



ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

(QUALITY MANAGEMENT AND EXCELLENCE STREAM)

THE EFFECT OF STRATEGIC ORIENTATION ON ORGANIZATIONAL
PERFORMANCE IN ETHIOPIAN BANKS: OPERATIONAL EFFICIENCY
AS A MODERATOR.

Addis Ababa, Ethiopia

May, 31 2025

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A THISIS SUBMITTED TO ADDIS ABABA UNIVERSITY, COLLEGE OF BUSINESS
AND ECONOMICS, DEPARTMENT OF MANAGEMENT IN PARTIAL FULFILMENT
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MANAGEMENT AND ORGANIZATIONAL EXCELLENCE

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May, 31 2025

Addis Ababa, Ethiopia

Statement of Declaration

This thesis, titled "The effect of Strategic Orientation on Organizational Performance in Ethiopian Banks: The Role of Operational Efficiency as a Moderator," was completed under the guidance of Dr. Lakew Alemu. I, the undersigned, confirm that this work is entirely my own, and no part of it has been submitted to any other academic institution for the award of a degree.

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Muluset Taye

Signature: 

Date 30-05-2023

Statement of Dedication

This document attests to the fact that the research done by Muluset Taye, who specializes in the Quality Management and Organizational Excellence track at Addis Ababa University's Department of Management, has been submitted to partially fulfil the requirements for the Master of Arts in Quality Management and Organizational Excellence. The work exhibits originality in its content and conforms with the university's requirements and rules.

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ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT
(QUALITY MANAGEMENT AND EXCELLENCE STREAM)

THISIS APPROVAL SHEET

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Abstract

The objective of this study is to examine the effect of strategic orientation on organizational performance in Ethiopian banks, with a specific focus on operational efficiency as a moderating variable. The objective is to evaluate how market orientation, innovation orientation, and entrepreneurial orientation influence bank performance, and whether operational efficiency strengthens or weakens these relationships. Explanatory research design was adopted, and 381 structured questionnaires were distributed to bank employees across various institutions, of which 360 were valid for analysis. For this study both primary and secondary source of data were used. The primary data was collected using close-ended with five point Likert scale and open-ended questionnaire and secondary sources were collected from previously done articles and books. The collected data was analysed by using correlation and regression models through SPSS version 26. Regression analysis showed that strategic orientation variables collectively explained 27%. The remaining 73% suggests that other unexamined factors such as leadership quality, regulatory environment, technological adoption, or macroeconomic conditions also play crucial roles. When operational efficiency was introduced as a moderating factor, the adjusted R^2 dropped to 0.057, suggesting that while the moderation effect exists, it accounts for only a modest portion of performance variability. Nevertheless, operational efficiency was identified as a key factor in mitigating performance challenges in the dynamic financial environment of Ethiopia. The study recommends that banks enhance their innovation capabilities and integrate efficiency-improving technologies to fully leverage strategic orientations. Future research should investigate additional moderating or mediating variables (e.g., leadership styles, organizational culture, leadership quality) to better understand the complexity of organizational performance.

Keywords: Strategic orientation, Organizational performance, Operational efficiency, Market orientation, Innovation, Entrepreneurial orientation

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

Banks face a variety of difficulties in the highly competitive financial services industry of today, which calls for a clear and practical strategic orientation. A company's long-term direction and scope are delineated by its strategic orientation, which offers a framework for accomplishing objectives and adjusting to changes in the external environment. It includes a number of elements, such as innovation, customer focus, market orientation, and the use of new technologies. A clear strategic orientation is crucial for banks because it affects their capacity to adapt to changes in the market, satisfy client needs, and eventually improve performance (Zehir, C., Can, E., & Karaboga, T., 2015).

A complicated idea, organizational performance measures how well a company uses its resources and accomplishes its goals. Both non-financial variables like market share and customer satisfaction as well as financial measurements like profitability, return on assets, and cost efficiency can be used to evaluate performance in the banking industry. To be competitive and provide high-quality services, banks must identify the elements that affect performance (Obeidat, B., et al., 2016).

One important component in the relationship between organizational performance and strategy direction is operational efficiency. It describes an organization's capacity to provide services in the most cost-effective way possible without sacrificing quality. Indicators including employee productivity, transaction processing times, and the cost-to-income ratio can be used to gauge operational efficiency in the banking sector. Banks with high operational efficiency can lower expenses, simplify processes, and enhance service quality, all of which boost overall performance (Hilman, H., 2014).

Recent years have seen tremendous changes in the Ethiopian banking industry, fuelled by advancements in technology, revisions to regulations, and shifting consumer demands. Ethiopian Banks, a major financial player in the area, must successfully manage these developments while putting strategic plans into place that encourage better performance. The bank's long-term growth and competitive edge depend on its ability to comprehend how

strategic direction affects operational efficiency and, in turn, organizational performance (Sarker, S., & Palit, M., 2015).

Even though the significance of these components is widely recognized, little is known about how they relate to one another, especially when it comes to Ethiopian banks. By investigating how strategic orientation affects organizational performance and using operational efficiency as a moderating factor in Ethiopian banks, this study seeks to close this gap. This study will provide important insights into how banks may use their strategic orientation to improve overall performance results and operational efficiency by examining these correlations (Al-Ansaari, Y., et al., 2015).

1.2. Statement of the Problem

One of the most important elements affecting organizational success in the fiercely competitive corporate world of today is strategic orientation. It has a major influence on a number of performance metrics and establishes the emphasis and direction that businesses take in order to get a competitive advantage. Although there has been much discussion on how strategic orientation shapes organizational performance in the context of Ethiopian banks, there is a clear research vacuum about how operational efficiency could work as a moderating factor in this relationship (Mahmoud et al., 2016).

The dynamic and fiercely competitive environment in which Ethiopian banks operate is characterized by quick financial innovations, changing legislation, and an expanding clientele. Notwithstanding these developments, the industry still faces operational performance issues, such as inefficiencies, service delivery delays, and antiquated operating procedures in some regions (Kebede, 2020; Amha & Tegegne, 2021). Understanding how strategic orientation affects organizational performance is essential in light of these difficulties. However, there is still a lack of information in the literature about how operational efficiency, specifically in Ethiopian banks, acts as a moderator in this situation.

It is often acknowledged that a key factor in determining an organization's effectiveness is its strategic orientation, which encompasses components like market orientation, innovation orientation, and entrepreneurial orientation (Trang et al., 2016). How well a strategic direction is executed depends heavily on operational efficiency, which includes elements like cost control, process optimization, and resource exploitation (Rothaermel, 2015). Operational efficiency determines how successfully a strategy is implemented, which in turn affects

observable performance outcomes, even as strategic orientation charts the path for organizational growth (Tegegne, 2021).

Prior studies on organizational performance in Ethiopian banks have mostly focused on financial performance, customer satisfaction, and leadership styles. The relationship between operational effectiveness and strategic direction in enhancing performance, however, has not received much attention in research (Tadesse & Shiferaw, 2021).

According to Dinku, Y. (2016), there is a lot of study conducted worldwide on the connection between organizational performance and strategic orientation in the banking industry, but there aren't many studies that concentrate exclusively on Ethiopian banks. Studies that are specifically targeted to Ethiopia are necessary due to its unique economic and regulatory framework, as well as the particular difficulties that its banks face. In the context of Ethiopian banking, there is a glaring lack of knowledge regarding the direct effects of strategic orientations, such as market orientation, innovation orientation, and innovation orientation, on organizational performance. Additionally, less focus has been placed on how operational efficiency, particularly in Ethiopian banks, moderates the relationship between strategic orientation and organizational performance (Kim, S., & Park, S., 2017).

Although the significance of strategic orientation has been emphasized by a number of studies (Tesfaye, 2019; Kassahun, W., & Zerihun, 2020; Ayele, 2018), there are still a number of important questions regarding how strategic orientation functions in developing nations with unique market characteristics, such as Ethiopia. There is also a dearth of research on how institutional and cultural factors affect strategic orientation and performance in Ethiopian banks.

Although learning orientation is recognized as a component of strategic orientation, the marketing, innovative, and entrepreneurial orientations are the particular emphasis of this study. These elements are more closely related to proactive strategic conduct and competitive positioning, especially in banking contexts that are changing quickly (Narver & Slater, 2019). The importance of marketing, innovation, and entrepreneurial approaches is emphasized in a number of banking related research because of its close connection to performance results and market dynamics. Thus, according to Slater et al. (2010), this result is consistent with these established empirical models.

Examining how operational efficiency mitigates the effect of strategic orientation on organizational performance in Ethiopian banks is crucial, given the crucial roles that both strategy and operational efficiency play in determining organizational success. By acknowledging the critical importance of operational efficiency, this study seeks to close this gap in the literature by providing empirical evidence that could help banking organizations improve their strategic approaches.

1.3 Research Questions

The research the following research questions

- How does strategic orientation impact the organizational performance of Ethiopian banks?
- What is the role of operational efficiency in moderating the relationship between strategic orientation and organizational performance in Ethiopian banks?
- Which strategic orientations (market orientation, innovation orientation and entrepreneurial orientation) are most strongly associated with improved organizational performance in Ethiopian banks?
- To what extent does operational efficiency enhance or diminish the effect of strategic orientation on organizational performance?

1.4. Research Objective

1.4.1 General Main Objective

The main objective of this research is the effect of strategic orientation on organizational performance in Ethiopian banks while operational efficiency treated as a moderator

1.4.2 Specific Objectives

- To examine the effect of strategic orientation on the organizational performance of Ethiopian banks.
- To assess the moderating role of operational efficiency in the relationship between strategic orientation and organizational performance.
- To identify the strategic orientations (market orientation, innovation orientation and entrepreneurial orientation) that are most effective in driving organizational performance in Ethiopian banks.

- To explore the relationship between operational efficiency and organizational performance in the context of Ethiopian banks.

1.5. Research Hypotheses

The research the following research hypotheses

- H_1 : Market Orientation positively influences Organizational Performance in Ethiopian banks.
- H_2 : Entrepreneurial Orientation positively influences Organizational Performance in Ethiopian banks.
- H_3 Innovation Orientation positively influences Organizational Performance in Ethiopian banks.
- H_4 : Operational Efficiency moderates the relationship between Strategic Orientation and Organizational Performance.

1.6 Scope of the Study

This study investigates the effect of strategic orientation on organizational performance in Ethiopian banks: operational efficiency as a moderator. The study is delimited in three ways, thematically, geographically and time wise.

- **Thematically:** this study is only focused only the strategic aspect of the Bank which are market orientation, entrepreneurial orientation and innovation orientation. The research defines and explores the specific aspects of strategic aspect implemented within head office level.
- **Geographically:** the study is only delimited to Head Office level of each bank with fourth generation:
- **Methodology:** methodologically explanatory research design by mixed approach was conducted.

1.7 Significance of the study

This study holds significant implications for various stakeholders, including academia, practitioners in the banking sector, and policymakers.

- **Academic Contribution:** This study addresses a notable gap in the literature regarding the relationships between strategic orientation, operational efficiency, and organizational performance, particularly in the context of Ethiopian banks. By examining these variables in a comprehensive manner, the research adds valuable insights to the existing body of knowledge in strategic management and organizational behaviour.
- **Practical Implications:** The study provides actionable insights for Ethiopian Bank's management, highlighting how specific strategic orientations can enhance operational efficiency and, in turn, improve overall performance. This knowledge can inform strategic decision-making and help align operational practices with organizational goals. By understanding the interplay between these variables, Ethiopian Bank can better position itself in a competitive market. The insights gained may facilitate the identification of areas for improvement and innovation, ultimately leading to a stronger competitive edge.
- **Policy Implications:** The research findings may inform policymakers regarding the strategic orientations that can drive operational efficiency within banks. Understanding these dynamics can lead to the formulation of policies that support the banking sector's growth and sustainability in Ethiopia. By disseminating the results, the study can encourage other banks and financial institutions to adopt best practices in strategic orientation and operational efficiency, contributing to the overall improvement of the banking sector in the region.

1.8 Organization of the study

The study is organized into five chapters. Chapter one introduces the research, providing the background, the statement of the problem, the study's objectives, research questions, significance, and the definitions of key terms. It also outlines the scope and limitations of the study. Chapter two is dedicated to a review of the relevant literature. Chapter three outlines the research methodology employed for the study. In chapters four and five, the analysis and discussion of the results are presented, followed by the conclusions and recommendations.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1 The Concept of Strategic Orientation

According to Kumar et al. (2012), strategic orientation refers to the fundamental values and priorities that influence an organization's strategy and choices. Market orientation, entrepreneurial orientation, innovation orientation, and consumer focus are some of its many facets.

One of the most important elements affecting an organization's overall structure, performance, operations, investments, and market ties is strategy. A clear strategy helps firms solve problems, develop new capabilities, and improve company performance by presenting a roadmap for allocating resources, seeing opportunities to create unique products and services, and successfully conveying these offers (Balodi, K.C., 2014).

Organizations must work together to build solid industry positions and leverage their resources, competencies, and capabilities in order to attain alignment with both internal and external environments, which promotes sustained competitive advantage and improved business efficiency. Since it establishes the course a business will take to enhance its operations and overall performance, strategic orientation is essential in directing this process. Thus, the organization's strategic direction immediately influences its marketing, entrepreneurial, and operational strategies. A business can achieve its goals in a changing market by being proactive, embracing innovation, and taking measured risks (Hakala, H., 2011).

The disciplines of management, marketing, and entrepreneurship have all studied strategic orientation in great detail. Nevertheless, there isn't a single, widely recognized definition of strategic direction. The idea of orientation itself is still up for debate, with different academic traditions providing differing perspectives. Generally speaking, orientation describes an organization's dominant beliefs, passions, or tendencies. In particular, strategic orientation describes the methods a firm uses to improve performance and obtain a competitive edge, and it concerns how a corporation adjusts to its external environment (Mokhtar, S.S.M et al., 2014).

According to certain scholars, organizational culture is a crucial element of strategic orientation (Mahmoud et al., 2016). A company's total success is impacted by the way strategic orientations are implemented within it, and organizational culture is seen as an intangible resource. These orientations concentrate resources on reaching the intended results. The perspective that strategic orientation impacts organizational practices and eventually directs the firm's operations towards attaining long-term success supports the notion that strategic orientation shapes organizational decisions and resource allocations.

