



COLLEGE OF BUSINESS AND ECONOMICS

SCHOOL OF COMMERCE

THE EFFECT OF ORGANIZATIONAL AGILITY ON ORGANIZATIONAL EFFECTIVENESS

A CASE OF GADAA BANK S.C.

BY ALAZAR ADULA YATENE

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ADVISOR: DR. SEIFU MAMO (ASS. PROF.)

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APPROVAL OF EXAMINING COMMITTEE

As a member of the examining committee of the Master of Arts Degree in Business Leadership Project defense examination, we testify that we have well read and evaluated the Project Work prepared by Alazar Adula and examined the candidate. We recommend that this Project Work be accepted as fulfilling the Project requirements for the degree of Master of Arts in Business Leadership.

Head, Office of Graduate Studies

Signature

D.r Seifu Mamo

Advisor

Signature

D.r Seifu

External Examiner

Signature

AtoFisseha (Assistant Professor)

Internal Examiner

Signature

DECLARATION

I hereby declare that, this Project Work titled “*The Effect of Organizational Agility on Organizational Effectiveness of Gadaa Bank S.C*” is my own original research work. No part of this work has been presented in any previous application for another degree at any institution. All borrowed ideas have been duly acknowledged in the text and a list of references.

Alazar Adula

Name

Signature

ENDORSEMENT

This Project Work has been submitted to Addis Ababa University, College of Business and Economics, School of Commerce, Office of Graduate Studies, Master of Arts in Business leadership Coordination Office for examination with my approval as a candidate's advisor.

D.r Seifu

Advisor

Signature

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Abstract

In the present business environment of accelerated volatility, uncertainty, complexity and ambiguity (VUCA), as experienced in Ethiopian Banking industry, the researcher found the area of organizational agility (proactive, flexible, responsive and speedy systems), as the one less researched. In this view, the researcher tried to measure the effect of organizational agility components on the organizational effectiveness of Gada Bank, Ethiopia. The study was made by employing an explanatory research design and collecting primary data from the board of directors and the management of the bank. A structured questionnaire was distributed to 86 respondents out of which 78 were responded. The finding of both descriptive and multiple linear regression analysis showed that organizational agility components like leadership, technological and HR agility have positive and statistically significant effects on organizational effectiveness of Gadaa Bank while the components like structural agility and process agility were found to be statistically insignificant. Based on the findings, the researcher recommends the bank to institute optimum level of agility to its systems and operations so as to gain and sustain competitive advantages while also overcoming challenges and uncertainties that could be posed by internal and external VUCA environments.

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Key words: *VUCA, organizational agility, organizational effectiveness, flexibility, responsiveness*

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Acronyms

ANOVA: Analysis of Variance

BSC: Balanced Score card

CBS: Core banking solution

ERP: Enterprise resource planning

KPI: Key Performance indicators

MIS: Management Information systems

VUCA: Volatile, uncertain, complex and ambiguous

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Chapter-1: Introduction

1.1 Background of the Study

The present business environment of accelerated complexity, ambiguity, uncertainty and volatility seems not to be settling down easily. Today's business world is usually bombarded with turmoil and unprecedented change like increased competition, globalized markets, and individualized customer requirements accompanied with many changes like pandemic like Covid-19, political and economic tensions among states, and disruptions by advancement of information technology (Roy Wendler, 2013). These make it very difficult for organizations to accurately predict possible future opportunities and threats. To overcome these challenges, organizations need to embrace and implement agility in their operations.

According to State of Agile Culture Report by Jcurv, Truth Sayers and Agile Business Consortium (2020), agility is an ability of creating business environment that is underpinned by values, behaviors and practices which enable organizations, teams and individuals to be more adaptive, flexible, innovative and resilient when dealing with complexity, uncertainty and changes. An agile culture enables organizations to focus on the areas of greatest value to quickly release its benefits, learning what works while listening to their stakeholders and adapting their products or services as demand shifts. As such, agility creates high levels of trust, supports effective communication and increases transparency throughout the organization.

Organizational agility can be defined as being able for a company to react swiftly to inevitable and unforeseen changes in its internal and external business environment. It refers to an organization's ability to adapt and respond to changes in market conditions. This includes not just speed but remaining in touch with the needs of customers, by understanding customer needs, learning and then adapting to changes (Alhadid & Aburuhman, 2015).

Ethiopian banking industry has been in operation since 1905. As per data extracted from reports of different banks, as at March 31, 2023, the number of commercial banks in the industry has reached 30, of which 29 are private and 1 public. During the same reporting period, the total assets, deposits, and paid up capital of commercial banks stood at Birr 2.7 trillion, Birr 2 trillion, and Birr 200 billion, respectively. The market share of private commercial banks is almost 50% of the total.

According to the recent report by the World Bank, the Ethiopian Banking sector development is far beyond the neighbor countries both in number, customer service quality and technology, where 82% of Kenyan, 50% of Rwanda, and 43% of East African adults have formal accounts, unlike Ethiopians which is only 35%. The tendency to heavily rely on cash transactions is excessive and big challenge, where only less than 20% is non-cash transaction, while in Kenya channeled 43% of GDP through M-Pesa each year.

Reforms introduced by Ethiopian government since 2018 have brought new developments in the financial sector of the country, fueling the existing challenges in the industry. The reform introduced changes including directive on minimum capital requirements (>5 billion Birr), opening up of the sector to entry of foreign banks, directive on introduction of capital market, emergence of specialized financial institutions in fin-tech offering, Islamic banking, relicensing of some microfinance institutions as bank by directive SBB/74/2020, and leasing and mortgage loans. This will gradually broaden the product mix, financial instruments, accessibility, market-based pricing and non-financial players on one hand while also stiffening existing competition in the industry.

In nutshell, Ethiopian banking business seems to be characterized by considerable level of volatility, uncertainty, complexity, and ambiguity (VUCA), an acronym coined in 1987, based on the leadership theories of Warren Bennis and Burt Nanus to describe unpredictable and rapidly changing situation, the situation that existing models could not deal with (Mack & Khare, 2016).

1.2 Gadaa Bank's Brief Company Profile

Gadaa Bank S.C, one of new entrants, was established in accordance with 1960 Commercial Code of Ethiopia, by the Monetary and Banking Proclamation No. 83/1994 and by the Licensing and Supervision of Banking Proclamation No. 592/2008 in December 2022. As of March 31, 2023, the total number of operational branches reached 41 while the total deposits of the bank stood at Birr 713.8 million. By the same reporting period, the total number of employees reached 384 staffs, the paid-up capital was Birr 810 million and the total asset was Birr 1.61 million. The new entrants like Gadaa Bank are highly vulnerable to risks arising from lack of organizational agility amidst the VUCA (volatile, uncertain, complex and ambiguous) business environment

and hence, the researcher tried to measure the effect of organizational agility on organizational effectiveness of Gadaa Bank S.C.

1.3 Statement of the Problem

A recent global survey by Agile Business Consortium (2020) found that organizations that were able to build a very strong agility-focused culture saw a performance improvement of up to 235%. According to the report, within three months of introducing agile ways of working to Bank of Ireland UK, team engagement levels increased by 27%. On the other hand, the report also disclosed that, organizations using more sophisticated agile operating models have a weaker culture. However, strengthening the culture takes time and commitment, but it pays off at each stage of growth. As agile culture matures, the importance of the individual declines, and changes to a team focus.

Zaina M. and Uğur Yozgat (2017) conducted research on title ‘Does organizational agility affect organizational learning capability? Evidence from commercial bank of Jordan concluded that organizational agility has emerged as a way for managing unforeseen organizational changes and managing risks (Khoramgah, 2012) as a key competitive imperative (Tallon and Pinsonneault, 2011) allowing organizations to survive in economic crises (Nijssen & Paauwe, 2012). Their findings affirmed also the strategic value of agility and concluded that administrators working within agile organizations would be able to acquire conditions that foster learning. A global survey by Agile Business Consortium (2020) has also concluded that financial services industry has the strongest agile culture, while the public sector is one of the weakest. In particular, the arrival of challenger banks forced a greater focus on customer centricity and product innovation.

Appelbaum et al., (2017) concluded that there has been a very little research covering how agility and agile capabilities can be developed and the researcher of this study has affirmed the same in Ethiopian context. Similarly, Roy Wendler (2013) has analyzed the structure of agility by comparing 28 available agility frameworks and concluded that there is lack of consensus on constructs of the term, implying a need for further studies on the matter. Organizational agility is considered as an immutable quality, where competitive firms should always maintain dynamic capability (Teece, D., Peteraf, M., & Leih, S., 2016). Thus, taking into account the structural and behavioral components of agility, there are several key benefits for organizations, including

leadership style, flexibility of managerial decisions, dexterity of communication and suitability of organizational values and culture.

In the context of organizational agility, Ethiopian Banking industry, which has been facing considerable challenges and uncertainties (VUCA) driven by the government reforms which raised minimum capital requirements to above Birr 5 billion, allowed the opening up of the sector to entry of foreign banks and introduction of capital market, emergence of specialized financial institutions in fin-tech offering, Islamic banking and relicensing of existing major microfinance institutions to full banking service has significantly changed the regulatory and competitive landscape of banking industry. On top of that, to make the matter worse, the alarming liquidity problems, stringent regulatory requirements, disruptions by digital banking and demanding customer requirements seem to exacerbate the uncertainties and hence competitive banks need to institute proper agility into their strategy and operations. More specifically, the risks arising from lack of organizational agility (responsiveness, flexibility and adaptability) amidst VUCA environment is more pressing to new entrants like Gadaa Bank. Thus, appreciating the essence of organizational agility to overcome VUCA business environment, this study tried to measure the effect of organizational agility on organizational effectiveness of Gadaa Bank.

