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COLLEGE OF BUSINESS AND ECONOMICS

THE EFFECT OF STRATEGIC MANAGEMENT PRACTICE ON ORGANIZATIONAL  
PERFORMANCE:

A CASE OF SELECTED COMMERCIAL BANKS IN ETHIOPIA

A Thesis Submitted to Addis Ababa University College of Business and Economics in partial fulfillment of the requirements for the Degree of Master of Science (M.Sc.) in Management Specialized in Quality assurance and Organizational Excellence

By Etsegenet Lemecha

Advisor:

Dejene Tulu (PHD)

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Approval Page

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College of business and economics

The effect of strategic management practice on organizational performance: a case of selected commercial banks in Ethiopia

Etsegenet Lemecha

Under the supervision of Dr. Dejene Tulu (PHD)

Approved By Board of Examiners:

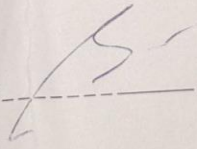
Advisor: Dr. Dejene Tulu (PhD)

Signature: \_\_\_\_\_ JUNE, 2025 G.C

Internal Examiner: Habtamu Endris (PhD)

Signature:  \_\_\_\_\_ JUNE, 2025 G.C

External Examiner: Tariku Jebena (PhD)

Signature:  \_\_\_\_\_ JUNE, 2025 G.C

Declaration

I Etsegenet Lemecha, confirm that the thesis research entitled "THE EFFECT OF STRATEGIC MANAGEMENT PRACTICE ON ORGANIZATIONAL PERFORMANCE:" is my original work, which hasn't been submitted in whole or in part by anybody else for a degree award from another university or institution.

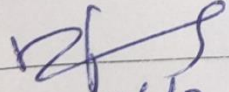
Name of the Researcher: Etsegenet Lemecha

Signature: 

Date: 02-06-2025

This project has been submitted for examination with my approval as a college supervisor

Name of Advisor: Dejene Tulu. (PHD)

Signature: 

Date: 02/06/2025

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## *Abstract*

*This study aims to understand the effectiveness of strategic management practice in selected commercial banks in Ethiopia. Most of studies show that there is a remarkable relationship between strategic management practice and organizational performance. This study tried to show how these practices affect the performance of organization. The primary data was collected through 107 structured questionnaire distributed to employees directly involved in strategic management process across seven selected Private Banks. Secondary data source was gathered from five years of audited bank reports and publications from regulatory bodies. The research used purposive sampling to select participants and inferential statistics for correlation and multiple regression analysis. The result of the correlation and regression analyzed using SPSS version 30 and presented as tables for analysis. By providing empirical evidence the study addresses a gap on how strategic management practices affect organizational performance, with practical implications for executives and policymakers seeking to improve operational effectiveness in this sector. The result of this study shows that environmental scanning and strategic formulation have strong positive and statistically significant effect on organizational performance. On the other hand strategic implementation and strategic evaluation and control while correlated, did not show significant effect in regression model. The finding demonstrates the importance of proactive environmental analysis and inclusive strategy development while showing constant gaps in implementation and evaluation process. These findings offer practical benefits for banks managers and policy makers who want to increase operational effectiveness and competitiveness in Ethiopian's banking sector.*

*Keywords: Environmental scanning, Strategic formulation, Strategic implementation, Strategic evaluation and control.*

# CHAPTER ONE

## INTRODUCTION

In this part of the research background of the study, statement of the problem, basic research questions, objectives of the study, hypothesis of the study, significance of the study, scope of the study, definition of key terms, and organizations of the thesis will be discussed.

### **Background of the study**

Strategy has no a common accepted definition and the word is used in different contexts to mean different things. The following definition is as useful as any. Strategic management is the highly organized, continuous process of planning, monitoring, and adapting progress towards a company's objectives and ambitions. It enables businesses of all types and sizes to evaluate their overall progress and performance and make adjustments to their operations and activities to better align themselves with their goal-orientated roadmaps (Johnson & Scholes, 2009).

Responsive, continuous strategic management allows businesses to remain resilient in ever-evolving environments and situations. Changes in both internal and external business environments – from staffing issues, to new industry regulations, to shifting customer demands – can happen at any time. A business which can alter its course of action by flexibly leveraging resources, assets and other core competencies in response to change and adversity is well-placed to remain on track and enjoy superior performance, while simultaneously managing its transaction costs (Strategic management theories: supporting leaders to achieve their business objectives: University of York, 2023).

The Ethiopian banking sector has been operating for decades as large financial system, with partial foreign participation and less competition among domestic institution. However the Ethiopian government aims to introduce inclusive reforms designed to open the sector to attract foreign capital, international competition and enhance country's economic competitiveness makes the industry landscape grow rapidly. The strategic management practices become more relevant for banks to enhance their performance in competitive pressures in operational excellence.

Over the past decades Ethiopian banking industry has experienced remarkable growth, establishing itself as a base of the country's economic development. The significance of strategic management in modern banking cannot be overstated, especially in emerging economies like Ethiopia where financial institutions face several challenges and opportunities. Strategic management covers the evaluation and re adjustment of company's resources to achieve a new goals and objectives, demanding organizations to analyze their environment and capability during implementation of strategic initiatives across all organizational levels (w.kenton, 2024). In banking sector context this involves difficult for customer service delivery, coordination of financial intermediation activities and regulatory compliance and technological innovation.

Ethiopian commercial banks deal with unique regulatory and economic environment that shapes their strategic choice and performance outcomes (Wubshet, 2018). Banks must navigate evolving regulatory frameworks, a change in customer expectation, competitive pressure, and technological challenges while keeping financial stability and contributing to development priorities. For instance, the commercial bank of Ethiopia adapted the balanced scorecard performance management system since 2010 to track employee performance for formulation and implementation of strategy (Samuel Ambaw, 2022).

Studies on strategic management practices in our country remains limited, creating significant knowledge gaps about how banks develop, implement, and evaluate their strategic initiatives. A few research works is available on strategic management practices of Ethiopian banks, mentioning the need for comprehensive study into this critical area. The existing study suggests that banks focus more formulation of strategy and often provide insufficient attention to strategy implementation, evaluation and control practices (Wubshet, 2018).

This research aims to investigate the effect of these practices on the performance of the selected commercial banks in Ethiopia. The selection of those banks for the study on the effect of strategic management practices on organizational performance is based on several key factors related to research sampling methodologies.

These banks represent a mix of private and public ownership structures, providing a comprehensive view of strategic management practices across different operational frameworks in Ethiopia's banking sector. Each selected bank has a significant market share and branch network, making them suitable candidates for examining the effect of strategic management practice on performance. The banks have shown varying levels of financial performance and customer satisfaction, which can provide insights into how different strategic management practices influence these outcomes. These institutions are likely to have more readily available data regarding their strategic initiatives and performance metrics, facilitating a more thorough analysis.

The selected banks are actively involved in adopting new technologies and practices in response to changing market conditions, making them relevant subjects for studying the effect of strategic management in a dynamic environment.

The Bank of Abyssinia has experienced important growth in paid-up capital and assets over years. Growth, operational excellence, and digitalization, with a vision to become the leading commercial bank in East Africa by 2030 are one of its strategic plans. Dashen Bank aims to become one of the top ten banks in East Africa by 2025. Investing over ETB 200 million in technology upgrades, promoting corporate social responsibility, developing tailored products and services are the major strategic initiatives of the bank. The Cooperative Bank of Oromia aims to address financial exclusion in rural communities and farmers.

### **Statement of problem**

In Ethiopian banking industry strategic management practices are very important in organizational performance in highly competitive economic environment. Strategic practices are recognized as environmental scanning, strategic formulation, strategic implementation, and strategic evaluation and control (Wubshet, 2018). Within our country context there is a limited empirical study that examines how strategic management practice affect organizational performance. Most of the existing research focus on developed countries or highlighting strategy planning and implementation, usually neglecting the complete strategic management process and their effect on performance outcome, such as operational effectiveness, profitability, and productivity.

Inconsistence in application of strategy practice, insufficient environmental scanning, poor communication of strategic planning, implementation, and evaluation gap are a common challenges that banks face which may impede their ability to competitive advantage and performance improvement.

Successful companies are interested in getting things done, getting them done correctly, and doing them better than others rather than relying on visionary ideas alone. (lou Gerstner,2002) are of the view that strategies and visions matter but must be grounded in actionable plans and tough implementation for generating real results. These hindrances may inhibit the potential benefits of strategic management. Also, the need for understanding context, strategy is, in a way, considered the ability to predict what will occur, but it is also about understands the context within which it is being created (Martin Dempsey, 2012).

There are a limited number of comprehensive empirical studies in our country banking sector that directly addresses strategic management and performance relationships. Literatures that exist focuses on developed countries, which makes difficult to understand how strategic management practice operate within the unique socio – economic and regulatory environment of Ethiopia. (Wubishet 2018) states that banks may not uniformly apply strategic management practices, depending on the organizational culture, resource allocations, and leadership commitments the practices resulting in possible outcomes. On his study concluded that private commercial banks focus more on the strategy formulation while giving less emphasis to strategy implementation, evaluation and control.

Banks usually gives less attention on the environmental scanning and thus suffers on formulating and communicating the strategic plan (Dinber 2016). (Addisie 2015) also in his conclusion the concerned stakeholders should effectively communicate the strategic plan to ensure the same level of understanding, to support the implementation of strategies and work on capacity development of its employees.

This study therefore, aims to fill this gap by exploring the strategic management practices banking sector in Ethiopia in selected commercial banks. Despite the recognized importance of strategic management, there exist a limited number of studies focusing on its impact within Ethiopian banks. Most existing research has concentrated on strategy formulation and implementation without adequately addressing how these practices affect organizational performance.

It should be noted here that, early indications are that each bank is involved in various strategic management activities such as, strategy formulation, implementation, and evaluation, but the extent to which the effectiveness of strategic management practices is associated with organizational performance at these banks is remained unclear. The study also examines the contribution of each strategic management practice on organizational performances. How each of these strategic management practices contributes to organizational performance, which can be defined in terms of profitability, productivity, and overall operational effectiveness that portray and indicate filling the research gap.

## **Objective of the Study**

### **General Objective**

The general objective of this study is to analyze the effect of strategic management practices on the performances of the selected private commercial banks.

### **Specific Objectives of the Study**

The specific objectives of this study are to:

- I. To assess the effect of environmental scanning on organizational performance
- II. To analyze the role of strategic formulation in enhancing organizational performance
- III. To examine the effects of strategy implementation on organizational performance
- IV. To evaluate the significance of strategy evaluation in driving organizational performance

## **Significance of the study**

The effect of strategic management practices on the organizational performance is not new in contemporary business. The study aims to enhance organizational performance by understanding the effect of strategic management practices on performance metrics in Ethiopian banks. The research contributes to academic knowledge by providing empirical evidence from the Ethiopian banking sector.

## **Scope of the Study**

This specific study is focused on strategic management practices of the banks organizational performance. In doing so, the research has employed mixed research approach in collecting and analyzing data, thoroughly.