Chen and Hsu (2013) go on to stress that a firm's strategic direction is greatly influenced by its actions about the generation, dissemination, and use of market data. This viewpoint promotes the adoption of a number of strategic objectives, including quality, productivity, entrepreneurship, innovation, and technology. Three strategic orientations market orientation, entrepreneurial orientation, and technology orientation will be thoroughly examined for the goals of this study.

Market, consumer, technology, and entrepreneurial orientations are just a few of the components that make up strategic orientation, which is basically the framework that guides an organization's strategic decision-making. These orientations determine how banks react to consumer demands, market shifts, and competitive pressures in the banking industry. In particular, Narver and Slater (1990) emphasize market orientation as a crucial component, stressing the significance of comprehending client wants and coordinating organizational procedures to successfully satisfy those objectives.

2.1.1 Theories of strategic orientation

2.1.1.1 Resource-Based View (RBV)

A strategic management theory known as the Resource-Based View (RBV) emphasizes how important a company's internal resources and competencies are to determining its competitive edge and overall performance. According to this viewpoint, resources are important assets that businesses may use to perform better. Varied firms have varied resources, which can result in varying degrees of success. Resources encompass both material assets like equipment and technology as well as immaterial ones like people, intellectual property, and brand recognition. Furthermore, capabilities describe a company's capacity to efficiently integrate and use its resources in order to achieve particular goals. These skills, which include

marketing knowledge, research and development (R&D) ability, and operational efficiency, are frequently developed through organizational procedures and practices.

A company's resources should allow it to take advantage of opportunities or fend off dangers from the market if it wants to flourish. A bank that has a solid reputation for providing excellent customer service, for example, might use this asset to draw in and keep customers. In order to give a competitive advantage, resources need also be rare or different from those of rivals. A devoted clientele or exclusive access to cutting-edge technology are two examples (Wang, Y., Bhanugopan, & Lockhart, 2015).

The RBV states that in order to offer a consistent competitive advantage, resources must satisfy the VRIN (Valuable, Rare, Inimitable, and Non-substitutable) requirements. This suggests that if a company's resources are hard to duplicate, replace, or substitute, it can nevertheless beat its rivals. According to the RBV, firm-specific resources that are difficult for competitors to copy or transfer are the basis of competitive advantage. For example, a bank's in-house knowledge of regional market conditions or client preferences may be a source of long-term success (Wang, Y., Bhanugopan, & Lockhart, 2015).

Lee (2014) goes on to say that in order to gain a competitive edge, businesses should concentrate on building and utilizing their internal resources and competencies rather than focusing only on external factors like market conditions. To keep a strong competitive edge, organizations must recognize, develop, and safeguard their most important assets. This strategy might entail spending money on things like brand development, human resources, and technology. In order to continuously improve their resource base, businesses are urged to promote innovation and apply knowledge management techniques. For instance, banks may give top priority to the creation of novel financial products or use state-of-the-art technology to increase operational effectiveness.

The RBV can be used to examine how internal resources such as knowledgeable staff, cutting-edge technology, client connections, and financial capital contribute to strategic orientations and overall performance in the context of Ethiopian banks. For instance, by providing quicker and more secure online banking services, a bank with a strong IT infrastructure can obtain a competitive edge that improves customer happiness and operational effectiveness. Similar to this, a bank may set itself apart from its rivals and get and hold a bigger market share by having a strong brand and a high level of client loyalty (Tseng & Lee, 2014).

2.1.1.2 Market Orientation Theory

Market orientation, according to Swies and Maqableh (2014), is the ability of a business to comprehend, react to, and add value for its clients by efficiently gathering, disseminating, and acting upon data about client demands, rival activity, and general market circumstances. This idea is predicated on the idea that businesses are more likely to perform better if they are extremely aware of their market environment, especially client preferences and competition dynamics. In order to build strategic capabilities that give businesses a competitive edge by enabling them to be both proactive and responsive, market orientation is essential.

According to Kateb, Swies, and Maqableh (2014), competitor orientation in the banking industry can also entail keeping a close eye on newly launched financial services or technology by rival banks and modifying or improving existing offers to stay competitive. The goal of this organization-wide perspective is to make sure that every department and function is in line with what the market demands. To guarantee that the company reacts to client demands and rival activity in a coordinated manner, teams from marketing, sales, research and development, and customer support must work well together. Market-oriented businesses are better equipped to develop in ways that draw clients and set them apart from rivals by consistently monitoring market trends, consumer input, and competition activity.

2.1.1.3 Innovation Orientation Theory

Market orientation, according to Swies and Maqableh (2014), is the ability of a business to comprehend, react to, and add value for its clients by efficiently gathering, disseminating, and acting upon data about client demands, rival activity, and general market circumstances. This idea is predicated on the idea that businesses are more likely to perform better if they are extremely aware of their market environment, especially client preferences and competition dynamics. In order to build strategic capabilities that give businesses a competitive edge by enabling them to be both proactive and responsive, market orientation is essential.

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businesses are better equipped to develop in ways that draw clients and set them apart from rivals by consistently monitoring market trends, consumer input, and competition activity.

2.1.1.4. Entrepreneurial Orientation (EO) Theory

The term "entrepreneurial orientation" (EO) is a company's strategic thinking or attitude that is defined by its willingness to take chances, proactive approach to spotting business possibilities, and emphasis on innovation and competitive action. An organization's capacity to identify and seize new business possibilities, create cutting-edge goods or services, and promptly adjust to market shifts all while managing measured risks is reflected in its EO. (Abdallah & Masa'deh, 2014)

According to Obeidat, Masa'deh, and Abdallah (2014), EO basically embodies a company's entrepreneurship strategy, with proactivity, creativity, and risk-taking at its centre. The five main elements of EO are commonly characterized as defining an organization's entrepreneurial behaviour and strategy. One of these factors is the company's readiness to commit significant funds to risky endeavours like introducing new goods, breaking into unexplored areas, or implementing cutting-edge technology, all of which have possible consequences. Even when the results are uncertain, companies with a strong risk-taking mentality are not afraid to take risks. They frequently invest in technologies that have the potential to upend industry standards, embark on high-risk initiatives with substantial potential benefits, and enter uncharted areas (Zehi et al., 2015).

An example of a risk-taking approach would be a bank that introduces a new digital banking service in spite of the high level of uncertainty yet recognizes substantial market potential. The company's capacity to foresee and seize new market possibilities before its rivals does is another facet of EO. Instead than only responding to current trends, this entails embracing a forward-thinking approach, frequently spotting opportunities before they become widely accepted (Abdallah et al., 2014).

2.1.1.5 Contingency Theory

According to contingency theory, the best course of action relies on both internal and external conditions, meaning that there is no one-size-fits-all approach to organizational structure or strategy. According to this theory, contextual factors like operational efficiency influence how well strategic orientations including marketing, innovation, and entrepreneurial orientations influence organizational performance in the context of Ethiopian banks (Knatko, 2024).

Contingency theory provides a helpful lens through which to view how the effectiveness of strategic orientations may differ depending on operational efficiency levels when examining the influence of strategic orientation on organizational performance in Ethiopian banks, with operational efficiency serving as a moderating factor. For instance, since effective operations make it easier to implement marketing strategies, a bank with great operational efficiency is probably going to observe a larger positive correlation between marketing orientation and performance. On the other hand, the same marketing strategy might not yield appreciable performance gains in a bank with poorer operational efficiency (Melesse, 2024).

2.2 Dimension of strategic orientation

2.2.1 Market Orientation

This dimension highlights how crucial it is to comprehend and cater to the requirements and preferences of customers. Because they can adjust to changing market conditions and customer needs, research shows that companies with a strong market orientation typically perform better (Narver & Slater, 1990).

Market orientation is regarded as an essential tactic for preserving competitiveness, especially in the unstable economic climate of today. It is seen as a crucial management strategy in addition to a marketing idea. Numerous academics, experts, and researchers contend that market orientation improves performance, generates a competitive advantage, and supports the growth of marketing capabilities (Tsering, C., 2015).

According to Real, Roldan, and Leal (2014), there are several definitions of market orientation in the literature on marketing. It is seen as a managerial decision-making process supported by organizational commitment. In essence, market orientation calls on businesses to be aware of changing consumer demands, assess the effects of these shifts on customer satisfaction, quicken product development, and put measures into place that strengthen their competitive edge.

This study uses the concept proposed by Dess, Pinkham, and Yang (2011), who state that three essential components customer orientation, competitor orientation, and inter-functional coordination reflect market orientation. To provide customers with additional value-added solutions, customer orientation entails comprehending their present and future needs. Competitor orientation entails keeping an eye on the long-term plans, actions, and advantages and disadvantages of both present and future rivals. Last but not least, inter-functional

coordination guarantees that departmental activities are coordinated, allowing businesses to recognize and respond to possible opportunities or dangers and transforming these insights into deliverables that can be put into action.

2.2.2 Entrepreneurial Orientation

A company's willingness to innovate, take chances, and actively seek out new opportunities are all components of an entrepreneurial approach. According to research, companies with a strong entrepreneurial orientation typically perform better because they encourage creativity and adaptability (Miller, 1983).

As a strategic viewpoint, entrepreneurial orientation emphasizes the business-oriented elements of a company's plan. It assesses how ready the company is to take advantage of fresh chances and keep a competitive edge in a constantly shifting environment. The ability of a business to see, grasp, and act upon new opportunities which frequently lead to substantial change is the essence of entrepreneurial orientation (Gupta, V.K., and Gupta, A., 2015).

Additionally, this idea encompasses particular entrepreneurial facets of organizational attitudes, strategies, and decision-making processes. Stated differently, it refers to the methods, procedures, and managerial styles that support entrepreneurial activity. The philosophy of entrepreneurial orientation holds that businesses need to be creative in order to enhance their operations. With strong backing from upper management, this calls for a strategic commitment to concrete activities like taking risks, inventing, and responding to market shifts (Etemad, H., 2015).

According to Wheelen and Hunger (2015), product-market innovation, being a trailblazer in new markets, and being aware of the risks involved are the three main components of entrepreneurship. Three main characteristics of entrepreneurial orientation are identified in this study: proactiveness, risk-taking, and innovativeness. Innovativeness is characterized by a readiness to promote technical leadership, encourage experimentation and creativity, and conduct research and development for novel procedures. Being proactive entails anticipating market trends, investigating new markets, influencing market dynamics, and introducing new goods and services before rivals. The desire to make large investments in ventures with unpredictable results and high failure costs is referred to as risk-taking.

2.2.3 Innovation Orientation

Banks must use technology to enhance client relations and operational efficiency in the increasingly digital world of today. Businesses that prioritize technology improvements usually see better performance results (Zhao et al., 2013).

In order to close the gap between companies and their clients, innovation is essential. Businesses use technology to improve their capacity to collect and evaluate consumer information. Additionally, via prior experiences and practices, a technology-driven business frequently accumulates a pool of technological expertise that can be used to its benefit in the future. A technology-oriented corporation actively searches for cutting-edge solutions to innovate and improve its products, services, and operational processes, even while the rate of advancement in technology in an industry may affect how rapidly a firm adopts or develops new technologies (Aghajari, N. and Senin,

A company's propensity to adopt and apply technical innovations, products, and breakthroughs is known as its innovation orientation. It means that giving value to customers and guaranteeing the organization's long-term growth depend heavily on innovative technology, innovations, and procedures. Abdallah, A., Obeidat, B., and Aqqad, N. (2014) assert that an organization's technological base, particularly its capacity for research and development, might be crucial in the introduction of creative and well-designed products. As a result, a company that is focused on technology is proactive in obtaining new technologies and applying them to create better goods and services. These businesses may provide better goods and services than their rivals by implementing new technology, which will ultimately improve product performance and overall business profitability.

2.3 Organizational Performance

Both financial and non-financial measures can be used to assess the overall idea of organizational success. Market share, profitability, return on assets (ROA), and customer happiness are examples of common metrics.

One of the main objectives of corporate strategic management is improving organizational performance, and many businesses invest a lot of money in this endeavour. A key factor in assessing an organization's likelihood of success is its performance, which shows how well it can carry out plans and achieve its objectives.

Scholars have proposed several definitions of organizational performance since it involves a wide variety of characteristics and differs based on the stakeholder's perspective (Zehir, C., Can, E., & Karaboga, T. 2015). It is frequently interpreted as the outcome of an organization's use of both material and immaterial resources to accomplish its goals.

According to Obeidat, B., Al-Suradi, M., Masa'deh, R., and Tarhini, A. (2016), organizational performance is determined by the aims and objectives of the organization. When compared to the anticipated results, they define it as the actual outcomes or results of an organization. Since organizational performance is a complex idea, it aims to quantify how well a company accomplishes its goals and meets the demands of different stakeholders over a given time frame.

In the past, financial indicators like profits, expenses, and market share were frequently used to gauge performance (Kaliappen, N., & Hilman, H., 2014). Modern viewpoints contend, however, that achievement is more than merely financial factors. In actuality, more comprehensive evaluations that take into account more facets of company success are now frequently used in addition to financial measurements. To evaluate their success, many businesses now combine financial and non-financial performance metrics.

Metrics like profitability, sales growth, return on equity, return on investment, and return on sales are commonly used to assess financial performance and are taken from financial statements. However, financial measures by themselves do not adequately describe organizational success, as noted by Masa'deh, R., Tarhini, A., Al-Dmour, R.H., and Obeidat, B.Y. (2015). Non-financial indicator proponents contend that these metrics are essential for determining a company's long-term sustainability. Customer happiness, market share, customer loyalty, product innovation, and brand recognition are examples of non-financial performance criteria that can help a business achieve long-term financial success.

A clear strategic direction frequently results in better financial outcomes, according to a number of studies that have examined the relationship between strategic orientation and financial performance (Venkatraman & Ramanujam, 1986). Furthermore, understanding organizational success requires a grasp of other performance measures, such as employee engagement and customer satisfaction. According to research, businesses that adapt their tactics to meet the needs of their clients typically see increases in client satisfaction (Agarwal & Rahman, 2016).

2.3.1 Performance Matrices in Banks

2.3.1.1 Return on Equity (ROE)

A key financial metric for assessing a bank's capacity to turn a profit in proportion to the equity held by its shareholders is return on equity, or ROE. It gauges how effectively a bank generates profits from its equity capital. ROE, which is usually represented as a percentage, is computed by dividing net income by the average shareholders' equity for a given time period.