1.4 Basic Research Question

The study has tried to address the following research questions:

- i. To what extent does strategic leadership agility affect organizational effectiveness of Gadaa Bank?
- ii. To what extent does structural agility affect organizational effectiveness of Gadaa Bank?
- iii. To what extent does technological agility affect organizational effectiveness of Gadaa Bank?
- iv. To what extent does HR agility affect organizational effectiveness of Gadaa Bank?
- v. To what extent does process agility affect organizational effectiveness of Gadaa Bank?

1.5 Objectives of the Study

The main objective of the study is to examine the effect of organizational agility on the organizational effectiveness of Gadaa Bank S.C.

The specific objectives of the study are:

- i. To measure the effect of strategic leadership agility on the organizational effectiveness of Gadaa Bank
- ii. To measure the effect of structural agility on the organizational effectiveness of Gadaa Bank
- iii. To measure the effect of technological agility on organizational effectiveness of Gadaa Bank
- iv. To measure the effect of HR agility on organizational effectiveness of Gadaa Bank
- v. To measure the effect of internal process agility on organizational effectiveness of Gadaa Bank.

1.6 Hypothesis of the Study

The study will be based on following five null hypotheses:

- H01:** Strategic leadership agility has positive significant effect on organizational effectiveness of Gadaa Bank.
- H02:** Structural agility has positive significant effect on organizational effectiveness of Gadaa Bank.
- H03:** Technological agility has positive significant effect on organizational effectiveness of Gadaa Bank.
- H04:** HR agility has positive significant effect on organizational effectiveness of Gadaa Bank.
- H05:** Internal process agility has positive significant effect on organizational effectiveness of Gadaa Bank.

1.7 Definition of terms and Concepts

Agility: Is ability of an organization to renew itself, adapt, change quickly, and succeed in a rapidly changing, ambiguous, turbulent environment (Mckinsey & Company, 2015).

Agile Leadership: Is a supplementary tool or extension to leadership approaches that are rooted in organizational psychology, including transformational leadership, trait-based leadership, situational leadership and complexity leadership. It is a holistic concept that acts as guidance for an organization to achieve outcomes that are tailored to a changing business environment (Lipman-Blumen, 2000; Joiner, 2009).

Dynamic capability: is the ability to move fast, nimbleness, responsiveness and stable foundation as backbone and an anchor point that serves as a springboard for the company (Hombly, 2000).

Flexibility: ability of organization to meet urgent and unplanned demand by flexibly assembling resources, processes, knowledge and capabilities.

Organizational agility: Organizational agility can be defined as a blend of multiple leadership styles characterized by a significant level of proactive, flexible, responsive and speedy organizational systems. In other words, organizational agility can be described in terms of lean-thinking people and agile teams, lean business operations, and strategic agility.

Organizational Effectiveness: According to Kushner and Poole (1996) the effectiveness of an organization can be described using four components, namely; resource acquisitions, efficiency, goal attainment, and customer satisfaction.

Proactivity: Anticipating potential changes in business environment and to have ability to cope with uncertainty.

Responsiveness: ability to respond to change, opportunity and threats that occur in business environment.

Speed: Ability of organization to quickly change according to changing circumstances. It is ability of doing works in the shortest possible time.

VUCA: Is an acronym that was coined in 1987 to describe the volatility, uncertainty, complexity, and ambiguity of changing business environment. VUCA is environments are characterized by being unpredictable and thereby necessitating adaptive, flexible approaches and interventions (Bennett & Lemoine, 2014).

1.8 Significance of the Study

The finding of this study, on top of its academic requirement as partial fulfilment for master's degree, will inform the management and other stakeholders of Gadaa Bank to understand to what extent does organizational agility affect its organizational effectiveness which will help the bank to improve its financial outcome, customers' satisfaction, internal process and organizational learning and innovation. It will also serve as basis for future studies in the area.

1.9 Scope of the Study

The study was made on Gadaa Bank S.C, the new entrant to Ethiopian Banking industry. The data was collected from Board of directors and the management at Head Office and branches. In terms of constructs, the study was made by using independent variables like strategic leadership, structure, technology, human resource and internal process agility and dependent variable organizational effectiveness, which was operationalized through financial outcome, customers' satisfaction, internal process and organizational learning and innovation, following BSC approach.

1.10 Limitation of the Study

In terms of the scope, the study was based on Gadaa Bank, and hence least generalizable to the broader scope. Moreover, the selected bank, Gadaa Bank S.C, is a new entrant to the industry and hence, some respondents mentioned that it looks early to rate on some of the survey questions. Also, variables included under independent variable (organizational agility) and dependent variable (organizational effectiveness) might not be exhaustive.

1.11 Organization of Research Report

The final research report is organized in five chapters. The first chapter is introduction which contain background of the study, statement of the problem, basic research questions, objectives of the study, hypothesis, definition of terms, significance of the study, scope and limitation of the study. The second chapter deals with review of the related literature. It has theoretical review,

empirical review and the conceptual framework of the study. Chapter three covers Research Methodology, which describes the type and design of the research, participant of the study; the sources of the data; the data collection tools/instruments, the procedures of data collection and the methods of data analysis. The fourth chapter deals with 'Results and discussion, which summarizes the results/findings of the study, and interpret and/or discuss the findings. The final chapter deals with Summary, Conclusion and recommendation.

Chapter-2: REVIEW OF LITERATURES

Literature review is a written dialogue with researchers in selected study area while at the same time understanding and responding to the relevant body of knowledge underpinning the research in question. It enables to identify theories and previous research which influenced the choice of research topic and methodology (Ridley, 2008). The literature review, both theoretical and empirical, helps to identify a problem to research or illustrate that there is a gap in previous research that needs to be filled. The literature review, therefore, serves as the driving force and the jumping off point for a research investigation. As such, this section covers theoretical framework, empirical literature and conceptual framework of the study.

2.1 Theoretical Framework

According to Mckinsey & Company (2015), agility is the ability of an organization to renew itself, adapt, change quickly, and succeed in a rapidly changing, ambiguous, turbulent environment. According to Homby (2000), agility is not incompatible with stability. Quite the contrary, agility requires two things; dynamic capability and stability. Dynamic capability is the ability to move fast, nimbleness, responsiveness and stable foundation as backbone and an anchor point that serves as a springboard for the company. Organizational agility results in resilience, strengths, robust, flexible, flatter structure and adaptive capability.

According to report by Agile Business Consortium (2020), agile leaders have the ability to think flexibly in changing business environment and hence they can uncover the strengths of their employees, use their insights to transition the organization to right direction, and take advantage of the opportunities in change while trying to minimize their negative impact on the organization. Accordingly, organizations that incorporate agility into their processes through are better able to respond quickly to change and deliver superior business value to their stakeholders. With agile leadership, organizations will be in a better position to quickly detect developments in the business environment and achieve agility with few resources.

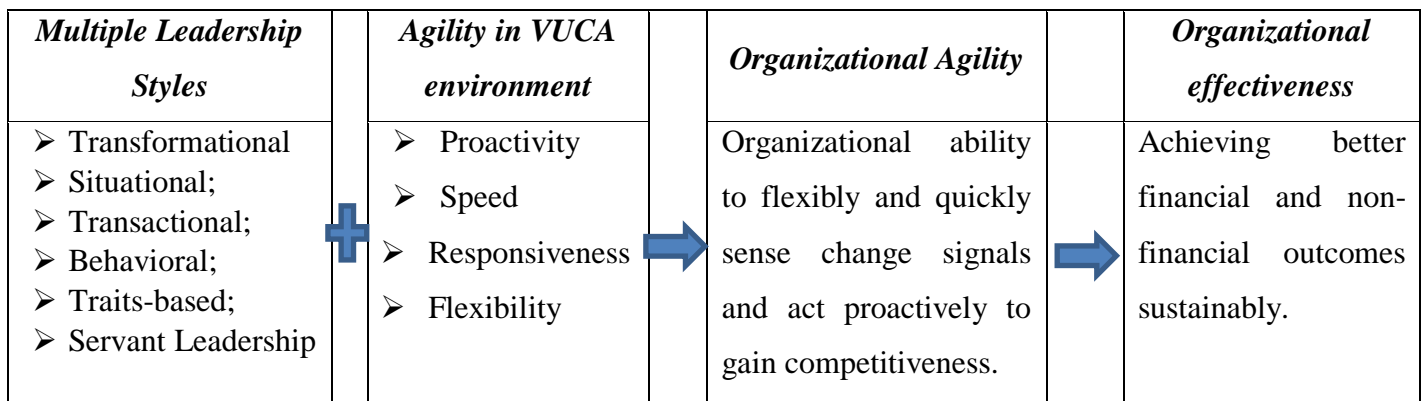
In organizational settings, agility has become a tool of choice to succeed in complex and uncertain environments, characterized by VUCA, an acronym that was coined in 1987 to describe the volatility, uncertainty, complexity, and ambiguity of changing business environment (Bennett & Lemoine, 2014). VUCA environments are characterized by being unpredictable and

thereby necessitating adaptive, flexible and interventions approaches to overcome challenges and cope up with changes.

