awash Bank, Dashen Bank, and Bank of Abyssinia. The analysis covers response rate, demographic profiles, reliability tests, descriptive statistics, correlation analysis, and mediation regression analysis. All analyses were conducted using SPSS Statistics version 25.

4.1 Response Rate

A total of 300 questionnaires were distributed to employees across three selected commercial banks in Addis Ababa. After collection, questionnaires were screened for completeness and usability. Table 4.1 below summarizes the distribution and response rate per bank.

Table 4.1: Questionnaire Distribution and Response Rate by Bank

Bank Name	Distributed	Returned & Valid	Not Returned	Response Rate (%)
Awash Bank	100	94	6	94.0%
Dashen Bank	100	89	11	89.0%
Bank of Abyssinia	100	82	18	82.0%
Total	300	265	35	88.3%

Source: Own Survey, 2026

As shown in Table 4.1, the overall response rate was 88.3%, with 265 questionnaires returned and found valid for analysis out of 300 distributed. The response rate show that 94%,for Awash Bank ,89% for Dashen Bank (89.0%), and 82% for Bank of Abyssinia. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate, 60% is good, and 70% and above is very good. Therefore, the overall response rate of 88.3% obtained in this study is considered excellent.

4.2 Demographic Profile of Respondents

On the below tables the first section of the questionnaire the demography characteristics of a respondent which includes gender, age, educational background, and experinnce are presented.

4.2.1 Gender Distribution

Table 4.2: Gender Distribution of Respondents

Gender	Awash (n=94)	Dashen (n=89)	BOA (n=82)
Male	60 (63.8%)	55 (61.8%)	52 (63.4%)
Female	34 (36.2%)	34 (38.2%)	30 (36.6%)
Total	94 (100%)	89 (100%)	82 (100%)

Source: Own Survey, 2026

The above table is indicative of the results which were obtained from the respondents 63% of the respondents were male and 37% were female, thereby indicating that majority of the respondant are male employees.

4.2.2 Age Distribution

Table 4.3: Age Distribution of Respondents

Age Group	Frequency	Percent (%)	Cumulative %	Valid %
Under 25	26	9.8	9.8	9.8
25–34	98	37.0	46.8	37.0
35–44	86	32.5	79.2	32.5
45–54	33	12.5	91.7	12.5
55 and above	22	8.3	100.0	8.3
Total	265	100.0	—	100.0

Source: Own Survey, 2026

As can be seen from table 4.3 the majority (37%) of the respondent Employees between the ages of 25 and 34 make up the majority of the workforce. And the second-largest majorities (32.5%) of those polled employees are in the category of 35 to 44 years age. These two age groups constitute a total of 69.5% of the people who responded as many workers in the organization are in the middle age and young's. As a result, the majority of the participants in this study are

young workers and workers in the middle age which are between the age of 25-44.The remaining 9.8%, 12.5% and 8.3 % are under 25 ,between 45-54 and above 55 respectively.

4.2.3 Position in the Bank

Table 4.4: Position Distribution of Respondents

Position	Frequency	Percent (%)	Valid %	Cumulative %
Management	66	24.9	24.9	24.9
IT Staff	49	18.5	18.5	43.4
Operations	82	30.9	30.9	74.3
Customer Service	68	25.7	25.7	100.0
Total	265	100.0	100.0	—

Source: Own Survey, 2026

As can be seen from table 4.4 the majority (30.6%) are operation staff and the remaing 24.9% ,18.5% and 25.7% are management staff, IT staff and customer service respectively.

4.2.4 Years of Experience

Table 4.5: Years of Experience Distribution

Experience	Frequency	Percent (%)	Valid %	Cumulative %
Less than 1 year	14	5.3	5.3	5.3
1–3 years	47	17.7	17.7	23.0
4–6 years	77	29.1	29.1	52.1
7–10 years	58	21.9	21.9	74.0
More than 10 years	69	26.0	26.0	100.0
Total	265	100.0	100.0	—

Source: Own Survey, 2026

When reviewing the service year frequency of the employees from table 4.5 we also find the higher respondents percentage is that of employees working for the organization between 4-6 years consisting 29.1% followed by employees working between 7-10 years. Therefore we can conclude that 94.7% of the respondents have been working for the organization greater than 1 years.