The capacity of ROE to demonstrate how well a bank is making money off of the capital contributed by its shareholders makes it significant for banks. Investors can evaluate the bank's operational effectiveness using this statistic. One can assess a bank's relative performance by contrasting its return on equity (ROE) with that of other organizations or industry standards. A higher ROE indicates that the bank is utilizing its equity capital more efficiently, which often makes it more appealing to investors. It serves as an indicator of the bank's management success in optimizing resources to enhance shareholder value.

Overall, ROE is a vital tool for analysing a bank's financial strength and profitability. Investors and financial analysts monitor this ratio closely to assess the bank's performance and make well-informed investment choices.

2.3.1.2 Return on Asset

A crucial financial metric for assessing a bank's profitability in relation to its total assets is return on assets, or ROA. It demonstrates how well a bank uses its resources to produce profits. ROA, which is typically expressed as a percentage, is computed by dividing net income by total assets during a given time period.

Because it is efficiency metric, ROA is important to banks. It gives an overview of a bank's operational efficiency and shows how successfully it is using its assets to generate profits. A bank's relative performance can be evaluated by comparing its return on assets (ROA) to that of other banks or the industry average. Additionally, ROA sheds light on a bank's management of its asset portfolio, which is particularly important in the banking industry where asset quality is a key concern.

An essential indicator for evaluating a bank's financial performance is return on assets (ROA). It shows how well the organization can make money off of its assets. ROA is used by regulators, analysts, and investors to assess the bank's overall financial stability, operational

efficacy, and efficiency. Better asset utilization is indicated by a greater ROA, which makes it an important consideration for making regulatory and investment decisions.

2.4 Operational Efficiency

An organization's ability to deliver services or goods efficiently while reducing waste and increasing output is known as operational efficiency. A variety of performance metrics, including return on assets, cost-to-income ratios, and transaction processing times, are frequently used to assess it (Sufian & Wong, 2009).

In a more general sense, operational efficiency is the capacity of an organization to provide goods or services at a reasonable cost without compromising quality. This element is crucial in closing the performance gap between overall organizational performance and strategic goals. Operational efficiency in the banking industry refers to how effectively a financial organization provides services while maintaining low costs and high output. To do this, resources must be optimized, procedures must be improved, and technology must be used to save operating costs and enhance service delivery.

For banks, maintaining high operational efficiency is essential, as it not only boosts profitability but also strengthens customer satisfaction and enhances competitive positioning in the market (Balodi, K.C., 2014)

2.4.1 Measuring Operational Efficiency

Employee productivity, transaction processing times, and cost-to-income ratios are examples of common indicators. Performance can be increased by reduced expenses and better service delivery brought about by high operational efficiency (Charnes et al., 1990).

According to published research, the relationship between performance and strategic orientation may be moderated by operational efficiency. A market-oriented approach, for instance, can improve operational procedures, resulting in increased effectiveness and superior performance outcomes (Cohen & Levinthal, 1990).

2.5 Strategic Orientation and Operational Efficiency

Organizational performance, operational effectiveness, and strategy orientation are strongly correlated, according to research. Businesses that adopt a strong strategic orientation usually put operations optimization procedures into place, which boosts productivity. For instance, to

speed up transactions and improve service quality, banks that prioritize customer service might spend money on staff training and cutting-edge technology (Homburg et al., 2004).

Improved organizational performance and increased operational efficiency are positively correlated. Effective banks can save expenses, improve customer service, and eventually produce better financial results (Kumar & Sethi, 2019). An organization's approach to its external environment, including its position on resource allocation, innovation, and market demands, is referred to as its strategic orientation. Understanding client wants and making adjustments in response to them is one of its many facets (Narver & Slater, 1990).

Research shows a strong correlation between operational effectiveness and strategic orientation in a variety of sectors, including banking. Key components of this relationship are outlined below: Market Orientation: Banks that have a strong focus on the market are better able to comprehend and address the needs of their clients, which results in more efficient operations and better service. Banks can reduce inefficiencies and increase customer satisfaction by coordinating their operational plans with market demands (Narver & Slater, 1990; Homburg et al., 2004).

Process Innovation and Entrepreneurial Orientation: Process innovations that increase operational efficiency are more likely to be adopted by banks with a high degree of entrepreneurial orientation. These banks can incorporate new technology and processes that improve operations by fostering an innovative and risk-taking culture (Miller, 1983; Kwiatkowski & Trocki, 2020). This innovative strategy lowers expenses while improving service quality.

Efficiency Gains and Innovation Orientation: Businesses that place a high priority on innovation are in a good position to increase operational efficiency. Transaction times and operational expenses are greatly reduced when technology is used in banking operations, such as when transactions are automated and digital banking services are provided (Zhao et al., 2013; Cummings & Finkelstein, 2012). According to research, banks that use technology report increased operational efficiency as a result of fewer manual errors and faster service delivery.

2.5.1 Operational Efficiency as a moderator

Operational efficiency serves as a moderator in the context of your study, influencing the direction or intensity of the association between organizational performance and strategic

orientation in Ethiopian banks. More precisely, the reasons and ways in which strategic orientation influences performance are not immediately explained by operational efficiency. Rather, it establishes the degree to which strategic orientation improves performance. By influencing the efficacy of strategic initiatives, operational efficiency modifies the link between the independent variable (strategic orientation) and the dependent variable (organizational performance). This suggests that the degree of operational efficiency within an organization might affect how strategic orientation affects performance. For example, a customer-centric strategic approach may have a more positive impact on a bank with high operational efficiency in its internal operations than on a bank with lesser operational efficiency (Cohen & Levinthal, 1990).

According to this moderation, the benefits of a strategic orientation might not be fully realized in the absence of effective operational procedures. A number of external factors, including competitive pressures, market conditions, and regulatory laws, might impact the relationship between strategic orientation and operational efficiency. Certain regulatory restrictions may have an effect on how banks carry out their strategic orientations and the operational efficiencies they are able to attain in the Ethiopian banking sector. Given the strict regulations in the banking sector, the ability of banks to adopt innovative practices aligned with their strategic goals may be constrained. Understanding these factors is crucial when analysing the outcomes of operational efficiency (Stiroh, 2004).

2.6 Strategic orientation in Banking Sector

The banking industry in Ethiopia is going through a significant transition due to changes in regulations, advancements in technology, and more competition. Ethiopian banks, like many other financial organizations, struggle to improve overall performance by balancing their strategic direction with operational efficiency. The need for empirical study to examine these links is highlighted by the paucity of thorough studies on this topic in the Ethiopian context.

The alignment of a bank's operations, resources, capabilities, and strategy with its long-term objectives in order to achieve superior performance and obtain a competitive edge is known as strategic orientation in the banking sector. It shows how banks handle important problems such as client demands, technology developments, market dynamics, and pressure from competitors. For banks looking to stay relevant in a market that is competitive and changing quickly, strategic orientation is essential.

Customer orientation, technology adoption, innovation, market orientation, risk management, and operational efficiency are some of the components that make up strategic orientation in the banking industry. It is essential to understand how different strategic orientations influence banking performance and competitive advantage, particularly as the financial industry increasingly moves toward digitalization and customer-centric models.

The banking industry in Ethiopia has seen tremendous development in recent decades, characterized by increased competition, modifications to regulations, and advancements in technology. Despite the industry's dominance by state-owned banks, private banks have also surfaced, fostering a more dynamic and competitive market. It is crucial to comprehend strategic orientation in this context since it dictates how banks respond to obstacles and take advantage of new opportunities (Stiroh, 2004).

Banks' strategic orientations are significantly shaped by Ethiopia's changing regulatory environment. Many banks struggle to strike a balance between following regulations and pursuing creative approaches. Banks must modify their tactics in this setting to handle the complexity of regulations. Furthermore, banks' decision-making processes are greatly impacted by variables like inflation, currency fluctuations, and economic instability, which calls for flexibility and response to quickly shifting circumstances (Teece, 2007).

2.7 Empirical Reviews

A strong market orientation had a beneficial impact on operational efficiency, which in turn led to improved overall performance, according to Sufian & Wong's (2009) analysis of Malaysian banks.

Numerous empirical studies have examined the relationship between organizational performance and strategic orientation in Ethiopia, with a focus on the banking sector. Endeshaw Azaj, Mengistu Bogale Ayele, and Worku Mekonnen (2020) examined the effects of market, entrepreneurial, learning, and technical strategic orientations on the performance of Addis International Bank in a study that was published in the *International Journal on Leadership*. According to the study, performance was significantly improved by both entrepreneurial and technology orientations, but not by market or learning orientations.

In his Addis Ababa University thesis, Muluken Kebede (2021) examined how strategic thinking affected Enat Bank's performance. According to his findings, methods like systems thinking, reframing, and reflective thinking improved organizational results. Endeshaw Azaj

(2020) also looked at strategic orientation in the context of Addis International Bank and found that performance improvement was favourably correlated with entrepreneurial and technical orientations.

In their 2024 article for *Cogent Business & Management*, Frezer Tilahun Tefera and Seife Michael Abebe examined the impact of strategic planning on public commercial banks in the Eastern Hararghe region. According to their research, strategic planning components like environmental scanning, formulation, and implementation have a significant positive correlation with bank performance.

Additionally, Enkuselassie Bahru (2022), a student at Addis Ababa University, examined how strategic management affects organizational success in a thesis that concentrated on private commercial banks. The study, which employed a quantitative methodology, discovered that performance was positively impacted by strategic management. The Commercial Bank of Ethiopia's strategic orientation was also examined in a previous study by Worku Lemma Tesema (2005) of Addis Ababa University. The study looked at characteristics like aggressiveness, proactiveness, risk-taking, and futurity and how they affected the bank's direction and outcomes.

In a more recent study, Tarekegn Tariku Ebissa and Deresse Mersha Lakew (2025) examined how financial technology might increase cost efficiency in Ethiopian banks. Their findings were published in *PLOS ONE*. Their results showed that by lowering operating expenses, tools like online and mobile banking greatly increased operational efficiency, indicating that efficiency may act as a moderator in the relationship between performance and strategic orientation.

According to Kumar & Sethi (2019), banks with a strong focus on innovation and entrepreneurship had greater operational efficiency, which enhanced financial results. The relationship between strategic orientation and operational effectiveness was further supported by Homburg et al. (2004), who showed that implementing market-oriented methods led to process enhancements that improved operational efficiency.

A number of theoretical frameworks also support the connection between organizational performance, operational effectiveness, and strategic orientation. According to one such framework, a company's distinct assets and competencies may help it maintain a competitive edge over time. According to Barney (1991), strategic orientation is a critical skill that affects

organizational success as well as operational efficiency. In order to satisfy the needs of a quickly changing environment, this viewpoint emphasizes the significance of organizations' capacity to integrate, adapt, and reconfigure both internal and external skills (Teece, 2007).

One dynamic quality that can improve organizational performance and operational efficiency is strategic orientation. Across a range of industries, including banking, a number of empirical studies have demonstrated a favourable correlation between organizational performance and strategic direction.

Market Orientation: Studies indicate that businesses with a strong focus on the market typically have superior financial results. According to Narver & Slater (1990), market-oriented businesses were more profitable and satisfied with their customers because they could successfully predict and satisfy their requirements.

Strong entrepreneurial orientation is linked to better organizational performance, according to studies by Lumpkin & Dess (1996). This is because entrepreneurial organizations are more flexible and innovative in reaction to changes in the market.

By using cutting-edge technologies that optimize processes and enhance service delivery, businesses with an innovation orientation see notable performance gains, according to Zhao et al. (2013).

The relationship between strategic direction and organizational performance is frequently shown to be significantly moderated by operational efficiency. Businesses can more successfully use their strategic initiatives when they have efficient operational procedures.

Homburg et al. (2004) showed that companies that are focused on the market are more likely to optimize their operations to satisfy client needs, which boosts efficiency and improves performance results.

Innovative processes that increase operational efficiency are typically implemented by businesses with a strong entrepreneurial attitude. For example, Wiklund & Shepherd (2005) shown that entrepreneurial businesses use resources more effectively, which improves performance and operational efficiency.

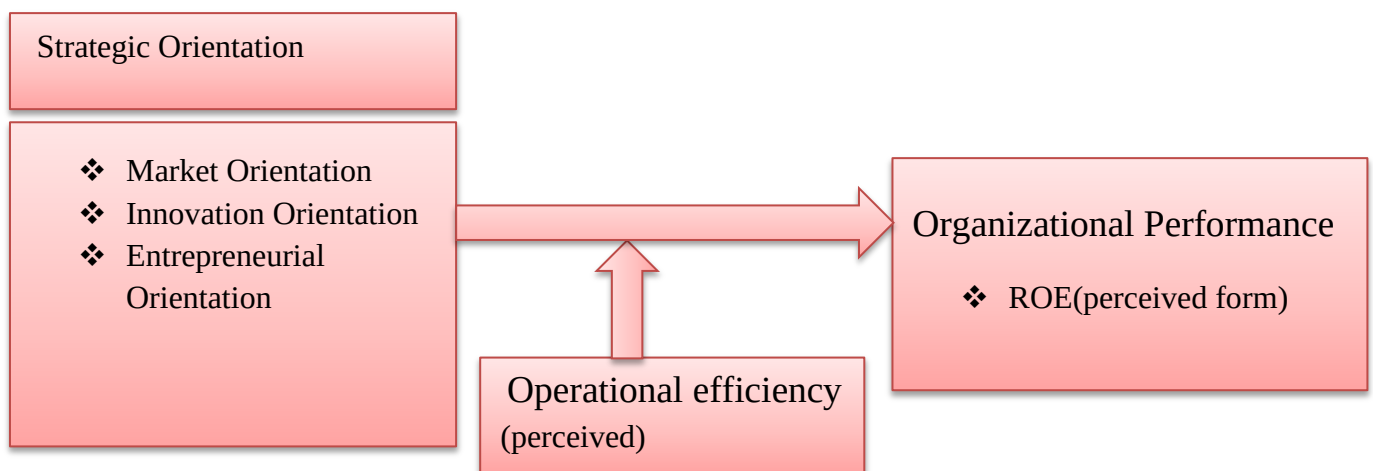
Both state-owned and private banks make up Ethiopia's banking industry, and each one has a distinct strategic orientation depending on its objectives and placement in the market (Kassa, 2017). These banks' performance results and operational efficiency are impacted by this

heterogeneity. Furthermore, banks' use of technology to increase operational efficiency may be impacted by Ethiopia's slower rate of technical progress than more developed markets (Abate, 2020).