In the contrary, others argued, because change is costly and achieving agility often involves sacrificing efficiency, one cannot assert that business firms should organize continuously for agility (Teece, D., Peteraf, M., & Leih, S., 2016). As such, knowing when and how much agility is required and being able to overcome its costs effectively is a crucial managerial capability. Also, agility usually encounter the challenges of doing away with organizational traditional legacy and hierarchical structure of managing from top to down. So, these authors argued effective organizations need to balance tradeoff agility (flexibility) and efficiency by adopting dynamic organizational capability.

Organizational agility is not a traditional leadership approach on its own. Rather, it is a supplementary tool or extension to leadership approaches that are rooted in organizational psychology, including transformational leadership, trait-based leadership, situational leadership and complexity leadership (Lipman-Blumen, 2000; Joiner, 2009). In this sense, agility is a holistic concept that acts as guidance for a team or organization to achieve outcomes that are tailored to the VUCA business environment.

Figure 1: The summarized organizational agility concept



Source: Customized by the researcher, June 2023.

Principles of agility:

According to Wahyono (2018), principles of Agility provide a set of holistic practices that embrace an ever-changing business environment. They are broad tools and strategies that can be practiced by stakeholders inside and outside of the organization, providing an alternative, non-

hierarchical and non-traditional organizational approaches that require flexibility, adaptation and “out-of-the-box” thinking to retain organizational success in VUCA business environment. These principles are discussed as follow:

1. Agility prioritizes strong teams over dominant individuals

Agile leadership prioritizes the importance of teams to implement agile strategies and tools. Effective teams are groups that achieve high levels of both task performance and human resource maintenance (Parker, Holesgrove & Pathak, 2015). Researches show that teams are more beneficial for organizational performance than individual high-performers teams, (Moravec, 1999). Teams have many benefits, ranging from heightened creativity and a safe environment for innovation to more diverse outcomes.

2. Agility requires conducting ongoing performance feedback, planning and scenario setting

In rapidly changing business environment, it is crucial to have an access to performance dashboard, hold regular meetings with clear outcomes, equipped with adequate alternative scenarios. In a VUCA world, all parameters can never be known at all times and therefore, there can be multiple equally important solutions to a problem. In an agile practice, organizations tend to think and design regular planning sessions that enable to maintain an experimentation approach to consistently re-align expectations and goals (Zerfuss et al., 2018).

3. Agility focus on facts and KPIs rather than opinion and intuition

Zerfuss et al. (2018) point out that using KPIs may be more difficult in a non-traditional and interconnected environment, precisely because such indicators are static and the VUCA environment is dynamic. However, KPIs can nonetheless be useful in developing new and innovative processes for change. KPIs that are rooted in evidence, for example evidence on productivity, organizational output, employee satisfaction or similar, help put into perspective and set boundaries for organizational developments by defining objectives and results. On the one hand, this helps measure success, what works and what doesn't work.

4. Agile organizations Empower and inspire people to take self-initiatives

Zerfass et al. (2018) find that the decentralization of power and flat hierarchies of decision-making and power speed up the agile process. In this sense, transformational leadership as a leadership style is a concept particularly well-suited to organizations adapting to agility in the VUCA environment. Transformational leadership prioritizes enabling and empowering followers, which helps flatten hierarchical structures and diversify ideas, opinions and processes.

5. Agility requires communicating in an aligned cycle with the industry dynamics

Research conducted by Zerfass et al. (2018) found that a commitment to agility opens up new opportunities for communication processes that can benefit the organization as a whole. Agile communication is short-cycled, meaning that long communication cycles are avoided and replaced by smaller, regular cycles among teams that allow for re-alignment and re-adjusting. Seeing as agility became particularly popular in IT sector. It is crucial to consider the positive role technology and enterprise resource planning (ERP) are playing in facilitating interorganizational and interpersonal communications and helps streamlining work-flows (Crocitto and Youssef 2003).

6. Agility presupposes Effective networking and information sharing

Companies which is characterized by healthy communication and effective information sharing outperform others. The sharing of information is directly related to teams on one hand, and short communication cycles on the other. Technology can ease networking efforts through knowledge or project management platforms that encourage collaboration (Zerfass et al., 2018). At the same time, providing open physical work places for exchange and collaboration is beneficial to organizational outcomes.

7. Agility requires careful monitoring of external environment and operating system

For an organization to build agility, stakeholders must understand the business environment and the changes taking place. Therefore, a constant focus towards what is happening inside an organization and its processes is only helpful to a certain extent. Appelbaum et al. (2017) point out that agility implies that organizations can adapt to external changes and the VUCA world. In this sense, to ensure that internal group dynamics that skew critical thinking are avoided (like

groupthink or an echo chamber), an external perspective from external stakeholders should always be considered to ensure diversity of thoughts.

8. Agility requires developing organizational vision and strategy and aligning regularly

An organization needs a strategy and a vision to determine its path and to help establish a shared objective and intention. For people inside and outside the organization to relate to it, this vision or strategy needs to be clearly set, carefully developed and be a red thread that goes through every process, activity and communication. A strong culture of values helps not only employees and internal stakeholders understand and commit, but is also helpful for external stakeholders to clearly position an organization and to enrich it with useful feedback and input.

9. Agility requires ensuring the organization's outside image and staying in touch

When portraying the face of your organization to the outside world, consistency and committing to living the values the organization stands for are key. While a vision helps guide organizations and stakeholders within and outside it, the image dictates how the organization is perceived and what expectations are ascribed to it. Establishing and maintaining an image should always consider what is happening in the environment surrounding the organization. While remaining in touch with gatekeepers and outside happenings, organizations can align whilst remaining serious and trustworthy. No matter the extent of internal adaptability, the outside image stays upright and helps maintain realistic expectations.

10. Agility requires balancing structure and chaos for effectiveness and efficiency

Agility means creating change on the one hand, and being able to respond to it on the other. Agile leadership principles are a great example showcasing that structure and chaos are not mutually exclusive. Quite the contrary, chaos can give birth to strength and flexibility, and it is a strength of organizations and stakeholders to understand, embrace, and adapt to chaos. Complexity theory states that innovation truly takes place where structure and chaos meet - this is particularly true in VUCA business world (Tsoukas, 1998). Therefore, in a VUCA world, organizations that are open to constant change and re-evaluation whilst remaining true to their vision and values will be effective and efficient.

2.2 Empirical Literature Review

Research supports the critical role that agility plays in individuals, teams, leaders and the organization as a whole. A McKinsey study related higher agility to improved operating efficiency, increased employee engagement, faster time to market and higher revenue (McKinsey & Company, 2015).

Mmohamad Reza Dalvi, et.al. (2013) conducted research by investigating components of organizational agility as culture, leadership, organizational change, and customer services and found that there is a significant positive relationship between organization agility and organizational performance expressed in organizational structure, Knowledge, non- human resources, strategic position and human process.

An empirical evidence from Indian banking industry found by study conducted by Sukanya Panda and Santanu Kumar Rath (2021) on 'How information technology capability influences organizational agility' found that IT capability enables organizational agility (studied as business process and market responsive agility), while IT capability has more effect on market responsive agility. The study also found that, the environmental factors (studied as environmental diversity and hostility) possess a significant effect on the IT-agility relationship and, thereby, suggest that a more diverse and less hostile environment is required for the firms to build up superior IT capability for realizing enhanced agility.

Yaghobi et al. (2012) pointed out that agility requires the organizations to act in terms of integrating employee and management technology with communicational infrastructures so rapidly that response the customers' variable needs in the market with continuous and unpredictable changes.

Annika H., and Sofia J., (2019) identified that organization is considered to be agile when it is operating in changing and unpredictable environment and being characterized by key features like changing and unpredictable environment (proactivity), speed, responsiveness and flexibility. Agility as rapid, continuous and systematic evolutionary adaptation and entrepreneurial innovation directed at gaining and/or maintaining competitive advantage, as in diagram below.

Figure 2: Features of agile organization



Source: Feature of Organizational Agility by Annika H., and Sofia J., 2019, Page 8)

According to Sharifi and Zhang (1999), there are 4 dimensions for organizational agility, namely; **Proactivity**: Anticipating potential changes in business environment and to have ability to cope with uncertainty.

Speed: Ability of organizational to quickly be able to change according to changing circumstances. It is ability of doing works in the shortest possible time.

Responsiveness: ability to respond to change, opportunity and threats that occur in business environment. It refers to the ability of recognizing changes, and quickly reflecting on them, exploiting them rapidly and benefiting from them.

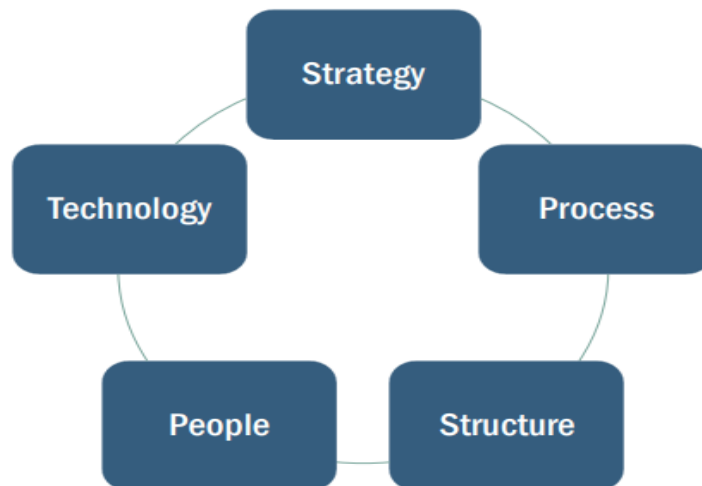
Flexibility: ability of organization to meet urgent and unplanned demand by flexibly assembling resources, processes, knowledge and capabilities. It is the ability of flowing different processes and achieving different goals through equal facilities and equipment. It also refers to compatibility and ability to trigger different processes and to meet various goals using the same equipment and facilities.

