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THE EFFECT OF STRATEGY TYPES ON FINANCIAL PERFORMANCE

BY:

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THE DEPARTMENT OF ACCOUNTING AND FINANCE IN THE PARTIAL
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Statement of Declaration

I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work. And this research is my original work and has not been presented for and award of degree in any other University.

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Statement of Certification

This is to certify that Selamawit Seife has carried out this research work on the topic entitled “*The effect of Strategy types on financial performance: a case study on selected private commercial banks in Ethiopia*” under my supervision. This work is original in nature and it is sufficient for submission for the partial fulfillment for the award of MSc. in Accounting and Finance.

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This is to certify that the thesis prepared by Selamawit Seife, entitled: “*The effect of Strategy types on financial performance: a case study on selected private commercial banks in Ethiopia*” and submitted in partial fulfillment of the requirements for the Degree of Masters of Science (Accounting and Finance) complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Abstract

The purpose of this study is to examine the effect of strategy types on financial performance of commercial banks in Ethiopia, by using panel data of 10 commercial banks from total of 16 privately owned banks, which have been operated in the industry for over six years within the period from year 2003 to 2016. Thus, the study used a total of 121 observations which was not balanced through the sampled banks i.e. from 6 years to 14 years existence in the industry. The study used quantitative research approach and secondary financial data were analyzed by using multiple linear regression models for the bank performance measure, Return on Asset (ROA). Random effect estimation technique was applied to investigate the impact of blue ocean strategy, green ocean strategy, red ocean strategy, capital adequacy, operating efficiency, management efficiency, bank size, Asset Quality, Earning quality, liquidity management, real GDP and inflation rate on Return on Asset (ROA). And also primary data was used by preparing questionnaires to test stated research hypotheses and to answer the research questions. The result showed that using blue ocean strategy result in more ROA than using green ocean strategy and red ocean strategy have no effect on financial performance of Ethiopian commercial banks. Further, the findings of the study showed that asset quality; bank size; operating efficiency and earning quality have negative and statistically significant relationship with bank's financial performance. On the other hand capital adequacy, management efficiency, liquidity management, inflation and gross domestic product have insignificant relation with bank's financial performance. Thus, commercial banks in Ethiopia should give more emphasis for the strategy types that they employ.

Key words: *Blue Ocean, Red Ocean, Green Ocean, Strategy, financial performance*

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List of Abbreviations

AIB	Awash International Bank S.C.
ASQ	Asset quality
BLU	Blue ocean strategy
BOA	Bank of Abyssinia S.C.
CAR	Capital Adequacy Ratio
CBO	Cooperative Bank of Oromia S.C.
DB	Dashed Bank S.C.
ERQ	Earning Quality
GDP	Gross Domestic Product
GRE	Green ocean strategy
INF	Inflation
LIB	Lion International Bank S.C.
LQM	Liquidity Management
MGE	Management Efficiency
NIB	Nib International Bank S.C.
OCS	Ocean strategy
OIB	Oromia International Bank S.C.
OPE	Operating Efficiency
PERF	Performance
RED	Red ocean strategy
REM	Random Effect Model
ROA	Return on Assets
SIZE	Bank Size
UB	United Bank S.C.
WB	Wegagen Bank S.C.
ZB	Zemen Bank S.C.

Chapter One

Introduction

1.1 Background to the Study

The relationship between strategy and performance has been studied by different scholars in relation to the rapid growth of economy and globalization. Those obviously need to survive or create the ability of a company to outperform its competitor. These can be achieved as Robinson 2011, suggested, by retaining the best of their traditional structures while embracing radically new structures that leverage the human capital and adds value to the customers.

Strategy is an action that managers take to attain one or more of the organization's goals. Strategy can also be defined as a general direction set for the company and its various components to achieve a desired state in the future. Strategy results from the detailed strategic planning process (Cooper, 2009). According to Brandt (2008) a strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the present objectives. While planning a strategy it is essential to consider that decisions are not taken in a vacuum and that any act taken by a firm is likely to be met by a reaction from those affected, competitors, customers, employees or suppliers.

The translation of chosen strategy into organizational action so as to achieve strategic goals and objectives is called Strategy implementation. Strategy implementation is also defined as the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance (Dennis, 2012).

The concept of linking company's competitive strategy to performance was introduced by Barney (2002). Financial performance refers to the measure on how companies carry out their activities to achieve the set financial goals. Financial performance measures on how well companies do in terms of financial returns. This is done by using various evaluation methods and the financial indicators (Weston, 2001).

According to Parnell, 2011 and Zamani, et al., 2013, Strategic typologies are the framework that identifies multiple competitive strategies available to business units and provides a theoretical basis for identifying strategic groups across industries. The typologies developed by Miles and

Snow (1978) and Porter (1980) remained among the most widely cited, tested, criticized, and refined frameworks. The typology of Miles and Snow (1978) is particularly suitable as a context in which to investigate strategy-performance relationships of firms from different industries having different firm size.(Tomas, 2010)

The purpose of this chapter is to provide background information on the study. The remaining part of this chapter is structured in eight sections. The first section deals with statement of the problem. And the second section provides the research questions. Thirdly, the objective of the research is presented. Fourthly hypothesis of the study is offered.. Then, scope and limitations, significance of the research and organization of the study are presented in section, sixth, seventh and eighth respectively.

1.1.1 Overview private banks in Ethiopia

As the 2015/2016 annual report of national bank of Ethiopia describes, under developments in financial sector section, banks, insurance companies and micro finance institutions are the major financial institutions operating in Ethiopia. Since the study focused on assessing the financial performance of the commercial banks, the following statistical data are taken from the report in relating to banks ownership and branch expansion . In 2015/16 the number of banks declined to 18 from 19 due to the merger of Construction & Business Bank with Commercial Bank of Ethiopia. Of the 18 banks 16 were private and 2 public. Banks opened 494 new branches in 2015/16 (of which 363 were private) raising the total branch network to reach 3187 from 2693 last year. As a result, bank branch to population ratio declined from 1:33,448 people to 1:28,932 in 2015/16. The share of public banks, in total branches declined to 39.5 percent from 41.9 percent last year signifying the growing role of private banks.

More over regarding to expansion, significant branch expansion was undertaken by Commercial Bank of Ethiopia(CBE) with 173 branches, followed by Awash International Bank (38 branches), Oromia International Bank (58 branches), Cooperative Bank of Oromiya (43 branches), United Bank(16 branches), Bank of Abyssinia (40branches),Zemen Bank (6 branches) ,Wegagen (42 Branches) and Loin International Bank (33branches). (2015/16 Annual Report, Page 40).

As per the NBE annual report shows, the number of private banks raised to 16 as of 2015/16. Which may taken as the result of establishment of Monetary and Banking proclamation

No.83/1994 and Licensing and Supervision of Banking sector No.84/1994 which was amended in 2008, laid down the legal basis for investment in the banking sector.

Consequently private investors still entering in the industry by holding some capital and contribute their share for the economy. Eventually, this study assess how those new comers contend and/or survive with their rivals and sustain in the industry or outperform the rivals, what strategy should employed to do so? Are they already aware about the scheme (ocean strategies)? And figure out the types of strategies already exist in the market.

1.2 Statement of the problem

Strategic planning and decision making has an important role in organizational development and sustainability. Various types of strategies are used in strategic management such as Red ocean strategy, Blue ocean strategy, Green ocean strategy and Purple ocean strategy. These strategies are used in organizations by top level executive managers for long term sustainability of organization and to face or avoid the competition. And currently, organizations and individuals especially in developing countries use a new type of strategy for sustainability or survival at least for short term to overcome their intense problem and to get quick relief from the problems called black ocean strategy. (Aithal, Shailashree,& Suresh Kumar, 2015).

Banks offer wide range of financial services, to personal and business customers; some of these services which are bank account, guarantor ship, and investment adviser are needed by an appreciable number of customers, but many other financial services such as import/export services, money transfers, credit cards and so on have to be brought to the attention of potential users, who then must be persuaded to use them (Abolaji, 2009, Eckie, 1973).

Commercial banks play a vital role in the economic resource allocation of countries. They channel funds from depositors to investors continuously. They can do so, if they generate necessary income to cover their operational cost they incur in the due course. In other words for sustainable intermediation function, banks need to be profitable. Beyond the intermediation function, the financial performance of banks has critical implications for economic growth of countries. Good financial performance rewards the shareholders for their investment. This, in turn, encourages additional investment and brings about economic growth. On the other hand, poor banking performance can lead to banking failure and crisis which have negative repercussions on the economic growth. (Okoto, 2013)

Many services offered by banks are also offered by ‘rival’ organizations. Building societies have developed customer accounts which are similar in many ways to a bank account. Thrift and cooperative societies provide lending services to their numerous members and indirectly to the society at large. Solicitors act as executors, and trustees and accountants give advice and so on. Banks not only compete with each other but also have to contend with challenges from other types of organization in the market. To do this successfully, bankers need an understanding of the process of marketing which will aid in improving banks performance. Marketing is an area of activity infamous for re-inventing itself and its vocabulary according to the times and the culture. (Soyinbo,1988).

Many companies are familiar with the red oceans and feel accustomed to competition. However the main challenge companies face thereby is their incapacity to create new demand or expand their market share. The Blue Ocean Strategy offers users a framework for creating uncontested market space and change the focus from the current competition to creation of innovative value and demand. (Dmitrij Kabukin, 2014). As per the reviewed literature the, link between profitability and internal factors need for further investigation.

This study is therefore, seeks to fill the gap by providing full information about the internal and external factors that affect the performance of the commercial banks(by taking ocean strategy types as one of internal determinants) and see the effect by examining and exploring the existing one by using necessary data from private commercial banks, since 2003 to 2016.

1.3. Research Questions

The study was investigated to answer the following research questions.

RQ1: To what extent are the managers aware of the existing or already employed strategy?

RQ2: What are the major types of strategies employed in the Ethiopian private banks?

RQ3: What is the effect of strategy types on financial performance of Ethiopian private banks?

RQ4: Do bank specific factors have effect on financial performance of Ethiopian private banks?

RQ5: Do macro economic factors have effect on financial performance of Ethiopian private banks?

1.4. Objectives of the study

The study has the following general and specific objectives.

1.4.1. General Objective of this Study

The general objective of this study was to examine the effect of strategy types on the financial performance of Ethiopian private commercial banks and to identify the significant determinants of their financial performance, of ten selected private commercial banks in Ethiopia that have been operate over the period of 2003 – 2016.

1.4.2. Specific Objectives

This study aimed and attempts the following specific objectives among others.

1. To assess the extent of awareness for existing or already employed strategy types by bank managers.
2. To evaluate the types of strategies employed in the private banks of Ethiopia.
3. To assess the effect of strategy types employed on the financial performance of private banks of Ethiopia.
4. To identify if bank specific factors (some of) has effect on financial performance of Ethiopian private bank
5. To identify if macro economic factors (some of) has effect on financial performance of Ethiopian private banks.

1.5 .Research Hypothesis

In light of the research objective, eleven statements of hypothesis are developed in view of the relationship between determinants and financial performances. The study attempted to test the following hypotheses:

HO1: There is positive relationship between strategy type 1 (Red Ocean) and bank financial performances

HO2: There is positive relationship between strategy types 2 (Green Ocean) and bank financial performances.

HO3: There is negative relationship between asset quality and bank financial performances

HO4: There is negative relationship between operating efficiency and bank financial performances.

HO5: There is positive relationship between management efficiency and bank financial performances.

HO6: There is positive relationship between capital adequacy and bank financial performances.

HO7: There is negative relationship between bank liquidity and bank financial performances

HO8: There is positive relationship between bank size and bank financial performances

HO9: There is positive relationship between bank Earning Quality and bank financial performances

HO10: There is positive relationship between real GDP growth rate and bank financial performances.

HO11: There is negative relationship between inflation rate and bank financial performances.

1.6. Significance of the Study

In rapid expansion of private banking sector in Ethiopia; and with the difficulty of providing different or unique service to the customer, the importance of studding about the impact of strategy types applied on financial performance will be essential to the bank mangers and strategy developers.

Therefore, this research is expected to be very crucial to show the effect of selective strategy implementation on the financial performance of the banks, by assessing the factors which determines to apply suitable strategies for the sector. In addition, this research will be important for the empirical evidences for the bank's management to examine their policies and procedures. Besides, it may help for the researchers to build up a conceptual literature in the future.

1.7. Scope and limitations of the Study

1.7.1 Scope of the Study

The main focus of the study was to examine the effect of strategy types on financial performance of commercial private banks in Ethiopia. Therefore the scope of the study is restricted to the assessment of the internal (by taking strategy type as one of it) and external factors affecting the financial performance of ten private commercial banks: (Awash International Bank, 1994; Bank of Abyssinia, 1996; Wegagen Bank 1997;United Bank,1998;Nib International Bank, 1999; Dashed Bank, 2003; Cooperative Bank of Oromia S.C, 2005; Lion International Bank, 2006; Oromia International Bank, 2008 and Zemen Bank, 2009), banks that have been in the industry

for more than six years, which helps to identify banks that has passed at list one phase of strategy life span (five years).

1.7.2 Limitation of the study

Since the study raises the new types of strategies in Ethiopia, there is limitation on written documents and there are no enough previous studies available (as the researcher knowledge) to access, which meant to be obstacle to develop the literature .Besides, the limitation of this study is that the scope is confined only to the banking industry. Institutions in this industry are service providers who may have slight difference in strategy implementation compared to businesses involving in providing services or goods. The researcher however notes that firms implement strategy the same irrespective of their business.

Even if there are many variables that affects commercial banks performance the study was concentrated on some of eight variables as internal factors: types of ocean strategies, asset quality, bank size, capital adequacy, liquidity management, operating efficiency, management efficiency, earning quality, and as external factors; only real gross domestic products and inflation rates.

Finally, the study is focusing only on the financial aspects of banks, the non financial aspect of performance measures, such as impact of types of strategies; employee turnovers, compensation, bank regulation and other non financial aspects need a further investigation. Because it would have been very essay to the researcher to develop the literate on those areas and the study would be familiar for the managers as; the non financial as taken care of by the stake holders, which may help them to collaborate to fill the questionnaire genuinely and give the interview for the researcher, because at the end the result of their performance proven by those factors.

1.8. Organization of the Study

The main purpose of the study is to investigate the effect of strategy types on financial performance of private Commercial banks in Ethiopia. And it organized as follows. Chapter One: Provide some background about the study, problem statement, specifies the objectives and purpose of the study, as well as the significance and benefits expected from this research. Chapter two: The review of the literature including conceptual frame work depict the relationship of dependent and independent variables following by empirical reviews of the previous studies in related topic and finally conclusion and knowledge gap are presented.

Chapter three: This chapter describes the data, identifies the sources and explains the methodology which was employed in the study. It also defines and highlights the performance measures, internal and external variables used in the study. The results of the different methods used and an analysis of the results are presented in chapter four. This is followed by the conclusion and recommendations in chapter five.

Chapter Two

Literature Review

2.1 Theoretical Literature

This chapter explores the existing literature on the impacts of strategy type's application on financial Performance of banks. The chapter reviews theoretical and empirical literature on different type (Blue, Red and Green Ocean) strategies' determinants, characteristics, features and use of strategies to bank financial performance. The chapter also explains the conceptual framework and discusses the research gaps, in its different sections.

2.1.1 Concept of Strategy

As Johnson and Whittington, (2011) stated, which the researcher selected from several explanations and to be more generalize definition for this study, Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of full fling stakeholder expectations. And it creates a culture in the firm in which the firm only focuses on the value adding priorities in its mission and vision.

In addition to the above explanation of strategy Johnson and Whittington, 2011 depicted the idea of exploring Strategy. Exploring Strategy provides a proven high quality resource that one can't do without. Explore hot topics in cutting edge issues such as innovation and entrepreneurship, strategic change and acquisitions and alliances. Consider the 'key debates' and the different strategy 'lenses' to get new perspectives and set one on his/her way to better performance or achievements.

Strategy is a multi-dimensional concept and various authors have defined strategy in different ways. Linn (2008) explained strategy as the match between an organization's resources and skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish. The purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Pearce and Robinson, 2001).

2.1.2 Strategic Typology

Strategic typologies are the frameworks that identify multiple competitive strategies available to business units. According to Miles and Snow (1994) the success of an organization depends on a process of external (the environment) and internal (strategy, structure, processes and ideology) adaptation. This process begins by aligning the organization to the market in an attempt to answer to or help form the present and future needs of customers. This alignment sets the company's strategy. In other words, this type of analysis seeks to assess the organizational adaptation to a changing environment through the study of the relationship between strategy, structure and processes (MILES SNOW, 1978). This adaptation of strategy to the competitive environment has been called by the authors "adaptive cycle" and its stages consist of the solutions given to the following problems:

Entrepreneurial Problem: product-market domain, success position, monitoring the environment and growth policy;

Engineering Problem: technological objectives, technological scope, and technological orientation;

Administrative Problem: main administrative function, planning attitude, organizational

Miles and Snow's typology, based on empirical studies, according Gimenez (1998), ranks companies or business units into four distinct adaptive strategies categories, namely: prospectors; defenders; analyzers and reactors.

Prospectors are the group of companies that maintain a competitive position aggressively, continually looking for new market opportunities and expanding its line of products and services. They tend to be the pioneer, so its focus is on innovation, not efficiency. These companies solve the business problem continually by expanding product market through differentiation or low cost. The technology is diverse, flexible and less standardized. The solution to the administrative problem is through non-centralized control, Research & Development and Marketing departments are strong, extensive in planning and there are higher costs and lower efficiency due to lack of the experience curve. The performance is assessed in terms of market share and sales volume, among others. The risk of this strategy is high because the non-acceptance of a new product can mean significant losses.

Defenders are companies seeking to locate and maintain a line of products or services with a very narrow focus, protecting its domain with competitive prices or quality products / services. They usually operate in stable industries, not bothering to seek new opportunities in the environment, but having efficiency and technology directed to its restricted focus. They usually adopt limited, targeted and more profitable line of products (Zahra & Pearce II, 1990). They reach the solution of engineering with the use of a core technology, resulting in low cost production. For this, significant investments in R & D are critical. The administration tends to be rigorously controlled, centralized, focused on costs and outcomes when comparing financial and production indicators of the current year with previous years. While this strategy can be applied to various industries, the authors conclude that they are more likely to be found in stable industries. This strategy faces the risk of being unable to adapt to more drastic changes in the competitive environment, since the focus impedes diversification, essential for monitoring changes.

Analyzers are between the defensive and prospects strategies. These companies operate on the basis of products / services that are already established, looking to add new products and services that have been successful in other companies in the industry. These companies are also called "creative imitators" (Slater and Nervier, 1993), by absorbing and improving innovations of competitors. This strategy allows the company to guarantee the viability of products before releasing them, avoiding high investments in Research & Development. So, companies need to maintain a constant monitoring of the successes and failures of other competing companies - prospectors. The technology adopted is stable and standardized, even though there is some degree of flexibility. This combination creates a certain ambiguity that results in a lack of efficiency on the part of analyzers, which, in turn, tend to adopt differentiation as competitive advantage. The analyzers typically organize their structure in a matrix form and the product engineering and marketing are the major focus of attention and investment. The biggest risk to these companies is not to achieve the necessary efficiency and effectiveness, which are the indicators used to measure the performance of these companies.

Reactors cannot be considered a kind of strategy; they have no coherent plan to compete in the industry or mechanisms and processes to adapt to the market. The typical approach of this group is to see and respond only when forced by competitive pressures to prevent loss of important customers and / or maintain profitability. This group of companies is usually in disadvantage

because it is attacked by prospectors and cannot reach the market protected by the defenders and analyzers. Reactors usually come to this situation because they fail in defining a specific strategy due to a centralized leader; or a contradiction between the chosen strategy and organizational structure; or by not adapting to the new competitive environment. Once you have chosen the posture you are going to adopt facing the competitive environment, the company should adapt its production process, distribution network and logistics, policies, price, promotion and marketing efforts and other processes involved in order to support the position selected.

2.1.3 Types of Ocean Strategies

2.1.3.1 Red Ocean Strategy

According to Shirer (2010), Red ocean strategy supports to compete in existing market space, beat the competition, Exploit existing demand, make the value/cost trade-off, and align the whole system of a company's activities with its strategic choice of differentiation or low cost.

Traditional marketing and even certain more outdated digital marketing strategies are examples of 'red oceans.' This style of marketing is highly responsive, focusing on competitive positioning within a strategic group and competition against rivals within the same industry. It also is highly responsive, adapting to external trends as they occur. While there is certainly value to adopting a more traditional market strategy, especially in financially difficult times where there is more financial risk associated with experimentation, this can be a 'slow' strategy, with more limited returns on efforts.