This research aims to assess the strategic management practices in private commercial banks in Ethiopia. But, this research is constrained by a number of barriers basically the lack of cooperation. In addition, the study is particular in selecting only two stages of the strategic management practices such as (evaluation and implementation) due to widespread activities of strategic management phases. Furthermore, the study didn't cover all commercial banks of the country, as it is very cumbersome to include the whole commercial banks into this time-framed research work.

Latest (5 years) audited annual report of each bank and questionnaire responded by strategic management teams member from each banks is the only source of data collection. Only contemporary strategic management practices will come into assessment due to longevity despite the bank's sector's decade long establishment and dynamism.

The main importance was strategic management practices. The study looked into the latest strategic management practices and how they have affected on the performance of organizations over the last five years. An investigation using this time span could shed light into present day practices and how well they work in an ever-changing banking sector. The research work aimed at key stakeholders in these banks is; senior management as well as executives responsible for strategizing, middle managers who implement strategies and employees who implement strategic initiatives.

## **Limitations**

The study admits certain limitations such as; the cooperation of concerned participants for the study was huge issue during assessment. Accessing proprietary performance data also subjected to restrictions that happened to limit analysis of depth.

## **Organization of the paper**

This research was organized in five chapters, chapter one includes background of the study, statement of the problem, objective of the study, significance of the study, scope of the study, and organization of the study. Chapter two discusses and review relevant related literature, which covers theoretical and empirical foundations of the study. Chapter three covers all research methodology that used in the study which includes, sampling techniques, method of data collection and method of data analysis. In chapter four the result of the assessment present and discussed in detail. Lastly chapter five presents the summery of findings, conclusion and recommendations of the study.

## CHAPTER TWO

### RELATED LITRATURE REVIEW

#### **Theoretical review**

##### **Strategy**

“Strategy” come from two Greek words “stratus” and “ago” which relates to the art of military command (David, 2011).strategy is the long term plan for using one’s military force to win peace or maintain security.

In business strategy uses to increase sales and profits. The various departments within the organization will employ different approach to undertake their objectives. According to Mintzberg and Lampel(1998), business schools typically require a course in strategic management as their capstone, despite the fact that academics have studied strategy in great detail the word has many definitions but, widely accepted definition is that it refers to the long term direction and scope of an organization that gain an advantage in changing environmental conditions by using it’s resource and competencies (John and Scholes, 2009).

##### **Strategic management**

There is no specific definition for strategic management. Strategic management represents a critical dimension of management that lay down significant research interest from both scholars and practitioners. This interest can be attributed to the broad applicability of this management discipline across various contexts. A conceptual study conducted in Nigeria (Ujunwa & Modbe, 2012) advocated for implementation of strategic management methods to enhance efficiency in fostering economic development. The measure of strategic management they examined included effective regulation and formation of conductive microeconomic environment. They mentioned that these strategies would not only facilitate economic growth. However, there remain the lack of empirical research to quantify the relationship between the adoption of strategies and organizational performance (Askarany and Yazdifar, 2012).

Strategic management help the organization to create more business value with stakeholders, includes a company's resources to achieve its goals through the stage of identification, analysis, formulation, execution, and evaluation (Robbins and Coulter 2002). Thompson and Strickland (1989) on their implementation model emphasizes key tasks for general managers in implementing strategy, build an organization capable of strategy execution, establishing supportive budget for strategy, linking the task directly to the performer, spurring commitment to the strategy, installing administrative support system and exercising leadership are their strategic implementation methods.

Johnson and Scholes (2009) developed a model called drift model include a structured approach to strategic management, adaptation and continuous evaluation, alignment between an organization's strategy, internal capabilities, and external environment.

Alkhafaji (2003) and Wheelen and Hunger (2008) noted that strategic management approach a systematic approach to making strategic decisions to achieve companies objective and sustain competitive advantage. Ahlstrand and Lampel (1998) and; Zafar, et al. (2013) also noted that strategy can help align an organization with its goal and offer solutions for struggling companies where results do not meet established strategies or objectives.

### **Environmental Scanning**

Scanning is a gathering of information in order to find specific facts. Environmental scanning is the assessment, evaluation and distribution of information from both internal and external environment to those who work within the company Wheelen and Hunger (2012, 122).

Environmental Scanning is the process of collecting, analyzing, and distributing information and data for tactical and strategic purposes, this step involves surveillance of a firm's external environment to predict environmental changes to come and to detect changes already under way (Dess et al. 2007, 43).

Environmental scanning is the first step in the strategic planning process. It allows the company to identify main issues affecting them and helps the formulation of strategies that align with both opportunities and threats present in the environment (Johnson et.al. 2007).

Effective environmental scanning enables organization to anticipate opportunities and plan appropriate responses, thus ensuring that they can adopt to changes in their environment (Gabriel et.al., 2005). One of the critical processes in strategic management is environmental scanning that involves monitoring, evaluating, and distributing information. It claims to identify strategic factors those internal and external elements that will determine the future of the company (Wheelen &Hunger, 2010; Alkhafaji 2003).

Environmental analysis tools like SWOT (strengths, weaknesses, opportunities, threats) and PESTEL (political, economic, social, technological, environmental, and legal) are important for managers to gain insight into the operational atmosphere so that they can make informed strategic decisions Zafar et al. (2013). Environmental scanning is positioned as a practice that enhances strategy formulation, implementation and evaluation thus resulting in better organizational performance Adonias Negash (2018).

As stated by Fahey and Narayanan (1986), environmental scanning is a trend, pattern, and change detection process in the external environment that highlights opportunities and threats. Environmental scanning is Brown and Weiner's (1985) definition of systematic radar detecting new, unexpected, significant, and even minor developments in the external environment. Thus organizations can spot shifts at an early stage which gives vital indicators for strategic planning. Similarly, Aguilar (1967) conceptualized environmental scanning as a process through which systematically collected external information seeks to reduce randomness and provide early warnings about changing conditions.

Porter (2008) has distinguished five major determinants of an industry. The crux of his argument is that a company can acquire excellent knowledge about several determinants of profitability if it analyzes the five competitive forces deeply. The first of the five forces is competition among existing rivals. He emphasizes that current competition affects an industry's profitability. According to Porter, one of such forces is the buyers' bargaining power, which can create value by reducing prices, demanding higher quality or more services, and in general making firms compete against each other. According to Porter (2008), three conditions have been added to increase the power of buyers: size, rarity, and ease of switching.

Environmental scanning also includes industry analysis. Although Hussey (2006) reflects this as an intermediate step between SWOT analysis and strategy formulation, it does not make the process any less important. It serves to survey all players' relative strengths and to juxtapose the organization's internal elements with its external surroundings. Environmental research directly influences the strategy developed, as Zafar et al. (2013) state. Since the environment determines business decisions, therefore managers must understand environmental factors effectively to control their external variables.

In support of Drucker's assertion that "in a time of discontinuity . . . long-run success requires continual watching and re-planning for both the present and future business environments," Roney adds that such success depends on constant monitoring of both current and developing business contexts.

### **Strategy Formulation**

Strategy formulation refers to the development of a strategy for an organization. Analysis of strengths at such a level assists in deriving a strategy. Typically, the three organizational levels of strategies are referred to as corporate, competitive, and operational strategies. Operational strategies relate to the short-term goals and objectives of specific functional departments within the organization, including production, marketing, finance, and human resource departments (Kasera 2017). These are quite departmental in nature. Some of the human resource activities that would fall under these include hiring new staff and training them. According to Nzewi, Onwuka, and Amobi (2021), competitive strategy refers to how a firm or industry uniquely approaches competition.

Formulating a strategy which is a long process of planning for green opportunities and threats with the aim of achieving a goal is considered the strategy formulation by environmentalists. The kick-off of this process is the effort to change the people's mind by the leader who is/whether a leader tries to change people's attitudes (Azhar et al., 2013). It is about matrix management and communicating the strategy and involving its stakeholders in the development of the vision and activities the organization will do, as well as a set of long-term goals to be accomplished within the stated mission (Kibicho, 2014 and Baroto, et al., 2014) It is a scientific and disciplined strategy formulation that encompasses strategic planning (Grant, 2003).

Strategic planning is a management tool that is attempting to forecast the future that will allow us to build a stronger position compared to our competitors, is seen by Scarf (1991) as cited by Alkhafaji (2003). Strategic planning according to Haycock, Cheadle, and Bluestone (2012) is a systematic and logical in identification of strategies. The strategic development of a business, as demonstrated by Liedtka (2006), a systematic analysis which is aimed at transforming established strategies into practical plans. This is the way to verify that the organization's strategies and action are in one line with the company mission. Central to this is strategically thinking in which strategies are made operational versus other inputs. This way is very basic for organizations in setting up well-organized and implementable strategies that will direct them toward their aims.

(Salih and Doll 2013) explain the employees' engagement that is the main part of the success of the implementation of the strategy. They argue that employee involvement enhances the sense of ownership which in its turn enhances the dedication besides the organizational capacity build-up. This is why a participatory approach is the key factor in the effective incorporation of strategies into the overall operations and culture of the company. The significance of mission and vision statements in strategic management which is suggested by Phaniel and Darbi (2012) these statements are considered to be essential components as they provide an organization's mission and goals directly, which in turn, help the executives to take decisions and, make the stakeholders come together around common goals. Their wide speculation and adoption make them certain as they are particularly important in the long-run strategy of all sectors.

A mission statement, per Johnson et.al.(2007), is a wide ranging description of the organizations primary goals, which, in the best case, are supposed to resonate with the values and expectations of the main stakeholders and at the same time cover the organization's borders and scope. According to (Niven 2006), a mission of company can be described as its purpose for which company is in existence. Purpose in the mind of Alkhafaji(2003) is a well-defined and compressed version of the company's business that rewards the company for its strong point and overall strategies.

clarifying the organization's mission, establishing realistic goals, formulating plans, and developing policy guidelines are all part of Strategy formulation (Borrero et al., 2020). Analyzing the organization's main goal and strategies, finding workable alternatives, assessing those alternatives, and choosing the best option are all steps in the formulation process. Strategy development goes through long term planning focusing on organizational goal, purpose and policies (Andrews et.al, 2009). However, it is fundamental to reassess an organization's aims and objectives before developing and new alternative tactics. Organizations need strategic management in order to generate value and make important investment choices. Furthermore, strategic management reduces instances of unethical behavior in firms and raises consumer satisfaction. Švárová & Vrchota (2014) recommended in their study that strategic management be given priority in the company.

### **Strategy implementation**

The most important link between organizational success and strategic planning is strategic implementation. It is the phase where theoretical plans are converted into actual actions that bear results. While organizations are wont to invest significant resources in coming up with wonderful strategies, the implementation phase has a tendency to determine whether or not these strategies succeed. This explanatory report addresses the multifaceted nature of strategy implementation, ranging from its definition to most critical components, implementation processes, common problems, and varying perspectives along organizational layers influencing the success of implementation.

Implementation of strategy is the process of setting theoretical strategic plan into action to deliver expected results. It is the systematic execution of strategic plans by harmonized at all organizational levels. There are many scholars who have taught us about this critical business process. Johnson et al. (2008) define strategy implementation as "making strategy happen" or ensuring that planned and formulated strategies actually work in certainty.