.2.6 Conceptual Framework

The following conceptual framework is developed based on the theoretical and empirical review. Market Orientation, Innovation Orientation and Entrepreneurial Orientation and Organizational performance is dependent variable.

Figure 1.1 Conceptual Frameworks



Source: Developed for the Study, 2025

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Introduction

This section presents the research methodology used to investigate the impact of strategic orientation on organizational performance, with a particular focus on the moderating role of operational efficiency in Ethiopian banks, specifically at the head office level.

3.2 Research Design

The broad approach or plan that directs every step of the research process, including data collection, analysis, and interpretation, is referred to as research design. It outlines the techniques and protocols used in the study and is crucial to guaranteeing that the findings are accurate, trustworthy, and pertinent to the goals of the investigation (Kothari, 2004).

An explanatory research design is used in the study "The Effect of Strategic Orientation on Organizational Performance in Ethiopian Banks: Operational Efficiency as a Moderator." Because it aims to ascertain how strategic orientation, the independent variable, affects organizational performance, the dependent variable, this design is appropriate. Additionally, the moderating variable of operational efficiency is introduced, implying that it has the potential to either improve or reduce the correlation between performance and strategic direction (Kothari, 2004).

When examining causal links between variables is the goal of the study, an explanatory research design is employed. Explanatory design goes beyond descriptive research by aiming to identify the causes or mechanisms behind observed events. Understanding the elements or connections that lead to particular results or behaviours is made easier with this method (Kothari, 2004).

3.3 Research Approach

A research approach is a thorough plan or strategy that guides researchers as they investigate a certain subject. It describes the collection, analysis, and interpretation of data and usually falls into three major areas (Kothari, 2004).

With an emphasis on the moderating function of operational efficiency in Ethiopian banks at the head office level, the study intends to investigate the relationship between strategic orientation and organizational performance.

The research titled “The Effect of Strategic Orientation on Organizational Performance in Ethiopian Banks: Operational Efficiency as a Moderator” seeks to investigate the causal relationship between strategic orientation, organizational performance, and operational efficiency, utilizing statistical methods such as regression analysis.

To address these objectives, the study adopted a mixed research approach, leaning more towards qualitative methods. This approach allows the quantitative data to be complemented by qualitative insights, enhancing the depth and clarity of the findings (Kothari, 2004).

3.3 Population, sample size determination and Sampling Design

3.3.1 Target Population

All employees of Ethiopian banks at head office level are become the population of the study. The number of populations is 8141. A list of departments re included in the following table.

The sample size of the respondents was settled by using sample determination formula developed by Yemane (1967).

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

Where n is the sample size,

N is the population size, and

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

$$n = \frac{N}{1 + N(e)^2} = \frac{8141}{1 + 8141(0.05)^2} = 381$$

This sample size is distributed to the departments in each bank. Most banks have Procurement, property marketing Finance, credit, card banking, online banking, HR, deposit mobilization, Agent banking, Digital banking, IBD, Engineering, Legal, MIS, IFB, Project

management Risk, Audit, Treasury and contact centre. Based on the n/N proportion the sample was distributed as follows. $381/8141=0.0468$

Table 3.1 Sample Distribution in Each Department

No	Departments	Total number of employees	Sample size (n/N)= 0.0468
First Generation (Traditional/State-Owned Banks)			
1	Commercial Bank of Ethiopia (CBE)	2500	117
2	Development Bank of Ethiopia (DBE)	321	15
Second Generation (Private Banks with Expanded Services)			
3	Awash International Bank	921	43
4	Dashen Bank	760	36
5	Bank of Abyssinia	670	31
Third Generation (Modern, Technology-Driven Banks)			
6	Cooperative Bank of Oromia	571	27
7	Hibret Bank	860	40
8	Nib International Bank	560	26
Fourth Generation (Digital and Mobile-First Banks)			
9	Zemen Bank	532	26
10	Amhara Bank	446	20
	Total	8141	381

Source: Collected from Each Banks HR Director, 2024

3.3.2 Sampling Techniques

Techniques for selecting a representative selection of people or units from a broader population for study are known as sampling techniques. The validity and reliability of the study's findings may be significantly impacted by the methods used.

A sample size of 381 people was used for this study. The sample method used was multistage sampling. Ten banks in total were chosen for the study in the first stage, with banks from each generation being chosen at random. As a sort of probability sampling technique, random sampling selects individuals at random from the general population, guaranteeing that each participant has an equal chance of being chosen. Furthermore, the allotted quotas were also selected at random.

3.4. Type and Source of Data

In research, it is crucial to understand the different types and sources of data to effectively collect and analyse information. To achieve the research objectives, both primary and secondary data were gathered for the study

3.4.1. Primary Source of Data

Original, first-hand information gathered especially for a given study subject is known as primary data. It is usually acquired by direct interaction with individuals or phenomena and offers concrete proof pertaining to the research questions. A questionnaire was used in this study to collect primary data from each bank's personnel.

3.4.2. Secondary Source of Data

Information that has previously been gathered, examined, and published by other researchers or organizations is referred to as secondary data. These resources are frequently used to support research, give context, or compare findings because they provide interpretations, analyses, or summaries of primary data. This study also used secondary data, such as journals and policy directives, in addition to primary data.

3.5. Data Collection Instruments

To achieve the research objectives, both primary and secondary data were gathered. To ensure reliable and comprehensive information, structured questionnaires were used as the primary tool for data collection. The required data for this study were obtained from the respondents through self-administered questionnaires and document analysis.

3.5.1. Questionnaire

The researcher used a 5-point Likert scale (ranging from "Strongly Agree" to "Strongly Disagree," with a neutral option) for the questionnaire. The closed-ended format of the questionnaire limits respondents to choosing from predefined alternatives, preventing them from offering further elaboration on their feelings regarding the study's topic. While this approach restricts detailed responses, it simplifies and accelerates the data analysis process. Therefore, the researcher chose to develop the questionnaire using the 5-point Likert scale.

The questionnaire was compiled and adapted from various sources. It is primarily based on the works of Ahmad Marei, Najwa Ashal, Azzam Abou-Moghli, Luay Daoud, Abdalwali Lutfi (2023); Endeshaw Azaj, Mengistu Bogale Ayele, Worku Mekonnen (2020); Obeidat, B. (2016); Endeshaw Azaj (2020); and Abraham Moges (2024)

3.5.2. Interview

The researcher also conducted face-to-face interviews with human resource managers and employees who have a direct impact on employee performance, using a semi-structured interview format. In total, three interviews were conducted across different banks. This semi-structured approach allowed for flexibility in the conversation, enabling the researcher to clarify any points raised by the participants and gain a deeper understanding beyond the written responses.

3.6 Document Analysis

The researcher employed document analysis to extract relevant and supportive Secondary data from the revenue office report, policy directives and journal articles.

3.7. Data Analysis Techniques

The information gathered from the surveys was arranged, examined, coded, and examined. The goal of the editing procedure was to improve the data quality for coding. The Statistical Package for Social Sciences (SPSS), version 26, was then used to code and analyze the structured questionnaire responses. In this study, both qualitative and quantitative data analysis techniques were used.

Based on the findings from the tables and figures, descriptive statistics including frequency, percentage, mean, and standard deviation were computed in order to analyze the data. Additionally, to investigate associations between variables, inferential statistical techniques such as bivariate correlation and linear regression were used.

3.8. Validity and Reliability of Research Instruments

The reliability of the data was calculated and estimated using Cronbach's alpha reliability coefficient. When it comes to questionnaire validity, the researcher discussed with speaks with the advisor

Table 3.2 Reliability Test

Reliability Statistics	
Cronbach's Alpha	N of Items
.717	25

Source: survey result, 2025

The Cranach's alpha reliability coefficient for this study is 0.717. According to Kothari C. R.'s classification, alpha values are categorized as follows: excellent (0.93–0.94), strong (0.91–0.93), reliable (0.84–0.90), robust (0.81), fairly high (0.76–0.95), high (0.73–0.95), good (0.71–0.91), relatively high (0.70–0.77), slightly low (0.68), reasonable (0.67–0.87), adequate (0.64–0.85), and moderate (0.61–0.65). Given that the study's Cranach's alpha value falls into the "relatively high" range, the researcher affirms the validity and reliability of the surveys used in this research

3.9 Model specification

To examine the effect of strategic orientation on organizational performance in Ethiopian banks: operational efficiency as a moderator at head office level the following linear regression model is developed.

Variables are carefully selected in review of literature which needs to be specified. Multiple Liner Regression techniques were employed to analyze the straight-line relationships among two or more variables and estimates the β 's in the equation.

Specified regression model equation for linear relationship among variables is;

$$y_j = \beta_0 + \beta_1 x_{1j} + \beta_2 x_{2j} + \dots + \beta_p x_{pj} + \varepsilon_j$$

Where:

Y_j is represents dependent variable (DV) for observation j .

X_j is represents the independent variables (IV"s) for observation j

β_0 is the intercept

β is the unknown regression coefficients.

ϵ_j is the error (residual) of observation j .

Based on the above, the model is modified based on the research variables that described in the conceptual framework in chapter two. To examine the effect of strategic orientation on organizational performance, the moderating role of operational efficiency in Ethiopian Banks at head office level the researcher develops the following model.

$$OP = BO + B_1SO + \epsilon_i \text{-----} 1$$

$$Op = BO + B_1MO + B_2TI + B_3ENT + \epsilon_i \text{-----} 2$$

$$OP = \beta_0 + \beta_1 OE + SO + \epsilon_i \text{-----} 3$$

Independent Variables (IV):

Market Orientation (MO), Innovation Orientation (IO), Entrepreneurship (ENT)

Moderating Variable (MV):, Operational Efficiency (OE)

Dependent Variable (DV): Organizational Performance (OP)

B_0, B_1, B_2, B_3, B_4 = All are unknown Intercepts ϵ_i =error term or the residual

3.9.1 Variable Description

Operationalization of Variables

- **Market Orientation (MO):** Measured through dimensions such as customer focus, competitor focus, and inter-functional coordination in its perceived form.
- **Technological Innovation (TI):** Assessed by the degree of new technology adoption, R&D investment, and product/service innovation in its perceived form
- **Entrepreneurship (ENT):** Evaluated based on the level of risk-taking, pro activeness, and innovative behaviors within the organization in perceive form
- **Operational Efficiency (OE):** Measured through metrics by roe its perceived form

- **Organizational Performance (OP):** Assessed using financial performance indicators (return on investment) in it's perceived from.

Table 3.2 Variable Description

No	Type of variable	Data type
1	Organizational performance(DV)	5 point likert scale
2	Market Orientation (MO (IV)	5 point likert scale
3	Innovation Orientation (IO (IV)	5 point likert scale
4	Entrepreneurship (ENT (IV)	5 point likert scale
5	Operational Efficiency (OE) (moderating)	5 point likert scale

3.9.2 Categorization of Likert Scale

Regarding the categorization of the likert scale there is lots of controversy on where to stare and where to end but, I prefer to use the Ruiz (2002) categorization because most social studies accept and applied it. The categorization is forwarded as follows in the following table.

Table 3.3 Categorization of the Likert Scale Data

No	Type of variable	Data type
1	1.00 – 2.59	Low
3	2.6 – 3.5	Medium
4	3.6 – 5:00	High

Source: Ruiz (2002)

3.10 Ethical Considerations

During data collection, respondents were be informed as to why the data is collected. They become informed about the objectives and methods of the study. The privacy of respondent was be kept safe. Moreover, respondents expected to provide their response voluntarily. Finally, any work of scholar would acknowledge at reference part.

CHAPTER FOUR

4. DATA PRESENTATION ANALYSIS AND INTERPRETATION

4.1 Introduction

An essential part of any research process is the interpretation and analysis of data. Effective analysis and interpretation are essential after data collection utilizing a variety of techniques in order to derive significant insights and answer the research objectives. With an emphasis on operational efficiency as a moderating variable, this chapter presents and analyses the data gathered from participants in order to particularly examine the impact of strategic orientation on organizational performance inside Ethiopian banks. The chapter also offers the statistical analysis needed to address the study's main concerns.

A 94.4% response rate was obtained from the 381 questionnaires that were distributed, 360 of which were filled up and returned. Strong participant engagement is demonstrated by this high response rate, which also improves the findings' reliability and representativeness. The Statistical Package for Social Sciences (SPSS), version 26.0, was used to process the data and produce the required outputs in order to make the analysis easier. The demographic profile of the respondents, descriptive statistical analysis, and inferential statistical analysis comprise the three main elements of the chapter. Every part is essential to giving readers a thorough grasp of the study's findings.

The findings in this chapter offer valuable insights into how strategic orientation contributes to organizational performance within Ethiopian banks. Furthermore, the analysis explores the moderating effect of operational efficiency, providing a deeper understanding of the factors that influence improved performance in the banking sector.

4.1.1 Demographic Profile of Respondents

This section provides an overview of the respondents' characteristics, including variables such as age, gender, educational background, and years of experience in the banking sector. Understanding the demographics helps contextualize the data and ensures that the analysis considers the diversity of perspectives among the participants.

Table 4.1 Demographic Characteristics

No		Frequency	%age
Sex	Male	198	55%
	Female	162	45%
Age	18-25	30	8%
	26-30	185	51%
	31-40	119	33%
	41-50	22	6%
	51 & over	4	1%
Education	Certificate	12	3%
	Diploma	23	6%
	Degree	267	74%
	MA/MSc degree	58	16%

Source: Survey Result, 2025

In order to evaluate how male and female participants replied to the distributed questionnaires, the study looked at the gender distribution of respondents, as shown in the above table. According to the data, men made up 55% of the responses, and women made up 45%. This distribution shows that both sexes are well represented, guaranteeing that both sexes have an equal voice in the framework of Ethiopian banking.

Given that age is a significant demographic determinant, the study additionally included the respondents' ages. Understanding the behaviours and attitudes of the personnel in Ethiopian banks requires an understanding of age. According to the results, 185 respondents were between the ages of 26 and 30, 119 were between the ages of 31 and 40, 26 were above 41, and 30 were under 25. This broad age distribution implies that all significant age groups were adequately represented in the banking workforce, enabling a comprehensive examination of viewpoints and experiences across age groups.