Red oceans represent to all the industries in existence today the known market space. In the red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known. Here companies try to outperform their rivals to grab a greater share of product or service demand. As the market space gets crowded, prospects for profits and growth are reduced. Products become commodities or niche, and cutthroat competition turns the ocean bloody; hence, the term red oceans.

✓ Advantages of Red Ocean Strategy

- The market is already established.
- It is clear that what products and services customers want

✓ **Disadvantages Red Ocean Strategy**

- There is usually an established market leader who will be very hard to beat.
- There are usually numerous niches who are trying to carve out market share in a subset of the total market.
- Competition is fierce.

2.1.3.2 Blue ocean strategy

Although some blue oceans are created well beyond existing industry boundaries, most are created from within red oceans by expanding existing industry boundaries. In blue oceans, competition is irrelevant because the rules of the game are waiting to be set.

It will always be important to swim successfully in the red ocean by outcompeting rivals. Red oceans will always matter and will always be a fact of business life. But with supply exceeding demand in more industries, competing for a share of contracting markets, while necessary, will not be sufficient to sustain high performance. Companies need to go beyond competing. To seize new profit and growth opportunities, they also need to create blue oceans. (Kim, 2005)

Blue ocean strategy supports to create uncontested market space, make the competition irrelevant, create and capture new demand, break the value/cost trade-off, align the whole system of a company's activities in pursuit of differentiation and low cost.

Figure 2.1: Comparative of Red Ocean and Blue Ocean



Source: (Kim and Mauborgne, 2005)

Blue Ocean's Analytical Tools and Frameworks:

- The Strategy Canvas
- The Four Actions Framework
- The Eliminate-Reduce-Raise-Create Grid
- Three Characteristics of a Good Strategy
- Reading the Value Curves

o **The Strategy Canvas**

Kim (2005), explained the strategy canvas as, it is both a diagnostic and an action framework for building a compelling blue ocean strategy. It serves two purposes. First, it captures the current state of play in the known market space. This allows you to understand where the competition is currently investing, the factors the industry currently competes on in products, service, and delivery, and what customers receive from the existing competitive offerings on the market.

o **The Four Actions Framework**

When the organization apply the four actions framework to the strategy canvas of it's' industry, it will get a revealing new look at old perceived truths. Besides, to break the trade-off between differentiation and low cost, create a new value curve, the following four key questions are will be the challenge to industry's strategic logic and business model:

- Which of the factors that the industry takes for granted should be ***eliminated***?
- Which factors should be ***reduced*** well below the industry's standard?
- Which factors should be ***raised*** well above the industry's standard?
- Which factors should be ***created*** that the industry has never offered?
- The first question forces the organization to consider eliminating factors that companies in its industry have long competed on. Often those factors are taken for granted even though they no longer have value or may even detract from value. Sometimes there is a fundamental change in what buyer's value, but companies that are focused on benchmarking one another do not act on, or even perceive, the change.
- The second question forces organization to determine whether products or services have been overdesigned in the race to match and beat the competition. Here, companies over serve customers, increasing their cost structure for no gain.

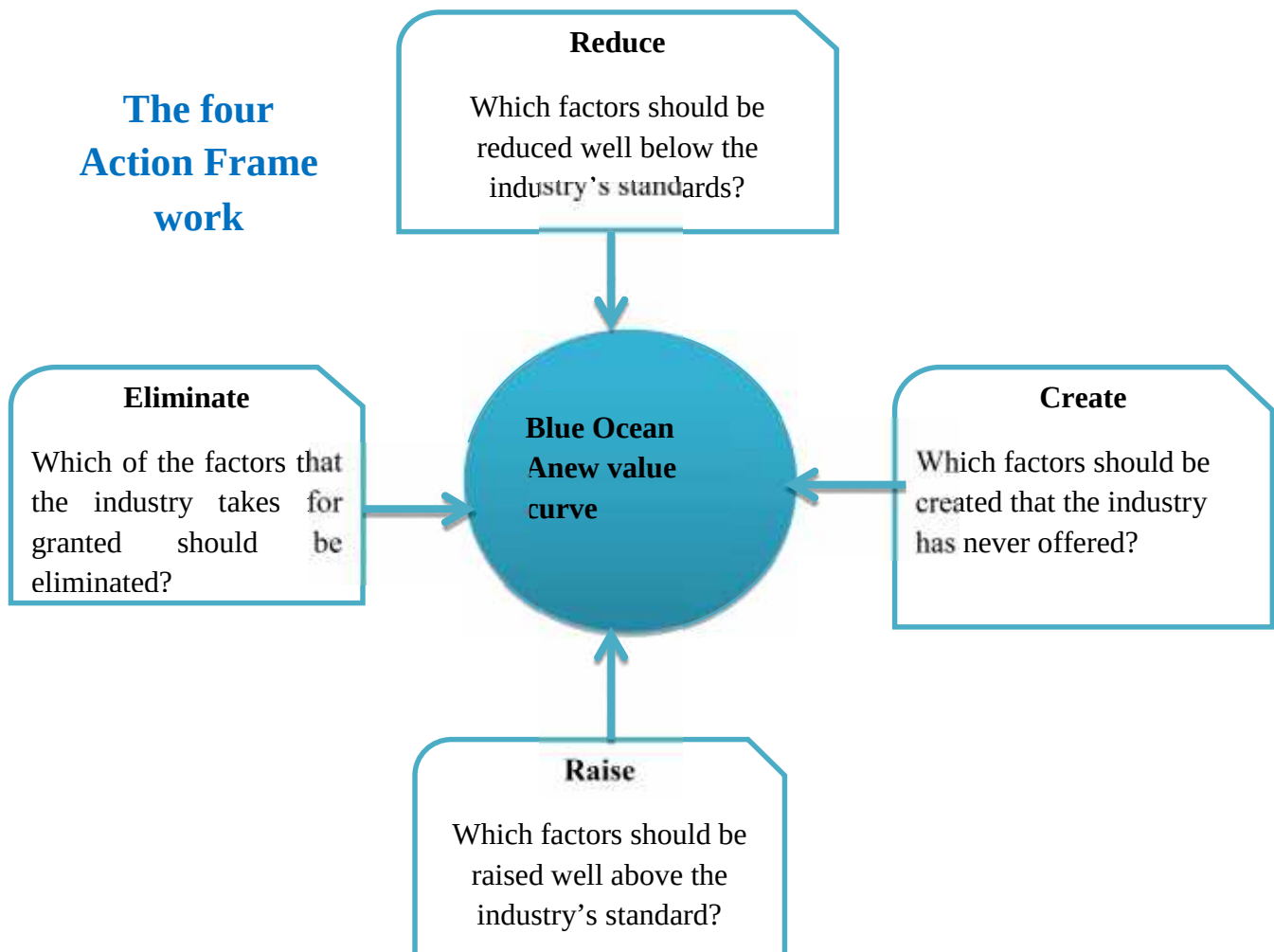
- The third question pushes organization to uncover and eliminate the compromises its industry forces customers to make.
- The fourth question helps the organization to discover entirely new sources of value for buyers and to create new demand and shift the strategic pricing of the industry. (Kim, 2005).

o **The Eliminate-Reduce-Raise-Create Grid**

There is a third tool that is the key to creation of blue oceans. It is a supplementary analytic to the four actions framework called the eliminate-reduce-raise-create grid. The grid pushes companies not only to ask all four questions in the four actions framework but also to action all four to create a new value curve. By driving companies to fill in the grid with the actions of eliminating and reducing as well as raising and creating, the grid gives companies four immediate benefits.

- It pushes them to simultaneously pursue differentiation and low costs to break the value-cost trade-off.
- It immediately flags companies that are focused only on raising and creating and thereby lifting their cost structure and often over engineering products and services—a common plight in many companies.
- It is easily understood by managers at any level, creating a high level of engagement in its application.
- Because completing the grid is a challenging task, it drives companies to robustly scrutinize every factor the industry competes on, making them discover the range of implicit assumptions they make unconsciously in competing.

Figure 2.2: The four action framework



Source: Kim and Mauborgne, 2005

o Three Characteristics of a Good Strategy

An effective blue ocean strategy has three complementary qualities: focus, divergence, and a compelling tagline. Without these qualities, a company's strategy will likely be muddled, undifferentiated, and hard to communicate with a high cost structure.

- **Focus** Every great strategy has focus, and a company's strategic profile, or value curve, should clearly show it. The company does not diffuse its efforts across all key factors of competition.

- **Divergence** When a company's strategy is formed reactively as it tries to keep up with the competition, it loses its uniqueness. Result of not benchmarking competitors, but instead looking across alternatives.
- **Compelling Tagline** A good strategy has a clear-cut and compelling tagline.

○ **Reading the Value Curves**

The strategy canvas enables companies to see the future in the present. To achieve this, companies must understand how to read value curves. Embedded in the value curves of an industry is a wealth of strategic knowledge on the current status and future of a business.

The value curve is a graphic depiction of a company's relative performance across its industry's factors of competition.

The cornerstone of blue ocean strategy: Value Innovation

Value innovation is the cornerstone of blue ocean strategy. It is called value innovation because instead of focusing on beating the competition, you focus on making the competition irrelevant by creating a leap in value for buyers and your company, thereby opening up new and uncontested market space. What consistently separated winners from losers in creating blue oceans was their approach to strategy. The companies caught in the red ocean followed a conventional approach, racing to beat the competition by building a defensible position within the existing industry order. The creators of blue oceans, surprisingly, didn't use the competition as their benchmark. Instead, they followed a different strategic logic that called *value innovation*.

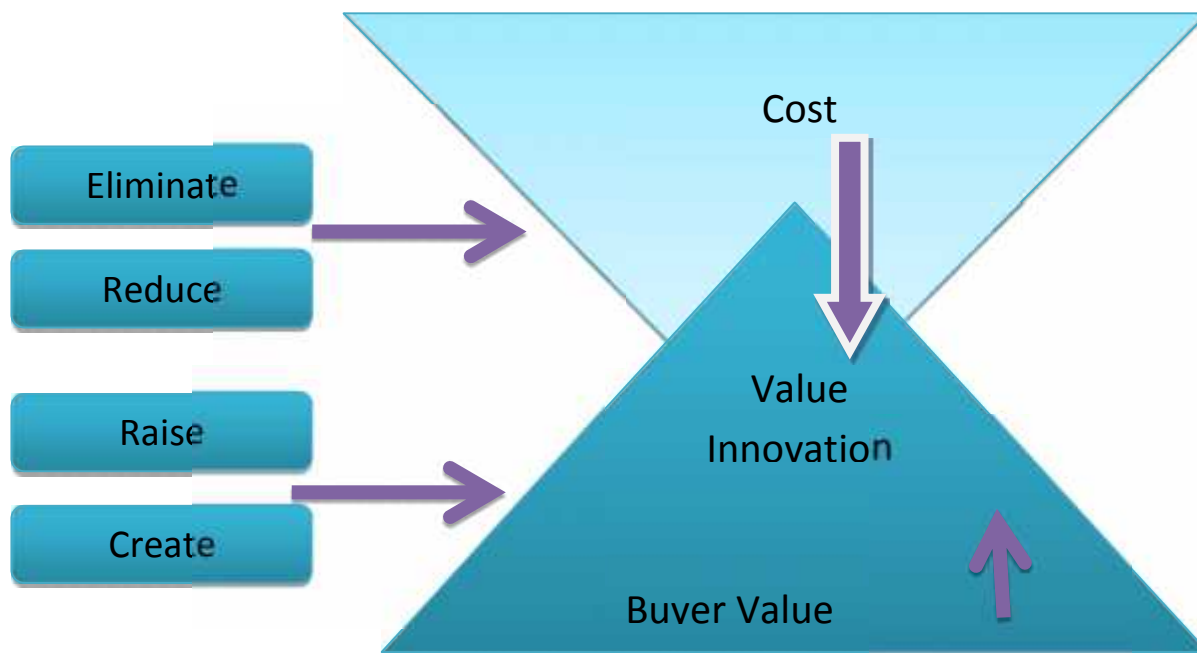
Value innovation is a new way of thinking about and executing strategy that results in the creation of a blue ocean and a break from the competition. Importantly, value innovation defies one of the most commonly accepted dogmas of competition-based strategy: the value-cost trade-off. It is conventionally believed that companies can either create greater value to customers at a higher cost or create reasonable value at a lower cost. Here strategy is seen as making a choice between differentiation and low cost. In contrast, those that seek to create blue oceans pursue differentiation and low cost simultaneously. (Kim, 2005)

In the classical Schumpeterian interpretation technical change is defined as "a historic and irreversible change in the method of production of things" and "creative destruction" [Schumpeter, 1934]. According to this definition technical change in practice can be

implemented in forms related to, implementation of goods (products) that are new to consumers, or higher quality than their previous counterparts ; implementation of production methods that are new to specific industries and economic activities in which they are used; opening of new markets; use of new sources of raw materials; implementation of new forms of competition that lead to structural changes in the industries of their implementation. In line with the Schumpeterian concept, innovation are related to changes (large-scale (radical) or small (incremental)) that have a significant impact on the structural changes in individual industries and market segments. In this approach, new production methods are not necessarily based on new scientific discoveries. The first use of technologies that have already been used in other industries can also be attributed to new methods. Because innovation is associated with the processes of manufacturing of the product and its use, the contents of this concept in international development is based on different principles and each cluster of definitions has its specific characteristics. (Maxim, 2013)

The Simultaneous pursuit of differentiation AND low cost.

Figure 2.3. Value-innovation: The cornerstone of Blue Ocean Strategy



Source: (Kim and Mauborgne, 2005)

Creating Blue Oceans

The creation of blue oceans is about driving costs down while simultaneously driving value up for buyers. This is how a leap in value for both the company and its buyers is achieved. Because buyer value comes from the utility and price that the company offers to buyers and because the value to the company is generated from price and its cost structure, value innovation is achieved only when the whole system of the company's utility, price, and cost activities is properly aligned. It is this whole-system approach that makes the creation of blue oceans a sustainable strategy. Blue ocean strategy integrates the range of a firm's functional and operational activities.

The Six Principals of Blue Ocean Strategy

There are six principles that drive the successful formation and execution of Blue Ocean strategy and the risks that these principles attenuate. The six principles are divided into four Formulation Principles and two Execution Principles, with the respective risk factors each principle attenuate,

Principle 1: Reconstruct Market Boundaries; Principle 2: Focus on the big picture, not the numbers, Principle 3: Reach beyond Existing Demand; Principle 4: Get the Strategic Sequence Right; Principle 5: Overcome Key Organizational Hurdle and Principle 6: Build Execution into Strategy. As summarized in following table.

Table: 2.1. Summary of the six principles of blue ocean strategy

Formulation Principles	Risk Factor
Reconstruct market boundaries	Search Risk
Focus on the big picture, not the numbers	Planning Risk
Reach beyond existing demand	Scale risk
Get the strategic sequence right	Business model risk
Execution Principles	Risk Factor
Overcome key organizational hurdles	Organizational risk
Build execution into strategy	Management risk

Source: G. J. M. Zwerink August, 2008

The six main differences of RED and Blue oceans

- I. **Focus on current customers vs. focus on non-customers.** In most industries there is little effort to attract new buyers to the industry, thus the focus on the customers currently purchasing in that industry. In the Blue Ocean, there is a focus on trying to increase the size of the industry by attracting people who have never purchased in that industry.
- II. **Compete in existing markets vs. Create uncontested markets to serve.** Sounds good, right? But how does it goes? Existing markets are all the customers doing business in the industry right now, whether they are doing business with or with out competitors. If someone wins a customer, then it is assumed, someone will lose a customer. For someone to win, someone must lose. In uncontested markets, there is only a winner, if. No one else is fighting for the business because either they don't know about it, or they don't know how. They will try, of course, but if some one have done things the Blue Ocean Strategy way, they will not be successful for a very long time.

- III. **Beat the competition vs. Make the competition irrelevant.** The competition becomes irrelevant because they cannot duplicate the ideas in a way that is a commercial success. The whole idea of Blue Ocean Strategy is to have high value at low cost. If someone is doing that, how can anyone compete with any business? All the would-be competitors fall by the wayside.
- IV. **Exploit existing demand vs. create and capture new demand.** If the manager will be creating value so high that he will be attracting customers that never before would have considered entering the market.
- V. **Make the value-cost trade-off vs. break the value cost trade-off.** If the manager cut his strategy teeth on Michael Porter's Competitive Strategy concepts, he has to understand that there were only two strategies to choose from, value or low cost. It was understood that anyone could not have both value and low cost. Kim and Mauborgne have broken that concept and said that the manager can have high value and low cost and developed the tools to do it. In fact, if he doesn't break the value cost trade-off, competitors will easily duplicate what he is doing and the ocean will once again be very red.
- VI. **Align the organization with differentiation OR low cost vs. aligning the organization with differentiation AND low cost.** The manager can't just say we can prepare or going to have differentiation and low cost. You must search every nook and cranny of your processes and organization to strip away unnecessary cost. The entire organization must be aligned this way...anything that doesn't create or contribute to value, gets eliminated or reduced. It is just the most efficient way to run an organization whether in a blue or red ocean. (Abdoreza, 2016)

2.1.3.3 Green Ocean strategy

Green ocean strategy, to support the impact of environmental footprint on human lives. From different unstructured documents like newspapers, magazines, World Wide Web pages, it is revealed that automobile industry happens to be one of the largest contributors of environmental pollution throughout the world and hence it has to incorporate green ocean strategy. At this point, it is relevant to introduce the topic of our discussion; the green ocean strategy (not to be confused with its environmental namesake), is a hybrid mechanism which combines the best things that characterize blue ocean and red ocean strategies.

The green ocean strategy will serve as a safety valve for companies trapped in the red ocean rut, facing intense competition, mounting price pressure, increasing bargaining power of customers, and flat demand despite overwhelming choice, essential characteristics of the blue ocean regime.

The objective of using a green ocean strategy is to ensure organizations are able to use similar methods and techniques to get identical results, year after year. With the green ocean strategy, organizations neither have to hire additional workers, nor invest in more outsourcing projects than required. This would help retain employment of current workers, thus, managing good relations at the workplace while allowing the organization to pursue its innovation objectives in a sustainable, year-by-year pace.(Kim & M. 2005; Siegemund, 2009; de Bes & Kotler, 2011; Burt, 2011).

Features of Green Ocean strategy

Create successful sustainable consumption

The keyword in this strategy type is sustainability; the researcher asserts that there can be no one-size-fits-all formula governing the innovation mechanism of an organization. As has been already covered, an organization's innovation is a befitting response to its structure, market conditions and internal culture. Clearly, the best innovation model for organizations should be able to combine the best elements of a blue ocean and a red ocean strategy, thereby, allowing organizations to sustainably compete in a rigorous market, and at the same time, brisk ahead of competitors through a pursuit of innovation. Green Ocean Strategy is not about greening or saving the environment it concentrates on how to maximize both fixed, internal and human resources. Instead of copying or benchmarking against the competition, the focus is to be more realistic in relation to what the business can actually commit or deliver.

Uses the analogy of beach and ocean

Before one reaches the blue part of the ocean, there is the green. So it makes more sense that if a business can stay within the Green Ocean, where the water is clearer and nearer the shore, then this would be less risky, more practical, and eminently more desirable.(Adrian, 2013)

- **Black ocean strategy**

Black ocean strategy is a kind of survival strategy to foresee the organizational problems and solve them successfully to continue in its business market by means of a kind of black magic may be legally or illegally, ethically or unethically.

Black ocean strategy is sustainability centered and survival oriented in scope to business interest and maintains all existing and future opportunities. Based on the observation and focus group study, Aithal and Suresh Kumar have developed this concept systematically and studied the conditions and characteristics of Black ocean Strategy model of decision-making. They have studied the reasons why certain firms at their helm follow Black ocean strategy while making decision for survival and consequences of such strategic decisions through investment/perceived Risk Matrix. They have also compared Red ocean strategy & Black ocean strategy, Blue Ocean Strategy & Black ocean strategy, and Green ocean strategy & Black ocean strategy used in organizations.

Condition to fulfill to apply black ocean strategy

The conditions to plan and implement Black ocean strategy in an organization is divided into necessary and sufficient conditions.

The necessary conditions for Black ocean strategy to be implemented in an organization are:

Challenge for survival.

- ✓ Huge investment going to be waste.
- ✓ Organization facing severe problem.
- ✓ Existence of enormous and unusual opportunity.

The sufficient conditions for Black ocean strategy (BOS) to be implemented in an organization are:

- The internal structure and conditions of organization should support BOS.
- The environment should be such that there should be an opportunity to use BOS.
- BOS is the last option to solve the problem.
- The organization is capable to digest the consequence of BOS.

