



Seek Wisdom, Elevate your Intellect and Serve Humanity



# **The Effects of Strategic Change Management Practices on a Bank's Performance: The Case of Cooperative Bank of Oromia**

**BY:**

**RAHEL TEMESGEN LEFEBO**

**A Thesis Submitted in Partial Fulfillment of the  
Requirements for the Degree of M.Sc. in International  
Business**

**ADVISOR:**

**ASRES ABITIE KEBEDE (PhD)**

**January 2025**

**ADDIS ABABA, ETHIOPIA**

### **Declaration**

I, Rahel Temesgen Lefebo, hereby declare that the thesis titled "*The Effects of Strategic Change Management Practices on Bank Performance: The Case of Cooperative Bank of Oromia,*" submitted in partial fulfillment of the requirements for the M.Sc. degree in International Business to the Department of Management at Addis Ababa University College of Business and Economics, is the result of my own efforts. I also confirm that all sources of materials used in this study have been properly acknowledged.

Name: Rahel Temesgen Lefebo

Signature: 

Date: 24-02-25

## Certification

This is to certify that Rahel Temesgen has carried out her research work on the topic entitled "The Effects of Strategic Change Management Practices on Bank Performance: The Case of Cooperative Bank of Oromia," this work is original and it is sufficient for the partial fulfillment of the requirements for the M.Sc. degree in International Business.

### Signed by the Examining Committee:

External examine Mesfin WCP signature [Signature] date 28/02/25

Internal examiner Desalegn A. signature [Signature] date 28-02-25

Advisor Asres Afno signature [Signature] date 28-02-25

## **Acknowledgment**

First of all, I want to give glory and praise to Almighty God for his invaluable care and support throughout my life. He has helped me from the beginning of my education to its completion and enabled me to achieve my career goals.

Next, I want to express my heartfelt thanks to my advisor, Dr. Asres Abitie, for his guidance, sharing useful information, and valuable suggestions from selecting my topic to finalizing the paper.

I also want to thank the management staff of the Cooperative Bank of Oromia for their warm hospitality, sharing important information, completing my questionnaires, and providing source documents that were helpful for my research.

Finally, I am grateful to my family members for their constant support throughout my studies, especially during this research thesis. Thank you all sincerely.

January 2025  
Rahel Temesgen

## **Abstract**

*The purpose of the research was to investigate the effect of strategic change management practice on bank performance as well as policy change, strategic leadership, corporate culture, central bank compliance, digital transformation and their effect on the bank performance by focusing on cooperative bank of Oromia, particularly in head office, central Addis Ababa district and branches under central district. By taking the research objectives and questions into considerations, quantitative research approach, and descriptive and explanatory research design were used. The study was delimited to proportionate stratified and purposive sampling techniques. Quantitative data was collected using a structured questionnaire which was adopted and distributed to a sample of 301 targeted population of different departments in head office & managers of central Addis Ababa district office and branches under central district of coop bank. Diagnostic tests confirmed that the regression model met essential assumptions. The quantitative data was analyzed by using descriptive and inferential analysis. The findings reveal a significant overall F-value of 78.196 ( $p < 0.05$ ), indicating that these independent variables are strong predictors of bank performance. Pearson correlation coefficients between 0.588 and 0.704 were identified, all statistically significant at the 0.01 level. While all independent variables, except for policy change, significantly affected bank performance ( $p < 0.05$ ). The adjusted R-squared value of 0.635 suggests that approximately 63% of the variance in bank performance is explained by the independent variables. In conclusion, the findings highlight the crucial role of strategic change management practices in enhancing the performance of the Cooperative Bank of Oromia.*

**KEY WORDS:** *Strategic Change Management Practice, Policy Change, Strategic Leadership, Corporate Cultural, Digital Transformation, Central Bank Compliance & Bank Performance*

## Table of Contents

<b>Declaration</b> .....	Error! Bookmark not defined.
<b>Certification</b> .....	Error! Bookmark not defined.
<b>Acknowledgment</b> .....	<b>iii</b>
<b>Abstract</b> .....	<b>iv</b>
<b>Table of Contents</b> .....	<b>v</b>
<b>List of Tables</b> .....	<b>viii</b>
<b>List of Figures</b> .....	<b>ix</b>
<b>Acronyms</b> .....	<b>x</b>
<b>Chapter1: Introduction</b> .....	<b>1</b>
1.1 Background of the study .....	1
1.2 Statement of the Problem.....	4
1.3 Research Question .....	6
1.4 Objectives of the study.....	6
1.4.1 General Objective of the study .....	6
1.4.2 Specific Objectives of the study .....	7
1.5 Significance of the study.....	7
1.6 Scope of the study.....	7
1.7 Definition of Terms.....	8
1.8 Organization of the Study .....	9
<b>Chapter 2: Review of Related Literature</b> .....	<b>11</b>