Also, Roy Wendler and TU Dresden (2014) introduced the Organizational Agility Maturity Model, by describing dimensions of organizational agility as agile values, technological agility, agile people and structural agility. Similarly, Campanelli et al., (2017) identified and described key success factors for organizational agility as organizational commitment for change, communicate the change and strategy intensively and positively, involvement and motivation of employees, training and coaching, decentralization of power and decision making, management support and leadership and cultural change.

On the other hand, Gregory et al., (2016) identified the challenges of organizational agility as change resistance, organizational tradition and culture, lack of necessary investment, distribution of power and hierarchical structure, misinterpretation and lack of understanding, leadership challenges.

Understanding behaviors that are required from agile leaders and behaviors they need to instill in others will enable us to establish a framework and foundation to understand, measure, benchmark and develop Leadership Agility in organizations. Ahlback et al., (2017) discussed the five components of organizational agility as strategy, process, structure, people and technology, as in diagram below.

Figure 3: Components of organizational agility



Source: Core areas of Organizational Agility by Annika H., and Sofia J., 2019, Page 23)

1) Strategic Leadership agility

Strategic leadership agility is concerned with establishment of an organizational culture following agile values like proactivity, responsiveness, trust, support of proposals and decisions of employees, and the handling of change as opportunity and chance. This culture is measured by the degree to which the agile values have disseminated throughout the organization (Roy Wendler and TU Dresden 2014).

According to Ahlbäck et al., (2017), strategic leadership agility is ability of providing frequent feedback and coaching to enable people to work autonomously toward their team outcome, establishing a shared vision and purpose where people feel personally and emotionally engaged in the strategic direction, developing capabilities of sensing and seizing opportunities in business environment and flexibly allocating resources.

2) Structural agility

The fitting agile structure should be fit for their purpose and have full end-to-end accountability (Ahlbäck et al., 2017). The teams should be small, empowered and self-managed, enabling fast decision making. As such, the leaders in their mandate should have the authority to make all relevant decisions that affect their day-to-day activities. There should conducive environment for collaboration and partnership with relevant internal and external stakeholders.

Agile organizations prefer flatter and non-hierarchical structure that facilitates faster communication and decision making, where delegations and decentralization of power are key elements. Agile structure describes flexibility and ability of the organization to quickly adapt organizational structures and processes to implement changes and stay competitive (Roy Wendler and TU Dresden, 2014).

3) Technological agility

Technology involves architecture, infrastructure, practices, and tools that should be integrated with key internal processes. Agile technology should be able to roll out suitable systems, and tools that support the organization's agile ways of operating in collaborative way among cross-functional teams (Ahlbäck et al., 2017).

Technological agility enables efficient communication across all levels of organization; the sharing of information; and the utilization of standardized, comparable, and integrated

technologies and information systems (Alhadid & Aburuhman, 2015; Roy Wendler and TU Dresden 2014). Information technology benefits an organization by supplying it with a high information capacity, promoting efficient and effective information system, relationship, and flexibility.

4) Human Resource agility

Agility of people represents all necessary capabilities of the members of an organization to translate the agile values into actions and it further distinguishes into the capabilities of the workforce and the leadership to cope with change (Roy Wendler and TU Dresden 2014). Agile people are characterized by ability to be calm in the face of pressure, reacting to unique circumstances effectively, being open to innovation, and keeping teams on the ground and the right path.

Agile organizations prioritize people over processes, focusing on customer needs, and seeing change as adding value. HR agility includes empowering the workforce, participating in decision making, sharing knowledge, developing skills of collaborators, and enhancing creativity of employees (Charbonnier-Voirin, 2011).

In other words, in agile organization, people own an entrepreneurial drive, including an intrinsic passion for the work and aim to perform beyond expectations. The leaders should inspire employees through coaching and development, where the leaders also involve employees in strategic decisions and encourage team-oriented behavior. Moreover, teams trust each other to act in the best interest of the organization and its key stakeholders, where there is a mobility of roles (Ahlbäck et al., 2017).

5) Internal Process agility

According to Ahlback et.al (2017) agile internal process describes effective and efficient way of initiating, processing and delivering organizational activities. It is the ability of the organizations to quickly re-engineer/re-configure the internal business processes to cope with various environmental changes so as to attain superior performance. Agile internal process is flexible, fast, and responsive process that could lead to satisfaction of stakeholders and better outcome. Agile internal process provides solutions to customers rather than just selling products, by employing creative ways throughout the process. Information transparency is crucial element of agile internal process, meaning information is freely available to everyone in an organization.

2.3 Conceptual Framework

2.3.1 Components of Organizational Agility

Mckinsey & Company (2015) identified three dimensions of organizational agility on both stable and dynamic capability, namely; structure, process, and people. Similarly, according to Ahlback et al., (2017), five components of organizational agility as strategy, process, structure, people and technology. The main characteristics of the agile organizations include learning culture, innovation speed, communications in the actual time, adaptable organizations, and employees' participation (Yaghobi et al., 2012). Mmohamad R., (2013) also identified organizational agility components as culture, leadership, organizational change and customer service.

Based on theoretical and empirical literatures reviewed in previous sections, the researcher customized the components and drivers of organizational agility (dimension of responsiveness, competence, flexibility and speed) as leadership agility, structural agility, technological agility, HR agility and internal process agility. Agility requires to be both stable and dynamic on structure, process, technology, strategy and people.

2.3.2 Components of Organizational Effectiveness

The organizational effectiveness is measurement that are used to evaluate the success of organizations, as to create and deliver a worth to both internal and external shareholders. Organizational performance can also be expressed in financial outcomes like sales, profit, market share, return on investment and the likes (Ambec and Lanoie, 2008). According to Mmohamad R., (2013), organizational effectiveness could be expressed in terms of its human and non-human process, structure and Strategic position.


According to Uhl-Bein et al, (2007) an organization is effective when is able to attain its goals, manage ambiguity, flexibility, customer-orientation, production efficiency, value-creation and structured learning and employees' empowerment.

According to Balanced scorecards (BSC), there are four perspectives for measuring organizational effectiveness, namely; financial, customer, internal process and organizational learning and growth. BSC is broader perspective that reflects on both financial and non-financial results of an organization. BSC is one of the performance measures which enables an organization to translate its vision and strategy into a tangible set of performance measures that

provides an enterprise view of an organization's overall performance by integrating financial measures with other key performance indicators around customer perspective, internal business processes and organizational growth and learning (Becker, Huselid, & Ulrich, 2001; Kaplan and Norton, 1992).

Based on theoretical and empirical literatures discussed in previous sections, the researcher has developed the customized conceptual framework as follow.

Figure 4: Conceptual framework of the study

Independent Variable		Dependent Variable
Organizational Agility		KPIs of Organizational Effectiveness
1. Strategic Leadership agility (SLA) 2. Structural agility (SA) 3. Technological agility (TA) 4. Human Resource agility (HRA) 5. Internal Process agility (IPA)		1. Financial perspective 2. Customers' perspective 3. Internal Process perspective 4. Learning and growth perspective
<i>Source: Customized by the researcher, June 2023</i>		

The researcher of this study has summarized the components of organizational agility and the key features of agility as in matrix below so as to frame survey questions under each components of organizational agility.

Table 1: Matrix of features and components of organizational agility

Agility	Proactivity	Speed	Responsiveness	Flexibility
Strategic leadership agility	<ul style="list-style-type: none"> ➤ Sensing and opportunity seizing capability; ➤ Regular feedback ➤ Shared vision and strategic directions 	<ul style="list-style-type: none"> ➤ Employee motivation, Engagement and empowerment; ➤ Self-managed teams; 	<ul style="list-style-type: none"> ➤ Ongoing revision of strategy and plans; ➤ Strategic alignment and communication; 	<ul style="list-style-type: none"> ➤ Flexible allocation of resources ➤ Flexible strategy;
Structural agility	<ul style="list-style-type: none"> ➤ Having fitting structure with effective process. 	<ul style="list-style-type: none"> ➤ Flatter structure ➤ Nonhierarchical structure ➤ Decentralized power 	<ul style="list-style-type: none"> ➤ Empowered & Self-managed teams; 	<ul style="list-style-type: none"> ➤ Self-managed team
Technological agility	<ul style="list-style-type: none"> ➤ Effective ICT; ➤ Fast information sharing 	<ul style="list-style-type: none"> ➤ Effective CBS ➤ Effective ERP 	<ul style="list-style-type: none"> ➤ Growing digitalization and ICT 	<ul style="list-style-type: none"> ➤ Diversified service options
HR agility	<ul style="list-style-type: none"> ➤ Coaching, training and development ➤ Talent management ➤ Knowledge management 	<ul style="list-style-type: none"> ➤ Empowered teams 	<ul style="list-style-type: none"> ➤ Empowered teams ➤ Creativity and responsibility; 	<ul style="list-style-type: none"> ➤ Empowered teams
Process agility	<ul style="list-style-type: none"> ➤ Information sharing ➤ Collaborative and participatory process 	<ul style="list-style-type: none"> ➤ Short process cycle; ➤ Effective process 	<ul style="list-style-type: none"> ➤ Customer centric process 	<ul style="list-style-type: none"> ➤ Flexible manuals; ➤ Flexible terms and tariffs

Source: Organizational agility matrix developed by the researcher, June 2023

Chapter-3: Research Methodology

This section, Research Methodology, describes the type and design of the research, participant of the study; the sources of the data; the data collection tools/instruments, the procedures of data collection and the methods of data analysis.