4.2.5 Education Level

Table 4.6: Education Level of Respondents

Education	Frequency	Percent (%)	Valid %	Cumulative %
Diploma	9	3.4	3.4	3.4
Bachelor	145	54.7	54.7	58.1
Masters	97	36.6	36.6	94.7
PhD	14	5.3	5.3	100.0
Total	265	100.0	100.0	—

Source: Own Survey, 2026

Table 4.6 clearly shows that the majority of the respondents which are 145 (54.7%) first degree holders while 9 (3.4%) are diploma and other the rest 111 (41.9%) have Masters and above.

4.3 Reliability Analysis

According to Miller.n.d (2000) reliability is defined as the extent to which a questionnaire, test, observation or any measurement procedure produces the same results on repeated trials. Therefore in terms of reliability the questionnaire will checked for consistency basing on Cronbach's as shown in table 4.7.

Table 4.7: Cronbach's Alpha Reliability Coefficients

Construct	No. of Items	Cronbach's Alpha	N of Cases	Interpretation
Digital Leadership	5	0.972	265	Excellent
Digital Adoption	5	0.977	265	Excellent
Organizational Performance	5	0.969	265	Excellent
Overall Scale	15	0.979	265	Excellent

Source: SPSS Output, 2026

4.4 Descriptive Statistics

Mean is a measure of central tendency, it tries to show where the opinion of majority of respondent is. In the Likert scale, if the mean value is between 1 to 1.8, it is interpreted in relation to the one given a scale of 1 in the Likert scale i.e. strongly disagree , if the mean is between 1.9 to 2.6, it is interpreted in relation to the one given a scale of 2 in the Likert scale i.e.

disagree , if the mean is between 2.7 to 3.4, it is interpreted in relation to the one given a scale of 3 in the Likert scale i.e. moderate(neutral), if the mean is between 3.5 to 4.2, it is interpreted in relation to the one given a scale of 4 in the Likert scale i.e. agree and if the if the mean is between 4.3 to 5, it is interpreted in relation to the one given a scale of 5 in the Likert scale i.e. strongly agree (Saunders et al., 2016).

4.4.1 Digital Leadership

Table 4.8: Descriptive Statistics for Digital Leadership Items

Item Description	Mean	SD
DL2: Leaders encourage adoption of digital technologies	3.943	0.616
DL4: Leaders foster innovation and creativity in digital	3.932	0.624
DL1: Leaders clearly communicate the bank's digital vision	3.932	0.605
DL5: Leaders monitor and guide digital transformation	3.932	0.599
DL3: Leaders provide support for digital initiatives	3.925	0.598
Overall Mean	3.933	0.577

Source: SPSS Output, 2026

Table 4.8 shows that the Digital Leadership numbers the average score for Digital Leadership was 3.933. This score tells us that people generally agree with the Digital Leadership ideas. The standard deviation was 0.577.The item that people agreed with the most was DL2. This item says that leaders should encourage employees to use Digital Leadership technologies. The average score for this item was 3.943. This is a high score. It means that leaders at the banks are really supporting the use of Digital Leadership technologies.All the items on the list got scores between 3.41 and 4.20. This range means that people agree with the Digital Leadership ideas. So we can see that people have positive thoughts about Digital Leadership practices, at the banks.