This definition emphasizes action-oriented, real-world implementation against the analytical, formulation nature of strategy. Krassnig, James & Ribière (2011) expand this definition to include the strategy implementation being "all measures, activities and processes dedicated to integrate a newly developed strategy into an existing business organization".

This perspective is referred to the issue of integration problems that typically accompany strategy execution. Alkhafaji (2003) the allocation of tasks and responsibilities to the individuals or groups in the organization should involves in every structural and human dimensions of implementing strategy through of strategic intent into action by design.

The most important concepts in strategic implementation are intended against understood strategies. Companies typically practice intended strategies through careful situational analysis. Intended strategies, however, are often different from what eventually gets realized.

As Mintzberg and Waters (1985) point out, planned strategies may be abandoned partially or completely, leaving them as unrealized strategies. This intention-execution gap largely arises from the veto points to implementation-inner and outer events that modify or deflect enacting the initial strategy. As issues accumulate or build causally related chains of barriers, they tend to sharply redirect strategic outcomes.

Okumus (2003) offers a theoretical model listing key implementation factors that organizations must manage effectively. Studies has identifies several critical factors that significantly influence the process of strategy implementation efforts. Kasera, (2017)

Processes, budgets, and development programs are necessary for implementation of policies and strategies. (Kasera, 2017). Organizational-wide transformations in culture, structure, and the management system may be necessary. Strategies are implemented through procedures, budgets, and programs. Siddique and Shadbolt (2016) States that procedure gives a full description of every process. A budget serves for planning and control purposes, with the actual expenditure for each program. A program, however, outlines the activities or steps required to implement a one-time plan, matching the guidance of the strategy.

A strategy implementation involves its adoption. This involves the processes, steps, and procedures for its implementation. It also entails determining how the strategies are going to be executed. Determining which of the strategies have to be given priority in terms of problem urgency is crucial. The organization first must deal with the most urgent issues before tackling the others. When formulating strategies, it is important to consider executing them (Tawse and Tabesh, 2021). When making new strategies, the organization must consider the possibility of executing those plans. For instance, in the context of training employees, one has to consider the method, timing, and cost of carrying out such training.

The successful implementation of strategy of strategy is dependent on all of the parties and stakeholders in an organization. According to Mintzberg and Quins (2004), 90% of well-formulated strategies fail at implementation stage and only 10% of formulated strategies are successfully implemented.

Wheelen and Hunger 2006 Putting the strategy into place and getting individuals and organizational subunits to go all out in executing their part of the strategic plan successfully are essentially an administrative task. This implies several managerial challenges, such as:

Building an organization capable of carrying out the strategic plan; developing strategy-supportive budgets and programs; linking the motivation and reward structure directly to achieving the targeted results; creating an organizational culture that is in tune with strategy in every success-causing respect; developing an information and reporting system to track and control the progress of strategy implementation and installing policies and procedures that facilitate strategy implementation.

Developing an action agenda for implementing and executing the strategy involved managers at all levels, deciding on answers to the question “What is required for us to implement our part of the overall strategic plan and how can we best get it done?” doing this task well means scrutinizing virtually every operating activity to see what actions can be taken to improve strategy execution and to instill strategy-supportive practices and behavior. The administrative tasks of implementing and executing the strategy involve a process of moving incrementally and deliberately to create a variety of “fits” that bring an organization’s conduct of its internal operations into good alignment with strategy.

Broadly viewed, the management’s task of strategy implementation is one of scrutinizing the whole internal organization to diagnose what strategy supportive approaches are needed and what actions to take to accomplish them. Then the different pieces of the implementation plan need to be arranged into a pattern of action that will produce orderly change (from the old strategy to the new strategy) rather than creating disruption and dissatisfaction with the way things are being handled. Both the sequence of actions and the speed of the implementation process are important aspects of uniting the entire organization behind strategy accomplishment.

### **Strategic evaluation and control**

(Wheelen and Hunger 2006) Also it is not a one-time thing for either strategy formulation which constantly reviews, assess and report in on the implemented strategies to determine if what we want is what we are getting and that we take corrective actions as we go along. At the end of the implementation period how will we know if we did well?

(Okolo, Arinze M,2022) mentioned on the study that; Thus we cannot do away with evaluation and control. It is a process which looks at what the organization is doing and how it is doing against what we want it to do. Performance is the end result of what we have put in play. It is what we get out of the strategic management process. In either case we are presented with issues which call for us to make corrections. Strategy may require change because it is not working as it should or because the environment has changed which makes fine tuning or even a total re do necessary. Also a good strategy can always be made better and it is not hard to see that with changes in the industry and competition, the appearance of new opportunities and threats, new leadership, are ordering of goals and the like may make a change in strategy a must.

The controlling system involves the level which the strategy is achieving the objectives and suggesting corrective action or a reconsideration of the objectives. Also (Johnson et.al.) mentioned that control is monitoring of every action to assess effectiveness of the objective. Balanced Scorecard, developed by Kaplan and Norton in 1997 (Krassnig, et.al., 2011), is the most frequently applied performance measurement systems. Management should put in place proper tools for monitoring the implementation of strategies and the standards in light of which performance is evaluated are also clear.

### **Organizational performance**

Organizational performance has been based upon the idea that an organization is a professional coordination of productive assets, which includes capital, technological, physical and human resources in order to achieve a common objectives ( Barney,2002. (Richard et al. 2008) states that the company's performance involves financial performance, market performance, and shareholder return.

Organization performance refers to the effectiveness of the organization in fulfilling its purpose. Some organizations aim to trade successfully to return financial benefits to shareholders, while others have non-financial objectives such as service to the community. Therefore organizational performance comprises the actual output or results of an organization as measured against its intended outputs which are its goals and objectives (Richard, 2009).

Organizational performance is defined by how well an organization is able to achieve its goals and objectives. The level of success in fulfilling these targets, as well as meeting social responsibilities, relies on how effectively the organization executes its tasks (West, 1990). The operational efficiency of organizations plays a crucial role in the overall performance of a society or nation. The effectiveness with which societal organizations perform their duties is a topic of ongoing discussion (Stoner, 1989).

Regardless of the system utilized, whether formal or informal, organizational performance can be measured. However, having systematic methods to assess performance throughout the organization is important so that each manager can contribute to enhancing current results and pinpoint individuals who display the most potential for advancement into higher management roles (Pigers, 1989).

## **Financial and non-financial Indicators for Measuring Organizational Performance**

As stated by Drury and Shishini (2005) stated that the desire to combine financial with non-financial performance indicators and to pinpoint essential performance metrics that connect measurements to strategy resulted in the creation of the ‘balanced scorecard’. The purpose of the balanced scorecard is to offer a unified collection of performance indicators based on the company’s strategy, providing senior management with a quick yet complete overview of the organizational unit.

Determining the signs of progress toward meeting goals can be a challenging job for managers. Performance encompasses a wide range of indicators such as productivity, quality, consistency, results, criterion-based behaviors, and normative measures. It also includes education and training methods, focusing on management development and leadership training to cultivate the essential skills and mindsets needed for effective performance management (Richard, 2002).

Performance is fundamentally about reaching the goals that companies or organizations set for themselves. These goals may be financial, aimed at generating profits, or non-financial, such as raising awareness about specific issues within a community.

Organizational performance can be classified into financial and non-financial aspects. The profitability of a company serves as a vital financial measure that reflects how well the organization operates and the ability of its managers to boost sales while minimizing variable costs (Davis et al. , 2000). Common indicators of financial profitability include profit margin, return on assets, return on equity, return on investment, and return on sales (Robinson, 1982; Galbraith & Schendel, 1983). On the other hand, non-financial indicators comprise factors such as job satisfaction, organizational commitment, and employee turnover (Mowday, Porter & Steers, 1982; Mayer & Schoorman, 1992; Hosmer, 1995; Rich, 1997; Zulkifli & Jamaluddin, 2000).

### **Empirical Literature Review**

Wubishet, (2018) examined how private commercial banks in Ethiopia handle strategic management practices. This descriptive research utilized a quantitative approach and aimed to answer two key research questions. To gather data, four representative private commercial banks in Ethiopia were chosen using a systematic random sampling technique. A proportionate method

was employed to determine the sample size. The AMCES questionnaire was used for data gathering, following written permission and discussions with the advisor. The questionnaire was given to 246 employees randomly selected, who were involved in the strategic management process. The results revealed that the scores for strategy implementation, evaluation, and control practices in private commercial banks were lower than the average. Consequently, the study concluded that these banks prioritize strategy formulation over implementation, evaluation, and control.

Adonias (2020), investigates how strategic management practices impact the performance of Awash Insurance Company S. C through a quantitative method involving a research design that is both descriptive and explanatory. The researcher gathered data using a structured questionnaire with closed-ended questions, which was given to 110 employees selected at random from the head office in Addis Ababa. To analyze the connections between strategic management practices, such as environmental scanning, strategy formulation, implementation, and evaluation/control, and organizational performance, the study employed descriptive and inferential statistics. The findings revealed a strong and positive association between all strategic management practices and the performance of the organization, suggesting that improved strategic management leads to better performance. Specifically, environmental scanning, strategy formulation, and evaluation/control positively influenced organizational performance. Conversely, the implementation of strategies had a negative and insignificant effect on performance changes within the organization. The conclusion drawn from the study indicates that while many strategic management practices enhance performance, the phase of implementation might encounter particular challenges or obstacles.

Denberu (2016), on his study titled “strategic management practices at NIB International Bank” mentioned there was a limited use of non-financial metrics such as internal process improvement or customer satisfaction than financial indicators for strategic plan. The study focused on the head office of the bank with total of 150 employees including top and middle managers from all departments. Using descriptive statistics helps to assess and describe the current state of strategic management practice and comparing the realities to establish their framework. The finding of the study revealed that lack of strategy plan communication challenges the implementation process. Lack of alignment between strategy and operational documents is another issue for effective

implementation. Ferhu (2024), Study how strategic management process impacts the performance of business firms in Ethiopia specifically environmental scanning, strategy formulation, strategy implementation, and strategy evaluation process. The sample involved 418 respondents including top business firms employees who are involved in strategic management. The study highlights to achieve a competitive advantage and long term success the firm needs to adopt proactive, innovative, and risk oriented strategies. The researcher agrees due to systematic challenge firms lag in implementing strategic management. Firms should focus on employee engagement and through environmental scanning adopt customer centric practices.