3.1 Research Approach

This study primarily relied on quantitative research approach by using predesigned survey data to be collected by validated research question of 5- level Likert scale. The questions are customized from validated instruments by previous researchers like Wendler (2013) and Roy Wendler and TU Dresden (2014).

3.2 Research Design

In view of purpose of the study, this research is designed as explanatory research to examine the effect of organizational agility (independent variables) on organizational effectiveness of Gadaa Bank (the dependent variable) by checking causation. In some cases, descriptive statistics was used to explain existing situation and demographic factors.

3.3 Sampling Design

3.3.1 Population of the Study

According to Shukla (2020) research population refers to all units on which the findings of research can be applied and generalized. Thus, the target population of the study is all board of directors and the management of Gadaa Bank which is 110. This population is chosen due to the fact that defining organizational design and leadership is a mandate of the board and top management of the company.

3.3.2 Sampling Techniques

The study used random sampling method to collect primary data from all board of directors and the management members of Gadaa Bank by fully addressing the whole population (board of directors and top management of the bank) and randomly selecting from selected branch managers and relation managers. This is due to the fact that it is the role of the leadership to determine the style of management that determines the organizational effectiveness and competitive advantage.

3.3.3 Sample Size

The target sampling population will be Board of Directors and the management of Gadaa Bank. This is due to the fact that it is the board of directors and the management of the bank who determine the organizational strategy, organizational design, structure, culture, HR and internal systems and process. The bank has total board and management members of 110 as of March 31, 2023. So, the sample size of the study could be determined based on Yamane's (1967), equation by assuming 95% confidence level and 5% sampling error as follow:

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

$$n = \frac{110}{(1 + 110(0.05)^2)} =$$

$$n = 86 \text{ managements and board member}$$

Where n – represents the sample size the study uses.

N - represents total number of management and board

e – Designates maximum variability or margin of error 5% (0.05).

The total 86 sample is 78% of the total target population of 110 board and management members.

Table 2: Sample and population of the study

<i>S/N</i>	<i>Role</i>	<i>Number</i>	<i>Remark</i>
1	Board of Directors	9	The whole members
2	Chief Executive Officer (CEO)	1	
3	Chief Officers (VP)	2	
4	Department Directors	15	
5	Division Managers	8	
6	Relation Manager/Principals	6	90% of the target by lottery
7	Branch Managers	45	
	<i>Total</i>	<i>86</i>	<i>Out of 110 members</i>

3.3.4 Sources of Data Collection and Instrument

The study mostly relied on primary data collected by using questionnaire designed in Standard Likert scale of 5-levels; ranging from Strongly disagree to Strongly agree. To substantiate the primary data, the study used Key informant interview (KII) with selected management members. Moreover, the study reviewed secondary documents like the industry reports, plans, directives, proclamations and relevant internal documents.

3.3.5 Method of Data Collection

A standard self-administrated survey questionnaire was distributed to the respondents in person or through google survey form. Key informant interview was made with selected board of directors and senior management members.

3.3.6 Method of Data Analysis

The study used both descriptive and inferential statistics. Descriptive statistics was used to summarize demographic and other profiles by mean, range and frequency of survey data as part of checking central tendency. Multiple regression analysis was used to estimate the effect of organizational agility components (strategic leadership, structure, technology, HR and internal process) on organizational effectiveness in terms of financial outcomes, customers' satisfaction, internal process and organizational learning and innovation following BSC approach by using SPSS software version-26. The regression model was based on the following customized conceptual framework.

Based on the above conceptual framework, the mathematical model of the regression will be:

$$OE = \beta_0 + \beta_1 SLA + \beta_2 SA + \beta_3 TA + \beta_4 HRA + \beta_5 IPA + \mu$$

where; OE = Organizational Effectiveness β s are coefficient of the model. variable, SLA = strategic leadership agility, SA = structural agility, TA = technological agility, HRA = human resource agility and IPA process agility for organizational effectiveness and μ is error term.

3.3.7 Validity and Reliability

The questionnaire customized by the researcher based on validated instruments by previous studies was subjected to a check and re-check process in order to establish the reliability of the instrument. Selected professional in the field was consulted. To ensure validity and reliability of

data, the questionnaire was pilot-tested with 10% of total sample size of the study. Later on, the reliability testing was made for all variables by using Cronbach Alpha coefficient as in table below, which are above the minimum standard of 0.7 except technological agility result of 0.661 which is still closer to 0.7 and above 0.5 which is acceptable at lower level by the standard.

Table 3: Validity and Reliability Statistics

S/N	Variables	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
1	Leadership Agility	.849	.853	10
2	Technological Agility	.661	.679	4
3	Human Resource Agility	.826	.827	6
4	Structural agility	.787	.786	8
5	Internal Process agility	.813	.819	4
5	Organizational Effectiveness	.942	.943	16
6	Overall reliability	.956	.957	40

Chapter-4: Data Analysis and Interpretation

4.1 Response Rate

A total of 86 of questionnaire were administered to the target population which includes the Board of Directors and management members of Gadaa Bank S.C via google survey out of which 78 of the total respondents, which is 90% were successfully responded. According to Baruch and Holtom (2008), a researcher should target 60% response rate to be considered adequate for analysis and drawing conclusion. Therefore, this response rate can be considered adequate for data analysis and conclusion. There was no incomplete and missing questionnaire as the google survey was restricted to accept any missing and/or incomplete response i.e., each question was set to be mandatory and required.

4.2. Demographic Characteristics of the Respondents

As shown in the table 4.1 below, out of the total 86 respondents who are identified as target population, 76 respondents (97.4%) are male while only 2 respondents (2.6%) are female. 50% of the respondents are young staffs falling between 25-35 age group, closely followed by age category of 36-45 which accounts about 44% of the respondents. The remaining respondents of about 6% fall in the range of 46-55 and above 56 years.

From the total participants who have engaged in the survey, majority of the respondents (65.4%) are second degree holders while 33.3% of the respondents are first degree holders. In terms of placement, 57.7% and 37.2 of the respondents are working at head office and branches, respectively. Further, the job position of the respondents constituted 6% of Board of Directors, 1% Chief officer, 19% department directors, 58% branch managers, 9% division managers and 6% relation managers and principals.

Table 4: Demographic aspects of the respondents

No	Variables	Particular	Frequency	%age
1	<i>Gender of the respondents</i>	Male	76	97.4
		Female	2	2.6
		Total	78	100
2	<i>Age of the respondents</i>	25-35	39	50
		36-45	34	43.6
		46-55	3	3.8
		Above 56	2	2.6
		Total	78	100
3	<i>Education of the respondents</i>	BA/BSC	26	33.3
		MA/MBA/MSC	51	65.4
		Other	1	1.3
		Total	78	100
4	<i>Position of the respondents</i>	Board of Directors	5	6.4
		Chief Officers	1	1.3
		Directors	15	19.2
		Division Manager	7	9
		Branch Manager	45	57.7
		Relation Manager/Principals	5	6.4
		Total	78	100
5	<i>Placement of the respondents</i>	Head Office	28	35.9
		Branch	45	57.7
		Other like Board members	5	6.4
		Total	78	100

Source: Own Survey Result and computation, 2023.

4.3 Descriptive Analysis

Descriptive statistical analysis has been conducted for checking the respondents' view on importance and applicability of organizational agility to Ethiopian banking business, considering Gadaa Bank as a representative for constructs included in independent variables (strategic leadership agility, structural agility, technological agility, HR agility and process agility) and dependent variable (organizational effectiveness).

According to the survey result, 71 out of 78 respondents which accounts 91% of the response agreed that organizational agility is important and applicable to Ethiopian banking industry in general and to Gadaa Bank in particular. 6 respondents (7.7%) said that it is sometimes important and applicable to banking business while only one respondent showed indifferent position. This implies that organizational agility is important and applicable for banking business.

Table 5: Importance and applicability of organizational agility for Ethiopian banking

<i>S/N</i>	<i>Particular</i>	<i>Frequency</i>	<i>%age</i>
1	It's always important and applicable	71	91
2	It's sometimes important and applicable	6	7.7
3	It's not important and applicable		
4	Another alternative	1	1.3
	Total	78	100

Source: Own Survey Result and computation, 2023

The statistical description of the average mean scores of all constructs, as indicated in table below, is found to be between 3.8429-4.1047 which can be considered as high according to the standard. More specifically, the average mean score of process agility is M= 4.1314, strategic leadership agility is M=4.1047, structural agility is M= 3.9776, HR agility is M = 3.9594 and technological agility is M = 3.8429, all of which fall in high score range. More importantly, all mean score is closer to organizational effectiveness mean of M = 3.9704, showing high level of the respondents' agreement with effect of organizational agility on organizational effectiveness of Gadaa Bank S.C.

Table 6: Descriptive statistics of variables

Particular	N	Minimum	Maximum	Mean	Std. Deviation
Leadership Agility	78	2.50	5.00	4.1047	.58794
Technological Agility	78	2.25	5.00	3.8429	.61779
Human Resource Agility	78	2.50	5.00	3.9594	.57433
Structural agility	78	3.00	5.00	3.9776	.44171
Internal Process agility	78	2.25	5.00	4.1314	.61333
Organizational Effectiveness	78	2.50	5.00	3.9704	.56405

Source: Survey Result, 2023

4.4. Inferential analysis and presentation

The statistical inference is the act of generalizing from a sample to a population with calculated degree of certainty and hence the researcher has conducted inferential statistical test to confirm that relevant assumption of the multiple linear regression model such as multicollinearity, test of normality, model fit, outliers, linearity, auto collinearity (independence of errors) and homoscedasticity assumption are fully addressed before going to detail presentation and analysis is made. Coefficients of the predictor variables along at 95% confidence interval was computed. In addition, Pearson correlation coefficients was computed to see the strength of relationship between the dependent variable and independent variables.