The educational background of the interviewees was another important demographic element in the study. 74% of respondents had a bachelor's degree, according to the statistics, while 16% had a master's or second bachelor's degree. With 86% of the respondents having a higher degree overall, this suggests that most participants were prepared to discuss the study's emphasis on strategic orientation and how it affects organizational performance. The

respondents' high educational attainment made it possible to gather trustworthy data because they were likely to comprehend the intricate ideas covered in the study.

When assessing respondents' acquaintance with the bank's operations, work experience was just as important as education. The credibility of the data gathered is further supported by the fact that a sizable majority of the respondents had more than three years of experience. Senior staff members with a wealth of expertise made sure that the answers were based on practical knowledge, which increased the conclusions' legitimacy.

In conclusion, the study's findings are given more credibility by the respondents' demographic traits, which include age distribution, gender balance, educational background, and work experience. These elements guarantee the validity and significance of the findings, especially those pertaining to the influence of strategic direction on organizational performance, with operational efficiency acting as a moderator.

4.2 Descriptive Analysis

A growing demand for more sophisticated financial services and changing legislation have caused significant changes in Ethiopia's banking industry in recent years. Banks must continuously review and modify their strategies in this rapidly evolving environment in order to preserve a competitive advantage and enhance organizational performance. A bank's ability to adjust to these changes is greatly influenced by its strategic orientation, which is the degree to which an organization matches its operations with consumer preferences, market demands, and technology improvements.

Like their counterparts in other developing countries, Ethiopian banks deal with unique difficulties such as scarce financial resources, differences in technology, and a constantly changing regulatory landscape. Despite these challenges, many banks have embraced various strategic approaches ranging from customer-centric strategies to cost leadership and innovation in an effort to enhance performance. The effectiveness of these strategies often depends on how well banks manage their operations, as operational efficiency can have a significant impact on overall performance.

The capacity of a bank to maximize output while minimizing input, optimize workflows, and minimize inefficiencies while maintaining high service quality is known as operational efficiency. The degree to which strategic orientation influences organizational performance can be moderated by operational efficiency. For example, strategic choices like product

innovation or market expansion may have more noticeable beneficial effects on banks with highly efficient operations than on those with less effective operational procedures.

4.2.1 Market Orientation

Market orientation is the organizational strategy in which the bank prioritizes comprehending and satisfying the demands of its clients, reacting to shifts in the market, and providing clients with better value. It entails a collection of organizational behaviours and procedures meant to consistently collect and apply market knowledge in order to make choices and develop plans that improve client loyalty and happiness. Here, the mean and standard deviation were displayed under the market oriented practice.

Table 4.2 Mean and Standard Deviation of Market Orientation

	N		Mean	Std.
	Valid	Missing		Deviation
Our bank continuously monitors changes in customer preferences and needs	360	0	3.8833	0.99455
Our bank actively tracks competitors' activities to understand market trends	360	0	4.0528	1.10456
The bank regularly adapts its strategies based on customer feedback.	360	0	4.5000	0.87363
The focus of our bank is on delivering superior value to customers compared to competitors	360	0	4.4583	0.95494
The bank has a strong customer-oriented culture, ensuring that customer needs are a central focus in all activities.	360	0	3.1028	1.19795
grand mean			3.9994	1.02513

Source: Survey Result, 2025

Market Orientation has a mean score of 3.9 and a standard deviation of 1.0. This high mean suggests that the majority of Ethiopian banks keep a close eye on changes in consumer demands and preferences. They also keep tabs on the actions of their rivals to gain insight into market trends. In an effort to provide better value than their rivals, many banks also frequently modify their tactics in response to consumer input. This implies that banks have a

strong customer-oriented culture that keeps the demands of the customer at the forefront of all of their operations.

Participants noted in their open-ended answers that Ethiopian banks had a tendency to be quite risk cautious, which could be partly explained by regulatory and historical limitations. The banking industry in Ethiopia has historically been hesitant to embrace new tactics and technologies, which restricts the aggressive steps required for expansion in a cutthroat, international financial market. There is occasionally a lack of a strong client orientation and market sensitivity, even as profitability and operational efficiency continue to be top concerns. This disparity is especially noticeable when it comes to comprehending the particular requirements of underserved rural consumers, small companies, and unbanked people.

Even while finch and digital banking have expanded quickly throughout Africa, Ethiopian banks have lagged behind their international rivals in implementing technologies like block chain, artificial intelligence (AI), and big data analytics. The banks' capacity to react quickly to shifting consumer needs and new developments in financial technology is hampered by this slower rate of digital transformation.

According to participant interviews, Ethiopian banks have not yet created all-inclusive support networks for regional business owners or start-ups, which might promote a more advantageous partnership. In Ethiopia, a large number of banks continue to operate according to conventional business models and have not accepted the role of a facilitator for start-ups or small enterprises. Cultural and organizational barriers within these institutions may limit the development of an entrepreneurial orientation. The hierarchical and bureaucratic nature of some Ethiopian banks may discourage employees from taking initiative, proposing innovative ideas, or challenging the status quo.

Zehir, C., Can, E., and Karaboga, T. (2015) identified a deficiency in professional development and entrepreneurial training initiatives in Ethiopian banks. Innovation and the successful implementation of dynamic strategies may be hampered by the fact that many employees lack the abilities or mentality required to encourage entrepreneurial thinking. Furthermore, Ethiopian banks may find it more difficult to engage in entrepreneurial endeavors due to the rather stringent legal framework in which they function, especially when it comes to implementing new technology or diversifying into non-traditional banking

services. Therefore, a limiting factor may be the lack of policies that encourage entrepreneurial endeavours in the financial industry.

4.2.2 Innovation Orientation

The strategic focus that companies take to cultivate an innovative culture and consistently develop new goods, services, or procedures to satisfy changing consumer demands and maintain an advantage over rivals is known as innovation orientation. Innovation orientation is essential for Ethiopian banks in order to boost growth, enhance client satisfaction, and guarantee the long-term viability of financial institutions, particularly as the global banking market becomes more digital and customer-focused. Here, Ethiopian banks' innovative practices were displayed as a table with mean deviation.

Table 4.3 Mean and Standard Deviation of Innovation

	N		Mean	Std. Deviation
	Valid	Missing		
Our bank invests significantly in research and development to introduce new products and services.	360	0	4.4583	0.94909
The bank encourages employees to propose innovative ideas that could improve performance.	360	0	4.1944	1.16637
The bank is quick to adopt new technologies to improve service delivery	360	0	4.1056	1.22416
The bank focuses on continuous improvement and creativity in all its operations.	360	0	4.1889	0.96044
Our bank has a culture that rewards innovation and creative problem-solving.	360	0	4.2889	1.00688
grand mean			4.2472	1.06139

Innovation Orientation (IO)

With a mean score of 4.2 and a standard deviation of 1.0, Ethiopian banks' innovation scores are rather low. According to this score, the majority of banks high priority on funding research and development (R&D) in order to launch new goods and services. Some banks are slow to embrace new technology that could improve service delivery, even while they

encourage staff members to suggest creative ideas that could boost performance. In general, these institutions' strategic strategy does not necessarily prioritize innovation and on-going development.

Participants' open-ended answers also revealed a number of obstacles to Ethiopia's adoption of cutting-edge and digital banking technologies. Particularly troublesome, especially in rural areas, are problems like inadequate technological infrastructure, irregular electrical supplies, and restricted access to high-speed internet. Furthermore, Ethiopian banking laws can be onerous, especially when it comes to non-bank financial services and mobile banking. The creation and introduction of innovative digital banking solutions are not always supported by the complicated and occasionally antiquated regulatory frameworks that banks must negotiate. Furthermore, a large number of Ethiopian banks lack the institutional or financial capacity to make sizable R&D investments. As a result, innovation is often not prioritized at the strategic level, causing banks to miss opportunities for developing new services or optimizing existing ones.

A senior expert from Abyssinia Bank stated in interviews that although the value of innovation is becoming more widely recognized, many banks still do not have enough staff members with the requisite abilities to spearhead technological advancement or put creative ideas into practice. Innovation in the banking industry is hampered by a lack of tech-savvy personnel. A conservative, risk-averse organizational culture that is resistant to change still governs the operations of many Ethiopian banks. The bank's capacity to adjust to new business models or developing technology is hampered by the frequent lack of encouragement given to employees to think creatively or to suggest novel ideas. Even if fin tech is becoming more popular in Ethiopia, the ecosystem is still in its infancy when compared to other parts of Africa. Problems like restricted access to venture funding, a lack of cooperation between banks and fin tech firms, and Issues such as limited collaboration between banks and fin tech companies, restricted access to venture capital, and a lack of technical expertise within the fin tech sector are major obstacles.

Ethiopian banks must overcome major obstacles such undeveloped digital infrastructure, legal restrictions, a lack of R&D investment, and cultural reluctance to change in order to promote a truly innovative environment, according to a report by Hilman, H. and Kaliappen, N. (2014). Banks should concentrate on taking advantage of opportunities like fin tech

collaboration, enhanced data analytics, and talent development in order to overcome these obstacles.

4.2.3 Entrepreneurial orientation

The strategy approach of firms that promotes creativity, initiative, and risk-taking behaviour in order to take advantage of new business prospects is known as entrepreneurial orientation. This approach is defined by a company's readiness to take measured chances, continuously innovate, and take proactive measures to foresee market trends. The following table shows the mean and standard deviation of entrepreneurial attitude in relation to Ethiopian banks.

Table 4.4 mean and standard deviation of Entrepreneurial orientation

	N		Mean	Std. Deviation
	Valid	Missing		
Our bank takes bold actions and risks to explore new business opportunities.	360	0	4.1500	1.47013
The bank actively seeks out new market opportunities, even if it involves risk.	360	0	3.9472	1.18955
Our bank's leadership encourages a proactive approach to seize business opportunities.	360	0	3.7778	1.22897
The bank demonstrates flexibility in adapting to changes and challenges in the banking environment.	360	0	3.6667	1.04761
Our bank supports initiatives that lead to rapid growth and expansion, even when the outcome is uncertain.	360	0	4.4250	1.33516
grand mean			3.9933	1.25429

Source: Survey Result, 2025

Ethiopian banks have an average Entrepreneurial Orientation score of 3.9, with a standard deviation of 1.2. Although banks are willing to take risks and aggressive steps to investigate new business opportunities, this high mean indicates that they do so cautiously. Although many banks constantly look for new prospects, they still don't always take an entrepreneurial approach.

According to participants' open-ended answers, a large number of Ethiopian banks still only offer a limited selection of conventional financial services and products, concentrating mostly on standard banking operations including deposits, loans, and savings. State-owned banks, especially the bigger ones, tend to be risk adverse and follow conservative banking procedures. Ethiopian banks have an average Entrepreneurial Orientation score of 3.9, with a standard deviation of 1.2. Although banks are willing to take risks and aggressive steps to investigate new business opportunities, this high mean indicates that they do so cautiously. Although many banks constantly look for new prospects, they still don't always take an entrepreneurial approach.

According to participants' open-ended answers, a large number of Ethiopian banks still only offer a limited selection of conventional financial services and products, concentrating mostly on standard banking operations including deposits, loans, and savings. State-owned banks, especially the bigger ones, tend to be risk adverse and follow conservative banking procedures.

However, the adoption of digital banking and new technologies has been relatively slow, especially among the more traditional banks. While fin tech companies and mobile money services have rapidly gained traction, many banks continue to rely on outdated core banking systems and are hesitant to adopt disruptive technologies like artificial intelligence (AI), block chain, or big data analytics. According to an expert from Commercial Bank of Ethiopia (CBE), the Ethiopian banking sector lacks professionals with entrepreneurial skills.

The Ethiopian banking sector is highly regulated, which, while ensuring stability, can also limit entrepreneurial flexibility. Some of the regulatory frameworks are outdated or overly restrictive for emerging financial services such as mobile payments, digital lending, or peer-to-peer (P2P) finance models.

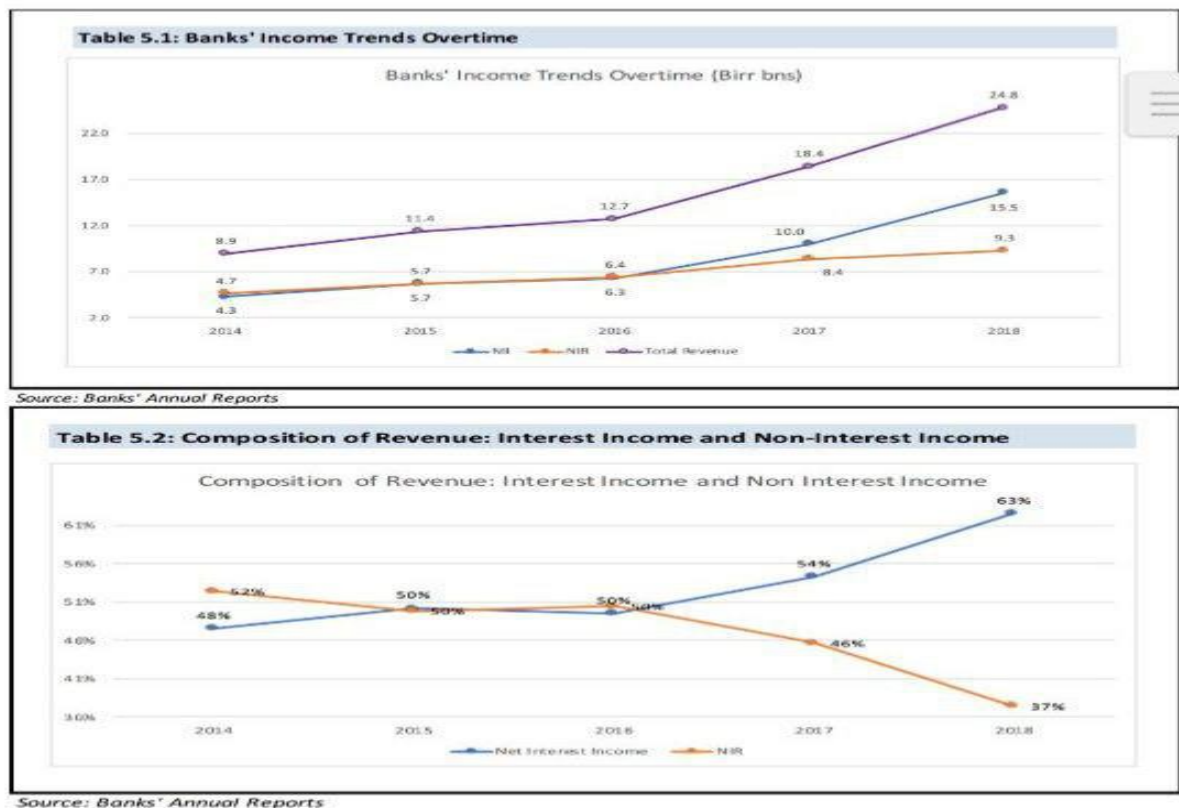
Mokhtar, S.S.M., Yusoff, R.Z., and Ahmad, A. (2014) identified a deficiency in professional development and entrepreneurship training programs for Ethiopian bank personnel. Innovation and the ability to execute dynamic initiatives are hampered by the fact that many employees lack the abilities or mentality required to promote entrepreneurial thinking. Additionally, the strict regulatory framework in which Ethiopian banks operate may make it more difficult for them to engage in entrepreneurial endeavours, especially when it comes to implementing new technology or diversifying into non-traditional banking services. One constraint is the absence of policies that encourage entrepreneurship in the financial industry..