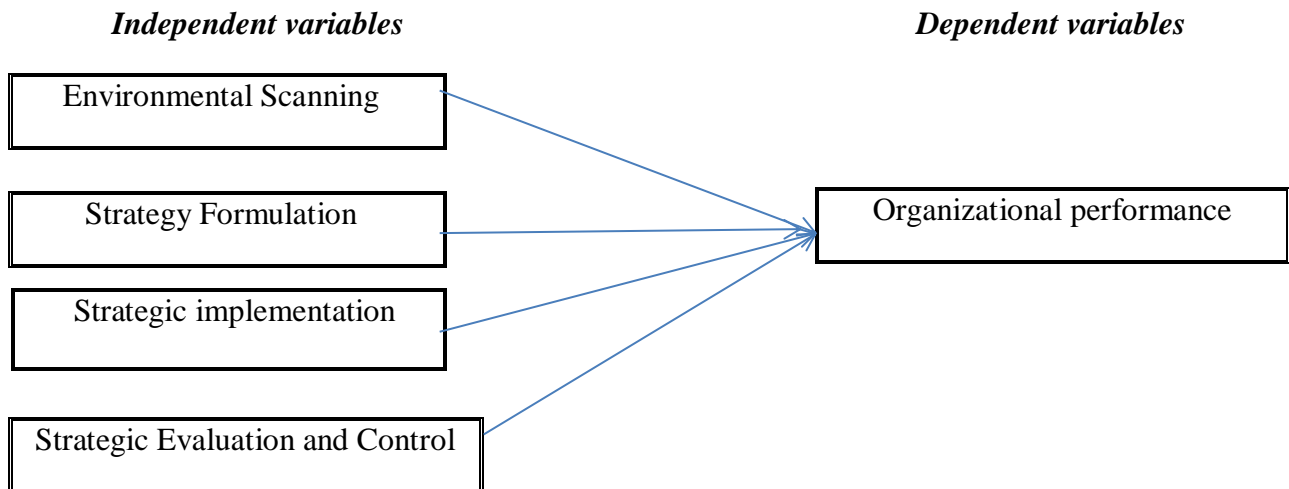
Frezer & S/Michael (2024) investigates the impact of strategic planning on the performance of commercial banks in eastern hararge, Ethiopia. The study utilizes a cross sectional survey and regression analysis to test relationship between strategic planning and performance outcomes. Targeting managers and senior staff across twelve bank branches the study employs descriptive survey design. To assess the relationship between strategic planning dimensions and organizational performance researchers used structured questionnaires and statistical analysis. The researchers suggest that banks may excel in planning but face challenges in implementation. Aligning strategic implementation with organizational vision and mission is very important to increase performance gain.

Enkuselassie (2022) investigates the relationship between strategic management practices and organizational performance in Ethiopian commercial banking sector. The research represents a significant contribution to understand strategic management effectiveness in financial institutions, especially in the Ethiopian context where banking sector development remain a critical economy priority. The study employs quantitative approach to analyze 4 major private commercial banks, regression analysis and correlation studies to create relationships between strategic management practice and organizational outcomes. The study populations encompass employees at various levels within these banks, ensuring their representativeness on strategic management implementation and organizational performance. Structured questionnaires as a primary data collection used for systematic measurement of variables. The researcher focus on private commercial banks specifically addresses a gap in Ethiopian banking research, this institution face a competitive regulatory environment and pressures compared to state owned banks. The study suggests that the banks should establish cross-departmental implementation

task force with clear responsibilities, particularly digital transformation initiatives and customer service. For formulation process adopting scenario-based planning tools to address Ethiopia's evolving financial regulations and macroeconomic volatility.

### Conceptual framework

(Yegzaw, 2022) Those variables that are employed in this study are described by the conceptual framework shown below illustrates how the strategic planning affect the overall performance of the bank. The frame work shows the major factors that have been useful to the research questions. By empirically examining these associations using mixed methods approach, the study offers practical recommendations for improving strategic agility in the banking industry. According to the strategic management techniques environmental scanning, robust strategy development, disciplined implementation, and systematic evaluation are all mandatory for achieving organizational objectives.



**Figure: 1**

Conceptual framework: Source: Developed from the evidence of researchers review  
(Frezer Tilahun Tefera & Seifemichael Abebe (2024))

## CHAPTER THREE

### RESEARCH METHODOLOGY

On this chapter of this research the research design, approach, population and sampling techniques, data collection methods, and analytical procedures employed are discussed. The designed methodology helps to address the objective of this research by gathering relevant data on how strategic management practice influence organizational performance in Ethiopian banking sector.

#### **Research design and approach**

The research employed both quantitative and qualitative approaches to achieve inclusive understanding of the research problem. The approach allows for surveying to be valid and reliable of the research findings. Adopting explanatory research design helps to identify and explain the relationship between strategic management practice and organizational performance. To examine how independent variables (environmental scanning, strategy formulation, strategy implementation, and strategy evaluation) affect dependent variables which is organizational performance this design become very helpful.

This research used descriptive research design to find out if there if a relationship between strategic management practices and organizational performance. Quantitative method used to gather numerical data through close-ended structured questionnaire and qualitative data used for the collection of textual data and evidence on experience during data collection to provide deeper insight into the strategic management practice of the selected commercial banks in our country.

#### **Data type and sources**

The main source of data was structured questionnaire distributed to employees who are directly involved in strategic management process. The questionnaire designed to capture quantitative data on effectiveness of strategic management practices as well as organizational performance adopted from Anna (2015). The primary respondent for the survey were employees of the selected commercial banks particularly those involved in strategic management activities.

As a secondary data source the last five years bank audited report and publications from regulatory bodies such as national bank used.

### **Target population**

The largest population of the study covers seven selected commercial banks (Awash bank, Dashen Bank, Bank of Abyssinia, Cooperative bank of Oromia, Nib Bank, United (Hibret) bank and Zemen Bank) of the strategic management team and managers in seven banks who are involves mostly on implementation and evaluation directly or indirectly towards strategic activities. Based on their market presence, ownership structure and their active involvement in strategic management practice those banks were selected. The researcher found out during observation the formation of strategic plan involves only the board of directors and presidents of the banks.

**Table 1 target population**

	Population
Awash bank (under corporate strategy, business analysis and market intelligence)Implementation and evaluation team members and managers	54
Dashen bank (strategic management and marketing) strategy management implementation and evaluation tem	18
Bank of Abyssinia (strategic management team member)	11
Cooperative bank of Oromia( strategy and transformation team)	8
Hibret Bank (United Bank) strategy and transformation team	40
Nib Bank	24
Zemen bank (strategy and marketing team)	38
<b>Total</b>	<b>193</b>

### **Sampling and Sampling Techniques**

The study targets concerned employee of seven selected bank who are working at head office of the bank in Addis Ababa on strategic management directorates. Since the formulation part of strategic planning only concern the board director and president of banks they are not reachable easily the remaining employees involves on implementation and evaluation of their plans.

For the purpose of this study, purposive sampling technique was used in order to select the sample from the general banking population.

### Sample size determination

Sample size determination refers to the process of calculating the optimal number of observations of participants required for statistical study. (Milica 2020) It is the act of choosing number of observation to include in statistical sample. The formula used to determine the appropriate sample size is:

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

Where:

n = the sample size/ required sample size

N = Population Size of the selected commercial banks

1 = designates the probability of the event occurring.

e= the level of precision (Sampling error that can be tolerated which is 5%).

Assumptions: A 95% confidence level, and e = ±5%

Therefore:

$$n = \frac{193}{1 + 193(0.05)^2} = 130$$

The research distributed 130 questionnaires focusing on employees directly involves in strategic management process furthermore narrows the accessible population making targeted sampling approaches more practical than struggling to survey all relevant staffs across the seven banks. Since strategic information has sensitive nature and the hierarchical nature of banking sector force the researcher to cut off some of staff in higher position but involves in strategic management practice. This research acknowledges these limitations while arguing that within the seven banks the selected teams provide meaningful insights into strategic management practices.

## **Methods of Data Collection**

A set of questioner used to collect data. This questionnaire was adopted from Association Management, Consulting and Evaluation Service which highly fit with the strategic management model used Wheelen and Hunger's (2003). The tool is divided in to four main parts; the first part of the questioner consisted of respondents demographic characteristics, second part of the questioner address the strategic management planning stage of the organizations, the third section measures the strategic management implementation practices of the banks, and the forth part is the strategic management evaluation and control practices. The questioner has a five point Likert scale.

## **Method of data analysis**

Using both descriptive and inferential statistics technique the collected data through questionnaire was analyzed. Measures such as frequencies, means, and standard deviation on descriptive statistics analysis included to summarize and present the data. Inferential statistics techniques were employed to examine the relationship between strategic management practice and organizational performance. The multiple regression analysis was used to determine the effect of each strategic management practice on organizational performance. In doing so the researcher uses Statistical Package for Social Studies (SPSS) software Version 30.

## **Pearson's Product Moment Correlation**

Pearson's product moment correlation coefficient (sometimes known as PPMCC or PCC,) is a measure of the linear relationship between two variables that have been measured on interval or ratio scales. It can only be used to measure the relationship between two variables which are both normally distributed. It is usually denoted by  $r$  and it can only take values between  $-1$  and  $1$  (Stigler 1989). Pearson correlation used to measure the strength and direction of linear relationship between independent and dependent variables in this study. The correlation helped to validate hypothesis whether the strategic management practice significantly affect performance.

## Multiple regression analysis

Multiple regression analysis used to examine the relationship between one dependent variable and two or more independent variables. Multiple linear regression analysis is essentially similar to the simple linear model, with the exception that multiple independent variables are used in the model (Cohen & Swerdlik, 2002). The regression model used was:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

- $Y$  – organizational performance
- $X_1, X_2, X_3, X_4$  (environmental scanning, strategic formulation, strategic implementation, strategic evaluation and control.)
- $\beta_1, \beta_2, \beta_3, \beta_4$  = Regression coefficients
- $\beta_0$  - constant
- $\varepsilon$  – Residual (error)

Multiple linear regressions follow the same conditions as the simple linear model. However, since there are several independent variables in multiple linear analyses, there is another mandatory condition for the model:

### Non-Collinearity

Independent variables should show a minimum correlation with each other. If the independent variables are highly correlated with each other, it will be difficult to assess the true relationships between the dependent and independent variables (Sebastian 2020).

### Reliability and Validity

Reliability ensures that the result would be consistent over repeated measurement Nunnally (1978), while validity makes a questionnaire represent what they are supposed to measure. According to Kothari (2004), the term reliability in research defined as the consistency of measurement over a different scenario in similar result should be obtained. A method measures what it is intended to measure accurately is refers as validity. For a researcher, using both reliability and validity is essential for preparing findings that are both meaningful.

The cronbatch alpha techniques a widely used measurement for internal consistency reliability research this tool allows the researcher to assess how closely related a set off variables ensuring measurement instruments consistently capture the intended constructs to (Hair et al (2019). The researcher adopted the questionnaire from Adonias(2020) and Wubshet (2018) with some adjustment based on the study concept and study area. Indicators were tested to see whether they were more than 0.07.

Table 2: Cronbach alpha result

<b>Cronbach alpha result of own survey</b>	
<b>Variable</b>	<b>Cronbach's Alpha Result</b>
Strategy formulation	0.782
Strategy implementation	0.844
Strategy evaluation and control	0.848
Environmental scanning	0.751
Organizational Performance	0.877

Source: own survey, 2025

A Cronbach alpha result across all variables in sample survey range from 0.751 to 0.877, according to rule of thumb Cronbach alpha these result indicates good to very good reliability throughout the instrument all values that the survey demonstrate internal consistency overall.

### **Ethical Considerations**

This research adhered to strict ethical standards to protect the rights and well-being of participants. All participants were provided with information about the purpose of the study and their rights as participants before obtaining their consent. The identity of participants was protected, and all data collected was treated confidentially. Permission was obtained from the management of the selected banks before conducting the research. All collected data was stored securely and used solely for the purpose of this research.