4.4.1 Correlation Statistics

Basically, the study sought to establish the strength of relationship between organizational agility (the independent variable) and organizational effectiveness (the dependent variable) of the study. Accordingly, Pearson correlation coefficient was computed at 99% confidence interval and the result is presented in the below table as follows.

The Pearson correlation matrix computed showed that there was strong relationship between organizational agility variables (leadership, structure, technology, HR and process) and organizational effectiveness, with significance level of $P=0.001$ in all cases. This implies that proper adaptation of organizational agility to its practice significantly improves organizational effectiveness of Gadaa Bank S.C.

Table 7: Pearson Correlation Matrix of variables of the study

Particulars		Org_ Effectiveness	Independent variable
Org_ Effectiveness	Pearson Correlation	1	.799**
	Sig. (2-tailed)		.000
HR_ Agility	Pearson Correlation	.799**	1
	Sig. (2-tailed)	.000	
Org_ Effectiveness	Pearson Correlation	1	.505**
	Sig. (2-tailed)		.000
Structural_ Agility	Pearson Correlation	.505**	1
	Sig. (2-tailed)	.000	
Org_ Effectiveness	Pearson Correlation	1	.603**
	Sig. (2-tailed)		.000
Process_ Agility	Pearson Correlation	.603**	1
	Sig. (2-tailed)	.000	
Org_ Effectiveness	Pearson Correlation	1	.663**
	Sig. (2-tailed)		.000
Leadership_ Agility	Pearson Correlation	.663**	1
	Sig. (2-tailed)	.000	
Org_ Effectiveness	Pearson Correlation	1	.618**
	Sig. (2-tailed)		.000
Technological_ Agility	Pearson Correlation	.618**	1
	Sig. (2-tailed)	.000	
	N	78	78

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

Source: SPSS V.26 computation Result, 2023

4.4.2. Regression Analysis and Results

Regression analysis is a statistical tool that is used to indicate the relationship between two or more variables. In this study, the objective of the study was to examine the effect of organizational agility as measured by five independent variables, namely; strategic leadership agility, structural agility, technological agility, HR agility and internal process agility. Accordingly, based on the conceptual framework, the model of the study was defined using multiple linear regression as follows;

$$OE = \beta_0 + \beta_1 SLA + \beta_2 SA + \beta_3 TA + \beta_4 HRA + \beta_5 IPA + \mu$$

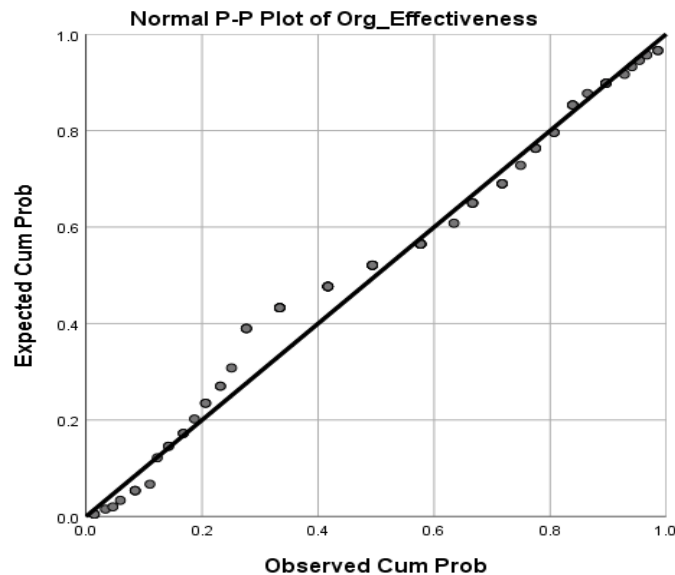
where; OE = Organizational Effectiveness β s are coefficient of the model. variable, SLA = strategic leadership agility, SA = structural agility, TA = technological agility, HRA = human resource agility and IPA process agility for organizational effectiveness and μ is error term.

This is linear regression analysis which presupposes basic assumptions and tests such as normality test, autocorrelation, heteroscedasticity, multicollinearity and analysis of variance (ANOVA).

a) Normality Test

The data are plotted against a theoretical normal distribution in such a way that the points should form an approximate straight line to confirm the validity of the research model with the use of residual plots.

Figure 5: Normality test of the study data



Source: SPSS (V. 26) Result, 2023

Therefore, as it is depicted in the above figure as long as there is no significant departure from the straight line, it can be concluded that the variables involved in this study follow normal distribution, hence, the residual value is normally distributed fulfilling the regression analysis procedures.

b) Auto autocorrelation test

In order to assure that there is no relationship between the residual variable and the independent variable, the Durbin Watson Test was computed. Naturally, the Durbin Watson Test value ranges from 0 to 4. The Durbin Watson value of 2.276 fall between 1.5 and 2.5 and thus can confirm that there is no autocorrelation detected in the sample and statistically fit for presentation.

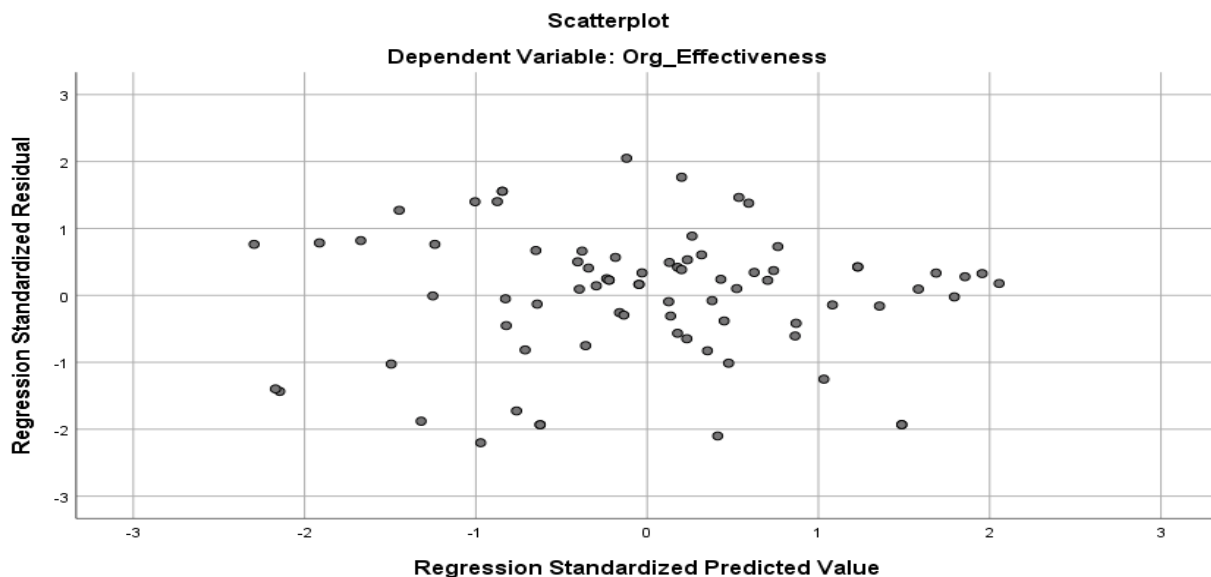
Table 8: Autocorrelation testing the model Summary

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Sig. F Change</i>	<i>Durbin-Watson</i>
1	.840 ^a	.705	.685	.000	2.276
<i>a. Predictors: (Constant), Structural_A, Technological_A, Process_A, Leadership_A, HR_A</i> <i>b. Dependent Variable: Org_Effectiveness</i>					

c) Heteroscedasticity test

By simply looking at the scatterplot output given below, it appears that the spots are diffused and don't form a clear specific pattern, therefore, it can be concluded that the regression model does not have a heteroscedasticity problem. Based on this point; we accept the null hypothesis which says there is no heteroscedasticity.

Figure 6: Heteroscedasticity test



d) Multicollinearity test

If there is a high degree of correlation between independent variables, we have a problem of what is commonly described as the problem of multicollinearity. A variance inflation factor (VIF) is the most commonly used measure of the amount of multicollinearity in regression analysis. A rule of thumb for interpreting the variance inflation factor, in general, a VIF above 10 indicates high correlation between the independent variables and attracts attention as to what to do with it. In this study, VIF for all variables are less than 10 and hence there is no multicollinearity problem.

Table 9: Multicollinearity test

<i>Model</i>	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>T</i>	<i>Sig.</i>	<i>Collinearity Statistics</i>		
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>			<i>Tolerance</i>	<i>VIF</i>	
1	(Constant)	.197	.351		.561	.576		
	Leadership	.213	.090	.222	2.370	.020	.466	2.147
	Technological	.153	.075	.168	2.050	.044	.610	1.640
	HR_A	.533	.098	.542	5.412	.000	.408	2.452
	Process	.003	.088	.003	.035	.972	.444	2.253
	Structural	.047	.103	.037	.457	.649	.630	1.586

a. Dependent Variable: Org_Effectiveness

Source: SPSS (V.26) Result, 2023

e) Analysis of variance (ANOVA)

ANOVA helps to determine whether the difference between group means are statistically significant, determine how well the model fits the data to determine whether the model meets the assumptions of the analysis or not. In our finding, the results depicted in table below indicated that the regression model influences the study positively, as evidenced by the significance value ($p = .001$) was less than 0.05. Thus, we conclude that organizational agility significantly influences organizational effectiveness of Gadaa Bank.