2.1 Theoretical reviews .....	11
2.1.1 Definition of strategic change management .....	11
2.1.2 The Concept of strategic Change .....	12
2.1.3 Strategic Change Management Practices and banking performance .....	13
2.1.4 Cause of strategic change in banking context .....	15
2.1.5 Strategic change model and theory .....	16
2.2 Empirical Review .....	24
2.2.1 Empirical Review Overview .....	24
2.3 Summary of Literature Review and Research Gap .....	30
2.4 Conceptual Framework .....	32
2.4.2 Research Hypothesis Summary .....	33
2.5 Measures of Variables .....	34
<b>Chapter 3: Research Methodology .....</b>	<b>35</b>
3.1 Research Design .....	35
3.2. Research Approach .....	35
3.3. Target Population and Study Area Descriptions .....	36
3.4 Sampling design .....	36
3.4.1. Sampling Frame .....	36
3.4.2. Sampling Technique .....	36
3.4.3. Sample size .....	37
3.5 Data Types and Collection Method .....	39
3.5.1 Data source and types .....	39
3.5.2 Data collection method .....	39
3.6. Validity .....	40
3.7 Reliability .....	40

3.8. Data Analysis Methods .....	40
3.9 Ethical consideration.....	42
<b>Chapter 4: Data Analysis and Discussion .....</b>	<b>43</b>
4.1 Response rate .....	43
4.2 Demographic Characteristics of Respondents .....	43
4.3 Descriptive Analysis of strategic change management practice and bank performance ....	46
4.3.1 Policy change.....	46
4.3.2 Digital transformation.....	47
4.3.3 Strategic leadership.....	48
4.3.4 Corporate culture .....	49
4.3.5 Central bank compliance.....	50
4.3.6 Bank performance .....	51
4.4 Validity Test.....	53
4.5 Reliability Test.....	53
4.6 Inferential Analysis.....	54
4.6.1 Correlation Analysis .....	54
4.7. Multiple Regression Analysis .....	57
4.8 Hypothesis Testing and Discussion .....	60
<b>Chapter 5: Summary of Major Findings, Conclusion and</b>	
<b>Recommendation .....</b>	<b>63</b>
5.1 summary of the Major Findings.....	63
5.2 Conclusion .....	64
5.3 Recommendations.....	65
5.4 Theoretical Contribution and Policy Implications.....	67
5.5 Limitation and Future Research Direction.....	67

<b>References .....</b>	<b>69</b>
<b>Appendix: .....</b>	<b>76</b>

## List of Tables

Table 3.1: Sample Size of the Respondents from each Stratum .....	38
Table 3.2: Mean score comparison basis for five point Likert scale instrument .....	41
Table 4.1: Response rate .....	43
Table 4.2: Demographic Characteristics.....	43
Table 4.3: Respondent perception of Policy change.....	46
Table 4.4: Respondent perception of digital transformation .....	47
Table 4.5: Respondent perception on strategic leadership.....	48
Table 4.6: Respondent perception on corporate culture .....	49
Table 4.7: Respondent Perception on Central Bank Compliance.....	50
Table 4.8: Respondent perception on bank performance.....	52
Table 4.9: Reliability Test.....	54
Table 4.10: Correlation between bank performance and strategic change management variable	55
Table 4.11: Test of Normality.....	<b>Error! Bookmark not defined.</b>
Table 4.12: Test of multicollinearity .....	<b>Error! Bookmark not defined.</b>
Table 4.13: Test of Autocorrelation.....	<b>Error! Bookmark not defined.</b>
Table 4.14: Model Summery .....	57
Table 4.15: Anova analysis.....	58
Table 4.16: Coefficient table.....	58
Table 4.17: summary of hypothesis testing .....	60

## List of Figures

Figure 2.1: Conceptual Framework .....	33
Figure 4.1: Test of Normality .....	<b>Error! Bookmark not defined.</b>
Figure 4.2: Test of heteroscedasticity .....	<b>Error! Bookmark not defined.</b>
Figure 4.3: Test of Linearity .....	<b>Error! Bookmark not defined.</b>