## CHAPTER FOUR

### DATA PRESENTATION, DATA ANALYSIS AND RESULT DISCUSSION

Chapter four discuss on the results of finding on the study aims to find out the effect of strategic management practice in organizational performance. Data was collected from seven commercial banks through 107 questionnaires, documents such as the last five years strategic plan and audited report and bank's publication also referred. After survey for data analysis the researcher used SPSS version 30 software. The results and discussion of descriptive analysis, a correlation analysis, and a multiple regression analysis are presented in detail.

**Table 3: Response rate**

Target no.of Respondents	No.of Questionnaire gathered	Response rate (%)
130	107	82%

Source: primary data, 2025

130 employees of each bank who involve in strategic management practice were selected to gather the relevant data through questionnaire. Out of 130 questionnaires distributed 107 questionnaires were returned and successfully filled out by respondents. The total response rate was 82% and all analysis of this research based the collected questionnaires.

## Descriptive statistics

In this section descriptive statistics serves as the initial step in understanding the questionnaire gathered from commercial banks.

**Table 4: Demography of the respondents**

		Frequency	Percent
Position of the participants	Managerial	48	44.9
	Non-managerial	59	55.1
<b>Total</b>		<b>107</b>	<b>100.0</b>
Total bank experience	0-2 years	4	3.7
	2-4 years	26	24.3
	4-6 years	17	15.9
	6-8 years	12	11.2
	above 8 years	47	43.9
<b>Total</b>		<b>107</b>	<b>100.0</b>
Experience in current position	0-2 years	26	24.3
	2-4 years	59	55.1
	4-6 years	15	14.0
	6-8 years	6	5.6
	Above 8 years	1	0.9
<b>Total</b>		<b>107</b>	<b>100.0</b>

Source: SPSS data, 2025

A slightly majority of (55.1%) of employees in non-managerial position while (44.9%) hold manager roles shows a diverse workforce in the practice. 43.9% have more than 8 years of experience in the banking sector. This shows that a knowledgeable group.

**Table 5: Descriptive statistics for strategy formulation**

<b>Descriptive Statistics for strategic formulation</b>	<b>Mean</b>	<b>Std. Deviation</b>
Participation on formulations (the degree of your participation on strategy formulation)	2.44	1.207
Level of stakeholder engagement in strategy formulation	3.09	1.005
Achievability, inspiration and clarity of vision for employees	3.64	1.039
To what extent the mission of the bank express the organization's purpose and whom it serves	3.86	1.028
The goals and objectives of your bank are attainable	3.86	0.995
The goals and objectives of your bank are relevant or proper	3.84	0.992
Your bank's corporate strategy is appropriate to the attainment of Mission, vision, values, goals & objectives	3.85	1.035
cumulative of strategic formulation	3.511	1.043

Source: SPSS data, 2025

Employee participation with mean 2.44 and standard deviation 1.207 indicate a limited involvement in the strategic formulation practice. Some employee engages moderately while other report low participation. This show a top-down strategic planning in Ethiopian commercial banks, rather than involving mid-level managers or frontline staff the formulation often involves senior leaders. Mean with 3.09 and standard deviation 1.005 reflects inconsistency of stakeholder's engagement which contrasts the robust strategy development. The deviation of 1.039 shows that most respondent agree that there is challenges in aligning strategy vision with actionable goal. Mean 3.86 and standard deviation 1.028 shows the strategy reflectiveness of banks purpose and target audience with minor problem in how different employees groups interpret the mission applicability. Mean 3.86 indicates organizational goals are achievable and relevant. Low deviation with 0.99 shows effective goal setting practice is safe to market realities and regulatory framework. Corporate strategy alignment with mean 3.85 and standard deviation 1.035 shows adaptability of strategy in dynamic market in Ethiopia evolve financial landscape.

**Table 6: Descriptive statistics for strategic implementation**

<b>Descriptive Statistics of strategic implementation</b>	<b>Mean</b>	<b>Std. Deviation</b>
Strategy has been effectively communicated	2.95	1.161
Identification of short term objectives(balance short term objective with long term objective)	3.19	1.091
Formulation of programs(a well-defined and properly scoped program with necessary resource and stakeholders support)	3.50	0.744
Establish guidelines to insure consistency and alignment with strategic goals	3.61	0.888
Formulation of procedures step by step instruction for tasks and compliance with established policies	3.50	0.975
Initiation of specific functional strategies (directorates or teams develops their strategies and implements.	3.42	0.912
Design of appropriate reward systems (bonus, recognitions.....)	3.16	0.902
Mobilization of resources (secured and allocated the necessary financial, human, and technological resource to support the implementation)	3.49	1.160
Provision of strategic leadership (leaders provide clear direction, inspire commitment and guide.	3.24	1.106
Goals and objectives are effectively communicated	3.29	1.182
cumulative of strategic implementation	3.3346	1.012092483

Source: SPSS data, 2025

Mean with 2.95 and standard deviation value 1.161 shows that less communicated to a wide range of experienced employee believe they are communicated enough unlike some of them. Identification of short term objectives with mean 3.19 and standard deviation 1.091 shows a moderate effectiveness in balancing short term and long term objectives but, with formulation of program mean value 3.5 indicates the programs are clear and supported by relevant resource, standard deviation of 0.744 shows stronger agreement. Guidelines for consistency and alignment mean value 3.61 and standard deviation 0.888 employee agrees on guideline establishment and it exist to ensure consistency and align with the strategic goal. Mean 3.5 of procedure formulation shows that employee agree that step by step instructions are placed, standard deviation of 0.975 indicate a moderate existence of those procedures. Mean 3.42 and standard deviation 0.912 values for strategies initiation shows that an agreement on teams or directors initiate strategies and implement it.

Design of reward system with mean value 3.16 and standard deviation 0.902 that the reward system present but it is not that effective and appreciated all the time. Respondents agree that resources are allocated and secured. The mean value 3.49 and standard deviation 1.160 shows varied experience. Strategic leadership with mean 3.24 and standard deviation 1.106 respondents shows their interest moderately as its important part of strategic practice throughout the implementation. Strategy goals and objectives communication with mean 3.29 and standard deviation s.1.182 with varied response the values shows that it is effective since it is a critical area for improvement.

**Table 7: Descriptive statistics for strategic evaluation and control**

Descriptive Statistics for strategic evaluation and control	Mean	Std. Deviation
Identification of Changes in planning premises (timely adjustments to strategies as circumstances evolve)	3.19	1.001
Determining and Measurement of Performance – measure actual result against planned objectives to assess progress and effectiveness)	3.56	1.011
How effectively corrective actions are taken from plans are identified	3.28	0.899
Tools for evaluation are standard and clear	3.36	0.974
Consistent and effective evaluation leads to improvements	3.39	1.026
cumulative of strategic evaluation and control	3.356	0.9822

Source: SPSS data, 2025

Identification of Changes in planning premises mean value 3.19 and standard deviation 1.001 indicates that even there is a variability in consistency banks can identify changes in planning premises and make adjustments to strategies. Mean 3.56 and standard deviation 1.011 determines measurement of performance mean 3.56, standard deviation 1.011 indicates a well-established measurement with the existence of some different. Mean 3.28 and standard deviation 0.899 for the effectiveness of corrective action shows that actions are taken when the deviation from plans identified. Tools for evaluation are standard and clear with mean value 3.36 and standard deviation 0.974 indicates that some respondent may not fully agree it's consistency but the tools are cleared and standardized. Consistent and effective evaluation leads improvement with mean value 3.39, standard deviation 1.026 shows the respondents agree effective evaluation process contributes to banks performance.

**Table 8: Descriptive statistics for Environmental scanning**

<b>Descriptive Statistics for Environmental scanning</b>	<b>Mean</b>	<b>Std. Deviation</b>
To what extent does it facilitate control in your bank	3.47	0.731
To what extent does it reduce uncertainty in your bank	3.38	0.865
To what extent does it facilitate measurement in your bank	3.6	0.799
To what extent does it provides a link between long and short term goals.	3.26	1.136
To what extent does it minimizes resistance to change	3.29	0.911
To what extent does It improves understanding of a rapidly changing environment?	3.41	1.072
Does it create shared vision?	3.6	1.045
To what extent it helps to initiate change in the organization?	3.66	0.868
To what extent does It helps to formulate better strategies?	3.57	1.19
To what extent does It significantly improves bank’s overall performance?	3.63	1.186
To what extent does your banks strategic management bring order and consistency in operation?	3.52	1.084
To what extent it encourage continual learning and improvement?	3.64	0.84
To what extent It improves staff engagement and commitment to the bank’s goal	3.43	1.029
cumulative of Environmental scanning	3.4969	0.981231

Source: SPSS data, 2025

Facility control and measurement with mean value (3.6, 3.47) and standard deviation value (0.799, 0.731) respondents highly agrees the effectiveness of environmental scanning on strategy evaluation and maintaining operational failure. Short term and long term goal liking mean value 3.26, standard deviation 1.136 indicates environmental scanning has a significant role for bridging strategic distance. Reducing uncertainties and initiating change (mean 3.66, standard deviation 0.868) describe that while banks recognize the role of the environmental scanning practice. It’s capacity to doubt remaining underutilized. (mean 3.41, standard deviation 1.072) value for rapidly changing environment respondents were neutral. Encourage continual learning mean 3.64, standard deviation 0.84 and create shared vision mean 3.60, standard deviation 1.045) shows the general impact of this practice institutional knowledge building. Improve staff engagement with mean 3.43, standard deviation 1.029 indicates that the practice are not yet fully leveraged to align employee motivations with strategic objectives.

**Table 9: Descriptive statistics for Organizational performance**

Descriptive Statistics for organizational performance	Mean	Std. Deviation
To what extent the objectives have clear performance goals	3.9	0.857
To what extent has your bank has set performance objectives?	3.84	0.933
To what extent does strategic management practice improved customer satisfaction?	3.63	1.112
To what extent the practice led to increase customer retention rate?	3.97	0.906
To what extent has employee engagement increased over the past five years?	3.57	0.943
To what extent strategic management practice improve operational efficiency?	3.57	1.175
To what extent has your bank's profitability improved?	3.58	0.991
To what extent has service or product added to market share growth?	3.72	0.964
To what extent strategic initiatives helped to reduce non-performing loans?	3.75	1.091
To what extent has your bank has achieved it's targeted growth?	3.77	0.917
cumulative of Organizational performance	3.73	0.9889

Source: SPSS data, 2025

Mean 3.9 and standard deviation 0.857 shows respondents strongly agree that there is a well-defined objective. Customer satisfaction with mean value 3.63 and standard deviation 1.112 and operational efficiency mean 3.57 and standard deviation 1.175 indicates the difference style of customer service quality, resource allocation gap and different integration level on technology. Employee engagement standard deviation 0.943 shows inconsistent leadership practices or communication efficiency. Profitability improvement with mean 3.58 and standard deviation 0.991 indicates on financial gain respondents agree moderately tied to difference in cost management strategies. Target growth achievement with mean 3.77 and standard deviation 0.917 strategy plans have brought measurable growth even some banks lag in specific task. Commercial bank proves strategic alignment in customer retention and goal clarity variability in operational execution and employee engagements.