Table 10: ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	17.273	5	3.455	34.429	.000 ^b
	Residual	7.225	72	.100		
	Total	24.498	77			
a. Dependent Variable: Org_Effectiveness						
b. Predictors: (Constant), Structural_A, Technological_A, Process_A, Leadership_A, HR_A						

4.4.3 Regression Result and Model Summary

In view of the study's main objective of examining the effect of organizational agility on organizational effectiveness, the researcher employed multiple linear regression to establish the relationship between the study variables.

This regression analysis was made to measure how much each independent variable organizational agility through its constructs like strategic leadership, structural agility, technological agility, HR agility and internal process agility explains the dependent variable (organizational effectiveness) of Gadaa Bank S.C.

The results presented in Table below shows that the coefficient of determination ($r^2 = .705$), indicating 70.5% of the variation in organizational effectiveness is explained by organizational agility components like strategic leadership, structural agility, technological agility, HR agility and internal process agility.

The adjusted R square used to compare the explanatory power of the model that contains different predictors. Therefore, 68.5% of changes in the organizational effectiveness could be explained by components of organizational agility. In other words, 31.5% of the variance is explained by other factors not included in the study and was predicted by other extraneous variables.

Table 11: Model Summary^b

Model	R	R Square	Adjusted R Square	Sig. F Change	Durbin-Watson
1	.840 ^a	.705	.685	.000	2.276
a. Predictors: (Constant), Structural_A, Technological_A, Process_A, Leadership_A, HR_A					
b. Dependent Variable: Org_Effectiveness					

According to regression result shown in table below, there is a positive correlation and causation between organizational effectiveness and all components of organizational agility (strategic leadership agility $\beta_1 = 0.222$, structural agility $\beta_2 = 0.037$, technological agility $\beta_3 = 0.168$, HR agility $\beta_4 = 0.542$, and internal process agility $\beta = 0.003$). Moreover, having P-value of less than 0.05, HR agility, strategic leadership agility and technological agility statistically significant effect on the organizational effectiveness of Gadaa Bank with p-value of $P = 0.00$, $P = 0.020$ and $P=0.044$ respectively. On the other hand, the bank's internal process agility and structural agility have statistically insignificant effects on organizational effectiveness although they have positive relationship.

$$OE = 0.197 + 0.222SLA + 0.037SA + 0.168TA + 0.542HRA + 0.003IPA + \mu$$

Table 12: Regression results and Coefficients

<i>Model</i>		<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
		<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
1	Constant	.197	.351		.561	.576
	Leadership Agility	.213	.090	.222	2.370	.020
	Technological Agility	.153	.075	.168	2.050	.044
	HR Agility	.533	.098	.542	5.412	.000
	Process Agility	.003	.088	.003	.035	.972
	Structural Agility	.047	.103	.037	.457	.649

a. Dependent Variable: Organizational Effectiveness

4.4.4 Hypothesis Testing

The study used multiple linear regression models to test the combined effect of organizational agility (strategic leadership agility, structural agility, technological agility, HR agility and internal process agility) on organizational effectiveness in terms of financial outcome, customer satisfaction, process and organizational learning and innovation. Accordingly, as indicated in table- 13 next, the level of significance for independent variable like strategic leadership agility (0.020), HR agility (0.000) and technological agility (0.044) are less than 0.05 ($P < 0.05$). Therefore, the hypotheses that positively related the corresponding organizational agility with organizational effectiveness have been supported and hence accepted. On the other hand, the level of significance of structural agility (0.649) and internal process agility (0.972) are greater than 0.05 ($P > 0.05$) and hence the hypothesis is not supported.

Table 13: Hypothesis testing result

Hyp.	Hypothesis	Research findings	Decision
H01	Strategic leadership has positive significant effect on organizational effectiveness of Gadaa Bank	Coefficient is positive and statistically significant	Accepted the null hypothesis H01
H02	Structural agility has positive significant effect on organizational effectiveness of Gadaa Bank	Coefficient is positive and statistically insignificant	Fail to accept the null hypothesis H02
H03	Technological agility has positive significant effect on organizational effectiveness of Gadaa Bank	Coefficient is positive and statistically significant	Accepted the null hypothesis H03
H04	HR agility has positive significant effect on organizational effectiveness of Gadaa Bank	Coefficient is positive and statistically significant	Accepted the null hypothesis H04
H05	Internal process agility has positive significant effect on organizational effectiveness of Gadaa Bank	Coefficient is positive and statistically insignificant	Fail to accept the null hypothesis H05

Source: SPSS (V.26) Result, 2023

Chapter-5: Summary of Findings, Conclusion and Recommendation

5.1. Summary of Findings

This study was conducted to examine the effect of organizational agility on organizational effectiveness of Gadaa Bank. The primary data was collected through google survey questionnaire distributed to 86 management members of Gadaa Bank, out of which 78 were responded on time. The analysis was made by using descriptive statistics and linear regression model by using SPSS version 26. Data collected by using Likert scale was used for measurement of constructs of organizational agility (leadership agility, structural agility, technological, HR agility and internal process). The finding is summarized as follows:

- According to the survey result, 71 out of 78 respondents which accounts 91% of the response agreed that organizational agility is important and applicable to Ethiopian banking industry in general and to Gadaa Bank in particular.
- The statistical description of the average mean scores of all constructs was found to be between 3.8429-4.1314 which can be considered as high according to the standard. More specifically, the average mean score of process agility is $M= 4.1314$, strategic leadership agility is $M=4.1047$, structural agility is $M= 3.9776$, HR agility is $M = 3.9594$ and technological agility is $M = 3.8429$, all of which fall in high score range. More importantly, all mean score is closer to organizational effectiveness mean of $M = 3.9704$, showing high level of the respondents' agreement with effect of organizational agility on organizational effectiveness of Gadaa Bank S.C
- The regression result shows that the coefficient of determination ($r^2 = .705$), indicating 70.5% of the variation in organizational effectiveness is explained by organizational agility components like strategic leadership, structural agility, technological agility, HR agility and internal process agility. There is a positive correlation and causation between organizational effectiveness and all components of organizational agility (strategic leadership agility $\beta_1=0.222$, structural agility $\beta_2= 0.037$, technological agility $\beta_3=0.168$, HR agility $\beta_4=0.542$, and internal process agility $\beta = 0.003$). Moreover, having P-value of less than 0.05, HR agility, strategic leadership agility and technological agility statistically significant effect on the organizational effectiveness of Gadaa Bank with p-

value of $P = 0.00$, $P = 0.020$ and $P=0.044$ respectively. Having p-value of less than 0.05 ($P<0.05$), we accept the null hypothesis.

- On the other hand, the bank's internal process agility and structural agility have statistically insignificant effects on organizational effectiveness although they have positive relationship. Having P-value of greater than 0.05($P>0.05$), we fail to accept the null hypothesis.

5.2 Conclusion

The results of both descriptive statistic and regression analysis have shown that there is considerable relationship between constructs of organizational agility and organizational effectiveness. Accordingly, the mean scores of all independent variables like strategic leadership agility, structural agility, technological agility, HR agility and internal process agility are closely related to the mean score of the dependent variable of organizational effectiveness, all falling in the range of 3.8429 (technological agility) to 4.1314 (process agility). Similarly, the coefficients of all independent variables are positively associated with dependent variable. Moreover, statistically, strategic leadership agility, HR agility and technological has significant effects on the dependent variable. Thus, corresponding hypothesis are accepted. On the other hand, the regression results showed that, having positive coefficients, structural agility and process agility are not statistically significant effect on organizational effectiveness and thus we fail to accept the corresponding hypothesis as we don't have sufficient evidence to support the null hypothesis. This findings were attributed to nature of banking business in which structures and internal process tend to be centralized due to high risks and regulatory requirements.

In nutshell, the finding that 70.5% of the variation in the performance of the bank is explained by the components of organizational agility (leadership agility, structural agility, technological agility, HR agility and process agility) implies that Gadaa Bank need to nurture optimum level of organizational agility that could gradually lead to sustainable competitive advantage. In other words, the findings show that the Bank's effort to institute organizational agility in terms of proactivity, responsiveness and flexibility to its operational and functional practice will bring about organizational effectiveness in terms of financial and non-financial outcomes.

5.3. Recommendation

The study found the existence of strong correlation and causation between organizational agility and organizational effectiveness of Gadaa Bank S.C. Accordingly, the bank needs to institute optimum level of organizational agility (proactivity, responsiveness, flexibility and speed) in terms of its strategic leadership, technology, HR, process and structure so as to gain and sustain competitive advantage and also overcome the industry challenges and uncertainties posed by the government reforms (directive on minimum capital requirements, opening up of the sector to entry of foreign banks, directive on introduction of capital market, emergence of specialized financial institutions in fin-tech offering, Islamic banking, upgrading of existing major microfinance institutions to full banking service, and leasing and mortgage loans) and growing challenges of liquidity problems, regulatory requirements, disruptions in digital banking and demanding customer requirements. More specifically, the researcher recommends the bank to take following actions:

1) To improve its Strategic Leadership Agility:

- The Bank should adequately translate its vision and strategic objectives into key performance indicators (KPIs) and communicate to relevant organs; put alternative scenarios for plans, strategies and management action points and create inter units' alignments and synergy.
- In a VUCA world, all parameters can never be known at all times and therefore, the bank should proactively design dynamic and multiple scenarios and solutions to a problem. In an agile practice, the management should maintain continuous access to performance dashboard, hold regular sessions with internal and external stakeholders on sensing of changes in the industry and seizing of opportunities (Zerfuss et al., 2018).