## Acronyms

• <b>AML</b>	Anti-Money Laundering
• <b>BP</b>	Bank performance
• <b>CBC</b>	Central bank compliance
• <b>CBO</b>	Cooperative Bank of Oromia's
• <b>CC</b>	Corporate Cultural change
• <b>DT</b>	Digital transformation change
• <b>NBE</b>	National Bank of Ethiopia
• <b>OLS</b>	Ordinary least square
• <b>PC</b>	Policy change
• <b>PSS</b>	Proportionate stratified sampling
• <b>SA</b>	Strongly Agree
• <b>SD</b>	Strongly Disagree
• <b>SL</b>	Strategic leadership
• <b>VIF</b>	Variance inflation factor
• <b>ANOVA</b>	Analysis of Variance

# **Chapter1: Introduction**

This chapter deals about background of the study, statement of the problem and objective of the Study, significance of the study, research question, and definition of terms.

## **1.1 Background of the study**

Strategic change management refers to the process of managing changes that management and staff collaboratively execute to implement necessary organizational changes. Moran and Brightman (2000) describe strategic change management practices as a means of continuously reevaluating and redefining a business's mission while realigning systems and competencies to meet the changing demands of internal and external environments. According to Berney and Hesterly (2010), a company's shareholders' perspective, as embraced by strategic management, focuses primarily on achieving and maintaining firm competitiveness.

Businesses play important roles in society and significantly influence the economic progress of developing nations. However, many businesses struggle year after year to sustain high performance and productivity levels (Jones et al., 2000). Specifically, strategic management techniques have been found to be critical for improved performance and competitiveness, as they enhance the productivity and allocation of an organization's internal resources. According to Jensen (2023), strategic management is the process by which a company determines its goals and creates and executes a strategy to achieve them.

The competition in the financial industry and the practices of strategic management affect individuals' ability to obtain financing, companies' capacity to compete and expand, the rate of economic growth, and the stability of the sector as a whole (Syapsan, 2019). The banking industry has experienced evolving trends in global markets, including the increased usage of internet-based banking solutions like payment processing to boost customer satisfaction and

streamline customer relationship management. As a result of its robust economic expansion, Africa is now home to the second-largest banking market in the world (McKinley, 2018).

As noted by Jeucken and Bouma (2017), banks are influenced by various factors such as workforce changes, ongoing technological advancements, and evolving legislation, which can have both positive and negative impacts. To achieve future success, it is crucial for businesses to anticipate and prepare for these changes. According to Osunsan et al. (2019), commercial bank management ought to regularly restructure operations to better accommodate the ever-changing needs of their clientele. This can be accomplished by altering the company's goals and ambitions and, while implementing a strategic change, taking into account the customs and attitudes of various employee groups.

Commercial banks operate for the benefit of the larger community as well as their shareholders, as evidenced by their improved financial success, which is not always reflected in financial metrics. A study conducted by Davis and Albright (2004) demonstrated the usefulness of the balanced scorecard for banks, highlighting that non-financial variables, such as client relationships, significantly impact overall financial performance. By integrating an organization's vision and goals with its business processes and measuring the effectiveness of strategy execution, the balanced scorecard offers a way to manage strategy and operations (Vovk, 2013). Therefore, this research will utilize the balanced scorecard approach to combine and balance traditional financial performance indicators with equally pertinent non-financial measurements.

However, the expansion of the banking industry in Africa has long been viewed as threatened by factors such as high credit risk, poor income, and restricted access to financial services. Increased competition in the banking industry has impacted market share and company performance (Rahmayati, 2021). Customers are seeking better products at more reasonable prices due to increased transparency regarding rival companies (Schiano et al., 2020). Therefore, commercial banks would be wise to consider how implementing more innovative techniques from competitors might improve performance in order to thrive amidst ongoing industry upheaval (Omweri, 2021). Strategic management is essential to the development and execution of business strategies, given their significance in creating a strong economic foundation.

An organization's outstanding performance can be defined as its capacity to rapidly adapt to changes and achieve profitable development that outperforms its rivals for a minimum of five years (André, 2007). In developing nations like Ethiopia, where the financial system is bank-dependent due to the lack of a stock market or its poor development, financial institutions are crucial to the overall economic development of the country. Banks, as deposit-taking financial organizations, are essential to both the financial stability and economic growth of a nation (Al-Karim and Alam, 2013).