## INFERENTIAL ANALYSIS AND HYPOTHESIS TEST

### Pearson correlation analysis

This research used the common way of measuring a linear correlation in descriptive statistics called Pearson correlation to measure the strength and direction of the relationship between both dependent and independent variables. The Pearson correlation coefficient effect size is between (-1 and 1).

The relationship size varies between variables. According to McDaniel and Gates (2006) general rule of thumb, when the coefficient range is 1 perfect, when it is 0.8-0.9 very strong relationship, when  $r$  is 0.5-0.8 strong and clearly observable, 0.3-0.5 moderate and  $r$  is 0.1-0.3 modest and weak potential relationship between variables.

**Table 10: correlation result N=107**

		<b>Correlations</b>				
		1	2	3	4	5
1.Strategic formulation	Pearson Correlation		.843**	.786**	.719**	.737**
2.Strategic implementation	Pearson Correlation	.843**		.847**	.754**	.745**
3.Evaluation Control	Pearson Correlation	.786**	.847**		.858**	.745**
4.Environmental scanning	Pearson Correlation	.719**	.754**	.858**		.801**
5. Strategic performance	Pearson Correlation	.737**	.745**	.745**	.801**	
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: SPSS data, 2025

The correlation analysis result reveals that all variable that all variables have a strong, statistically significant positive relationship with organizational performance. Environmental scanning with r value 0.801 determine the strongest relationship with organizational performance among the rest variables, indicating that organization that effectively monitor external and internal environment tend to perform significantly better. Strategic implementation and organizational performance r value 0.745 shows that strong, positive correlation indicating that effective implementation ends with better outcomes. Strategic evaluation and control with organizational performance also with r value 0.745 shows a strong relationship associated with enhanced organizational performance. Strategic formulation while still showing a strong position correlation, it shows the lowest correlation among the four variables.

### **Multiple regression analysis**

Before multiple regressions analysis the study tested all critical assumptions required. This model employed to examine the relationship between organizational performance and strategic management practice. This model usually used to examine complex relationship between multiple predictor and outcome variable.

#### ***Assumption of multiple linear regression model***

To ensure the validity of our statistical result and to strength the credibility of this research assumption testing is mandatory. The following tests are built on certain assumptions like normality of our data using skewness and kurtosis, Linearity assumption for the relationship of both variables, Multicollinearity of variables by predicting the result from SPSS statistics data.

#### **Normality test**

By examining skewness and kurtosis values this research normality of data distribution checked. Most parametric research test require the assumption of normality. SPSS gives us the value of skewness and value of kurtosis as well as standard error. For the degree of asymmetry skewness with value of (-1,1) and for peakedness of distribution measurement Kurtosis within the range of (-3,3) required (West et al.1996).

Based on the result, data distributed normally with some exit from perfect normality. Since the small deviations are common in real world data it doesn't indicate a serious problem with regression model.

**Table 11: skewness and kurtosis**

Descriptive Statistics					
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Strategic formulation	106	-0.302	0.235	-0.523	0.465
Strategic implementation	107	-0.318	0.234	-0.261	0.463
Evaluation and Control	107	-0.785	0.234	0.677	0.463
Environmental scanning	105	-0.578	0.236	-0.06	0.467
Strategic performance	106	-0.002	0.235	-0.949	0.465

Source: SPSS data, 2025

**Normal P-P Plot of Regression Standardized Residual**

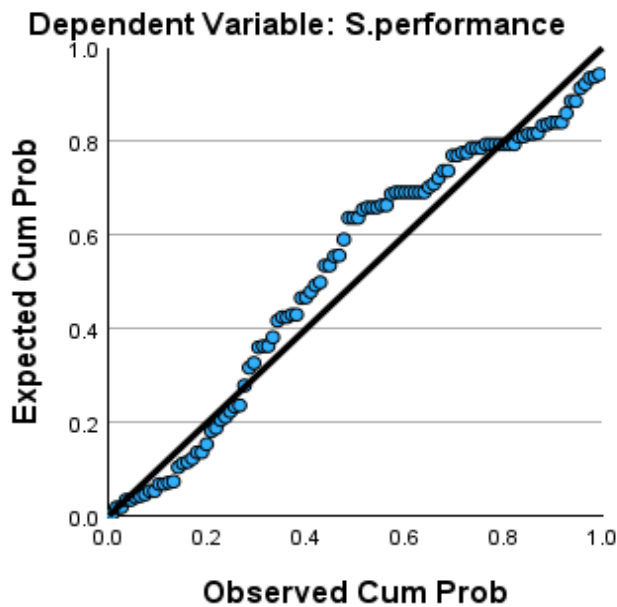


Figure: 2

## Linearity

The linearity assumption refers the assumption that the relationship between strategic management practices and organizational performance in a regression model is linear. Testing for linearity is mandatory because non-linearity data can lead to inaccurate conclusions and predictions. The assumption suggests a direct straight line relationship between strategic management practice and organizational performance. Their relationship expected to change in consistence, proportional manner that can be presented by straight line. In this study result the relationship between the practice and organizational performance follow a linear pattern seeking to enhance the performance of commercial banks through strategic management interventions.

**Table 12: Linearity test**

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	24.34	48.50	37.26	5.488	104
Residual	-9.782	5.819	0.000	3.596	104
Std. Predicted Value	-2.354	2.048	0.000	1.000	104
Std. Residual	-2.667	1.587	0.000	0.980	104

a. Dependent Variable: Organizational performance

Source: SPSS data, 2025

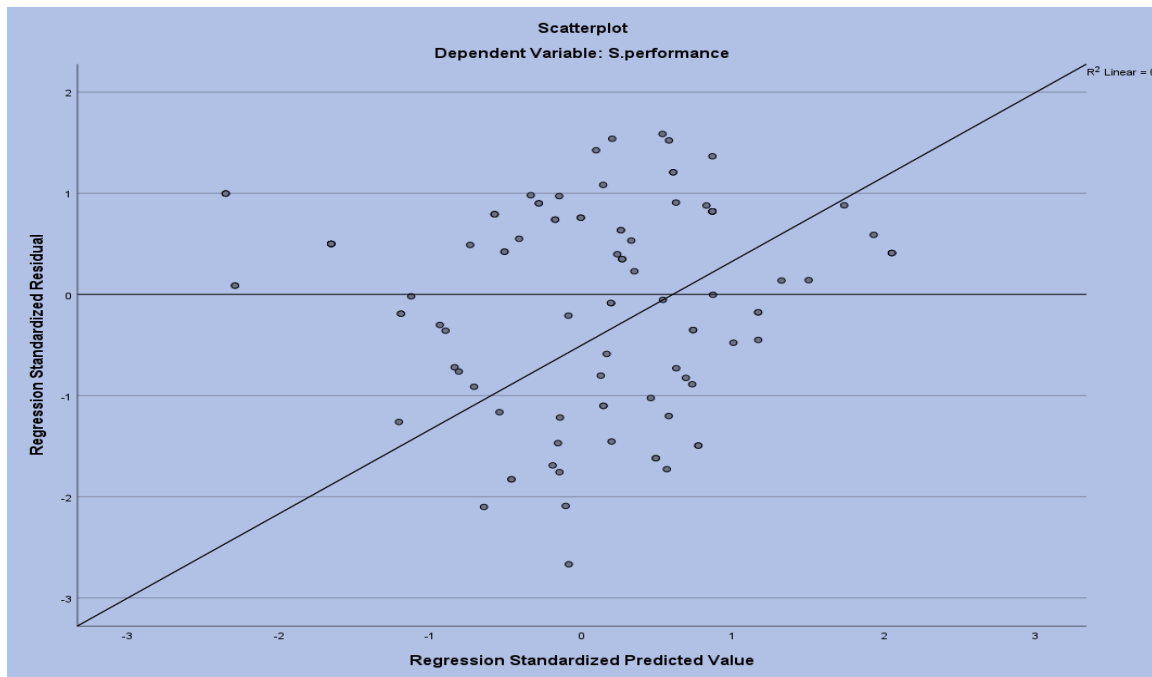


Figure: 3

## Multicollinearity

This study also needed to examine if there are a correlation between independent variables. The variance inflation factor used to measure Collinearity among predictor variable within multiple regression. Small VIF value  $VIF < 3$  indicate how correlation among variable, the default VIF cut off value is 5, however many sources say that a VIF of less than 10 is acceptable (Jemol I.Daoud). in our study  $VIF < 10$ , confirming there is no sever Multicollinearity found.

**Table 13: Multicollinearity test**

Collinearity Statistics		
Variables	Tolerance	VIF
Strategic formulation	0.274	3.644
Strategic Implementation	0.203	4.930
Evaluation and Control	0.154	6.475
Environmental scanning	0.222	4.503
a. Dependent Variable: Organizational performance		

Source: SPSS data, 2025

**Table 14: model summary result**

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin - Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.836 <sup>a</sup>	0.700	0.688	3.668	0.700	57.656	4	99	0.000	1.831
a. Predictors: (Constant), Environmental scanning, Strategic formulation, Strategic implementation, Evaluation and Control										
b. Dependent Variable: Organizational performance										

Source: SPSS data, 2025

**R square:** is one of multiple regression analysis metrics used to measure how much of the variation in outcome can be explained by the variation in independent variables. R(0.836) show strong positive correlation between the four predictor and organizational performance.  $R^2$  (0.700) 70% of the variance in organization performance a robust result.  $Adj.R^2$  (0.688) indicates the strategic management practices are meaningful. Std.error (3.668) deviates from actual organizational performance values by 3.67 units on average.

**Table 15: ANOVA**

ANOVA						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3102.276	4	775.569	57.656	<.001 <sup>b</sup>
	Residual	1331.715	99	13.452		
	Total	4433.990	103			
a. Dependent Variable: Organizational performance						
b. Predictors: (Constant), Environmental scanning, Strategic formulation, Strategic implementation, Evaluation and Control						

Source: SPSS data, 2025

The result indicating the combination of strategic management practices (environmental scanning, strategic formulation, strategic implementation, strategic evaluation and control) significantly predicts the dependent variable. Our finding validates the theoretical importance of strategic management approaches in banking sector. If the overall regression model is good for our data we examine the F ratio in ANOVA table. If  $P < .005$  the model is accepted or good fit. F-test (57.657) with  $p = 0.00$  the model is statistically significant ( $p > 0.001$ ), rejecting the null hypothesis that the independent have no collective effect.

**Table 16: Regression coefficient result**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	9.518	1.908		4.987	0.000	5.731	13.305		
	Strategic formulation	0.331	0.128	0.272	2.586	0.011	0.077	0.584	0.274	3.644
	Strategic implementation	0.147	0.106	0.169	1.380	0.171	-0.064	0.357	0.203	4.930
	Evaluation and Control	-0.223	0.218	-0.143	-1.022	0.309	-0.655	0.210	0.154	6.475
	Environmental scanning	0.406	0.079	0.601	5.142	0.000	0.249	0.563	0.222	4.503

a. Dependent Variable: organizational performance

Source: SPSS data, 2025

### Discussion of regression coefficient result

The Strongest Predictor environmental scanning emerges as the most influential predictor of organizational performance in this model, with the highest standardized coefficient (Beta = 0.601) and strongest statistical significance ( $p < 0.000$ ). The unstandardized coefficient (B = 0.406) indicates that improvements in environmental scanning practices yield substantial returns in organizational performance, making it the most impactful strategic management component examined. This finding underscores the critical importance of external awareness and adaptive capacity in contemporary organizational management.