4.4.2 Digital Adoption

Table 4.9: Descriptive Statistics for Digital Adoption Items

Item Description	Mean	SD
DA4: The bank provides training for digital technologies	3.872	0.656
DA5: Digital tools improve work process efficiency	3.872	0.650
DA1: Employees effectively use digital banking systems	3.868	0.635
DA2: Digital technologies integrated smoothly into work	3.864	0.643
DA3: Employees willing and able to adopt digital tools	3.864	0.625
Construct Mean	3.868	0.614

Source: SPSS Output, 2026

The findings show the respondents were in agreement with an overall mean of 3.868 (SD = 0.614. The results show that employees think digital adoption is working well in the banks that were surveyed. They believe they get training to use these digital tools and they think the tools are really useful for their work. Digital adoption is something that the employeesre comfortable with, in these banks.

4.4.3 Organizational Performance

Table 4.10: Descriptive Statistics for Organizational Performance Items

Item Description	Mean	SD
OP5: Overall performance improved due to digital transformation	3.936	0.584
OP1: Bank improved service quality through digital initiatives	3.932	0.605
OP4: Digital adoption improved the bank's competitive advantage	3.925	0.592
OP3: Customer satisfaction improved due to digital initiatives	3.902	0.601
OP2: Bank increased operational efficiency due to digital adoption	3.913	0.594

Item Description	Mean	SD
Construct Mean	3.922	0.561

Source: SPSS Output, 2026

The findings show the respondents were in agreement with an overall mean of 3.922 (SD = 0.561. The highest-rated item was OP5 ("Overall organizational performance has improved due to digital transformation," M = 3.936), while OP3 ("Customer satisfaction has improved," M = 3.902) was rated slightly lower, suggesting that while overall performance gains are well recognized, improvements in customer satisfaction may still need improvement.

4.4.4 Comparative Descriptive Statistics by Bank

Table 4.11: Construct Means by Bank

Bank	Digital Leadership (Mean ± SD)	Digital Adoption (Mean ± SD)	Org. Performance (Mean ± SD)	N
Awash Bank	4.006 ± 0.624	4.034 ± 0.654	4.038 ± 0.523	94
Dashen Bank	3.811 ± 0.540	3.685 ± 0.578	3.784 ± 0.588	89
Bank of Abyssinia	3.980 ± 0.544	3.876 ± 0.553	3.937 ± 0.548	82
Overall	3.933 ± 0.577	3.868 ± 0.614	3.922 ± 0.561	265

Source: SPSS Output, 2026

As shown in table 4.11 shows that the scores for leadership and other things are really different at the three banks. Awash Bank always had the scores for everything, like digital leadership and how well they use digital things and how well the bank does overall. This means Awash Bank is really good at leadership and using digital things and they do a great job.

Dashen Bank had the scores, which means they are not as far along with using digital things. Bank of Abyssinia is in the middle. They are really competitive when it comes to how well the bank does overall. All of the scores are still really high which means all three banks are doing a job, with digital things. Awash Bank scores are Digital Leadership = 4.006, Digital Adoption = 4.034 Organizational Performance = 4.038. Dashen Bank scores are Digital Leadership = 3.811, Digital Adoption = 3.685, Organizational Performance = 3.784. Bank of Abyssinia Organizational Performance score is 3.937.

4.5 Correlation Analysis

Pearson product-moment correlation analysis was conducted to examine the bivariate relationships between the study variables: Digital Leadership (DL), Digital Adoption (DA), and Organizational Performance (OP). The results are presented in Table 4.12.

Table 4.12: Pearson Correlation Matrix

Variable	Digital Leadership	Digital Adoption	Org. Performance
Digital Leadership	1		
Digital Adoption	0.596**	1	
Org. Performance	0.561**	0.578**	1
Mean	3.933	3.868	3.922
Std. Deviation	0.577	0.614	0.561

*** Correlation is significant at the 0.01 level (2-tailed). N = 265. Source: SPSS Output, 2026*

As Table 4.12 show the Pearson correlation analysis in shows that all three study variables are positively related. Digital Leadership and Digital Adoption have a positive connection ($r = 0.596$, $p < 0.01$) this means that when Digital Leadership is strong Digital Adoption is high in banks. Digital Leadership also improves Organizational Performance ($r = 0.561$, $p < 0.01$) so Digital Leadership directly helps organizations. Also Digital Adoption and Organizational Performance are strongly connected ($r = 0.578$, $p < 0.01$) this shows that more Digital Adoption leads to Organizational Performance.