Characteristics of black ocean strategy

Black ocean strategy has multiple characteristics which make it exceptionally different from other ocean strategies. Some of the important features of black ocean strategy identified are; it is a short cut plan to win the game through alternative way by changing the rules of the game, this strategy is used by organizations when they realize that the organization failed to achieve its stated goal due to things going out of their control and affects heavily on its business. Black ocean strategy contains set of practices which are considered as unethical in common business practice. In this type of strategy the organizations will not improve efficiency or operational effectiveness. It will help the organization to survive in disasters through different set of activities/practices which otherwise will not be used in regular practice in normal routine.

Black ocean strategy is not an alternative to Red Ocean, Blue Ocean and Green ocean strategies but it is complementary to them as it supports the organization at times of disaster. Black ocean strategy is a complement to other strategies such that it can provide winning edge in red ocean or provide support to make competition irrelevant in blue ocean by modifying internal policies and external regulations for individual organizations benefit; it is not used to position the company against competitive forces but it provides unique position against uncertainty due to un-accepted dangers resulting from organizational mistakes or due to un-supportive environmental situations. Influence on Government or other statutory controlling/directing bodies to make the rule according to their requirement. Generally suited to put influence or pressure on international permissions, collaborations and technology transfer. Lobbying and influencing is also a form of Black ocean strategy to do organizations work and to retain or expand their market share. Organizations are lobbying and influencing to save tax to be paid to the local government so that they can enhance profit and transfer such profits to other countries as investment to expand business. Black ocean strategy aims to change the rules of the game according to organizational wish to en-cash better opportunities, or to solve serious problems, or to modify/create new policies & regulations. This strategy is used only for temporary relax from the problems and should not be repeated due to greediness or continued benefit. Black ocean strategy also includes the strategy to kill the competitors by changing the rules of the game and it can also be used to create uncontested market/monopoly for at least short time by modifying the rules of the game. Black ocean strategy can be used at corporate, business, and functional level depending upon the nature of problem to be solved at that level. (Aithal, Shailashree, & Suresh Kumar,2015)

- **White Ocean Strategy (WOS) (Danni Chanchaochais Model)**

White Ocean's concept is concerning about "social" more than "profit" that made WOS outstanding than the others oceans which is gaining reputation and profit from their customer by using any strategies to be apart or win the competition in market. The concept of WOS is focusing on People, Planet, Profit and Passion. Concern for society and environment is most important in this ocean. Both WOS and Green ocean strategies have same objective of preserving environment and hence society.

- **White Ocean Mixed Strategy**

White ocean mixed strategy is mixture of red ocean, Blue Ocean, Green Ocean and Black Ocean Strategies for organizational survival, sustainability and profit. White ocean strategy can be characterized by the following points; White Ocean Mixed Strategy is a mixture of Red Ocean, Blue Ocean, Green Ocean and black ocean strategies for organizational survival, sustainability and profit. Focusing all aspects of organizational problems by focusing on all the aspect like profit, monopoly, sustainability, environment, and survival. It consists of all strategies inherently mixed for optimum solution to an organizational problem like white light is made of seven colors. White ocean mixed strategy gives equal importance to competition, monopoly, environment, long term sustainability and survival in a given situation along with long term profit. WOMS supports each and every aspect of organizational success and hence will become role model to other organization and it is a best strategy which contains mixture of other strategies depending upon the situations. WOMS align whole system of firm's activities in pursuit of survival & win. (Aithal, 2016).

- **Purple Ocean Strategy**

The Purple Ocean strategy believes that in today's business world organizations require both innovative ideas as well as a series of strategies to compete with rivalry and remain functional in the long term. Consequently, the name Purple Ocean strategy was initially adopted following the secondary color generated by combining red and blue colors. A mix of Blue Ocean and Green ocean strategy is called Purple ocean strategy. (Aithal, 2016)

- **Ideal strategy**

A planning and execution strategy which conforms the success of the work in any situational conditions and constraints. This strategy ensures the sustainability of the organization with huge profit. (Kaplan and Norton (1992).

2.1.4 Organizational Performance

Organizational performance is the measure of standard or prescribed indicators of effectiveness, efficiency, and environmental responsibility such as, cycle time, productivity, waste reduction, and regulatory compliance. Performance also refers to the metrics relating to how a particular request is handled, or the act of performing; of doing something successfully; using knowledge as distinguished from merely possessing it. It is the outcome of all of the organization's operations and strategies. (Aaltonen and k  valko, 2002).

2.1.5 Strategy Implementation and Organizational Performance

The job of strategy implementation is to translate plans into actions and the intended results. The test of successful strategy implementation is whether actual organization performance matches or exceeds the targets spelled out in the strategic plan. Shortfalls in performance signify weak strategy, weak implementation or both. The effectiveness with which a particular strategy is implemented should strongly affect performance on dimensions on which the strategy is expected to affect. Empirically, most strategy research studies employ the construct of business performance to examine a variety of strategy content and process issues.

2.1.6 Determinants of commercial banks profitability

Bank profitability is usually measured by the return on average assets and is expressed as a function of internal and external determinants. The internal determinants include bank-specific variables. The external variables reflect environmental variables that are expected to affect the profitability of financial institutions Dietrich, (2009). The determinants can also express, as internal factors which are under the management control as well as the external factors which are ahead of the management control (Nassreddine (2013).

2.1.6.1 Internal /Bank Specific Factors

The internal factors are bank specific variables which influence the profitability of specific bank. These factors are within the scope of the bank to manipulate them and that they differ from bank to bank. These include capital size, size of deposit liabilities, size and composition of credit portfolio, interest rate policy, labor productivity, and state of information technology, risk level, management quality, bank size, ownership and the like. CAMEL framework often used by scholars to proxy the bank specific factors (Dang, 2011). CAMEL stands for Capital Adequacy, Asset Quality, Management Efficiency, Earnings Ability and Liquidity.

2.1.6.2 External /Macro-economic Factors

The macroeconomic policy stability, Gross Domestic Product, Inflation, Interest Rate and Political instability are also other macroeconomic variables that affect the performances of banks. For instance, the trend of GDP affects the demand for banks asset. During the declining GDP growth the demand for credit falls which in turn negatively affect the profitability of banks. Ongore,(2013).

2.1.7 Measurements in commercial banks performance

Bank performance is usually measured by return on assets (ROA), return on equity (ROE) or the net interest margin (NIM) and is a function of internal and external determinants. Internal determinants are also sometimes called microeconomic determinants or inherent performance, while external determinants are variables that reflect economic and legal environment in which the bank operates. Many studies have attempted to explain the contribution of a particular variable on the performance of banks. Fatma, (2013).

Return on Asset (ROA)

ROA is the major ratio that indicates the profitability of a bank. It is a ratio of Income to its total asset (Khrawish, 2011). It measures the ability of the bank management to generate income by utilizing company assets at their disposal. In other words, it shows how efficiently the resources of the company are used to generate the income. It further indicates the efficiency of the management of a company in generating net income from all the resources of the institution. Wen (2010), state that a higher ROA shows that the company is more efficient in using its resources.

Return on Equity

ROE is financial ratio to measure the bank performance that reflects how much profit a bank earned compared to the total amount of shareholder equity invested or found on the balance sheet and it measures how effectively a bank management is using shareholders funds.

ROE is the product of ROA and assets-to-equity ratio (equity multiplier that measures financial leverage). Essentially the ROE–ROA relationship clearly illustrates the fundamental tradeoff that banks face between risk and return, whereas the equity multiplier reflects the leverage or financing policies, i.e. the debt-equity proportion that the bank management used to fund the bank. Sufian (2011).

Cost of intermediation: is measured through Net Interest Margin/NIM/ which equals interest income less interest expense divided by interest-bearing income. The higher the ratio, the cheaper the funding or the higher the margin the bank receives.

Net Interest Margin (NIM)

NIM is a measure of the difference between the interest income generated by banks and the amount of interest paid out to their lenders (for example, deposits), relative to the amount of their (interest bearing) assets. It is usually expressed as a percentage of what the financial institution earns on loans in a specific time period and other assets minus the interest paid on borrowed funds divided by the average amount of the assets on which it earned income in that time period (the average earning assets). The NIM variable is defined as the net interest income divided by total earnings assets (Gul et al., 2011).

2.2 Empirical review

Since the philosophy of ocean strategy is new (the first blue ocean strategy, Kim and Mauborgney, 2005) relatively from other business strategy types, especially using it as factor of financial performance measuring tools, it is difficult to compile and develop this part of the research with previous empirical evidences. But the study selected some of the previous researchers, which may help to create bond between the coloring ideologies (coloring and named by color to help the reader to visualize the market environment) to practical financial performance measuring tools.

Even if there is lack of studies and literature regarding to Ocean strategy-performance, performance or profitability measures , there are various studies which deal with the determinates or factors of bank profitability were carried out focusing on a particular country, while others on a panel of countries. To elaborate the aide of this study the researcher selected and presented some of the studies from panel countries and studies which made in particular countries. Besides studies those conducted on effects of strategy implementation on financial performance and strategy related studies are included in this sub section of the empirical reviews.

2.2.1 Studies on Single Countries

As Njagi, Kombo, 2014 Studied Successful implementation of strategies is vital to any organization. The purpose of their study was to determine the effect of strategy implementation on performance of commercial banks in Kenya. The specific objectives of the study were to determine the effect of operationalization of strategy on performance of the banks and to determine the effect of institutionalization of strategy on performance of the banks. To achieve these objectives, the study adopted co relational research design. The target population was the forty three commercial banks in Kenya. Given the small number of commercial banks, a census study was conducted. The data gathered was analyzed using descriptive statistics such as percentages to summarize the data. Pearson's correlation coefficient was used to determine the nature and strength of the relationship between strategy implementation and organizational performance. To determine the effect of strategy implementation on organizational performance, a multiple regression model was developed. The results reveal that there is a moderately strong relationship between strategy implementation and organizational performance. And finally they recommended that for institutions to thrive and compete they must implement strategies effectively.

Mahdani, 2012 also conducted a study to investigate the relationship between strategy implementation and firm performance. And investigated the moderating role of formality structure on the relationship between strategy implementation and performance of manufacturing firms in Indonesia. The population in this study was the manufacturing firms listed in the Jakarta Stock Exchange (JSE). The Primary data on strategy implementation were obtained through questionnaires to CEOs of manufacturing firms while the secondary data were obtained from the Indonesian Capital Market Directory report. By preparing questionnaires and were distributed to the CEOs of manufacturing firms. The results of this research showed that there was a significant

relationship between strategy implementation and performance of the manufacturing firms. The results also showed that there was a moderating effect of formalized structure on the relationship between strategy implementation (program of budget and control of resources) and performance of the manufacturing firms measured by Return on Equity (ROE).

Laura, 2011 made a research on *The relationship between strategic choices and performance in Italian food SMEs*. The purpose of the paper was to assess the effect of the strategic choices on the food SME performance, basing on the fact that the strategies act as mediator between resources and performance. In this way, it evaluate the relationship between strategies and performance, where strategies are the expression of a set of peculiar resources. This purpose was assessed in the food SMEs located in Lombardy, a Northern Italian region, by applying a Structural Equation Model (SEM). The result was, there are significant and positive direct relationships between firm strategic choices (innovation, product positioning and relationship development) and performance. Consequently, SMEs could influence their performance by acting on those main resources and capabilities.

Robert, 2012 conducted the study on the Relationship between Strategic Planning and Firm Performance. The result was indicates the existence of a positive relationship between strategic planning and financial performance with a Pearson Correlation coefficient of 0.600. This correlation was significant at $p < 0.01$. Further, the analysis result reveals that there is a positive relationship between strategic planning and all the financial performance indicators. The relationship between strategic planning constituent variables and financial performance was also examined. Results of the analysis indicate that all the strategic planning constituent variables are positively related to financial performance. The correlations between variables analysis of business environment, handling of strategic issues, strategy selection and formulation of implementation framework and financial performance are significant at the 1 percent level (all recording a Pearson correlation coefficient of over 0.500). The correlation between defining company purpose and goals and, financial performance is significant at the 5 percent level (with a Pearson correlation coefficient of 0.405). The analysis results also indicated that there is a positive relationship between all the strategic planning constituent variables and overall financial performance indicators.

Okoth, 2013 conducted a study on determinants of financial performance of commercial banks. The study used linear multiple regression model and Generalized Least Square on panel data to estimate the parameters. And the findings showed that bank specific factors significantly affect the performance of commercial banks in Kenya, except for liquidity variable. But the overall effect of macroeconomic variables was inconclusive at 5% significance level. The moderating role of ownership identity on the financial performance of commercial banks was insignificant. Thus, it can be concluded that the financial performance of commercial banks in Kenya is driven mainly by board and management decisions, while macroeconomic factors have insignificant contribution.

Relating to both large, medium, small and micro sized firms constantly emphasized a positive relationship between business strategies, management activities and organizational performance. This is because it is often detailed that best business strategies produce outstanding organizational performance. And the study reviewed diverse empirical literature on business strategies and their effects on organizational performance. The authors were able to ascertain from various literature reviewed that business strategies have a major role to play in enhancing organizational performance. The study also finds that recognizing the causes of organizational performance is important especially in the perspective of the current global competitive and turbulent business environment. In addition, it helps an organization to identify those factors that should be emphasized to improve performance in business organizations.

Though using strategy types as financial measure of performance not familiar in the business organization there are various studies regarding to strategy and Performance. Strategy is about making choices (Porter, 1985). It is a way to ensure a sustainable competitive advantage by investing the resources needed to develop key capabilities leading to the long-term superior performance (Lin et al., 2014). According to Hambrick (1982), organizational strategy has been defined sometimes as normatively (Andrews, 1971) and sometimes descriptively (Miles and Snow, 1978; Mintberg, 1978). The organizations use strategy to deal with changing environments as it brings novel combinations of circumstances to the organization. The study of strategy includes the actions taken, content of strategy, and the processes by which actions are decided and implemented. Performance is an intrinsic construct in the strategy literature. The concept of performance is three fold. For example, performance can be approached as the ultimate goal of management, an end in itself, and can be highlighted at the level of individual

managers, teams, businesses and corporations. Performance can also be approached from a measurement perspective, with a focus on the selection of the appropriate indicators and levels for quantifying an organization's outcomes (Guérard et al., 2013; Luoma, 2015; Richard et al., 2009).

In order to set a company on a strong, profitable, growth trajectory in the face of industry conditions using innovative revenue streams, yet ensuring it does not deviate from its core business objectives, the green ocean strategy will ensure a healthy balance for the company, preventing the huge risks that accrue due to going out all alone in an uncertain business environment. To complement the understanding of the blue ocean strategy, it has to be kept in mind that most businesses need to have a fair knowledge of risk and rewards before it plunges ahead with a firm mind (Siegemund, 2009; Holt & Cameron, 2010).

The objective of using a green ocean strategy is to ensure organizations are able to use similar methods and techniques to get identical results, year after year. With the green ocean strategy, organizations neither have to hire additional workers, nor invest in more outsourcing projects than required. This would help retain employment of current workers, thus, managing good relations at the workplace while allowing the organization to pursue its innovation objectives in a sustainable, year-by-year pace.

2.2.2 Studies in panel Countries

In addition to the previous studies, researches have been made on performance measures on board countries. Thus, the researcher reviewed some of the studies as follows.

Ahokpossi (2013) conducted a study on “*Determinants of Bank Interest Margins in Sub-Saharan Africa*” through taking a sample of 456 banks in 41 sub-Saharan African countries for the time period of 1995–2008 and investigated the role of bank-specific factors (Credit risk, measured as the ratio of” loans/deposits and short-term funding”, liquidity risk as the ratio “liquid assets/deposits and short-term funding.”, Equity as measured by “equity/total assets” and overhead/average assets as a proxy for operational inefficiency), market structure (peroxide by market share and structure), and macroeconomic factors(GDP and inflation) in determining interest rate margins. And the finding was Bank liquidity risk, equity, and inefficiency are have an input for the determination of interest margins. The liquidity ratio negatively and significantly

affects interest margins, reflecting the possible need for less liquid banks (i.e., banks with high liquidity risk) to borrow emergency funds at a high cost.

The results also highlight the importance of credit risk for the determination of interest margins, because credit risk is positively and significantly associated with net interest margins. The coefficient on equity is also positive and significant implying that banks in SSA charge a premium to account for the pressure of solvency regulations on lending activities. Bank inefficiency is associated with high interest margins. Inefficient banks pass their high costs on to their customers, raising their lending rates and lowering their deposit rates. Inflation is positive and significant; On the other hand, the coefficient on GDP growth is insignificant. The research has failed to consider the size difference and its effect on net interest margin and that of regulatory issues which are varying among countries of sub Saharan countries. Among the macroeconomic variables, inflation (INF) is found to be positively and significantly related to both ROA and NIM in the study. This implies that, with inflation, bank income increases more than bank costs. The results are parallel to Demirgüç-Kunt and Huizinga (1999), Kaya (2002) and Abreu and Mendes (2002) that reported positive relationships between inflation and NIM and ROA.

Goddard et al. (2004) investigated the profitability of European banks during the 1990s by using cross-sectional, pooled cross-sectional time-series and dynamic panel models. They use cross-sectional and dynamic panel estimation to investigate selected determinants of profitability in six major European banking sectors: Denmark, France, Germany, Italy, Spain and the UK, for the period 1992–98. Models for the determinants of profitability incorporate size, diversification, risk and ownership type, as well as dynamic effects. Despite intensifying competition there is significant persistence of abnormal profit from year to year. The evidence for any consistent or systematic size–profitability relationship is relatively weak. The relationship between the importance of off-balance-sheet business in a bank’s portfolio and profitability is positive for the UK, but either neutral or negative elsewhere. The relationship between the capital–assets ratio and profitability is positive.

Heffernan and Fu (2008) conducted a study related to the determinants of South Asian banks performance and assessed whether recent reforms had any effect. The sample covered 76 banks between 1999 and 2006. Most of the data used here come from Bank Scope. Ten bank-specific

independent variables and three macroeconomic explanatory variables were analyzed in this study. While four dependent variables used in this study as the performance measures of banks. They were Economic Value Added (EVA), Return on Average Assets (ROAA), Return on Average Equity (ROAE), and Net Interest Margin (NIM). This study employed the system Gaussian Mixture Model (GMM) model to assess the determinants of South Asian bank performance. A fixed effects panel data model is also estimated to allow comparison of results, and as a robustness check. Among the results obtained are cost to income ratio is negatively signed and significant to profitability. On the contrary, Loan Loss Reserve Ratio (LLR) produced a positive and significant coefficient. The results also reported that the macroeconomic variable that performed best in this study is the real GDP growth rate, followed by the unemployment rate. From the results it is confirmed that the system Gaussian Mixture Model (GMM) model is the preferred method of estimation. The study also looked at the question of which of four performance measures work best. Based on diagnostics and the significance of coefficients, the results suggested the best dependent variables are Economic Value Added (EVA) and the Net Interest Margin (NIM), as against Return on Average Assets (ROAA) or Return on Average Equity (ROAE).

2.2.3. Previous Studies on determinates of bank profitability in Ethiopia

In this sub section of the study, the researcher presented the studies which have been conducted on Ethiopian banks, regarding to the bank profitability and factors affecting the performance of Ethiopian commercial banks related to strategy and other common factors, internal or bank specific and external or macroeconomic factors to develop the current study by pervious empirical studies below.

By Alemu (2015), Determinants of commercial banks profitability, the case study of Ethiopian commercial banks, by Abebe 2014, Determinants of Financial Performance: An Empirical Study on Ethiopian Commercial Banks. Demena (2011), determinants of commercial banks profitability: an empirical review of Ethiopian commercial banks by Belayneh (2011), factors affecting profitability: an empirical study on Ethiopian banking industry by Amdemikael (2012), determinants of commercial banks profitability: an empirical evidence from the commercial banks of Ethiopia by Birhanu (2012), determinants of bank profitability: an empirical study on Ethiopian private commercial banks by Habtamu (2012).

Alemu (2015), in his study examined the determinants of Ethiopian commercial banks profitability. The study applied the balanced panel data of eight Ethiopian commercial banks that covers the period 2002- 2013. The paper used multiple linear regression models to investigate the impact of some internal as well as external variables on major profitability indicator i.e., ROA. Fixed effect regressions model was applied to investigate the impact of bank size, capital adequacy, liquidity risk, operating efficiency, employee efficiency, and funding cost, banking sector development, real GDP, inflation rate and foreign exchange rate on Return on Asset (ROA). The findings of the result showed that bank size, capital adequacy and gross domestic product have statistically significant and positive relationship with bank's profitability.