In the Ethiopian context, financial markets rely heavily on banking, insurance, and microfinance, with capital and stock markets underdeveloped. The government plays a regulatory and supervisory role within the financial market. Proclamation No. 592/2008 states that "the business of banking has a number of attributes which, if not managed properly, has the potential to generate financial system and macroeconomic instability; where its effect on the general public and the Government is significant." Hagos (2014) discusses that, due to its importance for economic development, the Ethiopian government has taken a cautious approach toward financial sector reform.

In introducing financial liberalization, the Ethiopian government has adopted a strategy of gradualism: a gradual opening up of private banks and insurance companies, and a step-by-step liberalization of the foreign exchange market. This includes the intensification of domestic competitive capacity before full liberalization, strengthening the regulatory and supervisory capacity of the National Bank of Ethiopia (NBE), granting banks autonomy, and bolstering the interbank money market (Geda and Dendir, 2001). In contrast to previous times when the business landscape underwent significant transformations, private banks in Ethiopia are now required to adapt and evolve in accordance with the demands of their clients, government policies, the political and economic conditions of the country, and the competitive landscape.

The Cooperative Bank of Oromia (CBO) is now one of the most profitable banks in Ethiopia, with a total asset value of more than ETB 139.56 billion. The bank boasts over 850 branches, more than 13 million account holders, and a workforce of over 15,481 employees (Company profile). As a private bank in Ethiopia, CBO recognizes the inevitability of change and the need to adapt to meet various demands and stand out from its competitors. To achieve its vision of

becoming the leading private bank by 2025, CBO must undergo several strategic changes (Internal report). These changes are crucial for the organization to deliver outstanding performance and realize its vision.

Therefore, this study aims to investigate the effects of strategic change management practices on bank performance, focusing on the case of the Cooperative Bank of Oromia.

## **1.2 Statement of the Problem**

Organizations should prioritize strategic management practices because they enhance the firm's capacity to prevent problems. Managers who encourage their subordinates to plan will benefit from their awareness of the importance of strategic planning, which aids them in their monitoring and forecasting duties. Moreover, group-based strategic decisions are likely made based on the best options available.

Key external factors that influence strategic change management include competition, technological advancements, customer expectations, and governmental regulations. These factors necessitate that organizations adapt and implement changes (Kivuva, 2012). Conversely, internal factors contributing to change management encompass procedures, organizational structure adjustments, and operational process modifications (Kivuva, 2012).

One tactic employed in strategic change management is predicting future market demands, which is anticipated to enhance target realization. Nyström et al. (2013) indicate that certain organizations have struggled to implement change, suggesting that there is no single strategy or method that works universally. Instead, adjustment processes should be based on the specific context of the organization.

Financial institutions are currently operating in a very dynamic marketplace, requiring the ability to select the right change opportunities while demonstrating the necessary flexibility to meet the evolving requirements of the organization over time (Messomo, 2017). Commercial banks have been compelled to adopt strategic change management practices to remain profitable and competitive. Consequently, the success of these banks' strategic initiatives and overall

organizational performance is contingent upon their ability to manage change effectively in their operating environment (Barbaroux, 2011).

In Ethiopia, current financial institutions, particularly private banks, face various challenges, including intense competition for specialized clientele, recruitment of skilled and experienced staff, delivering exceptional customer service, political unrest, economic conditions, and unfavorable government policies affecting the sector.

The Cooperative Bank of Oromia (CBO), as one of the private banks in Ethiopia, recognizes the inevitability of change and the need to adapt to meet various demands and differentiate itself from competitors. To achieve its vision of becoming the leading private bank by 2025, CBO must undergo several changes (Alemayehu, W. 2020). Since implementing its turnaround strategy in FY 2017, the bank has scored major achievements over the last three fiscal years (2017/18 to 2019/20). As of June 30, 2020, the bank's status and market position in key financial parameters had considerably improved, reaching the 4th and 3rd positions, respectively.

CBO has also gained a leading position in customer base as well as in the interest-free banking market. However, there are areas where the bank has not achieved successful outcomes. While CBO registered better results in financial and customer perspectives, it showed inadequate results in internal business processes as well as in learning and growth perspectives. The bank experienced unsatisfactory performance levels in foreign currency generation from remittance, gross profit, and new product development. Additionally, there are limitations in achieving vertical and horizontal alignments within the bank.(Internal report)

CBO has chosen a 'Growth Strategy' or 'SO' for its strategic approach from 2020/21 to 2024/25. This strategic choice aims to allow the bank to successfully achieve its vision of becoming the leading private bank in Ethiopia by 2025 by strategically exploiting potential opportunities and minimizing the consequences of likely threats (Cooperative Bank internal report).