4.3 Organizational performance

Due to a variety of internal and external variables, Ethiopian banks' performance has seen both development and setbacks. Ethiopia's banking industry has undergone tremendous change in the last ten years, as evidenced by rising deposits, more financial inclusion, and easier access to banking services, especially online.

Over the years, Ethiopian banks have seen steady increases in capital and assets. Ethiopia now has a greater number of banks, and both governmental and private banks are expanding rapidly. This growth is largely driven by an expanding economy, increased domestic savings, and rising demand for banking services. Here under the following figure were taken from national bank report, 2024.

Figure 4.1 Growths in Assets and Capital



Source: NBE,2024

Though they encounter a number of obstacles that impact their overall performance, Ethiopian banks have generally demonstrated positive growth in terms of asset expansion, financial inclusion, and adoption of digital banking. While competition from fin tech firms and traditional banks is growing, profitability, credit risk, and regulatory restrictions remain

major concerns. Ethiopian banks must concentrate on strengthening their credit risk management, making investments in digital transformation, and cultivating a more customer-focused and entrepreneurial culture if they want to sustain and enhance performance. In line with strategic orientation the following table shows the perceived performance.

Table 4.5 Mean and Standard Deviation of Organizational Performance

	N		Mean	Std. Deviation
	Valid	Missing		
The bank has demonstrated a strong return on assets (ROA) over the past few years.	360	0	3.9333	0.85167
Our bank consistently achieves profitability goals set by senior management.	360	0	3.9778	1.01770
The bank's financial performance (as reflected in ROA) is a reflection of its effective strategic orientation.	360	0	4.4667	0.88566
The bank has improved its overall financial health, including increasing ROA.	360	0	4.1306	1.14282
Our bank's performance is regularly evaluated based on key financial metrics, including ROA.	360	0	2.9806	1.20683
grand mean			3.8978	1.02094

Source: Survey Result, 2025.

Ethiopian banks have an average organizational performance score of 3.8, with a standard deviation of 1.0. According to this score, the banks often meet the profitability targets set by top management and have shown a solid return on assets (ROA) in recent years. The success of the bank's strategic orientation is demonstrated by its financial performance.

One of the main issues affecting Ethiopian banks, as indicated by participants' open-ended responses, is the high percentage of non-performing loans (NPLs). These are loans that borrowers either don't pay back at all or don't pay back on time. The operations of numerous Ethiopian banks are severely strained financially by high non-performing loan (NPL) levels. While Ethiopian banks have generally shown growth in assets, concerns remain about the adequacy of their capital reserves in relation to the size of their asset portfolios. Many banks, especially private ones, struggle to maintain sufficient capital reserves relative to their expanding loan books and growing asset bases.

According to an interview with an Awash Bank spokesperson, while some Ethiopian banks have made strides in providing digital and mobile banking services, the general uptake of contemporary financial technologies is still sluggish. Traditional banking techniques and manual processes are still widely used by many banks, which frequently results in inefficiencies. Additionally, managing liquidity is a constant challenge. Short-term deposits and long-term loans frequently don't match, which makes cash flow management challenging.

According to a study by Mokhtar, S.S.M., Yusoff, R.Z., and Ahmad, A. (2014), a mix of foreign competition, regulatory restrictions, and internal inefficiencies influence Ethiopian banks' performance. High non-performing loans (NPLs), capital adequacy concerns, sluggish technological adoption, and liquidity management issues are some of the main obstacles. But these difficulties also offer chances for development. Ethiopian banks can improve their future positioning by concentrating on customer-centric initiatives, promoting innovation, enhancing risk management procedures, and investing in technology. They must accept the market's increasing trend towards digital banking and adjust to the changing financial landscape in order to stay competitive.

4.4 Operational Efficiency as a Moderator

As a moderator, operational efficiency influences the relationship between strategic orientation (such as market orientation, innovation orientation, and entrepreneurial orientation) and organizational performance; in this context, operational efficiency is crucial in determining how well a bank translates its strategic initiatives into positive outcomes, such as profitability, customer satisfaction, and market competitiveness. Participants emphasized that operational efficiency within Ethiopian banks refers to the ability of banks to provide financial services in a cost-effective manner, optimizing outputs while minimizing the resources used. This efficiency becomes even more important for banks to improve performance and maintain competitiveness in an increasingly dynamic financial environment.

According to an interview with Abyssinia Bank, Ethiopian banks can lower expenses, simplify operations, and increase profitability through operational efficiency. Banks can maintain a healthy bottom line and provide competitive interest rates on deposits and loans when they run properly. This is especially advantageous in a regulated setting where interest rate ceilings and other regulatory restrictions may limit profit margins. Banks can enhance

their financial performance without compromising profitability by streamlining their operations.

A study by Tsering, C. (2015) found that operational efficiency also greatly improves customer satisfaction and service quality. Banks can enhance the customer experience by expediting service delivery, cutting wait times, and simplifying operations. Banks can better satisfy consumer requests by processing loans more quickly, enhancing digital banking services, or offering more accessible customer support when their operations are run efficiently.

According to a study by Mahmoud, M.A., Blankson, C., Owusu-Frimpong, N., Nwankwo, S., and Trang, T.P. (2016), effective operations offer a solid basis for innovation, which is consistent with these findings. Banks can more effectively devote resources to new projects, including introducing cutting-edge financial products, implementing new technology, or testing out other business models, when their operating procedures are streamlined. Operational efficiency gives banks the freedom to innovate without suffering from extreme financial strain in an industry like banking, where market rivalry and regulatory restrictions are frequently strict.

In addition, respondents to the open-ended questions underlined that operational effectiveness enables banks to more effectively distribute resources, which is crucial in Ethiopia's banking industry where resources are frequently scarce. Banks with high operational efficiency are better equipped to carry out strategic objectives, whether they are centred on innovation, market orientation, or entrepreneurship, with fewer limitations. As a result, tactics are implemented more smoothly, improving performance outcomes.

These conclusions are corroborated by a study by Gupta, V.K. and Gupta, A. (2015), which claims that operational efficiency is essential in lowering operational risks including fraud, errors, and inefficiencies that can impair a bank's performance. Maintaining high operational efficiency lowers the risk of operational disruptions like data breaches or transaction failures in Ethiopia, where the banking industry is still developing. Maintaining long-term organizational success and regulatory compliance requires this degree of stability.

4.4 Inferential analysis

In this study, which looks at how strategic orientation affects organizational performance in Ethiopian banks, with operational efficiency serving as a moderator, inferential analysis will

be used to assess the relationships between the independent variable (strategic orientation), the moderator (operational efficiency), and the dependent variable (organizational performance). This analysis will help determine how strategic initiatives influence performance outcomes and how operational efficiency may strengthen or weaken these relationships. Inferential analysis is a statistical technique used to draw conclusions or make inferences about a broader population based on a sample of data.

4.4.1 Diagnosis of Research Assumptions

Inferential analysis, according to Kothari (2004), is the process of making inferences about a population using a random sample of its data. When it is not feasible or feasible to analyse every member of the population, this kind of analysis becomes quite useful. Based on the sample data, researchers can use inferential statistics to draw conclusions and forecasts about the population

4.4.2 Assumptions of Regression

The basic assumptions about the original data must be made before doing a regression analysis. In order to understand the links between dependent and explanatory variables, this is a must. Five major assumptions must be verified and shown to be reasonably met. The following fundamental least square assumptions were tested and described in this study.

4.3.2 Skewness and Kurtosis of the Data

A data distribution's asymmetry, or lack of symmetry, is measured by its skewness. The data distribution is said to be symmetric if it is the same on both sides of the centre. On the other hand, skewness in the distribution is indicated if one side is more stretched out or has more extreme values.

Kurtosis, on the other hand, evaluates how tailed the data is that is, how heavy or light the tails are in relation to a normal distribution. High kurtosis datasets typically have heavy tails and are more likely to contain outliers. A dataset with low kurtosis, on the other hand, usually has light tails and few or no outliers. A uniform distribution, in which all values are dispersed quite uniformly, is an extreme example of low kurtosis.

Table 4.6 Skewness and Kurtosis

Statistics						
		Marketing orientation	Innovation orientation	Entrepreneur orientation	Operational efficiency	Organizational performance
N	Valid	360	360	360	360	360
	Missing	0	0	0	0	0
Skewness		-.755	-1.802	-1.369	-.843	-.808
Std. Error of Skewness		.129	.129	.129	.129	.129
Kurtosis		.182	2.865	1.520	.144	.560
Std. Error of Kurtosis		.256	.256	.256	.256	.256

Source: Researcher Survey, 2025

Acceptable values for skewness are generally considered to fall within the range of +1.96 and -1.96. Data that falls outside these boundaries is considered skewed (Hair, 2010). In addition, Byrne (2010) suggests that data is deemed normally distributed if the skewness value falls between -2 and +2, and the kurtosis value is between -7 and +7. According to these guidelines, the researcher's data would be considered normally distributed if it adheres to these rules of thumb.

4.3.3 Testing Normality of the data

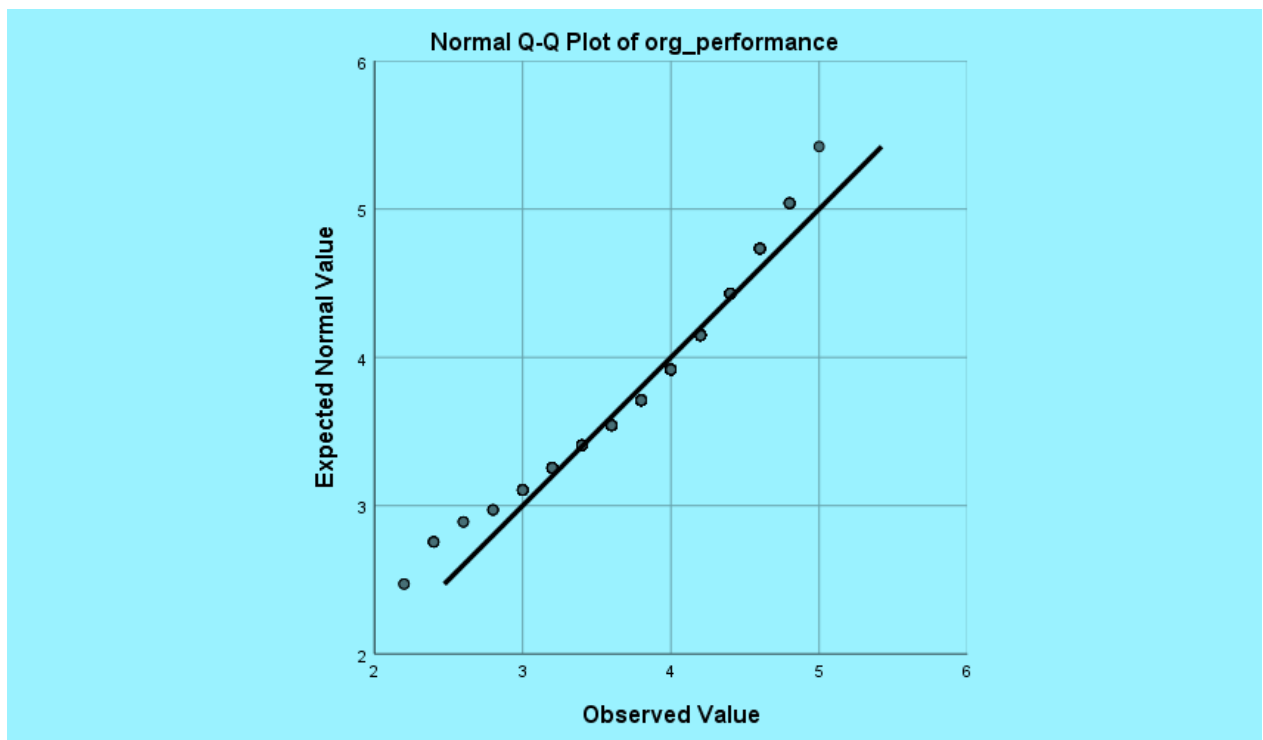
To ascertain whether a sample or dataset conforms to a conventional normal distribution, statisticians employ normality tests. It is possible to perform these tests mathematically or graphically.

Assessing whether a dataset is well-approximated by a normal distribution and determining the likelihood that the dataset's underlying random variable is normally distributed are the

main goals of normality tests. These tests are a type of model selection, and how they are interpreted can change according on how probability is viewed.

It is assumed that the variables in multiple regression studies have a normal distribution (Darlington, 1968). This assumption implies that errors are distributed normally, and when residuals are plotted, they should form a normal curve (Keith, 2006). To test this assumption, tools such as the P-P plot or a histogram of standardized residuals can be used. The closer the dots on the plot are to the diagonal line, the more normally distributed the residuals are considered to be.