Abebe, (2014).Carried out a study on determinants of financial performance .And the study examined the determinants by using panel data of banks over the period of 2002-2013. By using quantitative approach and the random effect model. The study applied the fixed effect model rather than random effect model based on the hausman specification test. Under this study, both internal and external factors were included. The internal factors used in this study include capital structure; Income Diversification, operating cost and bank size whereas the external factors are effective tax rate, real GDP growth and inflation. Moreover, ROA and NIM were used as the performance measure.

Belayneh (2011) examined the determinants of Ethiopian commercial banks profitability. The study applied the balanced panel data of seven Ethiopian commercial banks that covers the period 2001- 2010. The paper used Ordinary Least Square (OLS) technique to investigate the impact of some internal as well as external variables on major profitability indicator i.e., ROA, The estimation results of his study show that all bank-specific determinants, with the exception of saving deposit, significantly affect commercial banks profitability in Ethiopia. Market concentration is also a significant determining factor of profitability. Finally, with regard to macroeconomic variables, only economic growth exhibits a significant relationship with banks' profitability.

The study made by Amdemikael (2012) examined the determinants of Ethiopian commercial banks profitability. The study applied the balanced panel data of eight Ethiopian commercial banks that covers the period 2001- 2011. The study adopts a mixed methods research approach by combining documentary analysis and in-depth interviews to investigate the impact of some

internal as well as external variables on major profitability indicator i.e., ROA. The findings of the study show that capital strength, income diversification, bank size and gross domestic product have statistically significant and positive relationship with bank's profitability. On the other hand, variables like operational efficiency and asset quality have a negative and statistically significant relationship with bank's profitability. However, the relationship for liquidity risk, concentration and inflation is found to be statistically insignificant.

Other research was made by Birhanu (2012), and examined the determinants of Ethiopian commercial banks profitability. The study applied the balanced panel data of eight Ethiopian commercial banks that covers the period 2001- 2011. The paper used Ordinary Least Square (OLS) technique to investigate the impact of some internal as well as external variables on profitability indicator i.e., ROAA, NIM the finding shows, all bank-specific determinants, with the exception of bank size, expense management and credit risk, affect bank profitability significantly and positively in the anticipated way. However, bank size, expense management and credit risk affect the commercial banks profitability significantly and negatively. In addition to this, no evidence is found in support of the presence of market concentration. Finally, from macro-economic determinants GDP has positive and significant effect on both asset return and interest margin of the bank. But interest rate policy has significant and positive effect only on interest margin

Habtamu (2012) examined the determinants of Ethiopian private commercial banks profitability. The study applied the balanced panel data of seven Ethiopian commercial banks that covers the period 2002- 2011. The paper used Ordinary Least Square (OLS) technique to investigate the impact of some internal as well as external variables on profitability indicator i.e., ROA, ROE & NIM, the finding shows The empirical results shows that bank specific factors; capital adequacy, managerial efficiency, bank size and macro-economic factors; level of GDP, and regulation have a strong influence on the profitability of private commercial banks in Ethiopia

Kebede (2014), examined the other factor (national banks regulation), under the title of the impact of national banks regulation on banks performance. The study applied balanced fixed effect panel regression for the data of six private commercial banks in the sample covered the period from 2004 to 2013. Three regulatory factors affecting banks performance in terms of return on asset and net interest margin were selected and analyzed. The results of panel data

regression analysis showed that NBE Bill and Credit cap had negative and statistically significant impact on banks profitability but reserve requirement had negative and insignificant impact on profitability. While measuring banks cost of intermediation through Net Interest Margin three of the regulatory variables (i.e. NBE Bills, Reserve requirement and credit cap) had negative and statistically significant effect on net interest margin. Among the control variables bank size had positive and statistically significant effect on both performance measures, which means ROA & NIM. Operating efficiency and GDP had positive and statistically insignificant effect on ROA but both were statistically significant on NIM. Equity had positive and significant effect on ROA but had negative and statistically insignificant on NIM. Inflation had positive and insignificant effect on ROA but had positive and significant effect on NIM.

2.3 Summary and Knowledge Gap

The literature review highlighted various issues on theoretical and empirical frameworks, in relation with strategy types and financial performance. Therefore identifying the proper type of strategy is essential to all business specially for banking industry.

Since banks' performance is measured by its profitability, the study covers different factors which determine the profitability of banks by dividing in to internal (bank specific), and external (industry specific and macroeconomic factors) and Strategy types are taken as one those factors that measures the banks performance. As the literature revealed these factors, while this study focused on strategy types, Blue, Red and Green Ocean strategies.

The review of the literature reveals the existence of many gaps of knowledge in respect of the types of ocean strategies in Ethiopia. As per the literature review most of the empirical studies were focused only on quantitative aspects of performance.

Thus, owing the fact that, there is absence of researches in the area of ocean strategies as measure of performance in Ethiopia ,the main objective of the study was to fill the gap that exist in the area by including and testing the new variable of (Ocean strategy types)as bank performance determinant. which has never been tested by prior Ethiopian Researchers.

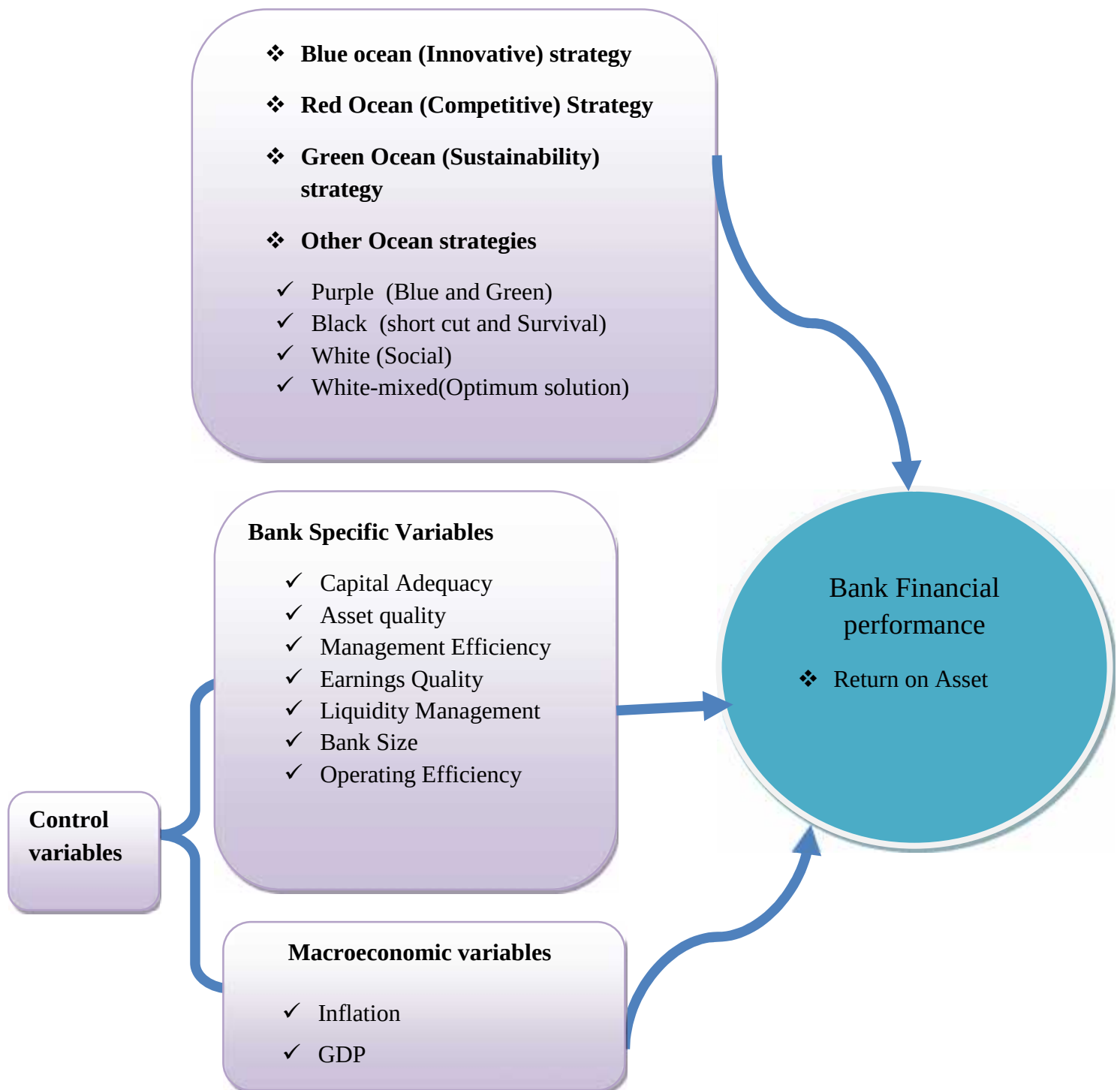
2.4 Conceptual Framework

The conceptual framework for the relationship between dependent and independent variables, ocean strategy types and financial performance, based on the theoretical perspective and the empirical results are described in Figure 2.4 below.

Fig. 2.4 Conceptual schema of the relationship between the variables

Independent Variable

Dependent Variable



Source: Self-extracted, based on the literature

Chapter Three

Research Design and Methodology

3.1 Introduction

This chapter contains the research methodology to be employed in order to address the research objective. The chapter covers the research design, methods of data collection and procedures, data analysis techniques, data sources and instruments, target population, sampling procedure, and variable definition and model specification with the highlights of the data analysis and presentation methods.

3.2 Research Approaches

The three common approaches for conducting a research are quantitative, qualitative, and mixed methods. The knowledge claims, the strategies, and the method all contribute to a research approach that tends to be more quantitative, qualitative or mixed (Creswell 2003).

Quantitative research approach is not capable to address issues that cannot be quantified and new emerged theories or it is not helpful in generating theories because they focus on what is or what has been recent. Further, if it is designed ones it is inflexible for certain situations changes and actions should take place in the future. Thus, its scope may be limited Qualitative research approach is based on social-constructivist world view in which inquirers generate or inductively develop a theory or pattern of meaning rather than starting with a theory as in post positivism. This approach tries to examine experiences and events within their natural setting and understanding a phenomenon under investigation in its entirety and it uses narrative, phenomenological, ethnographies, grounded theory and case studies (Creswell 2003).

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In this study, in order to achieve the stated objective, quantitative research approach was used to collect and analyze the data.

3.3 Research design

The study is expected to investigate on the effects of applying new strategy types (Blue, Red and Green Ocean, selected from other ocean strategies because these could be applicable and convenient for banking business) on the financial performance of banks. The study adopted exploratory research method by using unbalanced panel data from 2003-2016.

3.4 Data Collection

3.4.1 Source and type of Data

As stated above, the objective of this study is to investigate the impact of strategy types on the financial performance of banks. In order to address the awareness and the performance part of the objective, the study relies on both primary and secondary data. The primary data was obtained through questionnaires filled by; operational, strategic, marketing, planning and change, managers of the selected banks. Three managers from each banks. And the secondary data was collected from each bank's audited and published financial statements and NBE report, NBE web resources and other official publications of banks. And macroeconomic data were collected from the record held by NBE through structured document review.

3.4.2 Sampling Design and Techniques

Currently the numbers of banks operating in Ethiopia banking industry are eighteen, as of January 2017, of which 16 banks are privately owned while the two are State owned. Even if Ethiopian Commercial Bank seems strong rival to the industry it couldn't be compare with the rest."CBE, established half a century ago, is the dominant bank in the country. Though it would be difficult to compare it with private banks in Ethiopia, its share of the banking market in the country, in terms of branches, is above 40pc – three times more than its nearest competition, Awash International Bank. With a significant 27pc rise from the 2014/15 fiscal year, CBE's total assets reached 384.6 billion Br." (Fortune, August 31, 2016)

Purposive sampling system was employed to select both banks and respondents. Therefore, the target population of this study was the 16 private commercial banks operating in the industry as of January, 2017. From the 16 privately owned commercial banks, samples of 10 banks (Awash International Bank, 1994; Bank of Abyssinia, 1996; Wagagan Bank 1997; United Bank,1998;Nib International Bank, 1999; Dashed Bank, 2003; Cooperative Bank of Oromia S.C, 2005; Lion

International Bank, 2006; Oromia International Bank, 2008 and Zemen Bank, 2009), were selected.

The selection criteria was centralized the following points

- ✓ The banks must be privately owned
- ✓ Operate above six years in the industry, which has been changed at least one strategy type in its operational life.
- ✓ For the time period of six to fourteen years from (2003-2016).

As per the above selection criteria, the study taken ten private banks as samples; which consist of 63% of the total population of private commercial banks operating in Ethiopia. Thus the sample size determined can fairly represent the population and the researcher believes generalizing the finding to the population based on this sample size is reasonable.

Since the study relates strategy types and financial performance, the respondent for the questioners were the strategic, operational, planning and change and marketing managers of sample banks (three managers from ten total thirty respondents). Because they are responsible to employ companies' strategy types in practice. And they are expected to have good understanding about the strategy of their organization. In order to transfer to their subordinates. And as the researcher perception 3 managers from each department fairly present the organizational motto or practices as per the strategy types employed.

3.5 Methods of Data Analysis Techniques

To achieve the broad research objective, the study was primarily based panel data, which was collected from annual report of the banks. Thus, the collected panel data was analyzed by using descriptive statistics, correlations and multiple linear regression analysis. Mean values and standard divisions were used to analyze the general trends of the data from 2003 to 2016 based on the sector sample of 10 (ten) commercial banks and correlation matrix was also used to examine the relationship between the dependent variables and explanatory variables. A multiple linear regression model and t-static was used to determine the relative importance of each independent variable in influencing the financial performance. Unbalanced panel data used because each cross-sectional unit of the study does not have the same number of time series observations due to difference in their date of establishment to absorb 14 years of data. And the

study employed 'Stata' statistical package for reporting the summary results in numerical terms with a specified degree of confidence.

3.5.1 Panel data

According to Gujarati, 2004, the panel data was adopted for conducting our econometric modeling. This is because of panel data have space and time dimensions and panel data can take heterogeneity explicitly into account, give more variability, less co-linearity among variables, and more efficiency.

3.6 Description of Variables and Model Specification

3.6.1 Variable specification

This study aims to assess the impact of strategy types on banks' financial performances. Therefore, in light of the above research objective, the following variables will employ. And regression model are specified to measure the impact strategy types on financial performance. Return on Asset (ROA) is specified as dependent variable for the model to measure the bank performance. Three independent variables are also identified and included in the models specified corresponding to each dependent variable.

Dependent Variable

- Bank performance indicator (**ROA =Net profit/Total Asset**) was dependent variable for this study. The ratio indicates how much net income is generated per dollar (birr) of asset.

Independent Variable

The independent variables were categorized into three groups as

- **Strategic types,**
- **Bank specific and**
- **Macroeconomic**

3.6.1.1 Dependent Variable

Bank performance indicator was dependent variable for this study. Bank performance proxy measures are different in various literature, such as Alemu (2015), Yitbarek,(2014) Ongore and

Gemechu (2013), Alper and Anbar (2011), Alexiou and Sofoklis (2009), and Sufian and Chong (2008), all those researchers used one or two or three at a time, (ROA, ROE and NIM) of the proxy to measure the profitability and performance of the banks.

Even if the most widely used bank performance indicators are Return on Equity, Net Interest Margin and Return on Assets which can be categorize as: cost of intermediation and profitability (return on asset and return on equity). This study taken the return on asset as the main performance measure of the banks. Because, ROA reflects the ability of bank's management to generate profits from the bank's assets, although it may be biased due to off-balance-sheet activities and to reduce limitations of NIM & ROE.

Return on assets ROA

ROA, often described as the primary ratio, relates the income earned by the bank to the assets it used in the business operation. It provides information about management's performance in using the assets of the business to generate income. Profit before tax is generally ideal because calculations using net income after tax figures may show trends due simply to changes in the rates of taxation. According to Khrawish (2011), ROA is the ratio to measures the ability of the bank management to generate income by utilizing company assets at their disposal. In other words, it shows how efficiently the resources of the company are used to generate the income. It further indicates the efficiency of the management of a company in generating net income from all the resources of the institution. Wen (2010), state that a higher ROA shows that the company is more efficient in using its resources.

3.5.1.2 Independent Variable

The independent variables were categorized into three groups as **strategic, bank specific** and **macroeconomic**. The researcher consider the bank specific and macroeconomic variables as **control variables**, since the objective of this study is to examine the effect of strategy types on financial performance of private commercial banks in Ethiopian.

I- strategic variables

Since it is difficult to quantify the strategy types, the researcher has to see the effect on performance through considering as dummy variables by taking the blue ocean strategy the reference. (1 for the time period where, Red Ocean employed 0 otherwise and 1 for Green 0 otherwise). As table 3.1 shown below.

To develop the model and to help to quantify the strategy, the researcher categorizes the strategies as Strategy type 1 and strategy type 2.

Table 3.1 strategies for choosing the reference in dummy coding

Type	Blue Ref.	Red	Green	Strategies
St. type 1	0	1	0	Red
St .type 2	0	0	1	Green

Dummy Coding

As Jon 2010, explained dummy coding in regression is analogous to simple independent t-testing or one-way Analysis of Variance (ANOVA) procedures in that dummy coding allows the researcher to explore mean differences by comparing the groups of the categorical variable. In order to do this with regression, we must separate our predictor variable groups in a manner that allows them to be entered into the regression. To represent membership in a group on each of the dummy variables, each case would be coded as 1 if it is a member and all other cases coded as 0. As he explained, when creating dummy variables, it is only necessary to create $k - 1$ dummy variables where k indicates the number of categories of the predictor variable. All of the categories can be represented without having one dummy variable for each category. This highlights the meaning of the reference category, because it is always coded as 0. Furthermore, if there were one dummy variable for each category, we would be violating the assumption of no perfect co linearity (Hardy, 1993; see also Kirk, 1995). In addition Hutcheson, 2011 also defined the process of transforming discontinuous data into a form which can be entered into a regression model is called dummy coding.

The reference category should have some clear distinction. However, much research is done without a control group. At this point, it is necessary to address the importance of choosing a reference category. In those instances, identification of the reference category is generally arbitrary, but Garson (2006) does offer some guidelines for choosing the reference category.

First the reference category should have some clear distinction and using categories such as miscellaneous or other is not recommended because of the lack of specificity in those types of categorizations (Garson). Second, the reference category should not be a category with few

cases. Third, the reference should be in the middle category, because it help to represents the best choice for comparison.

In this study Blue Ocean is taken as reference because it is new, innovative and has useful features for any industry type to enhance performance and as Garson 2006, stated it has clear distinction from the other ocean types of strategies.

Blue Ocean strategy is type of ocean strategy, which the researcher expects that it will have a positive effect on financial performance of the banks.

Red Ocean Strategy, other type of ocean strategy which is taken as independent variable for the performance, and expected to have positive effect on performance.

Green Ocean strategy is also expected to have positive effect on performance same as others.

Therefore, it is the basis for formulation of hypothesis number 1 & 2 of ocean strategy to referencing blue ocean strategy.

HO1: There is positive relationship between strategy type 1 (Red Ocean) and bank financial performance.

HO2: There is positive relationship between strategy types 2 (Green Ocean) and bank financial performance.

II- Bank specific characteristics (control variable)

Bank Specific Factors/Internal Factors as explained above are bank specific variables which influence the profitability of specific bank. These factors are within the scope of the bank to manipulate them and that they differ from bank to bank.

Asset Quality: The bank's asset is another bank specific variable that affects the profitability of a bank. The bank asset includes among others current asset, credit portfolio, fixed asset, and other investments. Often a growing asset (size) related to the age of the bank (Athanasoglou et al., 2005). More often than not the loan of a bank is the major asset that generates the major share of the banks income. Loan is the major asset of commercial banks from which they generate income. The quality of loan portfolio determines the profitability of banks. The loan portfolio quality has A direct bearing on bank profitability. The highest risk facing a bank is the losses derived from delinquent loans (Dang, 2011). Thus, nonperforming loan ratios are the best proxies for asset quality. Different types of financial ratios used to study the performances of

banks by different scholars. It is the major concern of all commercial banks to keep the amount of nonperforming loans to low level. This is so because high nonperforming loan affects the profitability of the bank. Thus, low nonperforming loans to total loans shows that the good health of the portfolio a bank. The lower the ratio the better the bank performing (Sangmi and Nazir, 2010).

HO3: There is negative relationship between asset quality and bank financial performance.

Operating Efficiency: measure of how the bank is managing operating costs; it will be measured as the ratio of operating expenses to total assets. (Eden 2014)

HO4: There is negative relationship between operating efficiency and bank financial performance.

Management Efficiency: Management Efficiency is one of the key internal factors that determine the bank profitability. It is represented by different financial ratios like total asset growth, loan growth rate and earnings growth rate. Yet, it is one of the complexes subject to capture with financial ratios. Moreover, operational efficiency in managing the operating expenses is another dimension for management quality. The performance of management is often expressed qualitatively through subjective evaluation of management systems, organizational discipline, control systems, quality of staff, and others. Yet, some financial ratios of the financial statements act as a proxy for management efficiency. (Athanasoglou et al. 2005)

HO5: There is positive relationship between management efficiency and bank financial performance.