To explore the inadequate implementation of strategic change management at CBO, it is important to note that no previous studies have directly addressed the relationship between strategic change management practices and bank performance in the Ethiopian banking industry, specifically in the context of the Cooperative Bank of Oromia. Additionally, there is an

awareness of the lack of effective strategic change management implementation within the organization. Given the lengthy reform program and the past failed change initiatives of the bank, a careful analysis of the strategic change management practices and the challenges encountered in the change implementation process is required.

These gaps indicate a need for further exploration. Therefore, this research aims to fill a gap in the existing literature by conducting an in-depth study examining the effect of strategic change management practices on bank performance at the Cooperative Bank of Oromia, utilizing various strategic change management practices as independent variables. By addressing these research gaps, this study seeks to contribute to the existing body of knowledge on strategic change management practices and bank performance in the Ethiopian banking industry.

### **1.3 Research Question**

The following questions were addressed.

- How do specific policy changes influence the overall performance of the Cooperative Bank of Oromia?
- How does digital transformation affect performance of Cooperative Bank of Oromia?
- What is the impact of strategic leadership practices at the Cooperative Bank of Oromia?
- How does corporate culture influence overall bank performance at the Cooperative Bank of Oromia?
- What is the impact of central bank compliance on the overall performance of the Cooperative Bank of Oromia?

### **1.4 Objectives of the study**

#### **1.4.1 General Objective of the study**

The general objective of the study was the effects of strategic change management practices on bank's performance: The case of Cooperative Bank of Oromia.

### **1.4.2 Specific Objectives of the study**

The study was directed towards addressing the following specific objectives:

- To analyze how specific policy changes influence the overall performance of the Cooperative Bank of Oromia.
- To assess the effects of digital transformation on the performance of the Cooperative Bank of Oromia.
- To evaluate the impact of strategic leadership practices on the Cooperative Bank of Oromia.
- To investigate how corporate culture influences overall bank performance at the Cooperative Bank of Oromia.
- To examine the impact of central bank compliance on the overall performance of the Cooperative Bank of Oromia.

### **1.5 Significance of the study**

The primary recipients of the findings from this study will be the senior management team, as they will gain insights into the impact of strategic change management on bank performance and identify other factors beyond strategic change management that influence overall performance. The study will provide valuable information to individuals at different management levels and employees, enabling them to comprehend the key determinants for successfully implementing strategic change management and ultimately enhancing organizational performance. The broader society will also benefit from this study, as adjustments to the organization's strategic change management approach can better meet societal needs across different dimensions, leading to greater satisfaction. Furthermore, the study can serve as a reference for future research in the field.

### **1.6 Scope of the study**

This study had a specific scope limited to the Cooperative Bank of Oromia's head office and some selected branches in Addis Ababa, focusing on examining the process of strategic change

management practices and their impact on bank performance. The study will primarily investigate the effects of strategic change management practices on organizational performance. However, it's important to note that this study was not encompass all the factors that determine of bank performance, as examining every determinant factor is beyond its scope.

## **1.7 Definition of Terms**

**Change management:** According to Prosci, change management is defined as "the application of a structured process and set of tools for leading the people's side of change to achieve a desired outcome." It involves planning, implementing, and monitoring changes in order to achieve successful outcomes and minimize resistance.

**Change management practice:** The Prosci defines change management practice as "the application of a structured process and a set of tools for leading the people's side of change to achieve a desired outcome." These practices may include communication and stakeholder engagement, training and development, creating a supportive culture, and implementing effective change processes

**Employees' Motivation:** Employee motivation refers to the essential drive as it generates effort and action towards work-related activities, an employee's willingness to spend the energy to achieve a common goal or reward (Moran, 2013).

**Organizational Culture:** Edgar H. Schein, defines organizational culture as "a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems. "It influences how employees interact, make decisions, and carry out their work, ultimately impacting the organization's overall performance.