2) To improve Structural Agility:

- Agile organizations are supposed to have a flatter and less hierarchical structure coupled with decentralization of power and decision making; prioritizing the importance of empowered and self-managed teams over indispensable individuals' roles. In the context of Ethiopian banking industry where stringent risks and regulatory requirements demand centralization of power and decisions, the management should empower teams like

customer relation managers (CRM) to effectively bridge communications and decisions between the managements and functional units.

- The leadership at different levels should be encouraged to courageously make speedy and critical decisions or recommendations with great sense of responsibility and ownership.

3) To improve Technological Agility:

- Agility presupposes existence of effective information sharing and communication. As such the Bank should streamline its core operations by effective core banking solution (CBS) and automate its support process through effective enterprise resource planning (ERP). As such, all relevant modules and functions should be automated.
- Digital banking should be one of the bank's core strategies so as to bring about operational and service excellence on one hand and overcoming the challenges and uncertainties that could be posed by entry of foreign banks, introduction of capital market, emergence of specialized financial institutions in fin-tech offering.
- The bank should put in place effective management information systems (MIS) and a digital platform to collect strategic feedback and inputs from its internal and external stakeholders, which should be evaluated at regular schedules.

4) To improve HR Agility:

- In principle, agile organizations and leaders prioritize people over processes and material resources, and hence should inspire and empower employees to participate in important decision making, train and develop skills of collaborators, and innovations (Charbonnier-Voirin, 2011). As such, the bank should create environment of mutual trust for teams to act and contribute in the best interest of the bank.
- The bank should create conducive environment for people to own an entrepreneurial drive, including an intrinsic passion for the work and courage to experience challenges without a fear of failure and punishment.
- The Bank should put in place proper performance management and reward systems.

5) To improve Internal Process Agility:

- The process agility is an ability of the organizations to proactively, quickly and flexibly re-configure the business processes to cope with dynamic and demanding customer and business requirements, leading to stakeholders' satisfaction and superior performance

(Ahlback et.al, 2017). As such, the bank should create dynamic capability to enable providing creative solutions to customers rather than just selling products.

- The bank should put in place flexible and responsive strategies, plans, procedures, terms and tariffs to dynamically tailor its operations to the business requirements.

5.4 Suggestion for Future Studies

On top of addressing its objectives, the study identified some points need to be considered by future researches as follows:

- Organizational agility is a new concept which is less researched and future research need to make deeper study in the area. Also, variables included in this research might not be exhaustive and this open up a room for future researchers.
- The study population was the board of directors and management of single bank, Gadaa Bank S.C, and hence the finding is not generalizable to the whole industry. Moreover, the fact Gadaa Bank is a new entrant of one year old, and hence it looks early to institute necessary agility to the bank's systems and practice. So future studies need to consider broader scope that could address the whole industry and generalizability.
- Organizational agility is less practicable in industry like Ethiopian banking which is under stringent regulation and less market competitiveness. Hence, future studies need to incorporate the internal and external determinant factors of organizational agility.
- This study was conducted based on the Likert scale rating, based on perception of the respondents. The future studies need to relate organizational agility with actual organizational performance of the bank in major key performance indicators.

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ANNEX



ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE
DEPARTMENT OF BUSINESS LEADERSHIP

Survey Instrument for primary data gathering

Dear Madam/Sir,

My name is **Alazar Adula Yatene** (0912015533/alazaradula@gmail.com), currently conducting study on *Effect of Organizational Agility on Organizational Effectiveness of Gadaa Bank S.C*, Ethiopia. The aim of the study is for academic purpose as Partial Fulfilments of the Requirements for the Degree of Masters in Business Leadership. It will take only about 10 minutes to complete this questionnaire, with your kind consent and full attention. Your response will be kept confidential and will be used only for the intended academic purpose. Questions and concerns are warmly welcomed. You need not write your name on the questionnaire.

I thank you in advance for your cooperation and the valuable time.

Section-I: General Information: Put '√' mark in the box

- 1) **Sex:** Male Female
- 2) **Age:** 25-35 36-45 46-55 >56
- 3) **Highest Educational Level:** BA/BSc MA/MBA/MSc Other
- 4) **Your Current Position:** Board of Director CEO Chief Officer Department Director Division Manager Branch Manager Relation Manager/Principals

- 5) **Your Current placement** (place of work): Head Office Branch Other
- 6) Organizational agility can be defined as a blend of multiple leadership styles characterized by a significant level of proactive, flexible, responsive and speedy organizational systems. So, how do you think organizational agility is important and applicable to Ethiopian banking business? **1=** It's always important and applicable **2=** It's sometimes important and applicable **3=** It's not important and applicable **4=** Other

Section-II: Questionnaire on Effect of Organizational Agility on Organizational Effectiveness

For the following Likert Scale put sign '√' for your level of agreement as:

1 = Strongly Disagree; 2 = Disagree, 3 = Neutral; 4 = Agree and 5 = Strongly Agree

2.1 Strategic Leadership agility

<i>No</i>	<i>Items</i>	<i>Likert scale</i>				
		<i>Strongly disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly agree</i>
		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
7	The Bank has clearly spelt out its vision, mission and strategic direction and roadmap					
8	The Bank's strategic objectives are properly translated into key performance indicators (KPIs) and communicated to relevant organs					
9	The bank has a proactive mechanism of sensing and responding to signals in general environment and banking industry					
10	The Bank has a flexible and responsive mechanisms to continuously align its strategies and plans with changes.					
11	The Bank provides necessary resources and strategic alignment to support its change initiatives;					
12	The bank continuously receives the feedback of its stakeholders (shareholders, employees, customers and public) for constructive actions					

2.2 Structural Agility

<i>No</i>	<i>Items</i>	<i>Likert scale</i>				
		<i>Strongly disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly agree</i>
		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
13	The bank has flatter and less hierarchical organizational structure.					
14	The bank promotes decentralization of power & decision making					
15	The bank prioritizes the importance of self-managed teams over individuals					
16	The leadership at different levels is encouraged to courageously make speedy and critical decisions;					

2.3 Technological Agility

<i>No</i>	<i>Items</i>	<i>Likert scale</i>				
		<i>Strongly disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly agree</i>
		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
17	The bank competes by its digital banking as one of its core strategies.					
18	The bank's core operations are adequately supported by ICT					
19	The bank's support processes are adequately supported by ICT.					
20	There is effective information flow and sharing in the bank					

2.4 Human Resource Agility

<i>No</i>	<i>Items</i>	<i>Likert scale</i>				
		<i>Strongly disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly agree</i>
		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
21	Employees of the bank are equipped with clearly defined roles, responsibilities, facilities and strategic directions					
22	Employees are encouraged to experience challenges without a fear of failure and punishment					
23	Employees are usually engaged and consulted for their suggestion and inputs.					
24	Employees are usually recognized for their best contribution					
25	There is adequate training, development and coaching practices in the bank.					
26	Employees are empowered and self-motivated to take an initiative in the best interest of the bank.					

2.5 Internal Process Agility

<i>No</i>	<i>Items</i>	<i>Likert scale</i>				
		<i>Strongly disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly agree</i>
		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
27	The bank promotes collaborative and participatory process					
28	The bank promotes high level of trust and transparency					
29	The bank promotes a flexible and responsive process tailored to operations and customers' requirements;					
30	The bank considers changing customer needs as an opportunity.					

2.6 Organizational Effectiveness

No	Items	Likert scale				
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
	2.6.1 Financial Perspective					
31	The bank's organizational agility has created a dynamic capability to meet its financial objectives (profitability, market share and return on investment)					
32	The bank could financially outperform its peer competitors through its agile (proactive, flexible, responsive and fast) strategies;					
33	The bank's organizational agility has created a capability to financially remain competitive and resilient					
	2.6.2 Customers' perspective					
34	The bank's organizational agility has created capability to meet its customers' dynamic and demanding requirements					
35	The bank's organizational agility has laid foundation for becoming the robust and reputable bank in Ethiopian Banking industry.					
36	The bank's organizational agility has created significant customer centricity (orientation).					
37	The bank's agile systems and practices have ensured a loyalty and commitment of its employees and customers.					
	2.6.3 Internal Process Perspective					
38	The bank's process agility has created flexible operational policy and procedure to attract and retain high value customers					
39	The bank's process agility has provided the management with special discretion to provide a need-based treatment for high value customers					
40	The bank's process agility has enabled the bank to attract, engage and retain valuable talents and human capital.					

No	Items	Likert scale				
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
41	The bank's process agility does allow the bank to have flexible terms and tariffs					
	2.6.4 Organizational Learning and innovation perspective					
42	The bank's organizational agility has created a climate that supports continuous organizational learning and innovation.					
43	The bank's organizational agility has created a capability to dynamically meet regulatory and competitive requirements					
44	The bank's organizational agility has created dynamic capability to continuously create value for its customers					
45	The bank has created the fitting ICT capability to continuously streamline its internal processes					
46	The bank's organizational agility has created a conducive environment for employee learning and innovation.					

Section-III: Open Ended Questions

47. Finally, if you have any comments and suggestions regarding the study, you are warmly welcomed.

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Thank you so much!