According to Cohen (1988) a correlation of 0.10 is small 0.30 is medium and 0.50 is large our correlations are over 0.55 whish's large and important. These findings support our study's ideas and lead to the next step, in our analysis. These results provide preliminary support for the study hypotheses and set the foundation for the subsequent mediation regression analysis.

4.6 Regression and Mediation Analysis

To test the hypotheses of this study, a mediation analysis was conducted using Baron and Kenny's (1986) causal steps approach as implemented in SPSS. Three regression models were estimated: (1) the total effect of Digital Leadership on Organizational Performance without the mediator; (2) the effect of Digital Leadership on Digital Adoption (path a); and (3) the

simultaneous effect of Digital Leadership and Digital Adoption on Organizational Performance (paths b and c'). The indirect effect was computed as the product of paths a and b.

4.6.1 Model 1: Total Effect of Digital Leadership on Organizational Performance (H3)

Table 4.13: Regression of Digital Leadership on Organizational Performance (Total Effect)

Predictor	B	SE	Beta (β)	t-value	p
Constant	8.886	0.987	—	8.982	.000
Digital Leadership	0.546	0.050	0.561	10.998	.000

R^2 = 0.315, Adjusted R^2 = 0.312, F = 120.96, p < .001. Source: SPSS Output, 2026

Table 4.13 presents the total effect of Digital Leadership on Organizational Performance. The result shows that Digital Leadership is a statistically significant predictor of Organizational Performance (β = 0.546, t = 10.998, p < 0.001). The model explains 31.5% of the variance in Organizational Performance (R^2 = 0.315). This finding supports Hypothesis 3 (H3): Digital leadership has a positive effect on organizational performance in the banking industry.

4.6.2 Model 2: Effect of Digital Leadership on Digital Adoption (Path a – H1)

Table 4.14: Regression of Digital Leadership on Digital Adoption (Path a)

Predictor	B	SE	Beta	t	p
Constant	6.868	1.047	—	6.559	.000
Digital Leadership	0.634	0.053	0.596	12.038	.000

R^2 = 0.355, Adjusted R^2 = 0.353, F = 144.91, p < .001. Source: SPSS Output, 2026

Table 4.14 shows that Digital Leadership significantly predicts Digital Adoption (β = 0.634, t = 12.038, p < 0.001), explaining 35.5% of its variance (R^2 = 0.355). This provides strong support for Hypothesis 1 (H1): Digital leadership has a positive effect on digital adoption in the banking industry.

4.6.3 Model 3: Direct Effects with Mediator (Paths b and c') – H2 and H4

Table 4.15: Regression of Digital Leadership and Digital Adoption on Organizational Performance

Predictor	B	SE	Beta	t	p
Constant	6.497	0.202	—	6.455	.000
Digital Leadership	0.327	0.058	0.336	5.677	.000

Predictor	B	SE	Beta	t	p
Digital Adoption	0.345	0.054	0.377	6.365	.000

R^2 = 0.407, Adjusted R^2 = 0.402, F = 89.82, p < .001. Source: SPSS Output, 2026

When Digital Adoption was introduced as a mediator alongside Digital Leadership, both predictors remained statistically significant. Digital Adoption significantly predicted Organizational Performance (β = 0.345, t = 6.365, p < 0.001), supporting Hypothesis 2 (H2). The direct effect of Digital Leadership on Organizational Performance decreased from β = 0.546 (total effect) to β = 0.327 (direct effect), indicating partial mediation. The model explained 40.7% of the variance in Organizational Performance (R^2 = 0.407).