Strategic Formulation as a Performance Driver, the coefficient suggests that for every one-unit increase in strategic formulation effectiveness, organizational performance increases by 0.331 units, representing a moderate but meaningful impact. The standardized coefficient (Beta = 0.272) indicates that strategic formulation accounts for approximately 27.2% of a standard deviation change in organizational performance when other variables are held constant.

Strategic Implementation: Limited Impact, conflicting to conventional wisdom about the importance of strategy execution, strategic implementation shows a non-significant relationship with organizational performance ( $\beta = 0.147$ ,  $p = 0.171$ ). While the coefficient is positive, suggesting a potential beneficial effect, the lack of statistical significance indicates that this relationship cannot be distinguished from random variation with acceptable confidence. This finding challenges traditional strategic management assumptions and raises important questions about how implementation effectiveness is measured and conceptualized.

The most surprising finding involves evaluation and control processes, which demonstrate a negative but non-significant relationship with organizational performance ( $\beta = -0.223$ ,  $p = 0.309$ ). This counterintuitive result challenges fundamental assumptions about the value of monitoring and control systems in organizational management. While the relationship lacks statistical significance, the negative direction warrants careful consideration and alternative explanations.

Several factors might explain this unexpected finding. Excessive control and evaluation activities could potentially create bureaucratic inefficiencies, stifle innovation, or generate employee resistance that ultimately diminishes performance outcomes. Alternatively, organizations experiencing performance challenges might intensify evaluation and control efforts as corrective measures, creating a reverse causality relationship where poor performance drives increased control rather than control driving performance. The measurement approach for evaluation and control might also capture dysfunctional aspects of these processes rather than their beneficial contributions to organizational effectiveness.

Unlike environmental scanning and strategic formulation, strategic implementation and strategic evaluation and control did not show a significant positive effect and in some case it may even negatively affect efficiency. In Ethiopian banking sector context there is several reasons for it, based on this study finding:

In our banking sector, lack of communication channel resource limitation and insufficient training can delay effective implementation. During strategic implementation the alignment with existing capabilities, without preparation leads to inefficiencies, creates confusion among employees and waste of efforts. According to Wubshet (2018) banks provide insufficient effort to strategy implementation, evaluation and control practices which explain the lack of significant effect on banks performance.

Overly rigid or bureaucratic process can affect operational efficiency. Instead of enhancing efficiency these process introduce a delay in strategic implementation and decision making, increase manager's burden and discourage innovation. If the day to day operation isn't cooperate with banks strategic plan implementation practice may be perceived as burden or irrelevant which lead employee's to resist and inefficiency. Ethiopian banks efficiency also affect by poorly design evaluation system. Evaluation and control are planned to follow progress and to make adjustments when it is needed. Exaggerated punishment can discourage employees and create a culture of blame rather than continuous improvement. Staff may become discouraged when strategies are continuously shifts or the control and evaluation criteria are unclear, which highly affect the efficiency of the strategies and its sustainability. Johnson & Scholes (2009)

## **H1: strategic formulation has a positive and significant relationship with organizational performance**

With regression coefficient 0.331 and p-value 0.011 the strategic formulation significantly affects organizational performance at the 0.05 significance level. Organizational performance increases by 0.331 when strategic formulation increases by one unit. The standardized coefficient result 0.272 indicates that strategic formulation has a strong effect on performance outcome. This finding validates Wubshet's (2018) findings on the importance of strategic planning in Ethiopian banks. With Mintzberg's emergent strategy theory, strategy formulation includes mid-level managers and frontline staff participations. However strategic planning in developing economies often remains theoretical without actionable roadmaps. Theoretical expectation that effective strategic formulation includes clear mission definition, strategic goal alignment and stakeholder's engagement creates a foundation for superior organizational performance.

Ethiopian banks build a solid basis for operational efficiency, flexibility and long term competitiveness. When they invest in development of strategies clearly stating organization mission, coordinating directorates' strategies goal and involve important stakeholders in the process are all components of effective strategic formulation. Banks must be thoughtful and proactive in their strategy development due to customer's expectation, regulatory changes, and technological breakthrough.

Banks with well formulated strategy are better positioned to respond to environmental changes, allocate their resource efficiently and achieve their objectives. By ensuring strategic goals are well communicated and stakeholders engaging banks can adopt a culture of accountability, more productive and attractive performance. Therefore the null hypothesis is rejected and accepts the hypothesis of the strategic formulation has a positive and significant effect on organizational performance.

## **H1: strategic Implementation has a positive and significant relationship with organizational performance**

The P-value 0.171 which exceeds the 0.05 threshold, the relationship fail to achieve statistical significant. The Beta value 0.169 indicates a modest potential effect size. The finding suggests that Ethiopian commercial banks may face challenges during implementation when translating formulated strategies into performance improvements. Addisie's (2015) study highlights similar gaps, mentioning that Only 34% of employees in Ethiopian banks fully understand the strategic priorities, which delay implementation. The rigidity of hierarchical structure in traditional banking institution may delay adaptive implementation.

Ethiopian banking sector faces challenges in implementing strategic plan into actions, including insufficient training, lack of clear communication, and limited resource. Many banks focus on formulation of strategy and focus less on practical aspects of implementation, leading to a gap between planning and implementation. Resistance to change and organizational culture always delay the implementation. Limited impact on performance and poor execution comes also from employee fail to understand or resistance. Investments in system, technology, and human resource are necessary for effective implementation. This can reduce the potential advantage of strategic initiatives because many Ethiopian banks might not have the resource to fully support and sustain implementation effort. Banks may be forced to continuously adjust due to economic instability, technology disruptions and policy changes, which makes the implementation very difficult and carry out the strategic objectives. Estimating the impact of implementation efforts becomes challenging if performance evaluation systems are not in line with strategy objectives. Inadequate monitoring and feedback mechanism makes the performance and implementation more complicated. This study finding happens to accept the null hypothesis, strategic evaluation and control doesn't have a positive and significant effect on organizational performance.

## **H1: strategic evaluation and control has a positive and significant relationship with organizational performance**

The regression coefficient is negative (-0.223) and statistically insignificant ( $p=0.309$ ). Strategic evaluation and control show a negative but statistically insignificant coefficient means there is no reliable evidence of a negative effect. This negative coefficient could be random variation in this sample rather than the real effect in the population. Especially the value is within the interval boundaries it is not accurate to draw a bank conclusion. But it also an insight that the current evaluation and control practice in Ethiopian banks may not be well-designed or implemented potentially creating bureaucratic overhead without consistent performance benefit. This reflect banks over emphasis on compliance oriented control system rather than performance enhancing monitoring, inadequate feedback mechanism, or evaluation systems that create organizational burden without strategic value.

Wubshet's (2018) observation Banks in Ethiopia focus more on compliance oriented control system rather than performance oriented. Prioritizing adherence to regulations and rules over performance enhancement and encouraging innovation, which limits the ability to adapt strategies effectively. Timely, relevant and actionable feedbacks are basic requirements for effective strategic evaluation. According to the findings, these banks' feedback loops might be ineffective or out of alignment with their strategic objectives, which would delay corrective measures that could enhance performance. According to Kaplan and Norton's when evaluation system fails to link performance metrics, directly to strategic objectives they lose their usefulness for directing organizational improvement. This may lead to evaluation practice are perceived as a burden. This study finding happens to accept the null hypothesis, strategic evaluation and control doesn't have a positive and significant effect on organizational performance.

## **H1: Environmental scanning has a positive and significant relationship with organizational performance**

Environmental scanning with regression coefficient of 0.406 and with highly significant p-value 0.000 shows strong statistical support. Beta (B-0.601) indicates the largest effective size among all variable. This aligns with Johnson and Scholes (2009) finding ensures that banks that effectively scan their internal and external environment, monitor regulatory changes, access competition options. And anticipate market trends prove more performance outcomes. The outcome of the position correlation between environmental scanning and performance validates theoretical frameworks that place the environmental awareness as a requirement for effective strategic plan and competitive development.

Banks in Ethiopia that are successfully does the environmental scanning, by keeping an eye on changes in regulation, evaluating alternatives to competitors, and predicting market trends, generally have higher organizational performance results. In our country context environmental scanning has a positive and significant effect on organizational performance. However, Dinber's (2016) states that Ethiopian financial institutions often undervalue environmental scanning contrast with this study findings, suggesting that the selected banks may practice it exceptionally. Therefore the null hypothesis is rejected the Environmental scanning has a positive and significant relationship with organizational performance.

## Hypothesis result summary

**Table 17: Regression coefficient result**

<b>Hypothesis</b>	<b>Method</b>	<b>Result</b>
<b>Strategic formulation has a positive and significant relationship with organizational performance</b>	Regression	Accepted
<b>Strategic Implementation has a positive and significant relationship with organizational performance</b>	Regression	Rejected
<b>Strategic evaluation and control has a positive and significant relationship with organizational performance</b>	Regression	Rejected
<b>Environmental scanning has a positive and significant relationship with organizational performance</b>	Regression	Accepted

## CHAPTER FIVE

### SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATION

#### Summary of findings

By using regression analysis and hypothesis testing study examine the relationship between strategic management practices (Environmental scanning, strategic formulation, strategic implementation, strategic evaluation and control) and organizational performance. For those practices employee agrees on their existence and actively implementation in their banks. Multicollinearity result was overlapping roles and unclear differentiation in this practice.

This study used utilized data from five years of audited bank reports, regulatory publications, and 107 structured questionnaires distributed to employees directly involved in strategic management practice. The correlation and regression analysis conducted using SPSS to provide evidence about the level of effectiveness of different strategic management components. The most significant finding indicates that strategic formulation and environmental scanning have strong positive and statistically significant effect on the performance of banks. The finding align the theoretical foundation that proactive environmental scanning monitoring enable banks to identify opportunities and threats, leads to more informed strategic decisions that increase competitive advantages. On the other hand strategic implementation and strategic evaluation and control practice not statistically affect the performance of organization, this study highlights the gap in how banks implement and monitor their initiatives, suggesting that despite having well formulated strategies, May institution struggles with implementation and evaluation process.

The strategic management practice defines 70% of the variance in organizational performance ( $R^2=0.700$ ) which indicates the significant effect of this practices when integrated effectively.

## **Conclusion**

Strategic management practice plays a high role in enhancing the performance of commercial banks in Ethiopia. Strategic formulation and environmental scanning appears as the powerful factors directly contributing to improved outcomes of organization. However the effect of strategy implementation and strategic evaluation and control remains limited. Those practice often stuck by communication gap, limited employee involvement and they focus on compliance over performance enhancement.

This study emphasizes the need for greater integration and participation in strategic management. Although banks are skilled in planning and environmental analysis, they need to improve in putting ideas into practice and using evaluation as a tool for ongoing progress.