Table 4.8 Normality Test



Source: Researcher Survey, 2025

The data distribution appears normal in the above figure, and the dots in the P-P plots are also relatively near to the normal line. Both the Kolmogorov-Smirnova and Shapiro-Wilk test are $P < 0.05$ this is significant. The results of both examinations indicate that the residuals are spread normally.

4.4. Multi-collinearity Test

A high level of correlation or inter-association between two or more independent variables is known as multi-collinearity. Because it can compromise the validity of statistical conclusions derived from the data, this condition can be regarded as a type of data disturbance. When there is multi-collinearity, there is a substantial correlation between the predictor variables, which means that one variable may practically predict the other. Data becomes redundant as a result (Kothari, 2004). Regression analysis, particularly Ordinary Least Squares (OLS) regression, is hampered by strongly linked explanatory variables since the findings could become skewed or untrustworthy.

Table 4.7 Multicollinearity Test

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Market Orientation (MO)	0.916	1.092
	Innovation Orientation (IO)	0.819	1.221
	Entrepreneurial Orientation	0.862	1.160
	Operational Efficiency (OE)	0.936	1.068
a. Dependent Variable: Organizational Performance (ROA)			

Source: Researcher Survey, 2025

This study also looked at the Variance Inflation Factor (VIF); lower numbers indicate that multi-collinearity is not an issue. For this study, a VIF score of fewer than ten was deemed appropriate (Hair, 2010).

Furthermore, regression analysis's tolerance statistics aid in locating co-linearity problems. According to Keith (2006), tolerance values vary from 0 to 1, with values nearer 1 signifying that multi-collinearity is not an issue. All tolerance values in this investigation were higher than 0.1, suggesting that additional variables do not account for a significant portion of each construct's variance. Multi-collinearity is not an issue in this investigation, as demonstrated by the outcomes of both tests.

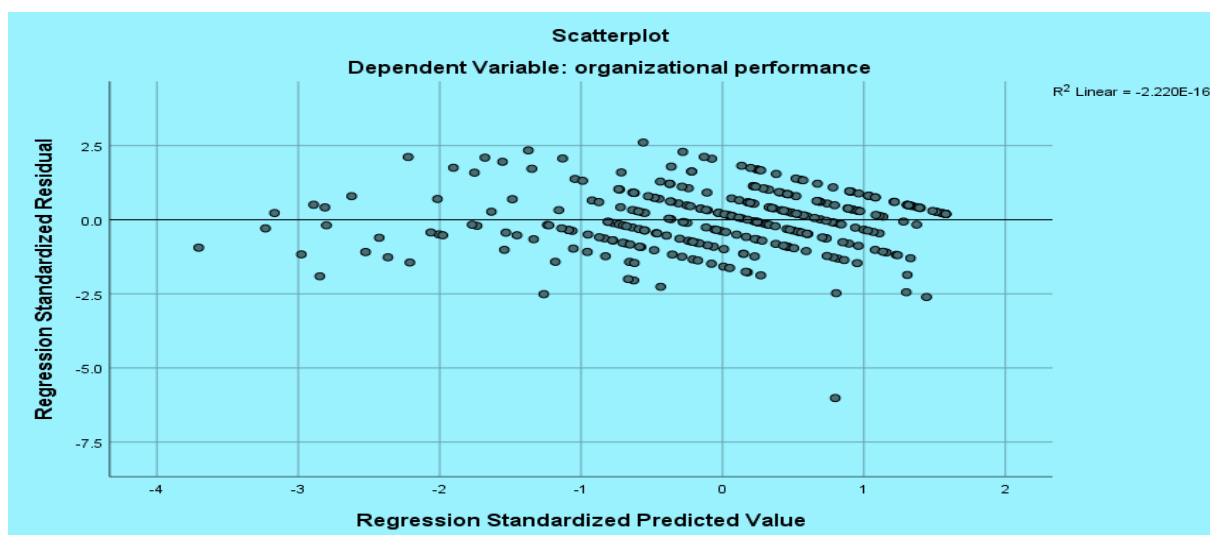
4.4.5 Homoscedasticity Test

The assumption that the variance around the regression line stays constant for all values of the predictor variable (X) is known as homoscedasticity. However, the plot seen in this study

deviates from this notion. Lower-valued X-axis points are closely packed around the regression line, whereas higher-valued X-axis points show more variability around the line, indicating a discrepancy in uncertainty across the predictor variable's range.

The residuals, also known as the error terms, must be uniformly distributed over all predictor variable levels in order to meet this condition. Homoscedasticity can be evaluated visually by examining the plot of standardized residuals against the standardized expected values (Osborn & Waters, 2002). If the residuals are scattered randomly with no clear pattern, the assumption of homoscedasticity is generally not a concern. The figures below show that in this study, the standardized residuals are fairly evenly distributed, indicating that heteroscedasticity is not a significant issue for this dataset.

Figure 4.1 Data Distribution of Dependent Variable



Source: Researcher Survey, 2025

4.4.6 Autocorrelation Test

Autocorrelation refers to the degree of similarity between a given time series and a lagged version of itself over successive time intervals. Mathematically, it is equivalent to calculating the correlation between two time series, except that autocorrelation uses the same time series twice: once in its original form and once with one or more time periods shifted (Kothari, 2004).

Table 4.9 Autocorrelation Test

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.527 ^a	.278	.269	.44565	1.481

a. Predictors: (Constant), operational eff, marketing orientation, entrepreneur orientation, innovation_ orientation

b. Dependent Variable: org_ performance

Source: Researcher Survey, 2025

The notion that errors are independent of one another, meaning that subjects are responding independently, is known as autocorrelation or error independence (Stevens, 2009). To see if our residuals are independent, we can utilize the Durbin-Watson statistic (or uncorrelated). This number might range from 0 to 4. For this assumption to be met, the DW value needs to be close to 2. Values below 1 and above 3 are problematic and causes for concern.

4.5. Correlation Analysis

Correlation analysis was used to determine the direction and degree of the variables' associations in order to evaluate their interdependency. To ascertain the connections between organizational performance, marketing orientation, entrepreneurial orientation, innovation orientation, and operational efficiency, the Pearson's Product-Moment Correlation Coefficient was utilized in this study.

One effective method for determining and comprehending the relationships between variables is correlation analysis. The range of the correlation coefficient (r) is -1 to +1. The relationship's strength and direction are indicated by the value of r . A perfect negative correlation between the variables is indicated if $r = -1$. . If $r = 0$, no relationship exists, and if $r = +1$, it denotes a perfect positive correlation.

Different authors have provided varying interpretations of r values between -1 and +1. In this study, the strength of the relationships between the variables was interpreted using the decision rule from Bartz (1999), which classifies the correlation values as follows.

Table 4.10 Correlation Coefficient

Measure of Association	Descriptive Adjectives
>0.00 to 0.20; <-0.00 to -0.20	Very weak or very low
>0.20 to 0.40; <-0.20 to -0.40	Weak or low
>0.40 to 0.60; <-0.40 to -0.60	Moderate
0.60 to 0.80; <-0.60 to -0.80	Strong or High
0.80 to 1.0; <-0.80 to -1.0	Very high or Very Strong

Source: Bartz (1999)

Table 4.11 Correlation Result

Correlations						
		ME	IO	OO	OE	Performance
marketing	Pearson Correlation	1	.255**	.216**	.086	.480**
	Sig. (2-tailed)		.000	.000	.104	.000
	N	360	360	360	360	360
Innovation	Pearson Correlation	.255**	1	.338**	.239**	.149**
	Sig. (2-tailed)	.000		.000	.000	.005
	N	360	360	360	360	360
Entrepreneur	Pearson Correlation	.216**	.338**	1	.158**	.195**
	Sig. (2-tailed)	.000	.000		.003	.000
	N	360	360	360	360	360
Operational	Pearson Correlation	.086	.239**	.158**	1	.244**
	Sig. (2-tailed)	.104	.000	.003		.000
	N	360	360	360	360	360
Performance	Pearson Correlation	.480**	.149**	.195**	.244**	1
	Sig. (2-tailed)	.000	.005	.000	.000	
	N	360	360	360	360	360
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: Researcher Survey, 2025

The table above shows the relationship between the independent variables of market orientation, entrepreneurial orientation, and innovation orientation and the dependent variable, organizational performance.

With a significance level of 0.01, the table indicates that market orientation, entrepreneurial orientation, and innovation orientation all show a positive correlation with organizational performance. In particular, there is a comparatively substantial correlation between Market Orientation ($r = .480^{**}$) and bank performance.

With the exception of the moderator, operational efficiency, which does not exhibit a significant link with organizational performance, it is noteworthy that all independent variables have a positive and substantial correlation with organizational performance.

1.5.1 Interaction Effect

An interaction effect occurs when the effect of one variable depends on the value of another variable. Interaction effects are common in regression models, ANOVA, and designed experiments. Here under the interaction effect of my study.

Tests of Between-Subjects Effects					
Dependent Variable: org_performance					
Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	36.851 ^a	47	.784	4.027	.000
Intercept	530.907	1	530.907	2726.744	.000
marketing_orentation	20.009	13	1.539	7.905	.000
enterpreniur_orentation	3.968	18	.220	1.132	.319
innovation_orentation	3.228	16	.202	1.036	.418
Error	60.748	312	.195		
Total	5566.960	360			
Corrected Total	97.598	359			
a. R Squared = .378 (Adjusted R Squared = .284)					

Overall, the model's p-value of 0.000, which is well below the 0.05 cutoff, indicates statistical significance. This implies that at least one of the model's components significantly adds to the

explanation of the variance in organizational performance. This is further supported by the aggregate F-statistic of 4.027, which shows that the model's collective predictors are helpful in comprehending organizational success.

The incredibly low p-value (0.000) indicates that the intercept term is extremely significant. This suggests that there is a considerable difference between the baseline or average level of organizational performance and zero when all variables are at zero. This is a common outcome, indicating that there is a performance level beneath the surface that cannot be accounted for by the elements in the model, but it is still a significant starting point.

The model's most significant contribution is marketing orientation, which has a p-value of 0.000, well below the significance level of 0.05. This implies that an organization's marketing positioning has a big impact on how well it performs. The strong impact that marketing orientation has on organizational performance is further demonstrated by the F-value of 7.905.

In this instance, entrepreneurial orientation doesn't seem to have a significant impact on performance. This factor does not significantly explain for variations in organizational performance, as indicated by the p-value of 0.319, which is significantly greater than 0.05. Additionally, the F-statistic is relatively low, indicating that entrepreneurial inclination makes up a modest portion of the model as a whole.

As with entrepreneurial orientation, there is no statistically significant correlation between innovation orientation and organizational performance. Innovation orientation is not a key factor in explaining performance outcomes in this dataset, as indicated by the p-value of 0.418, which is higher than the traditional cutoff of 0.05. This is further supported by the low F-value.

The part of organizational performance variance that the model is unable to account for is represented by the error term. The significant error variance in this instance (60.748) suggests that organizational performance is influenced by numerous additional factors not covered by the model. This implies that there is potential for additional research and model improvement.

The R-squared value of 0.378 suggests that the model accounts for about 37.8% of the variability in organizational performance. However, the adjusted R-squared of 0.284 takes into account the number of predictors and indicates that approximately 28.4% of the variation can be attributed to the factors in the model. While this shows a moderate explanatory power, it also suggests that many factors affecting performance are not captured by this model.

4.6 Regression Analysis Results

In this section, the researcher employed multiple regression analysis to examine the relationship between the dependent and independent variables. Regression analysis helps to understand how the typical value of the dependent variable changes as one or more independent variables are modified, while holding the other independent variables constant.

Table 4.11 Model Summery

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.527 ^a	.278	.269	.44565	1.481
a. Predictors: (Constant), operationally _efficiency , marketing orientation, entrepreneur orientation, innovation orientation					
b. Dependent Variable: performance					

Source: Researcher Survey, 2025

Operational effectiveness, market orientation, entrepreneurial orientation, and innovation orientation are regarded as independent variables, whereas organizational performance is evaluated as the dependent variable. The results of the analysis showed a substantial relationship between the linear combination of these variables and organizational performance ($R^2 = .269$). This suggests that the independent variables of market orientation, entrepreneurial orientation, and innovation orientation account for 27% of the variation in organizational performance.

The R-squared and Adjusted R-squared values obtained in this investigation are adequate to imply that the fitted regression model accurately depicts the data points, even though other factors not covered in this study might be responsible for the remaining variation. In this case, an R-squared value of more than 20% is deemed significant enough to support trustworthy judgments.

Table 4.12 ANOVAa

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	27.093	4	6.773	34.103	.000 ^b
	Residual	70.506	355	.199		
	Total	97.598	359			
a. Dependent Variable: performance						
b. Predictors: (Constant), operationally efficiency , marketing orientation, entrepreneur orientation, innovation orientation						

Source: Researcher Survey, 2025

The significance test results for R and R² can be found in the ANOVA (Analysis of Variance) table. As a result, at 0.01 the F value of 34.1 is significant (P value that a correspondent to F statistic is significant). Thus, marketing orientation, entrepreneur orientation, innovation orientation significantly explains the variance in organizational performance in Ethiopian banks.

Table 4.14Regression Coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.302	.248		5.257	.000
	Marketing orientation	.443	.046	.456	9.684	.000
	Innovation orientation	.032	.037	.043	.854	.394
	Entrepreneur orientation	.053	.032	.079	1.624	.105
	Operational efficiency	.178	.041	.203	4.343	.000
a. Dependent Variable: Organization Performance						

Source: Researcher Survey, 2025

Standardized Beta coefficient and unstandardized Beta coefficient values are used to estimate the relative importance of each independent variable and to build the linear regression equation, respectively, in the Beta coefficient table.

Marketing orientation, Innovation orientation, Entrepreneur orientation were found to be significant predictors of organizational performance in Ethiopian Bank based on the standardized beta coefficient values.

The dependent variable was organizational performance, while the independent variables were marketing orientation, Innovation orientation, Entrepreneur orientation took the form of:

$$Op = BO + B1MO + B2IO + B3ENT + ei \text{-----} 1$$

$$Op = BO + 456MO + 043IO + 079ENT + ei \text{-----} 2$$

The implication of the above formula can be stated as, setting all other predictor variables to zero,

- For every unit increase in the value of marketing orientation in Ethiopian bank, the value of organizational performance will increase by 45.6%.
- For every unit increase in the value of Innovation orientation in in Ethiopian bank the value of organizational performance will increase by 4.3%.
- For every unit increase in the value of Entrepreneur orientation in in Ethiopian bank the value of organizational performance will increase by 7.9%.