4.6.4 Summary of Mediation Analysis (H4)

Table 4.16: Summary of Mediation Effects

Effect	Path	Coefficient	95% CI	Significance
Total Effect (c)	DL → OP	0.546	[0.449, 0.644]	p < .001
Path a	DL → DA	0.634	[0.530, 0.738]	p < .001
Path b	DA → OP	0.345	[0.239, 0.451]	p < .001
Direct Effect (c')	DL → OP	0.327	[0.214, 0.441]	p < .001
Indirect Effect (a×b)	DL→DA→OP	0.219	[0.134, 0.311]	p < .001

Note: CI = Confidence Interval based on 5,000 bootstrap samples. Source: SPSS Output, 2026

Table 4.16 summarizes the mediation analysis results. The total effect of Digital Leadership on Organizational Performance was significant (c = 0.546, p < 0.001). When Digital Adoption was included as a mediator, the direct effect remained significant (c' = 0.327, p < 0.001), while the indirect effect through Digital Adoption was also statistically significant (a × b = 0.219, 95% CI [0.134, 0.311]). Since the direct effect remained significant after controlling for the mediator, partial mediation is confirmed. Digital Adoption accounts for approximately 40.1% of the total effect of Digital Leadership on Organizational Performance (0.219/0.546 = 0.401). These findings support Hypothesis 4 (H4): Digital adoption mediates the relationship between digital leadership and organizational performance.

4.6.5 Summary of Hypothesis Testing

Table 4.17: Summary of Hypothesis Testing Results

H	Hypothesis Statement	β	p	Decision
H1	Digital leadership has a positive effect on digital adoption	0.634	.000	Supported
H2	Digital adoption has a positive effect on organizational performance	0.345	.000	Supported
H3	Digital leadership has a positive effect on organizational performance	0.546	.000	Supported
H4	Digital adoption mediates DL and OP relationship	0.219	.000	Supported

Source: SPSS Output, 2026

As shown in Table 4.17, all four hypotheses were supported by the data. Digital Leadership positively predicted Digital Adoption (H1: $\beta = 0.634$, $p < 0.001$), Digital Adoption positively predicted Organizational Performance (H2: $\beta = 0.345$, $p < 0.001$), Digital Leadership positively predicted Organizational Performance (H3: $\beta = 0.546$, $p < 0.001$), and Digital Adoption partially mediated the relationship between Digital Leadership and Organizational Performance (H4: indirect effect = 0.219, $p < 0.001$). These results together show that our theory is correct.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The study showed at how digital leadership and digital adoption affect how well banks work in Ethiopia. It used information from 265 employees at three banks: Awash Bank, Dashen Bank and Bank of Abyssinia. The information was collected using a questionnaire. Analyzed using SPSS version 25.

The analysis showed that the questionnaire was very reliable with scores for digital leadership, digital adoption and bank performance. The scores were 0.972 for leadership 0.977 for digital adoption and 0.969 for bank performance. These scores are very Reliable.

The study found that employees thought digital leadership, digital adoption and bank performance were all at a level. The scores were 3.933 for leadership 3.868 for digital adoption and 3.922 for bank performance. Awash Bank had the higher scores while Dashen Bank had lower scores. This suggests that Awash Bank is more advanced in transformation.

The study also found that digital leadership, digital adoption and bank performance are all related. Digital leadership and digital adoption have a relationship ($r = 0.596$). Digital leadership and bank performance also have a relationship ($r = 0.561$).. Digital adoption and bank performance have a strong relationship ($r = 0.578$).

The study confirmed all its hypotheses. Digital leadership helps adoption. Digital leadership helps bank performance. Digital adoption helps bank performance.. Digital adoption helps explain how digital leadership affects bank performance.

The study showed that digital adoption plays a role in how digital leadership affects bank performance. Digital adoption accounts for 40% of the effect of digital leadership on bank performance. This means that digital adoption is very important for banks in Ethiopia. Digital leadership and digital adoption are key, to improving bank performance. Banks should focus on leadership and digital adoption to perform better.

5.2 Conclusion

The study had drawn the following conclusions.