Environmental scanning significantly impacts organizational performance in Ethiopian commercial banks, enabling them to understand market dynamics, regulatory changes, customer expectations, and competitive pressures. This proactive environmental analysis helps organizations identify opportunities and threats in their operational landscape. Banks with robust environmental scanning capabilities show superior performance metrics, particularly in the evolving banking sector, where regulatory frameworks are changing and competition intensifies due to government reforms.

Strategic formulation significantly impacts organizational performance, emphasizing the importance of inclusive strategy development processes. Ethiopian banks excel in strategic formulation, demonstrating better alignment between their objectives and performance outcomes. The research suggests that effective strategic formulation involves not only the development of strategic plans but also the quality of the planning process itself. Banks that engage stakeholders effectively, use data-driven approaches, and create comprehensive strategic frameworks achieve superior performance. This highlights the need for banks to invest in their strategic planning capabilities and ensure thorough, inclusive, and evidence-based formulation processes.

The study reveals that while strategic implementation correlates with organizational performance, it doesn't significantly impact performance in Ethiopian commercial banks. This suggests significant gaps in implementation processes, suggesting that even well-formulated strategies may not translate into improved performance due to implementation challenges. The research highlights disengage between strategic planning and execution, undermining the potential benefits of strategic management practices. Ethiopian banks often focus more on strategy formulation, highlighting the need for stronger implementation capabilities and robust execution frameworks to improve performance.

Ethiopian banks face challenges in effectively monitoring and evaluating their strategic initiatives, which limits their ability to make necessary adjustments and improvements. The weak relationship between evaluation practices and performance suggests that current monitoring and control systems may be inadequate or improperly designed. The research reveals that banks may be conducting evaluation activities but failing to utilize results effectively to improve performance or modify strategic approaches, highlighting a missed opportunity for continuous improvement and strategic learning. Strengthening evaluation and control systems is crucial for meaningful organizational learning and performance enhancement.

Several important implications about strategic management methods in Ethiopian commercial banks are drawn from the empirical investigation. First, two crucial success criteria for organizational performance in the banking industry are environmental scanning and strategic formulation. Proactive environmental research and thorough strategy planning are crucial, as evidenced by the superior performance outcomes of banks that succeed in these areas.

Second, even while banks are creating good plans, they are nevertheless unable to carry out and track their progress, which shows chances for performance improvement through implementation and assessment skills. This study identifies the limitation in implementation and assessments restrict the efficiency of strategic management procedures.

Thirdly, the study reveals that strategic management practices do not influence organizational performance the same way. Some factors show stronger effects than others. This finding has important implications for how banks give a priority for strategic management activities and allocate resources.

## **Recommendation**

Banks should establish dedicated environmental scanning units to monitor external factors affecting the banking industry. These units should use systematic methodologies to track regulatory changes, technological developments, customer behavior patterns, and competitive activities. Regular environmental scanning reports should be produced and disseminated to senior management and strategic planning committees. Financial institutions should invest in market research capabilities and data analytics tools to enhance their effectiveness. This includes subscription to industry reports, customer surveys, monitoring social media trends, and analyzing economic indicators impacting banking operations. Banks should also develop partnerships with research institutions and consulting firms to access specialized knowledge. Training programs should be implemented to enhance employees' skills in environmental analysis and trend identification.

Banks should adopt structured strategic planning processes that incorporate environmental scanning activities, involving regular sessions with senior management, department heads, and stakeholders. Annual planning should be conducted with quarterly reviews to maintain relevance. Financial institutions should adopt proven frameworks and methodologies, such as balanced scorecards, SWOT analysis, and scenario planning techniques, tailored to Ethiopian banking operations and regulatory requirements. Clear linkages between strategic objectives and performance measurement systems should be established for accountability and progress monitoring. Investment in strategic planning capabilities should include training for senior managers and staff, and external consultants or advisors for objective perspectives during strategic formulation processes.

Banks should create detailed implementation frameworks that translate strategic objectives into SMART goals at directorial and individual levels. These should include risk assessment and mitigation strategies. Effective communication strategies should be enhanced, including conducting strategic sessions, developing internal materials, and establishing feedback mechanisms. Regular progress updates and success stories should be shared to maintain momentum. Performance management systems should align with strategic objectives, revising job descriptions, evaluation criteria, and incentive structures.

Banks should also establish project management offices to oversee strategic initiative implementation and provide necessary support and resources. This will ensure that individual and departmental goals support strategic implementation.

Banks should establish robust monitoring and evaluation systems that include key performance indicators (KPIs) aligned with strategic objectives. These systems should provide regular feedback on progress and enable timely identification of performance gaps or implementation challenges. They should integrate evaluation processes into management reporting and decision-making cycles. Evaluation methodologies should include both quantitative and qualitative approaches, including financial metrics, operational indicators, customer satisfaction measures, and employee engagement assessments. Banks should also implement benchmarking practices to compare their performance against industry standards. Control mechanisms should enable corrective actions when performance deviates from strategic targets, including clear escalation procedures and feedback loops. Investing in data analytics capabilities can enhance performance analysis and identify improvement opportunities. Strategic learning initiatives should be implemented to capture lessons learned from implementation and evaluation processes, and knowledge management systems should be created to preserve institutional learning and facilitate continuous improvement in strategic management practices.

Communication of strategic goals through the banks, ensure adequate resource allocation and establish effective reward system related to strategic implementation. Capacity building and training also have a huge support for smoother implementation.

On evaluation and control process banks needs to shift from compliance oriented to performance oriented monitoring. Develop feedback mechanism for any adjustment and adopt a culture of continuous improvement.

Making environment scanning an organization wide activity and consider findings as a source for strategies stage of management to ensure effectiveness and responsiveness to market changes. Encourage a culture that values innovations, adaptability and proactive change management to help banks remain resilient in the face of evolving market changes and regulatory environment.

To address implementation gaps, banks should develop robust project management capabilities, and create incentive systems that align employee behavior with strategic objectives. This may involve restructuring organizational process, building change management capabilities and change implementation monitoring system.

### **Future study area**

Additional studies are recommended to clear the contextual factors affecting strategy implementation and evaluation in Ethiopian banking sector. Investigate the role of leadership, organizational culture and resource allocation in bringing the gap between strategic formulation and implementation. Explore challenges and enablers to effective strategic implementation and evaluation.

Researchers should investigate how different organizational characteristics influence strategic management effectiveness. To provide a additional understanding of contextual factor that shape strategic management outcomes, characteristics such as size, market position, and ownership structure should investigate.

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Appendices

## Questionnaires

**Addis Ababa University**  
**College of Business and Economics**  
**MSC program**

Dear Sir/ Madam

I am a student at Addis Ababa University pursuing a Master's Degree in Quality assurance and organizational excellence. I am conducting a research on the **effect of strategic management practices on organizational performance** in commercial banks in Ethiopia. Therefore this is to request you to help me in conduct the study by completing the attached questionnaire. The information you give will be used for academic purposes only and will be treated with utmost confidentiality.

Thanks in advance

Etsegenet Lemecha

Tell: 0910-85-62-91

Email:Kiylemecha@gmail.com

**Instruction:** The questionnaire includes a variety of questions addressing different aspects of strategic management practices in Ethiopian commercial banks. For the following objectives, indicate the extent to which you agree by selecting one option per row using (✓) symbol for the scale below.

**1=Not at all, 2= small extent, 3= moderate extent, 4= great extent, 5= very great extent**

### *I. Demographic Information*

1 What is your current Job position?

- Managerial
- Non-managerial

2. How many years have you served in your bank?

- 0-2 years
- 2-4 years
- 4-6 years
- 6-8 years
- above 8 years

3. Number of years in the current position.

- 0-2 years
- 2-4 years
- 4-6 years
- 6-8 years
- above 8 years

### 1. Strategy Formulation

S.No	To what extent does your bank prioritize the following point of strategic management?	1	2	3	4	5
1	Participation on formulations (the degree of your participation on strategy formulation)					
2	Level of stakeholder engagement in strategy formulation					
3	Achievability, inspiration and clarity of vision for employees					
4	To what extent the mission of the bank express the organization's purpose and whom it serves					
5	The goals and objectives of your bank are attainable					
6	The goals and objectives of your bank are relevant or proper					
7	Your bank's corporate strategy is appropriate to the attainment of Mission, vision, values, goals & objectives					

## 2. Strategy Implementation

S.No	To what extent do you agree with the following statements?	1	2	3	4	5
1	Strategy has been effectively communicated					
2	Identification of short term objectives(balance short term objective with long term objective)					
3	Formulation of programs(a well-defined and properly scoped program with necessary resource and stakeholders support)					
4	Establish guidelines to insure consistency and alignment with strategic goals					
5	Formulation of procedures step by step instruction for tasks and compliance with established policies					
6	Initiation of specific functional strategies (directorates or teams develops their strategies and implements.					
7	Design of appropriate reward systems (bonus, recognitions.....)					
8	Mobilization of resources (secured and allocated the necessary financial, human, and technological resource to support the implementation)					
9	Provision of strategic leadership (leaders provide clear direction, inspire commitment and guide.					
10	Goals and objectives are effectively communicated					

### 3. Strategy Evaluation and Control

S.No	To what extent does your bank perform the following?	1	2	3	4	5
1	Identification of Changes in planning premises (timely adjustments to strategies as circumstances evolve)					
2	Determining and Measurement of Performance – measure actual result against planned objectives to assess progress and effectiveness)					
3	How effectively corrective actions are taken from plans are identified					
4	Tools for evaluation are standard and clear					
5	Consistent and effective evaluation leads to improvements					

### 4. Motivating factors for Adoption of Strategic Management

To what extent does strategic management in your bank perform the following?		1	2	3	4	5
1	To what extent does it facilitate control in your bank					
2	To what extent does it reduce uncertainty in your bank					
3	To what extent does it facilitate measurement in your bank					
4	To what extent does it provides a link between long and short term goals.					
5	To what extent does it minimizes resistance to change					
6	To what extent does It improves understanding of a rapidly changing environment?					
7	Does it create shared vision?					
8	To what extent it helps to initiate change in the organization?					
9	To what extent does It helps to formulate better strategies?					
10	To what extent does It significantly improves bank's overall performance?					
11	To what extent does your banks strategic management bring order and consistency in operation?					
12	To what extent it encourage continual learning and improvement?					
13	To what extent It improves staff engagement and commitment to the bank's goal					

## 5. Performance

S.No	To what extent have the following outcomes been achieved in the past 5 years?)	1	2	3	4	5
1	Objectives have clear performance goals					
2	your bank has set performance objectives					
3	Strategic management practice improved customer satisfaction					
4	Strategic management practice led to increase customer retention rate					
5	Employee engagement increased over the past five years					
6	Strategic management practice improve operational efficiency					
7	your bank's profitability improved					
8	service or product added to market share growth					
9	strategic initiatives helped to reduce non-performing loans					
10	your bank has achieved its targeted growth					
11	The bank's reputation or image improved in the industry					
12	Risk management practices reduce loss or improved compliance outcomes					
13	Evaluation programs are used consistently to measure performance					
14	your bank conducts strategy audit					

**Thank you for your participation!**