In line with my finding, the following researchers also assert my claim. Chen, Mocker, & Preston (2010): They discuss how effective strategic planning implementation and orientation improve operational efficiency, and overall performance.

4.6.1 Moderating role of operational efficiency

By streamlining procedures to increase output and cut expenses, operational efficiency is essential to improving bank performance. It has a moderating effect on how strategic orientations and overall organizational performance are related.

According to a study looking at the variables influencing operational efficiency in Indonesian banks, more efficiency boosts revenue, enhances market positioning, and boosts investor trust (Sutrisno et al., 2023). This implies that the benefits of strategic efforts on a bank's performance can be amplified by operational efficiency.

In the context of Ethiopian banks, focusing on operational efficiency could improve the effectiveness of strategic orientations, such as customer-centric approaches or technological innovations. By streamlining operations, banks can better execute these strategies, resulting in improved performance metrics, including profitability and market share.

However, as shown in the regression table, the adjusted R-squared value is 0.57, indicating that operational efficiency accounts for only 5.7% of the model's contribution to performance.

Table 4.14 Moderating Tables

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.244 ^a	.060	.057	.50636
a. Predictors: (Constant), opertional_eff				

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.808	1	5.808	22.651	.000 ^b
	Residual	91.791	358	.256		
	Total	97.598	359			
a. Dependent Variable: org_performance						
b. Predictors: (Constant), opertional_eff						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.995	.192		15.634	.000
	operational_eff	.214	.045	.244	4.759	.000
a. Dependent Variable: org performance						

Source: Survey Result, 2025

An Adjusted R-squared value of 0.057 indicates that approximately 5.7% of the variance in organizational performance among Ethiopian banks is explained by the OLS regression model, which includes strategic orientation, operational efficiency, and their interaction term. While this suggests that the model accounts for a modest portion of the variability in performance, it is essential to interpret this result within the broader context of banking research.

Lower R-squared values are common in bank performance studies, especially in underdeveloped nations. This is explained by the intricate interactions between a wide range of internal and external performance-influencing factors, many of which may be too complicated for a single model to adequately represent. For instance, despite the existence of other influencing factors, a study on the factors impacting financial performance in Kenyan microfinance institutions discovered that operational efficiency had a positive and statistically significant link with financial performance (Ngumo et al., 2020).

Operational efficiency's moderating function suggests that it affects the direction or degree of the association between organizational performance and strategic orientation. A substantial interaction term would imply that operational efficiency is a key factor in how strategic

initiatives affect performance, even with a relatively low adjusted R-squared. This result is in line with banking efficiency research, which continuously emphasizes operational efficiency as a critical factor affecting bank performance (Nguyen et al., 2024).

4.6.2 Hypothesis testing

H1: Marketing Orientation positively influences Organizational Performance

Only Marketing Orientation significantly contributes to Organizational Performance. So, H₁ is partially accepted.

H₂ : Entrepreneurial Orientation positively influences Organizational Performance

Beta = .079, t = 1.624, p = .105 as the Result indicted in the table it is Not significant at the 0.05 level. H₂ is rejected Entrepreneurial Orientation does not significantly affect Organizational Performance.

H₃ : Innovation Orientation positively influences Organizational Performance

Beta = .043, t = 0.854, p = .394, as the table Result indicate it is Not statistically significant. H₃ is rejected Innovation Orientation does not significantly affect Organizational Performance.

H₄ : Operational Efficiency moderates the relationship between Strategic Orientation and Organizational Performance. Operational efficiency has only direct effect of Operational Efficiency. However, the direct effect is significant: Beta = .203, t = 4.343, p = .000

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

5.1 conclusion

The study examines the effect of strategic orientation on organizational performance within Ethiopian banks, with a particular emphasis on operational efficiency as a moderating variable. A total of 381 questionnaires were distributed to respondents, out of which 360 were completed and returned.

Regarding demographic analysis, males accounted for 55% of the total responses, while females made up 45%. The study also considered the age of the respondents as a significant demographic factor. The findings revealed that respondents under the age of 25 comprised 30 individuals, those between the ages of 26 and 30 accounted for 185 individuals, those aged 31 to 40 represented 119 individuals, and respondents above the age of 41 made up 26 individuals. Educational qualifications of the respondents, the results showed that 74% of respondents held a bachelor's degree, while 16% had either a master's degree or a second bachelor's degree.

When we the descriptive analysis, the mean score of market orientation is 3.9 with standard deviation 1.0. This high mean indicted that most banks continuously monitor changes in customer preferences and needs and they actively track competitors' activities to understand market trends. Most banks regularly adapt its strategies based on customer feedback and focus on delivering superior value to customers compared to competitors.

The mean score of innovation in Ethiopian banks is low (4.2 mean and standard deviation 1.0 deviations. This high mean indicated that most bank do not invest in research and development to introduce new products and services, even most banks were encouraging employees to propose innovative ideas that could improve performance. In addition, they did quickly adopt new technologies to improve service delivery. Generally, they did continuously improve creativity.

The mean score of Entrepreneurial orientation in Ethiopian banks is 3.9 with standard deviation 1.2. This high mean indicted that bank did bold actions and risks to explore new business opportunities; they did actively seek out new opportunities,

The mean score of organizational performance in Ethiopian banks is 3.8 with standard deviation 1.0. This high mean indicated that the bank has demonstrated a strong return on assets (ROA) over the past few years and they consistently achieve profitability goals set by senior management. The bank's financial performance is a reflection of its effective strategic orientation. Participants revealed that operational efficiency in the context of Ethiopian banks is the ability of banks to deliver financial services in a cost-effective manner, maximizing output while minimizing resource input. They also revealed that most banks face a range of challenges; operational efficiency becomes even more critical for improving performance and remaining competitive in an increasingly dynamic financial landscape.

Basically, operational efficiency as a moderator means that operational efficiency influences the relationship between strategic orientation (such as market orientation, innovation orientation, entrepreneurial orientation) and organizational performance.

($R^2=.269$). This suggests that 27% percent of the variance in the dependent variable; Organizational performance is explained by the independent variables marketing orientation, entrepreneur orientation, innovation orientation.

An Adjusted R-squared value of 0.057 indicates that approximately 5.7% of the variance in organizational performance among Ethiopian banks is explained by regression model, which includes strategic orientation, operational efficiency, and their interaction term. While this suggests that the model accounts for a modest portion of the variability in performance, it's important to interpret this finding within the broader context of banking research.

5.2 Recommendation

- ❖ The Ethiopian Banks should encourage a culture that supports risk-taking, innovation, and proactive initiatives. This includes empowering employees to suggest and implement new ideas that enhance customer service and operational processes.
- ❖ The Ethiopian Banks need to invest in understanding customer needs, market trends, and competitor activities. Personalized services and targeted marketing campaigns based on customer insights will enhance customer satisfaction and market positioning.
- ❖ The Ethiopian banks should encourage continuous innovation in products, services, and operational processes. Adopting and integrating digital technologies, such as AI-driven customer service tools and mobile banking applications, will help maintain a competitive advantage in the market.
- ❖ Since operational efficiency moderates the effect of strategic orientations on performance, Ethiopian banks should focus on, automating routine processes to reduce service delivery times, training staff to enhance productivity and service delivery quality and periodic process reviews to identify and eliminate inefficiencies.
- ❖ Ethiopian banks should ensure that entrepreneurial, marketing, and innovation orientations are aligned with operational processes. Efficient execution of these strategies will lead to better resource utilization, improved customer experiences, and higher organizational performance.
- ❖ In this research, the model explains 27% of the variance in organizational performance, meaning that strategic orientation (market, innovation, and entrepreneurial) accounts for a significant but partial influence on bank performance. The remaining 73% suggests that other unexamined factors such as leadership quality, regulatory environment, technological adoption, or macroeconomic conditions also play crucial roles. So the future research should Expand Variables and unexamined factors to Investigate additional moderating or mediating variables (e.g., leadership styles, organizational culture) to better understand the complexity of organizational performance.
- ❖ Broader Scope Extend the study to include more banks or other financial institutions across different regions to enhance generalizability.
- ❖ Longitudinal Study Conduct a longitudinal analysis to observe the long-term effects of strategic orientation and operational efficiency on performance.

- ❖ Regulatory Influence Investigate how regulatory changes in Ethiopia's banking sector affect strategic orientation and performance.

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APPENDIX



ADDIS ABABA UNIVERSITY

DEPARTMENT OF MANAGEMENT

(QUALITY MANAGEMENT AND ORGANIZATIONAL
EXCELLENCE STREAM)

Dear Respondents!

The main objective of this questionnaire is to gather your opinion regarding “***The Effect of Strategic Orientation on Organizational Performance with moderator of Operational Efficiency in Ethiopian Bank***”. The data and opinion gathered were used for partial fulfillment of the requirement for master’s degree in Quality Management and Organizational Excellence Stream at Addis Ababa University. Your faithful and quick response will make the research fruitful. The information you provide will be kept confidential. Thank you in advance for your collaboration. If you have problems in completing this form, please do not hesitate to contact in the following address.

Muluset Taye

Mobile = +251 90 001 0612

Email – mulusettaye@gmail.com

Part I: General Information of Respondents

Note

- ✓ No Need of Writing Your Name
- ✓ Circle your answer

- 1) Sex: A. Male B. Female
- 2) Age: A. Below 25 years B.25-30 years C.31-36 years
D.37-42 years E.43- 48 years F. above 48 years

- ### 3) Educational Qualification:

- A. Certificate
- B. Diploma
- C. First Degree
- D. Second Degree and above

Part III: Specific Questions about the “The Effect of Strategic Orientation on Organizational Performance with the moderator of Operational Efficiency in Ethiopian Bank.

Note: Please indicate your level of agreement with the following statements regarding the Strategic Orientation in your Bank. Use the following scale:

- 1 = Strongly Disagree
- 2 = Disagree
- 3 = Neutral
- 4 = Agree
- 5 = Strongly Agree

NO	Items of Questions	1	2	3	4	5
	Market Orientation (MO)					
1	Our bank continuously monitors changes in customer preferences and needs					
2	Our bank actively tracks competitors' activities to understand market trends					
3	The bank regularly adapts its strategies based on customer feedback.					
4	The focus of our bank is on delivering superior value to customers compared to competitors					
5	The bank has a strong customer-oriented culture, ensuring that customer needs are a central focus in all activities.					
	Innovation Orientation (IO)					
1	Our bank invests significantly in research and development to introduce new products and services.					
2	The bank encourages employees to propose innovative ideas that could improve performance.					
3	The bank is quick to adopt new technologies to improve service delivery					
4	The bank focuses on continuous improvement and creativity in all its operations.					
5	Our bank has a culture that rewards innovation and creative problem-solving.					
	Entrepreneurial Orientation					

1	Our bank takes bold actions and risks to explore new business opportunities.					
2	The bank actively seeks out new market opportunities, even if it involves risk.					
3	Our bank's leadership encourages a proactive approach to seize business opportunities.					
4	The bank demonstrates flexibility in adapting to changes and challenges in the banking environment.					
5	Our bank supports initiatives that lead to rapid growth and expansion, even when the outcome is uncertain.					
	Operational Efficiency (OE)					
1	The bank has well-defined processes in place to ensure smooth and efficient operations.					
2	Our bank continuously reviews and improves its operational procedures to enhance efficiency.					
3	The bank effectively utilizes resources to minimize costs and maximize productivity.					
4	Operational efficiency is a key performance indicator for management in our bank.					
5	The bank's internal systems and technologies are regularly upgraded to enhance operational efficiency.					
	Organizational Performance (ROA)					
1	The bank has demonstrated a strong return on assets (ROA) over the past few years.					
2	Our bank consistently achieves profitability goals set by senior management.					

3	The bank's financial performance (as reflected in ROA) is a reflection of its effective strategic orientation.					
4	The bank has improved its overall financial health, including increasing ROA.					
5	Our bank's performance is regularly evaluated based on key financial metrics, including ROA.					

Part Three: Open-Ended Questions

1. How does your Bank gather and respond to customer feedback to improve its products or services

2. In what ways does your Bank monitor and analyse its competitors' activities? Can you provide an example where this influenced a strategic decision?

3. What challenges does your Bank face in maintaining a market-oriented approach, and how are these challenges addressed?

4. How does your Bank encourage employees to come up with innovative ideas or solutions? Can you share a specific example of an employee-driven innovation?

5. How does the bank balance risk and innovation when introducing new products or services?

-
-
-
6. What role does innovation play in your Bank's long-term strategy, and how is this reflected in the bank's operational decisions?
-
-
-
7. How does the leadership at your Bank encourage a risk-taking mind-set among employees?
-
-
-
8. What are the main challenges your Bank faces in achieving operational efficiency, and how are these challenges managed?
-
-
-
9. How do you think your Bank's strategic orientations (Market Orientation, Innovation Orientation, and Entrepreneurial Orientation) impact its organizational performance, particularly its profitability
-
-
-
10. How do you perceive the relationship between strategic orientation (market, innovation, and entrepreneurial) and operational efficiency in your Bank?
-
-
-



ADDIS ABABA UNIVERSITY
DEPARTMENT OF MANAGEMENT

(QUALITY MANAGEMENT AND ORGANIZATIONAL EXCELLENCE STREAM)

Key Informant Interview Guide Line

Section I: General Information

- Place_____
- Key informant interview Identification number_____
- The Researcher signature _____
- Name of supervisor_____

Semi Structured Questions

1. In what ways does the bank ensure that customer needs are met on a consistent basis?
2. What are some challenges your Bank faces in maintaining an innovation-driven strategy?
3. How do leaders foster a sense of initiative and opportunity-seeking behaviour among employees?
4. What barriers or challenges does your Bank face when trying to implement entrepreneurial strategies?
5. How does your Bank ensure that operational efficiency is integrated into its daily activities and long-term strategies?
6. How does operational efficiency impact the bank's cost structure and resource utilization?
7. How do you assess the relationship between your Bank's strategic orientations (market, innovation, entrepreneurial) and its financial performance, particularly in terms of Return on Assets (ROA)?
8. What challenges or conflicts might arise between strategic orientations and the goal of operational efficiency, and how does the bank address these challenges