Capital adequacy: Capital adequacy (Equity-Asset Ratio) reflects the capital strength or capital structure of a bank. Large size of equity is expected to reduce the bank risk and increases a bank's creditworthiness in reducing its funding cost for a bank with higher equity to assets ratios will normally have a lower need of external funding. However, lower capital ratios in banking imply higher leverage and risk, which therefore lead to greater borrowing costs.

Therefore, it is the basis for formulation of hypothesis number 6:

HO6: There is positive relationship between capital adequacy and bank financial performances.

Bank Liquidity: Liquidity is another factor that determines the level of bank performance. Liquidity refers to the ability of the bank to fulfill its obligations, mainly of depositors. According to Dang (2011) adequate level of liquidity is positively related with bank profitability. The most common financial ratios that reflect the liquidity position of a bank according to the above author are customer deposit to total asset and total loan to customer deposits. Other scholars use different financial ratio to measure liquidity. For instance Ilhomovich (2009) used cash to deposit ratio to measure the liquidity level of banks in Malaysia. However, the study conducted in China and Malaysia found that liquidity level of banks has no relationship with the performances of banks (Said and Tumin, 2011).

HO7: There is negative relationship between bank liquidity and bank financial performance.

Bank Size:

Bank size is measured by the natural log of total assets. In the literature, mixed relationships are found between size and profitability. Large banks are likely to have an advantage of engaging in higher investment diversification than small banks. Since this diversification reduces risks and economies of scale lead to increase operational efficiency through minimizing costs, positive relationship is expected between bank size and performance (Rao & Tekeste, 2012).

HO8: There is positive relationship between bank size and bank financial performance.

Earning Quality

It is primarily determining the profitability of a bank and explains its sustainability and growth. Interest income to total income ratio is considered to check the earning quality. (Misra & Aspal, 2013)

HO9: There is positive relationship between bank Earning Quality and bank financial performance.

III- Macroeconomic Indicators (control variable)

External factors/ macroeconomic factors, the macroeconomic policy stability, Gross Domestic Product, Inflation, Interest Rate and Political instability are also other macroeconomic variables that affect the performances of banks. For instance, the trend of GDP affects the demand for banks asset. During the declining GDP growth the demand for credit falls which in turn negatively affect the profitability of banks.

GDP growth: It is easy to assume that the growth in economic activity, measured by GDP, has a positive impact on the performance of banks: a period of high growth leads to higher investment and consumption, which increased the credit, and hence increase the performance of banks .Nassreddine, Fatma&Anis (2013).

HO10: There is positive relationship between real gross domestic product and bank financial performance.

Inflation

As Revell (1979) introduced, the issue of the relationship between bank profitability and inflation, stating that the effect of inflation on bank profitability depends on how inflation affects both salaries and the other operating costs of the bank. In this context, Perry (1992) concludes that the extent to which inflation impacts bank profitability depends on whether the extent of inflation is fully anticipated. If the inflation rate is fully anticipated by the bank's management, the bank can adjust interest rates appropriately to increase revenues faster than costs, which should have a positive impact on profitability.

HO11: There is negative relationship between inflation rate and bank financial performance.

Table 3.2 Description of variables and their expected relationship

Variables	Measure	Notation	Expected Sign
Dependent Variables			
Return on Asset	The return on average total asset of the bank in year t	ROA	
Independent Variables			
Strategic			
Blue Ocean	Reference	BOS	+
Red Ocean	Dummy	ROS	+
Green Ocean	Dummy	GOS	+
Bank-Specific Variables			
Asset Quality	Loan provision/Total loan	ASQ	-
Capital adequacy ratio	Total capital/Total asset	CAR	+
Management Efficiency	Operating expense/Operating income	MGE	+
Liquidity Management	Liquid asset/Total asset	LQM	-
Bank Size	Natural log of total assets	SIZE	+/-
Operating Efficiency	Operating expense /Total In.	OPE	-
Earning quality	Interest income/Total income	ERQ	+
Macroeconomic Variables			
Inflation rate	The annual inflation rate	INFL	+/-
Gross Domestic Products	Real GDP growth rate (in %)	GDP	+

Source: self extracted based on previous studies

3.5.1.3 Model Specification

In this study, panel data was used. As noted in Brooks (2008), a panel keeps the same individuals or objects and measures some quantity about them overtime. The regression model for the panel data is described in the following equation as adopted from Brooks (2008):

$$Y_{it} = \alpha + \beta X_{it} + \epsilon_{it}$$

Where:

Y_{it} is the dependent variable

α is the intercept term

β is a $K \times 1$ vector of parameters to be estimated on the explanatory variables

X_{it} is a $1 \times K$ vector of observations on the explanatory variables, $t=1 \dots T; i=1, \dots N$.

ε_{it} is the normal error term.

In this study, the performance of the bank is measured using the ROA and the

independent variables (Stp1, Stp2, ASQ, CAR, MGE, LQM, SIZE, OPE, ERQ, INF, GDP) are classified as strategic, bank specific and macroeconomic factors.

The model used in this study was as follows

$$ROA_{it} = \beta_0 + \beta_1 ASQ_{it} + \beta_2 CAR_{it} + \beta_3 MGE_{it} + \beta_4 LQM_{it} + \beta_5 SIZE_{it} + \beta_6 ERQ_{it} + \beta_7 OPE_{it} + \beta_8 GDP_{it} + \beta_9 INF_{it} + \beta_{10} Stp1_{it} + \beta_{11} Stp2_{it} + \mu_{it}$$

Where

ROA_{it} = Return on Asset of bank i at time t ,

β_0 = the constant term,

β_{it} = the coefficients of the explanatory variables,

μ = the error term.

CAR_{it} = Capital Adequacy Ratio of bank i at time t ,

ASQ_{it} = Asset Quality of bank i at time t ,

MGE_{it} = Management Efficiency of bank i at time t ,

LQM_{it} = liquidity Management of bank i at time t ,

$SIZE_{it}$ = Bank Size of bank i at time t ,

OPE_{it} = Operating Efficiency of bank i at time t ,

ERQ_{it} = Earning quality of bank i at time t ,

GDP_{it} = Gross Domestic Product growth rate of bank i at time t ,

INF_{it} = Inflation of bank i at time t ,

$Stp1_{it}$ = Strategy type 1 (Combined Red by Green, i.e. Red 1 other 0) of bank i at time t ,

$Stp2_{it}$ = Strategy type 2 (Combined Green by Red, i.e. Green 1 other 0) of bank i at time t ,

The Ocean strategy types taken

Blue Ocean strategy, Red Ocean strategy and Green Ocean strategy. From the sampled strategy types Blue is taken as reference for quantifying the strategy types.

Table 3.3 Relation between the research question/hypotheses and the data

Research hypotheses / questions	Items in the questionnaire and survey of documentary reviews
RQ1: To what extent are the managers aware of the existing or already employed strategy?	Liker scale questionnaire distributed to the sampled commercial banks' strategy, Operational and marketing managers. Awareness.Q.1,2,3,4 and 5
RQ2: What are the major types of strategies employed in the Ethiopian private banks?	Liker scale questionnaire distributed to the sampled commercial banks' strategy, Operational and marketing managers. By using Blue, Red & Green ocean strategy determinate factors.
HO1: There is positive relationship between strategy type 1 (Red Ocean) and bank financial performances	Questionnaires items 2.3 Red ocean Table 2.3.1 compete Q#.1,2,3,4,5,6,& 7 Table 2.3.2. Beat Q # 1,2 & 3 Table 2.3.3 Exploit Q# 1,2,3,4 & 5
HO2: There is positive relationship between strategy types 2 (Green Ocean) and bank financial performances.	Table 2.4.1 Green sustainability Q# 1,2,3,4 & 5 Table 2.4.2 Green transitional Q# 1,2 & 3 Table 2.4.3 Green analog Q# 1,2 & 3
HO3: There is negative relationship between asset quality and bank financial performances	Reviews of bank's income statement and balance sheet. Specifically, provision for bad debt and total loan.
HO4: There is negative relationship between operating efficiency and bank financial performances.	Reviews of bank's income statement and balance sheet. Specifically, total cost and income

HO5: There is positive relationship between management efficiency and bank financial performances.	Reviews of banks income statement and balance sheet. Specifically, operating cost and operating income
HO6: There is positive relationship between capital adequacy and bank financial performances.	Reviews of bank's income statement and balance sheet. Specifically, total asset and equity'
HO7: There is positive relationship between earning quality and bank financial performances	Reviews of bank's income statement and balance sheet.
HO8: There is positive relationship between bank size and bank financial performances	Reviews of bank's income statement and balance sheet. Specifically, total asset
HO9: There is positive relationship between bank Equity and bank financial performances	Reviews of bank's income statement and balance sheet. Specifically, equity
HO10: There is negative relationship between bank liquidity and bank financial performances	Reviews of bank's income statement and balance sheet. Specifically, liquid asset
HO11: There is positive relationship between real gross domestic product growth rate and bank financial performances.	Review of macroeconomic data from the records held by NBE
HO12: There is negative relationship between inflation rate and bank financial performances.	Review of macroeconomic data from the records held by NBE.

Source: own computation

Chapter Four

Research Findings: Analysis and Discussion

4.1. Introduction

As mentioned in the previous chapters, the main attempt of this study is to investigate the effect of strategy types on financial performance of private banks in Ethiopia. The research study was mixed in nature, use both descriptive and regression analyses. Data was collected through both primary and secondary sources. Therefore, this chapter presents the analysis and discussions for research findings obtained from the questionnaires and secondary data gathered from published annual financial reports. It presents the investigation results obtained from senior operational, marketing, planning and change managers of ten selected private banks covered in the questionnaires. The discussion begins with the questionnaires' response rate followed by the descriptive statistics of the respondents related questions; like the gender, age, profession, and level of education. The results of the reliability analysis and the regression assumption test also reported.

4.2. Demographic Profiles and rate of Respondents

4.2.1 Response Rate

The questionnaires were distributed to the senior managers of ten selected private commercial banks in Ethiopia. For these, 30 questionnaires were distributed and all 30 questionnaires were collected (3 respondent from each of ten banks) giving the response rate of 100%. This shows excellent response rate for all departments' managers in order to active the seated goal of the research.

4.2.2 Respondents Profile

The table given below describes the general findings regarding the respondents' age, sex, field of study, Current Position, level of education and their work experience as managerial and non managerial staff. The respondents from the senior managers 27 (90%) were males and 3 (10%) were female. The majority of the ages of respondents of the managers are fall under the age of 30-39 (23, 77%), 40-49 (3, 10%), and less than 30 (3, 10%) the rest falls in the age interval of 50–59 (1, 3%) there were no respondents who are aged above 60.

Concerning of field of study the respondents were composed of from Accounting (3, 10%), Management (13, 43.3%), Economics (12, 40%), and others fields (2, 6.7%). Here, the majority

of manage were studied management and economics fields respectively which shows the good assignment of professionals for their appropriate job. That made the response reliable.

In terms of the level of educational background, most managers have master's degree (22, 73.3%) and bachelor's degree (7, 23.3%) and other (1, 3.3%) but no manger available with diploma level. These shows the majorities of the respondents were educated/or professional and can contribute more for the effectiveness of their intended work.

Table 4.1 Respondents general profile

Demographic Questions			
	Category	Frequency	Percent
Gender	Female	3	30
	Male	27	90
Age	Less than 30	3	10
	30-39	23	76.7
	40-49	3	10
	50-59	1	3.3
Field of Study	Accounting	3	10.0
	Management	13	43.3
	Economics	12	40.0
	Others	2	6.7
Educational Level	Bachelor's Degree	7	23.3
	Master's Degree	22	73.3
	Other	1	3.3
Current Position	Operational Manager	11	36.7
	Strategic manager	12	40
	Marketing manager	7	23.3

Source: Questionnaire Results, 2017

The positions of the managers categorized under the three major departments in the questionnaire as operational, strategic and marketing. As the response indicated the majorities (12, 40%) of the managers are strategic managers followed by operational managers (11, 36.7%) and the rest are marketing managers (7, 23.3%). Even if the major tasks of the managers are similar, the label of the position are different in different banks, depending on the organizational structure of the

banks; planning and change ,marketing promotion and sales, strategy development and other names used interchangeably , with the position names previously used by the researcher.

The managers' work experience ranges from seven year up to 25 years, but the majority of the respondents are in the range of 11-20 years (20, 66.7%) and 7-10 (7, 23.3%) years of work experience followed by participants having above 20 years (3, 10%) of work experience both as in managerial and as non managerial staffs.

4.3 Respondents' awareness on the Ocean Strategies

The following table represents the summery of questioner's response regarding to awareness.

4.2: Awareness of respondents on ocean strategies of banking

No	Banks	Statements		N	%	MEAN	
1	Awash	The top level management groups have clear understanding about types of strategies available in their market.	Disagree	1	3.3	4	
2	Abyssina		Neutral	5	16.7		
3	Wegagen						
4	United		Agree	17	56.7		
5	Nib						
6	Dashen		strongly agree	7	23.3		
7	Cooprtive B.O						
8	Lion I. Bank						
9	Oromiya						
10	Zemen Bank						
1	Awash	The bank’s current strategy (marketing philosophy) is well understood by the employee, so then any employee serve the customer as needed as in the strategy group.	Disagree	5	16.7	3.43	
2	Abyssina		Neutral	10	33.3		
3	Wegagen						
4	United		Agree	12	40.0		
5	Nib						
6	Dashen		strongly agree	3	10.0		
7	Cooprtive B.O						
8	Lion I. Bank						
9	Oromiya						
10	Zemen Bank						
1	Awash	The bank has no awareness problems	Disagree	2	6.7		
2	Abyssina		Neutral	7	23.3		
3	Wegagen						

4	United	regarding to strategy types by its management groups. (Is the bank operating to excel and rise, to compete and win or just to survive)				3.8
5	Nib		Agree	16	53.3	
6	Dashen					
7	Cooprtive B.O		strongly agree	5	16.7	
8	Lion I. Bank					
9	Oromiya					
10	Zemen Bank					
1	Awash	The bank let the member of top level management group aware on the new ocean strategy types.(providing training and updating the new marketing strategies).	Disagree	6	20.0	3.53
2	Abyssina		Neutral	7	23.3	
3	Wegagen		Agree	12	40.0	
4	United					
5	Nib		strongly agree	5	16.7	
6	Dashen					4.16
7	Cooprtive B.O					
8	Lion I. Bank					
9	Oromiya					
10	Zemen Bank					
1	Awash	I have good perception about types of strategies as I was expected and as my level of position!	Neutral	4	13.3	
2	Abyssina					
3	Wegagen		Agree	17	56.7	
4	United		Strongly agree	9	30.0	
5	Nib					
6	Dashen					
7	Cooprtive B.O					
8	Lion I. Bank					
9	Oromiya					
10	Zemen Bank		Total	30	100.0	

This section presents the response of respondents for the statements designed to test their awareness on the types Ocean Strategies (BLUE, RED and GREEN).

The respondents, the top level management groups were asked wither they have clear understanding about types of strategies available in their market. As indicated in the table above, around more than half (17, 56.7%) of them agreed followed by strongly agree (7, 23.3%). Therefore, majority (80%) of the respondents believe that they have clear understanding about types of strategies available in the market (Mean=4, SD=0.74).

Similarly, 40% indicated agreed, 33.3% of the respondents indicated to neutral, 16.7% of the respondents indicated to a disagree and 10% agreed for the statement “the bank’s current strategy (marketing philosophy) is well understood by the employee, so then any employee serve the

customer as needed as in the strategy group.” This implies that the agreement level for the understanding of the employees regarding marketing philosophy is moderate.

Regarding awareness creation, more than half 56% agreed (40% agree and 16.7% strongly agree) on the statement “the bank let the member of top level management group aware on the new ocean strategy types. This implies that the banks let providing training and updating the new marketing strategies.

From the findings 53.3% indicated agreed, 23.3% of the respondents indicated to neutral whereas 16.7% of the respondents indicated to a strongly agree. This implies that majority (70%) of the respondents believed that the bank has no awareness problems regarding to strategy types by its management groups. That means the bank is operating to excel and rise, to compete and win or just to survive.

Majority of the respondents (17, 56.7% and 9, 30%) were replied agree and strongly agree respectively for the statement “I have good perception about types of strategies as I was expected and as my level of position”.

4.4 Major types of strategies employed in the Ethiopian private banks

The study sought to identify the most frequent strategy used by private commercial banks in Ethiopia, as per the respondents agreed with the statements that related to the strategies. The strategies were split into their sub sections and the mean and standard deviation of the overall value of each strategy were calculated.

Table 4.3 features (factors) of the strategy types: Blue, Red, and Green

Strategy	Items	Scale	N	%	Mean	SD
Blue ocean	value Innovation (Create)	Disagree	18	60	2.46	.639
		Neutral	10	33.3		
		Agree	2	6.7		
	Customer and Service related (raise customer satisfaction)	Disagree	19	63.3	2.4	.682
		Neutral	10	33.3		
		Agree	1	3.3		
	Technology related (Eliminate customers complaints and reduce potential risk)	Disagree	15	50	2.6	.703
		Neutral	12	40		
		Agree	3	10		
	Cost related (reduce)	Disagree	11	36.7	2.73	.669
		Neutral	16	53.3		
		Agree	3	10		
	Total				2.55	.467
Red ocean	Compete in existing market	Disagree			3.70	.467
		Neutral	9	30		
		Agree	21	70		
	Beat the competition	Disagree	1	3.3	3.91	.630
		Neutral	5	20.0		
		Agree	23	76.7		
	Exploit existing demand and Making the Value cost/ trade-off	Disagree			3.80	.651
		Neutral	8	26.7		
		Agree	22	73.3		
	Total				3.80	.473
Green ocean	Create realistic market space and maximizing its resources	Disagree			3.76	.409
		Neutral	7	23.3		
		Agree	23	76.7		
	Provide transitional service	Disagree	3	10.0	3.81	.756
		Neutral	5	16.7		
		Agree	22	73.3		
	Uses the analogy of beach and ocean	Disagree			3.78	.590
		Neutral	10	33.3		
		Agree	20	66.7		
	Total				3.78	.403

Source: Questionnaire Results, 2017

As table 4.3 shows above the questionnaires were prepared as the specific features of the strategy types in order to simply identify the types. Thus, from the findings of the study established that majority of the respondents (60%) replied disagree for the application of value Innovation (Create). This implies that there is not enough ground to say that value innovation is used as a strategy. On the other hand, 63.3% of them said that customer and Service related activities (raise customer satisfaction) are not among the strategies performed by the participant banks. For technology related activities (such as Eliminate customers complaints and reduce potential risk) half (50%) of the respondents rated “disagree” followed by “neutral” (40%). Similarly 53.3% are neutral for the applicability of cost related strategies such as reduces in their banks followed by respondents who agreed (36.7%).

Red ocean strategy was found the most dominant strategy compared to the blue and green as shown by mean of 3.80. Specifically, 70%, 76.7% and 73.3% of the respondents agreed with the strategies; compete in existing market, beat the competition, and exploit existing demand and Making the Value cost/ trade-off respectively. The total mean indicated that the red ocean strategy is one of the most frequent strategies ($m=3.80$, $SD= .467$).

Regarding green ocean strategy, Specifically the sub strategies such as create realistic market space and maximizing its resources (76.7%), provide transitional service (73.3%), and use the analogy of beach and ocean (66.7%) are the most familiar strategies to boost the bank’s performance. Generally, the blue ocean strategy ($M= 2.55$) is the less employed strategy compared to that of red and green as shown by mean of 3.8 and 3.78.