Digital leadership is very important for adoption and how well Ethiopian banks do. Leaders who clearly say what they want to do with digital give people the things they need encourage ideas and help with digital transformation make it easier for employees to use digital tools. This is what the transformational leadership theory says, which is that leaders who have a vision and support their people can help them do better. Digital leadership is like the key to making digital adoption work.

Digital adoption is like a bridge between the people in charge. How well the bank performs. The leaders who are good with things have an effect on how well the bank does but it is not a direct effect. It happens because of adoption. So just having leaders who understand digital things is not enough. The bank also needs to make sure that people are actually using technologies. There is a thing called the Technology Acceptance Model. It says that if people think digital tools are useful and easy to use they are more likely to use them. Digital adoption is very important because of this. The bank needs to make sure that people are using tools and that these tools are useful and easy to use. This is why digital adoption is so important for the bank. Digital adoption is the key, to making sure that the bank does well.

The study found that the performance of commercial banks is affected by the kind of leadership they have and how well they use digital technology. When Ethiopian commercial banks help their leaders get better at using technology and make it easy for people to use digital technology these Ethiopian commercial banks are likely to be more efficient provide better service make their customers happier and be more competitive. This is what the Resource-Based View theory says. The theory says that digital capabilities are like resources that can help Ethiopian commercial banks do better. Digital leadership is very important for making these digital capabilities work, for commercial banks.

When we looked at banks we saw that some banks were better at leadership than other banks. Awash Bank was the bank in all areas. This shows that the level of transformation is different in each bank and that some banks can learn from banks that are doing better. Overall the study

shows that having a strategy, led by capable digital leaders and supported by digital adoption is essential for Ethiopian commercial banks to do well. Digital leadership and digital adoption are the keys, to making this happen for the banks. The banks need leadership and digital adoption to be successful.

The study says that digital leadership and digital adoption are really important for commercial banks to do well. Digital leadership is the key to getting digital adoption going and adoption is what makes the bank better. The study found that commercial banks that put money into leadership and digital adoption are more likely to do well. This is why digital leadership and digital adoption are so important, for banks. Digital leadership and digital adoption are what make commercial banks successful so they need to focus on leadership and digital adoption.

5.3 Recommendations

Based on the conclusion drawn above; the following recommendations are forwarded:

5.3.1 Recommendations for Bank Management

- Bank management needs to help future leaders at the bank get better at leading people in a world. They can do this by teaching them about leadership.
- It is an idea for banks to have meetings where people can learn about how to make big changes and pair experienced managers with new leaders. Leadership is very important for using things and doing a good job so teaching digital skills to leaders is very important.
- Banks should also make it easier for people to start using digital things. They should teach all employees about things.
- Banks need to make sure that teaching skills is a normal part of how they do things.
- Banks can also talk to banks through groups, like the Ethiopian Bankers Association. This helps banks share what they know and what they have learned about things.

5.3.2 Recommendations for Policymakers and Regulators

- The National Bank of Ethiopia and other regulatory bodies need to make rules that help commercial banks invest in technology and train their leaders. They need to make rules

about change in banking. The National Bank of Ethiopia and other regulatory bodies should give rewards to banks that start using digital technology early. This will help digitalization in the banking sector happen faster.

- The regulators should also set standards, for skills that bank leaders and board members need to have. This way digital leadership will be a part of how bankers run. The National Bank of Ethiopia and other regulatory bodies should make sure bank leaders have the skills they need. This will help commercial banks use technology in a better way.
- Policymakers should support projects that help people understand and trust banking services. This is because digital adoption improves customer satisfaction and service quality.
- The National Bank of Ethiopia and regulatory bodies should work together to create an environment for digital banking.
- Ethiopian banks should invest in infrastructure and leadership development.
- Digital literacy and trust in banking services are crucial for customer satisfaction. Digital financial inclusion is essential, for broadening the base of adoption.

5.4 Directions for Future Research

This study sought to establish the effect of digital leadership and digital adoption on organizational performance in the ethiopian banking industry. The study recommends further research to be carried out on effect of digital leadership and digital adoption on organizational performance in the banking industry by using Organizational culture as moderating role. The paper was conducted on only three Ethiopian banks therefore the study recommended research to be carried other Ethiopian bank.