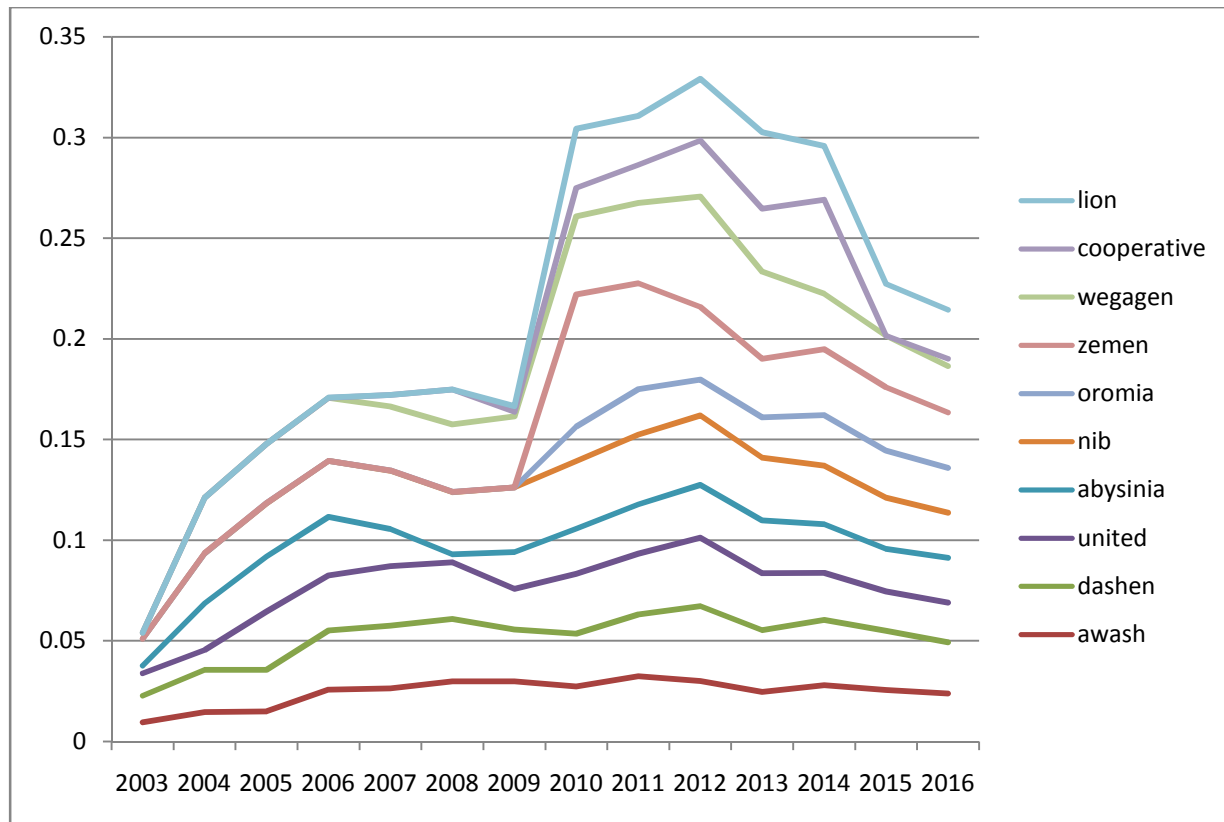
Based on the result of the questionnaire, five banks (AIB, BoA, NIB, OIB and WB) are using red ocean strategy while four banks (DB, UB, CBO and LIB) applying green ocean strategy. The only bank that uses blue ocean strategy is Zemen Bank.

Based on this result the following section deals with descriptive statistics, correlation and regression of dependent and independent variables.

4.5 Financial Performance of private commercial banks in Ethiopia

The bank’s status of ROA was drive between 2003 and 2007. The ROA started to decline at starting from the end of 2007 through the end of 2008 and then shows a dramatic increment till about 2012. This time was its highest point in the time frame then begins to decline onwards 2013. This trend is different for Awash and Dashen banks.

Figure: 4.1 the status of ROA in terms of banks (2003- 2016)



4.6 Descriptive statistics of the data

The descriptive statistics for the dependent and independent variables are presented below. The dependent variable was ROA and the independent variables (Stp1, Stp2, ASQ, CAR, MGE, LQM, SIZE, OPE, ERQ, INF, GDP) were classified into three the bank specific and macro-economic factors which is considered as control variables and the strategy variables were blue ocean, red ocean and green ocean strategies (Stp1 and Stp2) which were used to see the impact of banking strategies on banks performance.

Table 4.4 descriptive statistics of dependent and independent variables

Variable	Observation	Mean	Std. Dev.	Min	Max
ROA	121	.0247236	.0112614	0	.0654941
Stp1	121	.5289256	.5012381	0	1
Stp2	121	.4049587	.4929252	0	1
ASQ	121	.0080538	.0113704	0	.0786931
CAR	121	.1487352	.0910816	.0643154	.8351917
MGE	121	1.164712	.9001825	.3183016	7.333333
LQM	121	.3553062	.161434	.1356117	.9720804
SIZE	121	22.16219	1.089956	19.22716	24.16201
OPE	121	.4428985	.3110867	.2027424	2.830603
ERQ	121	.5856735	.1083633	.2331334	.7977584
INF	121	15.3124	10.42194	2.8	36.4
GDP	121	9.823967	2.98231	-2.1	12.6

Source: Stata 12 Computed result

As shown in the Table 4.4, the descriptive statistics of the study, there are 121 observations due to unbalanced data collected from ten commercial banks over the period 2003 to 2016. The mean for ROA, was 2.47% and the standard deviation was 1.13% with a minimum of 0 percent, and a maximum of 6.55%. That means the most profitable bank among the sampled banks earned 6.55% of profit after tax for a single birr invested in the assets of the firm. The standard deviation statistics for ROA was (1.13%) which indicates that the profitability variation between the selected banks was very small. The result implies that these banks need to optimize the use of their assets to increase the return on their assets.

The mean and standard deviation of the eleven independent variables were clearly seen in the above descriptive statistics table.

4.7 Correlation analysis

Table 4.5 Correlation matrix among the dependent and independent variables

	ROA	Stp1	Stp2	ASQ	CAR	MGE	LQM	SIZE	OPE	ERQ	INF
ROA	1.0000										
Stp1	0.0615	1.0000									
Stp2	-0.1781	-0.8741	1.0000								
ASQ	-0.2947	-0.0564	-0.0923	1.0000							
CAR	-0.1707	-0.1432	0.1392	-0.0447	1.0000						
MGE	-0.5973	0.0874	-0.0057	0.0608	0.4162	1.0000					
LQM	0.0429	-0.1936	0.0680	0.0399	0.1598	0.0099	1.0000				
SIZE	0.4085	0.1526	-0.0815	-0.2525	-0.3852	-0.4021	-0.4411	1.0000			
OPE	-0.5544	0.0777	-0.0552	0.0921	0.4215	0.8875	0.1015	-0.4585	1.0000		
ERQ	-0.3533	0.2104	0.0445	-0.1577	0.0226	0.4101	-0.3645	0.1143	0.0572	1.0000	
INF	-0.0293	-0.0383	0.0261	-0.0565	0.0935	0.1633	0.1581	-0.1118	0.1924	0.0023	1.0000
GDP	0.2736	-0.0359	0.0336	-0.3147	0.1208	-0.0813	0.1910	0.0595	-0.0887	-0.0577	-0.0147
		1.0000									
	Source: Stata 12 computed result										

Source: Stata 12 computed result

If y and x are correlated; it means that y and x are being treated in a completely symmetrical manner. Thus, it is not implied that changes in x cause changes in y, or indeed that changes in y cause changes in x rather, it is simply stated that there is evidence for a linear relationship

between the two variables, and that movements in the two are on average related to an extent given by the correlation coefficient (Brooks, 2008).

This study has calculated correlation of dependent variables with strategy variables, bank specific, and macroeconomic factor variables. It was found that ROA is positively correlated with Stp1, LQM, SIZE, and GDP while negatively correlated with the rest of assumed independent variables. ROA significantly correlated with ASQ, MGE, OPE, SIZE, and GDP at 0.05 significant level.

4.8. Testing assumptions of classical linear regression model (CLRM)

4.8.1. Heteroskedastic test

This assumption requires that the variance of the errors to be constant. If the errors do not have a constant variance, they are said to be heteroskedastic. **Heteroskedasticity - Breusch-Pagan / Cook-Weisberg test was made.**

Ho. the error variance is constant

Table 4.6: Heteroskedasticity - Breusch-Pagan / Cook-Weisberg test

Chi 2 (1)	1.02
Prob > chi 2	0.312

As seen in the above table, there was no problem of heteroskedasticity or the error variance is constant since. since the p-value is not significant(Cosiderabliy in excess of 0.05) as seen in the above table, there was no problem of heteroskedasticity or the error variance is constant .

4.8.2. Autocorrelation test

It is assumed that the errors are not correlated with one another. If the errors are correlated with one another, it would be stated that they are ‘serially correlated’. A test of this assumption is therefore conducted. Durbin Watson (DW) is a test for first order autocorrelation, i.e. it tests only for a relationship between an error and its immediately previous value. DW is approximately equals to $2(1 - \hat{\rho})$, where $\hat{\rho}$ is the estimated correlation coefficient between the error term and its first order lag (Brooks 2008). The null hypothesis for the DW test is no autocorrelation between the error term and its lag.

The first test was Durbin-Watson which is shown in the regression output of the model. As per this test the values of Durbin--Watson is 1.70, which is near to two. Thus, the null hypotheses were not rejected for the model so there is no problem of autocorrelation. The result exhibited that there is no positive or negative autocorrelation exist in the ROA and there is also no rejection on the null hypothesis of “no autocorrelation ” for the ROA model.

Table 4.7: Autocorrelation Test: Durbin Watson

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate	Durbin-Watson
1	.782 ^a	.611	.572	.0073661	1.705

a. Predictors: (Constant), Gross Domestic Product Growth Rate, Inflation , Strategy Type 2, Earning Quality , Bank Size, Capital Adequacy Ratio, Asset Quality, Operational Efficiency, Liquidity Management, Strategy Type 1, Management Efficiency

b. Dependent Variable: Return on Asset

Source: SPSS output

4.8.3. Multicollinearity Test

This assumption is concerned with the relationship exist between explanatory variables. If an independent variable is an exact linear combination of the other independent variables, then we say the model suffers from perfect collinearity, and it cannot be estimated by OLS Brooks (2008). Multicollinearity condition exists where there is high, but not perfect, correlation between two or more explanatory variables Cameron and Trivedi (2009), Wooldridge (2006). According to Churchill and Iacobucci (2005), when there is multicollinearity, the amount of information about the effect of explanatory variables on dependent variables decreases. As a result, many of the explanatory variables could be judged as not related to the dependent variables when in fact they are. This assumption does allow the independent variables to be correlated; they just cannot be perfectly correlated. If we did not allow for any correlation among the independent variables, then multiple regressions would not be very useful for econometric analysis.

As a rule of thumb, if the VIF of a variable exceeds 10, which will happen if R^2 exceeds 0.90, that variable is said to be highly collinear. As shown in the table below, even if VIF values of MGE and OPE exceed 10, since the average VIF value is 4.61 (see appendix IV) it doesn't violate the multicollinearity test. Thus, we can conclude that the data have no multicollinearity problems.

Table 4.8: Multicollinearity test

	ASQ	CAR	MGE	LQM	SIZE	OPE	ERQ	INF	GDP	Stp1	Stp2
ASQ	1.0000										
CAR	-0.0447	1.0000									
MGE	0.0608	0.4162	1.0000								
LQM	0.0399	0.1598	0.0099	1.0000							
SIZE	-0.2525	-0.3852	-0.4021	-0.4411	1.0000						
OPE	0.0921	0.4215	0.8875	0.1015	-0.4585	1.0000					
ERQ	-0.1577	0.0226	0.4101	-0.3645	0.1143	0.0572	1.0000				
INF	-0.0565	0.0935	0.1633	0.1581	-0.1118	0.1924	0.0023	1.0000			
GDP	-0.3147	0.1208	-0.0813	0.1910	0.0595	-0.0887	-0.0577	-0.0147	1.0000		
Stp1	-0.0564	-0.1432	0.0874	-0.1936	0.1526	0.0777	0.2104	-0.0383	-0.0359	1.0000	
Stp2	-0.0923	0.1392	-0.0057	0.0680	-0.0815	-0.0552	0.0445	0.0261	0.0336	-0.8741	1.0000

Source : Stata 12 computed result

Furthermore, as shown in correlation matrix in the above table the correlation among the explanatory variables was less than 0.70. Malhotra (2007) stated that multicollinearity problem exists when the correlation coefficient among variables is greater than 0.75. Additionally Kennedy (2008) suggests that any correlation coefficient above 0.7 could cause a serious multicollinearity problem leading to inefficient estimation and less reliable results.

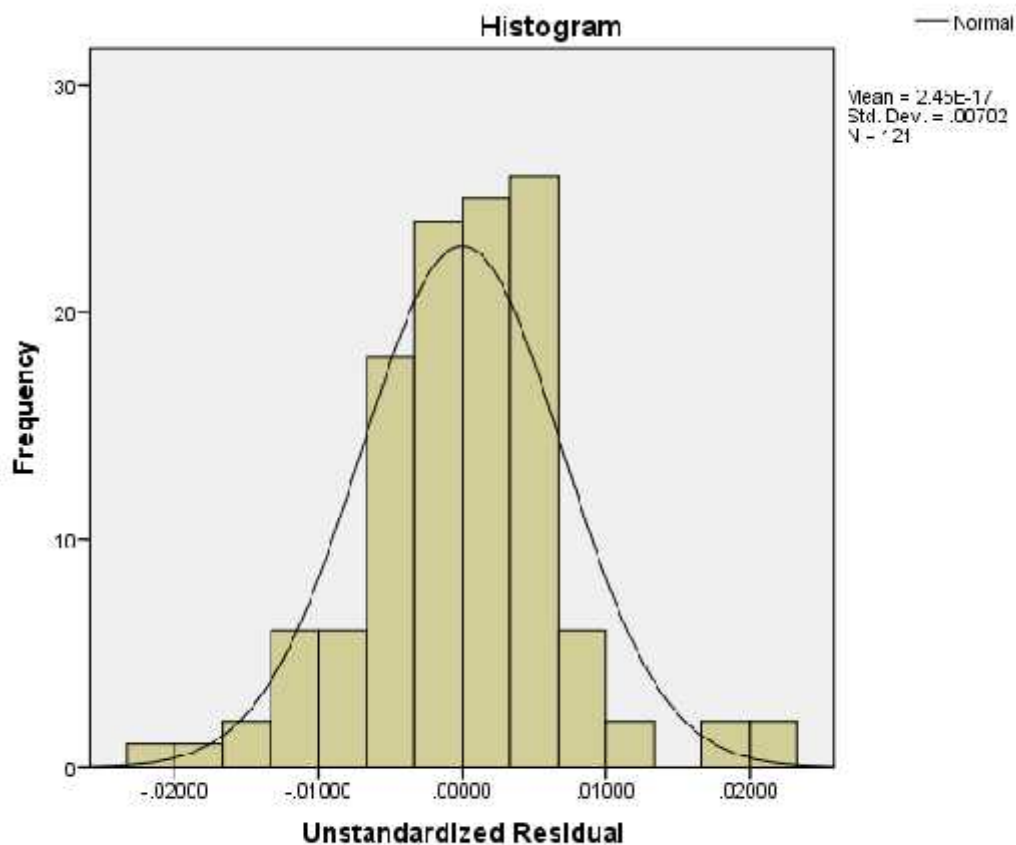
Our correlation matrix shows there is no higher correlation among the explanatory variables. This reveals that there is no multicollinearity problem.

4.8.4. Normality test

This assumption requires the disturbances to be normally distributed. Brooks (2008) stated that the normality assumption ($u_t \sim N(0, \sigma^2)$) is required in order to conduct single or joint hypothesis tests about the model parameters.

In this study to check whether the normality test was adequately met, the histogram was used. If the residuals are normally distributed, the histogram should be bell-shaped (Brooks, 2008). Figure 4.2 shows that the shape of the histogram indicates that the residuals are normally distributed around its mean of zero and standard deviation of one.

Figure 4.2: ROA model test for Normality



4.9 Test for fixed or random effect model (hausman test)

It is also necessary to determine whether the fixed effect or random effect approach is appropriate. A common practice in financial performance research is to make the choice between both approaches by running a Hausman test. According to this test the null hypothesis says that random effects model is appropriate than the fixed effects model (Brooks, 2008). As indicated by the Hausman test shown in table 4.10, the equation provides evidence in favor of RE model. The p-value for the test is much greater than 5% (0.9924), indicating that the random effects model is appropriate, since the null hypothesis is failed to reject at 5% significant level. Thus the study used the RE model.

Table 4.10: Random Effects - Hausman Test

	Coefficients			
	(b)	(B)	(b-B)	sqrt(diag (Vb-V_B))
	Fixed group	random_ group	Difference	S.E.
ASQ	-.2361303	-.2585694	.0224391	.
CAR	.0084867	.0123699	-.0038832	.0003878
MGE	.0044433	.0038657	.0005776	.
LQM	-.0010482	.0003041	-.0013523	.
SIZE	.0020527	.0022504	-.0001977	.
OPE	-.0263349	-.0265306	.0001957	.
ERQ	-.0513991	-.0470504	-.0043487	.0036732
INF	.0000791	.0000724	6.65e-06	.
GDP	.0005029	.0004041	.0000988	.
b = consistent under Ho and Ha; obtained from xtreg				
B = inconsistent under Ha, efficient under Ho; obtained from xtreg				
Test: Ho: difference in coefficients not systematic				
$\chi^2(9) = (b-B)'[(V_b-V_B)^{-1}](b-B)$				
= 1.94 Prob>chi2 = 0.992 (V_b-V_B is not positive definite)				

4.10 Regression result and discussion

From table below, the R-squared statistics of the model was 61%. The explanatory power of the model in terms of R^2 is high (61%), which means the variable in the model explain 61% of the model. That is capital adequacy, bank equity; asset quality, management efficiency, earnings quality, liquidity management, bank size, operating efficiency, inflation and GDP collectively explain 61% of the changes in ROA. The remaining 39% of changes was explained by other factors which are not included in the model. Thus these variables collectively, are good explanatory variables of the profitability of commercial banks in Ethiopia. The null hypothesis of F-statistic (the overall test of significance) that the R^2 is equal to zero was rejected at 5% as the p-value was sufficiently low. F value of 0.000 indicates strong statistical significance, which enhanced the reliability and validity of the model.

Based on the results shown in table below, stp 2 (green ocean strategy), asset quality, operating efficiency, bank size and earnings quality had statistically significant impact on profitability. On the other hand, among the macro-economic independent variables used in this study, there were not significant. Among the significant variables, asset quality, operating efficiency, bank size and earnings quality were significant at 1% significance level since the p-value for all variables were almost sticks to 0.000 whereas green ocean strategy were significant at 5% significance level.

The coefficient of stp 2 (green ocean strategy), asset quality, operational efficiency, and earnings quality against ROA were negative as far as the coefficients for those variables are negative (-0.0079831), (-0.2585694), (-0.0265306), and (-0.0470504) respectively. This indicates that there was an inverse relationship between the aforementioned four independent variables and ROA. Thus the increase of those variables will lead to a decrease in ROA.

Table 4.11: Regression coefficients results for profitability measured by ROA

ROA	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
Stp1	-.0032598	.0034604	-0.94	0.346	-.010042	.0035224
Stp2	-.0079831	.0033822	-2.36	0.018*	-.0146122	-.001354
ASQ	-.2585694	.0684604	-3.78	0.000**	-.3927492	-.1243896
CAR	.0123699	.0087506	1.41	0.157	-.004781	.0295208
MGE	.0038657	.0027917	1.38	0.166	-.0016059	.0093373
LQM	.0003041	.0052502	0.06	0.954	-.0099861	.0105942
SIZE	.0022504	.0008329	2.70	0.007**	.000618	.0038828
OPE	-.0265306	.0073373	-3.62	0.000**	-.0409115	-.0121496
ERQ	-.0470504	.0123686	-3.80	0.000**	-.0712923	-.0228085
INF	.0000724	.000067	1.08	0.280	-.0000589	.0002037
GDP	.0004041	.0002481	1.63	0.103	-.0000822	.0008903
_cons	.0096669	.0213283	0.45	0.650	-.0321358	.0514695
R-squared		0.6114	Obs per group: min		8	average= 12.1
Wald chi2(11)		171.48	Prob > chi2		0.0000	

* And ** denote significance @ 5 and 1% respectively

The following sections discussed about the regression results of all variables

Step1: red ocean strategy

Keeping a blue ocean strategy as a reference, the red ocean strategy has negative but not significant relationship with ROA. This means implementing red ocean strategy will not bring a significant change as compared to implementing Blue Ocean banking strategy. This result does not match with hypothesis 2 stated that red ocean strategy has a positive/negative significant relationship with banks profitability.

Step 2: green ocean strategy

As compared to blue ocean strategy, the green ocean shows negative and statistically significant relationship with ROA. This implies that using blue ocean strategy tends to increase profitability as compared to green ocean strategy. The coefficient of this variable (-0.0079831) indicates that a bank that use green ocean strategy has 0.8% less ROA than a bank that use blue ocean strategy. This indicates that the commercial banks in Ethiopia have much to profit if they are able to exercise blue ocean strategy rather than Green Ocean. This result is significant at 5% level of significance and in line with assumption 3 that forecasted as there is positive/negative relationship between green ocean strategy and profitability (ROA).

Asset Quality

Concerning the asset quality, the regression results of this study implies that the relation between asset quality and ROA is negative and significant at 1% significance level (p-value=0.000). The result indicates that the asset quality variable has a significantly negative influence on bank profitability. This implies that high figures for this variable mean low profitability. The result is similar with the assumption 3 that predicts there is a significant negative relationship between asset quality and ROA. Since high figures for this variable denotes higher asset quality is associated with lower profitability. This finding is similar with Belayneh (2011) and Amdemikael (2012).

Management Efficiency

The expected impact of management efficiency on profitability was positive and significant. However, even if the coefficient of management efficiency was positive as expected, it was not statistically significant even at 10% significance level (p-value= 0.166). Moreover, the insignificant parameter indicates that the structure does not affect Ethiopian banks profitability. Thus the hypothesis that states there is a significant relationship between management efficiency and profitability may be rejected or data did not support the hypothesis. This result is consistent the finding of Alemu (2015) and mixedVincent (2013).

Liquidity Management

The regression result shows that liquidity management and ROA has no significant relationship even at 10% significance level (p value= 0.954). The result indicates that the liquidity variable has no a significantly influence on bank profitability. This implies that high or low figures for this variable mean nothing for profitability. The result is consistent with the finding of Amdemikael (2012).

Bank size (SIZE)

The study found that bank size has positive and highly significant effect on bank financial performance at 1% significant level. This suggests that Ethiopian commercial banks financial performance is positively related to the bank size and/or larger banks in Ethiopia tend to increase their financial performance, this is because, larger banks will have high ability to access many customers compared to small banks. The larger the bank size, the more profitable the bank. It could also mean that bank size is associated with diversification which may impact favorably on risk and product portfolio. The data of this study shows the size of all Ethiopian commercial banks which is measured by log of total asset is increased for the study period. Consequently, this improvement leads to the profitability of banks in Ethiopia. The result implies that larger banks enjoy the higher profit than smaller banks in Ethiopia banking sector because they are exploiting the benefit of economies of scale.

The result supports the hypothesis that bank size has significant positive relationship with ROA. The finding of this study was in consistent with the findings of Alemu (2015), Amdemikael (2012), Birhanu (2012), Habtamu (2012) and Kebede (2014) that is Ethiopian banks profitability increases as the size of the banks increase, which strengths the fact that larger banks are enjoying higher profit than smaller banks of the country.

Operational efficiency

The coefficient of the ratio of cost to income, which provides information on the efficiency of the company regarding expenses relative to income, was negative and statistically significant at 1% significance level (p -value=0.0000) which is in line with a prior expectation and makes the variable an important determinant of Ethiopian banks profitability. This showed that minimizing

commercial banks costs in Ethiopia would certainly improve the banks performance in general and profitability in particular.

This finding was consistent with many previous studies, e.g. Sufian & Chong (2008) and Pasiouras & Kosmidou (2007), Trujillo-Ponce (2012). For instance, Sufian & Chong (2008) in their work on the Philippines banks realized as cost to income ratio exhibits a negative and significant impact on Philippines bank's profitability. The results imply that an increase/decrease in these expenses reduces/increases the profits of financial institutions operated in Philippines.

Capital Adequacy

The coefficient of capital adequacy was positive but it was not statistically significant as estimated, thus, the effect of capital adequacy on Ethiopian banks profitability is not significant. The findings also suggested that as CAR is not a determinant of bank's profitability in Ethiopia as far as the parameter for this variable is insignificant as illustrated by the large p-values of 0.157. In relation to previous literature the results for positive coefficients are similar to the parameters that are observed and revealed by the numbers of researchers. This result is inconsistent with Alemu (2015) and Habtamu (2012).

EARNING QUALITY

The study found that earning quality has negative and highly significant effect on bank financial performance at 1% significant level. This indicate holding other independent variables constant at their average value, when earning quality (EQ) increased by one percent, return on asset (ROA) would be decreased by 4.7 percent.

The result doesn't support the hypothesis that bank earning quality has significant positive relationship with ROA. The relationship is negative that could be attributed to the fact that a bank more concentrated on interest income source than other income source has low financial performance (ROA). This finding is consistent with previous studies (Belayneh, 2011) and Fekadu (2014).

Inflation

Inflation is also found to be statistically insignificant. The result is, therefore, contrary to the expectation (Hypothesis number 11) but it is positively related to bank profitability. The coefficient of inflation was positive as anticipated, but it was not statistically significant, thus,

the effect of inflation on Ethiopian banks profitability is not significant. The findings also suggested that as inflation is not a determinant of bank's profitability in Ethiopia as far as the parameter for this variable is insignificant as illustrated by the large p-values of 0.280. Referring to previous studies, the results concerning inflation are mixed. Kasman et al, (2010), Alexiou and Sofoklis (2009), Frederick (2014), find a positive relationship between inflation rate and bank profitability. However, Ongore & kusa(2013) found a negative relationship between inflation rate and bank profits.

GDP

For the other macroeconomic factors, the study result shows that there is no a direct relationship between GDP growth and bank profitability. For this variable the result is found to be statistically insignificant which contradict with Hypothesis number 10 which assumes there is a positive and significant relationship between growth of GDP and profitability.

However, the positive sign of the variable supports the argument that economic growth positively affects bank profitability mainly through the effect that the economic cycle exerts on demand for credit by firms; it is not significant to be a determinant factor for profitability. The finding is similar with Tesfaye (2016). In contrary, the results for positive coefficients are inconsistent with the parameters that are observed and revealed by the numbers of researchers (e.g. Demirguc-Kuntet *al.*, (1998), Bikkeret *al.*, (2002) and Athanasoglouet *al.*, (2008)) concluded that positive and strong correlation existed between economic growth (GDP) and bank profitability.

Table 4:12 Summary of actual and expected signs of variables

Variables	Expected impact on performance	Actual impact on performance (ROA)
Stp1/ Red	Positive & Significant	Negative & Insignificant
Stp2/ Green	Positive & Significant	Negative & Significant
ASQ	negative & Significant	Negative & Significant
CAR	Positive & Significant	Positive & Insignificant
MGE	Positive & Significant	Positive & Insignificant
LQM	Negative & Significant	Positive & Significant
SIZE	Positive/negative & Significant	Positive & Significant
OPE	Negative & Significant	Negative & Significant
ERQ	Positive & Significant	Negative & Significant
INF	Positive/negative & Significant	Positive & Insignificant
GDP	Positive & Significant	Positive & Insignificant

Source: own computation

Chapter Five

Conclusions and Recommendations

5.1 Conclusions

The main objective of this study was to investigate the effect of strategy types on the financial performance in the case of ten selected private commercial banks in Ethiopia that have been operate over the period of 2003- 2016. The three types of ocean strategies affecting banks performance were chosen and analyzed. The panel data was used for a sample of ten private commercial banks in Ethiopia from 2003 to 2016.

In light of this objective, the study adopted mixed research approach to test the research hypotheses and to answer the research questions. Specifically, the study used documentary reviews of annual report and used liker scales questionnaires. Consequently, the study used a total of 121 observations.

- The study sought that the awareness for existing or already employed strategy types by bank managers. The awareness of respondents about the three types of ocean strategies is good. It is reported that there is no problems regarding the awareness of employees and managers about banking market philosophies.
- The study found that among the types of strategies employed in the private banks of Ethiopia, red and green ocean strategies are the most applicable strategies respectively. Blue Ocean, relatively, is least frequent strategy in the participant private commercial banks of Ethiopia. Its application is seriously low.
- The study revealed that there was greater variation in financial performance of commercial banks due to changes in the applicability of Blue Ocean strategy; this shows that changes in financial performance of commercial banks could be accounted for by changes in the implementation of blue ocean strategy.
- The study found that a green ocean strategy is significant determinant of financial performance. It revealed that banks that use blue ocean strategy had more profit than banks that use green ocean strategy. On the other hand there is no relationship between red ocean strategies and financial performance of banks.

- Additionally, asset quality, operating efficiency, bank size and earnings quality found to be significant factors that affect financial performance of commercial banks in Ethiopia. Among them only bank size has positive relationship, others have negative impact on ROA in Ethiopian private commercial banks.

5.2 Recommendations

Based on the findings of the study, the following recommendations are forwarded:

- Even though, the awareness of bank managers is good enough, it is better to update their perception of current strategy (marketing philosophy) periodically, so then any employee can serve the customer as needed as in the strategy type. Therefore the banks have to ensure the member of top level management group are aware of the new ocean strategy types (by for example providing training and updating the new marketing strategies) that can serve them able to master the nature of the strategies and update their knowledge.
- The philosophy of blue ocean strategy involves in further effort such as value Innovation (Create), raise customer satisfaction, Eliminate customers complaints and reduce potential risk, reduce cost. But as seen in the result, blue ocean strategy is the least applicable strategy, compared to others. So, banks should work to enhance the application of Blue Ocean strategy.
- The philosophy of sustainability (green ocean strategy) is not being a guarantee to increase banks profitability. So, banks might shift their strategy to more innovative ideas.
- It is known that organizations face challenges of innovating fast enough due to already installed tangible assets and high capital costs for newer installations. Nevertheless, organizations should seek to continually reinvent their strategic approaches within their respective industries if they are to remain relevant in the 21st century. Banks must institute innovative cultures that seek to redefine their future value propositions. In implementing new value innovations, banks are also advised to accelerate the impact assessment of their innovations through progressive empirical testing and evaluation systems.
- As far as lack of innovative products by banks themselves are also factors that can affect Ethiopian banks profitability negatively, Ethiopian banks should try their best in order to

provide new banking services and to participate in risky investment areas which may in turn increases their profitability significantly.

- Bank size, asset quality, operating efficiency, and earnings quality are significant key internal drivers of profitability of commercial banks in Ethiopia. Indeed focusing and reengineering the institutions alongside these indicators could enhance the profitability as well as the performance of the commercial banks in Ethiopia.
- The insignificant relationship between red ocean strategy and bank financial performances will have impact on the long run operation of banks. Most of the sampled banks use this strategy therefore; they should consider evaluating their strategy type to enhance their performance.

5.3 Research limitations and future research directions

While this study focused on financial performance, future research should be carried out to establish the relationship between the ocean strategies and performance including non-financial parameters, such as organizational Cultural Revolution, organizational design and structural changes, and strategic control systems emerging within an organization.

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Appendices

Appendix-I: Questionnaire



Letter of Introduction

Date: **23 March, 2017**

To: _____

Subject: **Collection of Research Data**

Dear Sir/Madam,

My name is Selamawit Seife, a student at Addis Ababa University, pursuing Master of Science Degree in Accounting and Finance. I am currently carrying out a research on the "The Effect of Strategy Types on Financial Performance" A Case Study on Selected Private Commercial Banks in Ethiopia.

And currently, I am in the process of gathering relevant data for the purpose of this study. You have been identified as one of the collaborators and a key respondent in this study. I therefore write this letter to kindly request for your highly appreciated assistance towards making this study complete; by taking some time to respond to the attached questionnaire. I assure you that your responses will be treated with confidentiality and will be used only for the purpose of this study.

It will be appreciated if you can fill the questionnaire within the next 3 days to enable early finalization of the study.

I thank in advance for your valuable time and responses.

Best regards

Selamawit Seife

Email: Selamseife2016@gmail.com

I. Objective of the Questionnaire

Exploring the types of strategies in the banking industry will help to categorize the organization in terms of their strategic performance and their market assessment behavior. And may also be the indication of their market share possession in the industry. There for the researcher will identified the types of ocean strategies (Blue, Red, Green and others) applied by each of selected banks and will assess their effects on financial performance. So the purpose of the questionnaire is to respond the main objective of the research paper regarding to awareness and the effect of types of strategy employed by your bank.

In line with this, you are kindly requested to give your response to your personal profile, and other statement related to the awareness of types of ocean strategies and possible effects to financial performance as provided in the tables below.

II. Questionnaire Administered to Managers

1. The personal profiles

General Instruction: Please indicate your choice by putting “√” mark in the bracket.

1.1. Sex/Gender/: Male (____) Female (____)

1.2. Age (in year): Less than 30(____), 30 to 39(____) 40 to 49(____), 50 to 59(____),

Above 59 years (____).

1.3. Your field of study: Accounting (____), Management (____), Economics (____) other specify_____

1.4. Level of education: MSC(____)Bachelor's Degree (____),or others specify_____

1.5. Position: Operational Manager (____), Strategy Manager,(____),Marketing manager (____) or others specify_____).

1.6How long have you been working in this bank? (In years)

Managerial Staff: _____years, Non-Managerial Staff: _____years. (Please write in no).

2. The Questionnaire Items (Questions) to Identify the Color

The Questionnaire is prepared in Likert-scale form with five (5) point scales. You are required to tick (✓) the appropriate scale (point) that indicates your opinion in table below. **The values of scales are 5 = strongly agree, 4 = Agree, 3 = Neutral, 2 = Disagree, and 1 = strongly disagree**

2.1 Awareness on the types of Strategies

S.no	Statements prepared to measure the level of awareness of the managers regarding strategy types.	The Scales				
1	The top level management groups of the bank have clear understanding about types of strategies available in their market.	5	4	3	2	1
2	The bank's current strategy (marketing philosophy) is well understood by the employee, so then any employee serve the customer as needed as in the strategy group.	5	4	3	2	1
3	The bank has no awareness problems regarding to strategy types by its management groups. (Is the bank operating to excel and rise, to compete and win or just to survive).	5	4	3	2	1
4	The bank let the member of top level management group aware on the new ocean strategy types.(providing training and updating the new marketing strategies).	5	4	3	2	1
5	I have good perception about types of strategies as I was expected and as my level of position!	5	4	3	2	1

2.2blue Ocean Strategy

2.2.1value Innovation (Create)

S.n	Your perspective about value innovation from the factors given below.	The Scales				
1	Our bank focusing on making the competition irrelevant.	5	4	3	2	1
2	Ignore the industry bench mark for the service and raise or propose beyond.	5	4	3	2	1
3	Our bank focusing on creating its own value rather than focusing on beating the computation	5	4	3	2	1
4	Constantly Creating new way of thinking and work to reach beyond the existing demand. (Having special offer to customer beyond industry provides).	5	4	3	2	1
5	Apply the pursues of value innovation dogmas, differentiation and low cost simultaneously (reasonable service charge and interest).	5	4	3	2	1
6	Confident to overcome key organizational hurdles like foregone currency problems and cash /saving mobilization issues.	5	4	3	2	1
7	Create new market space and identify your own targeted customers rather than rivaling from the existing market.	5	4	3	2	1

2.2.2 Customer and Service related (raise customer satisfaction)

S. no	Please find below type of services given by your bank to increase Customers satisfaction and reliability which you think makes The bank unique or special from others.	The Scales				
1	The bank has special branch for its platinum customers.	5	4	3	2	1
2	The bank provides Collection or delivery service of cash /cheque on/from their place for the connivance and safety of customers.	5	4	3	2	1
3	Providing 24/7 banking service (not include exchanging foreign currency at hotels branch or ATM machines) for all targeted customers..	5	4	3	2	1
4	Providing international and standard banking service.	5	4	3	2	1
5	Protecting customer from occupational frauds.	5	4	3	2	1
6	Focusing on customer satisfaction and keep Creating and providing the welcoming environment to potential along with existing customers.	5	4	3	2	1
7	The bank has abundant potential for development of new strategy (considering one of the disadvantages of applying blue ocean is acquiring of big expense).	5	4	3	2	1
8	The bank has formulating strategy to provide special customer service. (Any other service may not specify in this questioners).And will be implemented in the near future.	5	4	3	2	1

2.2.3 Technology related (Eliminate customers' complaints and reduce potential risk)

S no	Find below any advanced technology or international modern banking services your bank is employed for accessibility, convenience and/or for fraud risk reduction purposes.	The Scales				
1	Having IT department with stand by staffs for avoiding system disconnection	5	4	3	2	1
2	My bank reaches the existing demand or beyond regarding to accessibility, active and enough ATM machines with easily accessed debit cards.	5	4	3	2	1
3	Having or plans to have credit card services.	5	4	3	2	1
4	Active Visa (international) Card service.	5	4	3	2	1
5	Internet Banking with all possible services	5	4	3	2	1
6	Mobile banking with and without internet service	5	4	3	2	1
7	Payment collection on behalf of governmental authorities and enterprises(ERCA, ELPA, Ethiopian Airlines etc.). Being collecting agent through on line payments	5	4	3	2	1
8	Installing security systems to protect customers from hackers to avoid any possible computer fraud risks.	5	4	3	2	1

2.2.4 Cost related (reduce)

S. no	Does your bank attain its cost target to profit at its strategic price?	The Scales				
1	The bank determines the price that will quickly capture the mass of target customers, because: Volume generates higher returns than It used to.	5	4	3	2	1
2	The bank has strategic target costing system. Price-minus costing (and not cost-plus pricing) to arrive at a cost structure That is both profitable and hard for potential followers to match.	5	4	3	2	1

2.3 Red Ocean Strategy / Bloody Competition between Competitors

2.3.1 Compete in existing market

S. No	The following factors are selected for the purpose of identifying the banks as one of the strategy types please give the point as you perceived your bank's features.	The Scales				
1	The bank use industry's bench mark for the service it provides (example to increase or decrease interest rate, increase working hours or increment the employee benefits).	5	4	3	2	1
2	Apply the lottery method marketing strategies like "receive and win" for international money transfers and "Save and win" for deposit mobilization purposes.	5	4	3	2	1
3	Offering low interest cost for loan (the researcher considers national bank's minimum standard). To compete the rivals	5	4	3	2	1
4	The bank targets to reach the existing demand in the industry.	5	4	3	2	1
5	The bank offers flexible interest price on fixed deposit by considering others banks rate.	5	4	3	2	1
6	The bank knows and accepted its fixed or defined market boundaries and uses the competitive rules with known game tricks.	5	4	3	2	1
7	Duplicate the ideas in a way that your competitor offers to a commercial success.	5	4	3	2	1

2.3.2 Beat the competition

S.No	The following factors are help to identifies the bank as beat the competition in red strategy type please find yours and Give the scale for your agreement.	The Scales				
1	The bank focuses on maximizing the value of serving offerings within the bounds of its industry. (Adding interest on ladies and youth savings and to switch the customer to your bank).		4	3	2	1
2	Opening of many branches to create accessibility to existing customers.	5	4	3	2	1
3	Fighting to beat the rivals with saturated market in which there is fierce competition because it is already crowded with companies providing the same type of services.	5	4	3	2	1

2.3.3 Exploit existing demand and Making the Value cost/ trade-off

s. no	The following statements indicates the banks exploit the existing demands in its defined market boundaries.	The Scales				
1	The bank provides reasonable (negotiable) interest rate on loan service.	5	4	3	2	1
2	The bank provides fancy lottery prizes for money transfer service beneficiaries to settle its foreign currency demand.	5	4	3	2	1
3	The bank provides guarantee bonds with negotiable commission. (By holding collaterals).	5	4	3	2	1
4	Let the customer to open saving account by affordable and minimum initial amount (25-50 birr) to reach the abundant customers' demand in the industry.	5	4	3	2	1
5	The bank keeps updating its strategy to explore and reach any potential demand in the industry.	5	4	3	2	1

2.4 Green Ocean Strategies (Sustainability)

2.4.1 Create realistic market space and maximizing its resources

s. no	The Green Ocean model combines the best elements from Blue Ocean model and Red Ocean model and is applicable in many domains of activity. (Adrian,2013) Kindly identify the following statements which you may find as your bank's feature.	The Scales				
1	The bank proposed practical or applicable service for its customers.	5	4	3	2	1
2	Opening branches only by considering the availability of potential customers.	5	4	3	2	1
3	The bank use the keyword in green strategy "sustainability" ; allowing to sustainably compete in a rigorous market, and at the same time, brisk ahead of competitors through a pursuit of innovation.	5	4	3	2	1
4	The bank depends on its ability to self-analyze its sustainability levels in a highly competitive business world. (Not employed the niche marketing strategy by focusing on only its platinum customers, rather access the existing demand).	5	4	3	2	1
5	The bank maximizes its resource by applying practical or attainable strategy (calculating attractive interest on deposit up to minimum deposit amount at full calendar date).	5	4	3	2	1

2.4.2 Provide transitional service

s. no	Find your bank in the following statements, which could show the types of service your bank provides with neither bloody nor non commutative markets.	The Scales				
1	Provide the long working hours with enough staff and multi banking services.	5	4	3	2	1
2	Our bank calculate interest starting from initial minimum deposit at the end of the month,	5	4	3	2	1
3	Having or planning to have some special saving packages for Muslims or women and youth. That means you may not need to promote or make commercial to collect savings starting from coins.	5	4	3	2	1

2.4.3 uses the analogy of beach and ocean

S. No	Uses the analogy of beach and ocean, the following statements depicts the meaning of the ideology please point out it.	The Scales				
1	The bank concentrates on how to maximize both fixed, internal and human resources. Instead of copying or benchmarking against the competition.	5	4	3	2	1
2	The bank use hybrid mechanism which combines the best things that characterize blue ocean and red ocean strategies.	5	4	3	2	1
3	The bank deem this strategy as means of getting sustainable market share for maximizing share holders' value.	5	4	3	2	1

Thank you for your time!!!