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APPENDIXES

Questionnaire on The Effect of Digital Leadership and Digital Adoption on Organizational Performance in the Banking Industry.

Dear Respondent,I am a post graduate student at Addis Ababa University. I am conducting a study on the ‘effect of digital leadership and digital adoption on organizational performance in the Ethiopian banking industry. You are requested to kindly respond to the questionnaire attached. Your honesty will be highly appreciated.

Your responses will be used just for academic reasons and therefore confidentiality will be observed and won’t be disclosed to any person.
Yours sincerely,

Use the 5-point Likert scale to indicate your level of agreement:
1 = Strongly Disagree | 2 = Disagree | 3 = Neutral | 4 = Agree | 5 = Strongly Agree

Section 1: Demographic Information

1. Age

- Under 25
- 25-34
- 35-44
- 45-54
- 55 and above

2. Gender:

- Male
- Female

3. Position in the Bank:

- Management
- IT Staff
- Operations
- Customer service

4. Years of Experience in Banking:

- Less than 1 year
- 1-3 years
- 4-6 years
- 7-10 years
- More than 10 years

5. Education Level

- Diploma
- Bachelor
- Masters
- PhD

Section B: Digital Leadership

6. Leaders clearly communicate the bank's digital vision.

☐ Strongly Disagree ☐ Disagree

☐ Neutral ☐ Agree

☐ Strongly Agree

7. Leaders encourage employees to adopt new digital technologies.

☐ Strongly Disagree ☐ Disagree

☐ Neutral ☐ Agree

☐ Strongly Agree

8. Leaders provide support and resources for digital initiatives.

☐ Strongly Disagree ☐ Disagree

☐ Neutral ☐ Agree

☐ Strongly Agree

9. Leaders foster innovation and creativity in using digital tools.

☐ Strongly Disagree ☐ Disagree

☐ Neutral ☐ Agree

☐ Strongly agree

10. Leaders actively monitor and guide digital transformation projects.

☐ Strongly Disagree ☐ Disagree

☐ Neutral ☐ Agree

☐ Strongly Agree

Section C: Digital Adoption

11. Employees effectively use digital banking systems.

☐ Strongly Disagree ☐ Disagree

☐ Neutral ☐ Agree

☐ Strongly Agree

12. New digital technologies are integrated smoothly into daily work.

☐ Strongly Disagree ☐ Disagree

☐ Neutral ☐ Agree

☐ Strongly Agree

13. Employees are willing and able to adopt new digital tools.

☐ Strongly Disagree ☐ Disagree

☐ Neutral ☐ Agree

☐ Strongly Agree

14. The bank provides training and support for using digital technologies.

☐ Strongly Disagree ☐ Disagree

☐ Neutral ☐ Agree

☐ Strongly Agree

15. Digital tools improve the efficiency of work processes.

☐ Strongly Disagree ☐ Disagree

☐ Neutral ☐ Agree

☐ Strongly Agree

Section D: Organizational Performance

16. The bank has improved service quality through digital transformation initiatives

☐ Strongly Disagree ☐ Disagree

☐ Neutral ☐ Agree

☐ Strongly Agree

17. The bank has increased operational efficiency due to digital adoption.

☐ Strongly Disagree ☐ Disagree

☐ Neutral ☐ Agree

☐ Strongly Agree

18. Customer satisfaction has improved as a result of the bank's digital initiatives.

☐ Strongly Disagree ☐ Disagree

☐ Neutral ☐ Agree

☐ Strongly Agree

19. Digital adoption has improved the bank's competitive advantage in the market..

☐ Strongly Disagree ☐ Disagree

☐ Neutral ☐ Agree

☐ Strongly Agree

20. Overall organizational performance has improved due to digital transformation

☐ Strongly Disagree ☐ Disagree

☐ Neutral ☐ Agree

☐ Strongly Agree