Appendix-II: Ratio Data

Yr	Bank	ROA	ASQ	CAR	MGE	LQM	SIZE	OPE	ERQ	INF	GDP	Stp	Stp1	Stp2
2003	1	.0095	.0373	.0842	1.6967	.1704	21.33	.8041	.5261	10.90	-2.10	2	1	0
2004	1	.0146	.0086	.0828	1.4965	.2389	21.59	.6436	.5699	7.30	11.70	2	1	0
2005	1	.0149	.0100	.0807	1.1077	.2097	21.82	.4165	.6240	6.10	12.60	2	1	0
2006	1	.0258	.0101	.0928	.8994	.1868	22.03	.3359	.6265	10.60	11.50	2	1	0
2007	1	.0265	.0118	.1009	1.0675	.2247	22.29	.4184	.6081	15.80	11.80	2	1	0
2008	1	.0300	.0170	.1601	.6908	.6702	21.18	.3600	.4789	25.30	11.20	2	1	0
2009	1	.0300	.0170	.1067	1.0362	.6702	22.28	.4357	.5795	36.40	10.00	2	1	0
2010	1	.0274	.0060	.1063	.8761	.3594	22.92	.4891	.4417	2.80	10.60	2	1	0
2011	1	.0325	.0014	.1205	.7929	.3650	23.13	.4555	.4255	18.10	11.40	2	1	0
2012	1	.0301	.0021	.1258	1.9652	.2236	23.30	.6019	.6937	34.10	8.70	2	1	0
2013	1	.0247	.0074	.1162	1.7651	.1924	23.60	.6133	.6525	13.50	9.90	2	1	0
2014	1	.0280	.0035	.1175	.7413	.2289	23.82	.3210	.5669	8.10	10.30	2	1	0
2015	1	.0256	.0007	.1263	.9540	.1540	23.95	.3481	.6352	7.70	10.20	2	1	0
2016	1	.0239	.0012	.1263	1.1717	.1860	24.16	.3740	.6808	9.70	8.00	2	1	0
2003	2	.0133	.0190	.0647	.8452	.2613	21.41	.3272	.6129	10.90	-2.10	3	0	1
2004	2	.0210	.0097	.0643	.7557	.2138	21.71	.2967	.6074	7.30	11.70	3	0	1
2005	2	.0208	.0054	.0710	.9999	.2983	21.95	.3097	.6902	6.10	12.60	3	0	1
2006	2	.0294	.0044	.0849	.8082	.2527	22.24	.2750	.6598	10.60	11.50	3	0	1
2007	2	.0311	.0020	.0901	.7599	.2766	22.52	.2584	.6600	15.80	11.80	3	0	1
2008	2	.0310	.0043	.0947	.6281	.3777	22.77	.2342	.6271	25.30	11.20	3	0	1
2009	2	.0257	.0005	.0934	.6280	.4832	23.00	.2666	.5754	36.40	10.00	3	0	1
2010	2	.0262	.0023	.0909	.5118	.4254	23.24	.2556	.5005	2.80	10.60	3	0	1
2011	2	.0307	.0028	.0953	.4569	.4247	23.41	.2418	.4708	18.10	11.40	3	0	1
2012	2	.0372	.0024	.1043	.4862	.3296	23.59	.2332	.5203	34.10	8.70	3	0	1
2013	2	.0307	.0021	.1036	.6233	.3069	23.71	.2731	.5618	13.50	9.90	3	0	1
2014	2	.0324	.0000	.1183	.6117	.2979	23.81	.2864	.5319	8.10	10.30	3	0	1
2015	2	.0294	.0012	.1181	.7909	.2233	23.93	.3462	.5623	7.70	10.20	3	0	1
2016	2	.0254	.0023	.1175	.8359	.2404	24.08	.3705	.5567	9.70	8.00	3	0	1
2003	3	.0111	.0164	.1945	1.3918	.3694	19.97	.5602	.5975	10.90	-2.10	3	0	1
2004	3	.0099	.0231	.1426	.8722	.4310	20.33	.3539	.5943	7.30	11.70	3	0	1
2005	3	.0288	.0125	.1164	.5213	.4515	20.79	.2576	.5058	6.10	12.60	3	0	1
2006	3	.0273	.0066	.1196	.5744	.3705	21.19	.2496	.5654	10.60	11.50	3	0	1
2007	3	.0294	.0097	.8352	.7490	.3471	21.50	.2728	.6358	15.80	11.80	3	0	1
2008	3	.0280	.0075	.1439	.7133	.4263	21.90	.2768	.6120	25.30	11.20	3	0	1
2009	3	.0201	.0080	.1118	.7936	.5343	22.26	.3103	.6090	36.40	10.00	3	0	1
2010	3	.0296	.0115	.1081	.5000	.5554	22.50	.2542	.4916	2.80	10.60	3	0	1

2011	3	.0300	.0021	.1167	.5364	.4607	22.77	.2481	.5374	18.10	11.40	3	0	1
2012	3	.0339	.0014	.1254	.7055	.3258	22.90	.2655	.6237	34.10	8.70	3	0	1
2013	3	.0282	.0000	.1203	.9347	.2065	23.02	.3141	.6639	13.50	9.90	3	0	1
2014	3	.0234	.0003	.1326	1.2318	.2850	23.20	.3848	.6876	8.10	10.30	3	0	1
2015	3	.0196	.0016	.1174	1.5006	.1896	23.39	.4341	.7107	7.70	10.20	3	0	1
2016	3	.0196	.0032	.1200	1.5462	.1690	23.57	.4135	.7326	9.70	8.00	3	0	1
2003	4	.0038	.0320	.1045	2.4331	.3564	21.08	.5659	.7674	10.90	-2.10	2	1	0
2004	4	.0232	.0123	.1165	1.5391	.2752	21.23	.3260	.7882	7.30	11.70	2	1	0
2005	4	.0274	.0000	.1135	.7812	.3402	21.53	.2419	.6903	6.10	12.60	2	1	0
2006	4	.0290	.0000	.1333	1.0287	.2592	21.83	.2574	.7498	10.60	11.50	2	1	0
2007	4	.0185	.0213	.1126	1.7074	.2297	22.00	.4170	.7557	15.80	11.80	2	1	0
2008	4	.0039	.0556	.0984	2.4428	.3379	22.17	.6681	.7265	25.30	11.20	2	1	0
2009	4	.0183	.0064	.0948	1.1429	.4923	22.42	.3640	.6815	36.40	10.00	2	1	0
2010	4	.0224	.0000	.0932	.7017	.4717	22.56	.3098	.5584	2.80	10.60	2	1	0
2011	4	.0245	.0059	.0908	.7966	.3979	22.71	.3171	.6020	18.10	11.40	2	1	0
2012	4	.0262	.0062	.1100	1.0020	.3062	22.83	.3126	.6880	34.10	8.70	2	1	0
2013	4	.0261	.0000	.1090	.9068	.1940	23.04	.2948	.6749	13.50	9.90	2	1	0
2014	4	.0240	.0000	.1356	1.2390	.2435	23.15	.3409	.7249	8.10	10.30	2	1	0
2015	4	.0211	.0000	.1325	1.3073	.2111	23.34	.3830	.7070	7.70	10.20	2	1	0
2016	4	.0223	.0024	.1262	1.2947	.1844	23.55	.4246	.6720	9.70	8.00	2	1	0
2003	5	.0133	.0374	.1230	1.6252	.2109	20.74	.7070	.5650	10.90	-2.10	2	1	0
2004	5	.0248	.0107	.1237	1.1796	.1804	21.06	.4771	.5955	7.30	11.70	2	1	0
2005	5	.0264	.0167	.1287	1.3261	.2677	21.27	.5165	.6105	6.10	12.60	2	1	0
2006	5	.0279	.0065	.1406	1.5113	.2145	21.43	.4965	.6715	10.60	11.50	2	1	0
2007	5	.0290	.0028	.1631	1.6965	.2667	21.68	.4923	.7098	15.80	11.80	2	1	0
2008	5	.0310	.0094	.1639	1.4806	.3651	22.02	.4985	.6633	25.30	11.20	2	1	0
2009	5	.0321	.0110	.1516	1.1962	.4857	22.29	.4841	.5953	36.40	10.00	2	1	0
2010	5	.0336	.0136	.1535	.9347	.4302	22.51	.4874	.4785	2.80	10.60	2	1	0
2011	5	.0347	.0058	.1646	.9654	.4843	22.69	.4760	.5069	18.10	11.40	2	1	0
2012	5	.0346	.0004	.1846	1.1356	.3300	22.84	.4871	.5710	34.10	8.70	2	1	0
2013	5	.0313	.0000	.1822	1.6839	.2302	22.94	.5552	.6703	13.50	9.90	2	1	0
2014	5	.0292	.0026	.1828	1.8105	.1783	23.10	.6009	.6681	8.10	10.30	2	1	0
2015	5	.0254	.0000	.1642	1.4577	.1356	23.31	.3867	.7347	7.70	10.20	2	1	0
2016	5	.0225	.0043	.1591	2.0000	.1881	23.49	.4053	.7974	9.70	8.00	2	1	0
2009	6	.0000	.0101	.3287	5.8486	.5301	19.60	2.8306	.5160	36.40	10.00	2	1	0
2010	6	.0172	.0085	.1895	.8726	.5620	20.84	.5423	.3786	2.80	10.60	2	1	0
2011	6	.0226	.0043	.1509	.7015	.4332	21.40	.4171	.4054	18.10	11.40	2	1	0
2012	6	.0177	.0061	.1570	1.0175	.3167	21.75	.4743	.5339	34.10	8.70	2	1	0

2013	6	.0200	.0066	.1400	1.2178	.2536	22.09	.5026	.5873	13.50	9.90	2	1	0
2014	6	.0251	.0040	.1217	1.0928	.3031	22.54	.4385	.5988	8.10	10.30	2	1	0
2015	6	.0233	.0057	.1041	1.2001	.1757	22.98	.4696	.6087	7.70	10.20	2	1	0
2016	6	.0221	.0059	.1169	1.4994	.1904	23.15	.5157	.6561	9.70	8.00	2	1	0
2009	7	.0000	.0106	.1957	1.6596	.4786	19.95	1.2366	.2549	36.40	10.00	1	0	0
2010	7	.0655	.0106	.1502	.3701	.5789	20.78	.2838	.2331	2.80	10.60	1	0	0
2011	7	.0525	.0087	.1491	.3183	.4381	21.20	.2296	.2786	18.10	11.40	1	0	0
2012	7	.0361	.0067	.1172	.4489	.3447	21.60	.2713	.3955	34.10	8.70	1	0	0
2013	7	.0290	.0787	.1519	.3221	.2415	21.90	.2027	.3706	13.50	9.90	1	0	0
2014	7	.0327	.0426	.1674	.4816	.9554	22.09	.2643	.4512	8.10	10.30	1	0	0
2015	7	.0315	.0000	.1569	.6865	.5153	22.31	.3274	.5231	7.70	10.20	1	0	0
2016	7	.0275	.0073	.1359	.6035	.5209	22.72	.2885	.5219	9.70	8.00	1	0	0
2003	8	.0031	.0156	.1061	1.3774	.3526	20.61	.5214	.6215	10.90	-2.10	2	1	0
2004	8	.0277	.0000	.1129	.7549	.9679	20.85	.2992	.6037	7.30	11.70	2	1	0
2005	8	.0295	.0030	.1115	.6151	.9721	21.20	.2868	.5337	6.10	12.60	2	1	0
2006	8	.0314	.0000	.1127	.6236	.2927	21.54	.2834	.5455	10.60	11.50	2	1	0
2007	8	.0319	.0000	.1159	.5948	.4080	21.97	.2510	.5781	15.80	11.80	2	1	0
2008	8	.0337	.0010	.1468	.5110	.4372	22.14	.2280	.5537	25.30	11.20	2	1	0
2009	8	.0353	.0015	.1634	.5437	.2258	22.36	.2748	.4945	36.40	10.00	2	1	0
2010	8	.0389	.0036	.1832	.5409	.4939	22.47	.3044	.4373	2.80	10.60	2	1	0
2011	8	.0401	.0018	.1659	.5131	.5136	22.81	.3149	.3864	18.10	11.40	2	1	0
2012	8	.0549	.0000	.1922	.6942	.3116	22.85	.3132	.5489	34.10	8.70	2	1	0
2013	8	.0433	.0007	.1761	.8471	.2468	23.06	.3359	.6035	13.50	9.90	2	1	0
2014	8	.0276	.0002	.1860	1.0716	.1552	23.17	.4099	.6175	8.10	10.30	2	1	0
2015	8	.0257	.0003	.1761	1.2324	.1784	23.34	.4392	.6436	7.70	10.20	2	1	0
2016	8	.0232	.0005	.1733	1.3131	.1913	23.51	.4359	.6681	9.70	8.00	2	1	0
2006	9	.0000	.0079	.5446	1.9565	.3973	19.23	.9375	.5208	10.60	11.50	3	0	1
2007	9	.0057	.0042	.3066	2.9630	.4127	19.87	.7843	.7353	15.80	11.80	3	0	1
2008	9	.0173	.0031	.2187	2.0217	.4847	20.33	.5316	.7371	25.30	11.20	3	0	1
2009	9	.0023	.0070	.1528	3.5687	.3537	20.75	.7217	.7978	36.40	10.00	3	0	1
2010	9	.0142	.0141	.1069	1.2138	.4815	21.29	.5061	.5830	2.80	10.60	3	0	1
2011	9	.0189	.0000	.0983	.8319	.4867	21.64	.4212	.4937	18.10	11.40	3	0	1
2012	9	.0278	.0028	.1137	.7956	.2960	22.02	.3453	.5660	34.10	8.70	3	0	1
2013	9	.0313	.0079	.1064	.6293	.4777	22.60	.3503	.4434	13.50	9.90	3	0	1
2014	9	.0467	.0099	.1483	.6657	.2513	22.72	.3470	.4788	8.10	10.30	3	0	1
2015	9	.0000	.0348	.1231	1.1588	.2027	23.16	.4956	.5723	7.70	10.20	3	0	1
2016	9	.0037	.0262	.1142	.7535	.1928	23.09	.4272	.4331	9.70	8.00	3	0	1
2007	10	.0000	.0048	.5075	7.3333	.6316	19.40	2.0952	.7143	15.80	11.80	3	0	1

2008	10	.0000	.0037	.2979	2.5464	.6353	20.17	.8073	.6830	25.30	11.20	3	0	1
2009	10	.0028	.0063	.2013	2.0793	.4648	20.67	.6920	.6672	36.40	10.00	3	0	1
2010	10	.0293	.0078	.1773	.7536	.5431	21.03	.3710	.5077	2.80	10.60	3	0	1
2011	10	.0242	.0005	.1952	.7981	.5048	21.32	.3693	.5373	18.10	11.40	3	0	1
2012	10	.0306	.0056	.1793	.7197	.4219	21.62	.3405	.5269	34.10	8.70	3	0	1
2013	10	.0379	.0016	.1842	.7069	.3037	21.80	.3048	.5688	13.50	9.90	3	0	1
2014	10	.0267	.0024	.1738	1.0599	.3127	22.01	.4119	.6114	8.10	10.30	3	0	1
2015	10	.0257	.0107	.1403	.9835	.2620	22.49	.4804	.5116	7.70	10.20	3	0	1
2016	10	.0242	.0090	.1318	.9166	.4080	22.82	.3766	.5892	9.70	8.00	3	0	1

Appendix- III: Heteroskedastic test

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of ROA

chi2(1)	1.02
Prob > chi2	0.3120

Appendix IV: Multicollinearity test

Variable	VIF	1/VIF
MGE	13.97	0.071598
OPE	11.52	0.086786
Stp1	6.65	0.150298
Stp2	6.15	0.162674
ERQ	3.97	0.251703
SIZE	1.82	0.548659
LQM	1.59	0.629440
CAR	1.40	0.711792
ASQ	1.34	0.746216
GDP	1.21	0.825945
INF	1.08	0.927694
Mean VIF	4.61	

Appendix V: Test for fixed or random effect model (hausman test)

Coefficients				
	(b)	(B)	(b-B)	sqrt(diag(V_b-V_B))
	fixed_group	random_group	Difference	S.E.
ASQ	-.2361303	-.2585694	.0224391	.
CAR	.0084867	.0123699	-.0038832	.0003878
MGE	.0044433	.0038657	.0005776	.
LQM	-.0010482	.0003041	-.0013523	.
SIZE	.0020527	.0022504	-.0001977	.
OPE	-.0263349	-.0265306	.0001957	.
ERQ	-.0513991	-.0470504	-.0043487	.0036732
INF	.0000791	.0000724	6.65e-06	.
GDP	.0005029	.0004041	.0000988	.
b = consistent under Ho and Ha; obtained from xtreg				
B = inconsistent under Ha, efficient under Ho; obtained from xtreg				

Test: Ho: difference in coefficients not systematic

$$\chi^2(9) = (b-B)'[(V_b-V_B)^{-1}](b-B)$$

$$= 1.94$$

$$\text{Prob}>\chi^2 = 0.9924$$

(V_b-V_B is not positive definite)

Random-effects GLS regression	Number of obs	=	121
Group variable: Bank	Number of groups	=	10
R-sq: within = 0.5630	Obs per group: min	=	8
between = 0.8175	avg	=	12.1
overall = 0.6114	max	=	14
Wald chi2(11)			171.48
corr(u_i, X) = 0 (assumed)	Prob > chi2	=	0.0000

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Appendix VII: correlation matrix

	ROA	ASQ	CAR	MGE	LQM	SIZE	OPE	ERQ	INF	GDP	Stp1	Stp2
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ROA | 1.0000

ASQ | -0.2947 1.0000

CAR | -0.1707 -0.0447 1.0000

MGE | -0.5973 0.0608 0.4162 1.0000

LQM | 0.0429 0.0399 0.1598 0.0099 1.0000

SIZE | 0.4085 -0.2525 -0.3852 -0.4021 -0.4411 1.0000

OPE | -0.5544 0.0921 0.4215 0.8875 0.1015 -0.4585 1.0000

ERQ | -0.3533 -0.1577 0.0226 0.4101 -0.3645 0.1143 0.0572 1.0000

INF | -0.0293 -0.0565 0.0935 0.1633 0.1581 -0.1118 0.1924 0.0023 1.0000

GDP | 0.2736 -0.3147 0.1208 -0.0813 0.1910 0.0595 -0.0887 -0.0577 -0.0147 1.0000

Stp1 | 0.0615 -0.0564 -0.1432 0.0874 -0.1936 0.1526 0.0777 0.2104 -0.0383 -0.0359 1.0000

Stp2 | -0.1781 -0.0923 0.1392 -0.0057 0.0680 -0.0815 -0.0552 0.0445 0.0261 0.0336 -0.8741

Appendix VIII: Lists of public and Private Commercial Banks in Ethiopia as of June 2015/16

S.N	Name of bank	Year of estab	No of Branchy	Ownership
1	Commercial Bank of Ethiopia (CBE)	1963	1150	Public
2	Construction & Business Bank (CBB)	1983	0	Public
3	Development Bank of Ethiopia	1909	110	Public
4	Awash International Bank S.C (AIB)	1994	245	Private
5	Dashen Bank S.C (DB)	1995	118	Private
6	Bank of Abyssinia S.C (BoA)	1996	176	Private
7	Wegagen Bank S.C (WB)	1997	161	Private
8	United Bank S.C (UB)	1998	144	Private
9	Nib International Bank S.C (NIB)	1999	155	Private
10	Cooperative Bank of Oromia S.C (CBO)	2005	184	Private
11	Lion International Bank S.C (LIB)	2006	121	Private
12	Oromia International Bank S.C (OIB)	2008	210	Private
13	Zemen Bank S.C (ZB)	2009	13	Private
14	Bunna International Bank S.C (BIB)	2009	105	Private
15	Berhan International Bank S.C (BBI)	2010	88	Private
16	Abay Bank S.C. (AB)	2010	116	Private
17	Addis International Bank SC. (AdIB)	2011	43	Private
18	Debub Global Bank S.C. (AdIB)	2012	28	Private
19	Enat Bank S.C (EB)	2013	20	Private

Source NBE annual report 1015/16