**Organizational Performance:** Richard et al. (2009) define organizational performance as "the ability of an organization to achieve its goals and objectives in an effective and efficient manner. "It encompasses various factors, such as financial performance, operational efficiency, customer satisfaction, innovation, and employee productivity. The performance of an organization is often measured and evaluated against predetermined goals and benchmarks.

**Technological change:** The process of technological developments, inventions, and improvements that result in new or altered products, processes, or services. It entails the

introduction of fresh concepts, procedures, or equipment to improve functioning, production, and efficiency across a range of fields (Mokyr, J., 1992).

**Cultural change:** The term "cultural change" describes how common values, beliefs, conventions, behaviors, and practices within a society or social group evolve throughout time and undergo transformations. It entails changes in how people think, see, and engage with the world around them, which has an impact on social systems, cultural practices, and beliefs (Hofstede, G., 2001).

**Strategic change:** The deliberate and planned adjustments made to an organization's overall direction, objectives, structure, or procedures with the purpose of achieving long-term goals and making adjustments for both internal and external environmental elements are referred to as strategic changes. It entails a methodical process for reassessing and modifying an organization's strategic choices, assets, and capacities in order to improve its competitive position, react to changing market conditions, and seize new opportunities (Johnson, Jerry, et al., 2020).

**Operational Change:** Operational change pertains to the intentional and planned modifications implemented to an organization's daily operations, structures, procedures, and systems with the objective of enhancing productivity, efficiency, and effectiveness. In order to maximize efficiency and adapt to shifting business requirements, it entails making changes to operational elements including workflow, supply chain management, manufacturing techniques, resource allocation, and quality control (Ricardo Santa1, 2010).

**Market change:** The term "market change" describes the adjustments and changes that take place in the characteristics, dynamics, and circumstances of a particular market or sector. It includes shifting consumer tastes, rivalry, technology development, legal frameworks, and other outside variables that affect supply, demand, and the market's general structure Kotler, P. (2003).

**Strategic change:** According to Johnson, Whittington, and Scholes (2011), strategic change involves "the transformations of an organization in terms of its direction, capabilities, and/or structure to better achieve competitive advantage in its changing environment, (p. 412)".

## **1.8 Organization of the Study**

The paper is organized into five chapters as outlined below:

## **Chapter One: Introduction**

This chapter introduces the study's background, statements of the problem, presents the key research questions, outlines the objectives, explains the significance of the study, and discusses its limitations and scope. It also includes definitions of relevant terms.

## **Chapter Two: Review of Related Literature**

This chapter reviews existing literature to make it easier to understand on the concepts related to the topic. It covers theoretical, empirical, and conceptual frameworks pertinent to the study.

## **Chapter Three: Research Methodology**

This chapter details the methods utilized in the research to address the research questions. It describes the research approach, design, data sources, data collection methods and instruments, data analysis techniques, as well as considerations of validity, reliability, and research ethics.

## **Chapter Four: Data Presentation, Analysis, and Interpretation**

This chapter presents, analyzes, interprets, and discusses the findings of the study.

## **Chapter Five: Summary, Conclusions, and Recommendations**

This chapter summarizes the findings, draws conclusions, and offers recommendations based on the study's results.

## **Chapter 2: Review of Related Literature**

This chapter offers an overview of the evaluation of theoretical, empirical, and conceptual literature.

### **2.1 Theoretical reviews**

#### **2.1.1 Definition of strategic change management**

Strategic change management is foundational for organizations aiming to navigate the complexities of modern business environments. American business historian Chandler (1962) provided an early definition of strategy, emphasizing the identification of long-term goals and the necessary allocation of resources to achieve them. This perspective is expanded by Thompson and Strickland (2003), who describe strategic management as the process by which managers chart the long-term direction of the organization, establish performance goals, and develop actionable plans, all while considering relevant internal and external factors.

Strategic management practices encompass various approaches that organizations employ to realize their objectives. According to Grant (2005), strategic change management involves the internal transformations necessary to meet these goals. Hunger and Wheelen (2003) define it as a series of managerial choices and activities that significantly influence a company's long-term success. This encompasses the creation, application, assessment, and management of strategies. Kazmi (2008) further characterizes it as both an art and a science, focusing on the development and execution of cross-functional decisions that facilitate achievement of organizational goals.

The collaborative effort between management and staff to implement essential organizational changes defines the process of strategic change management. Moran and Brightman (2000) describe these practices as continuous reevaluations and realignments of a business's mission, systems, and competencies in response to shifting internal and external demands. Consequently, strategic management is increasingly recognized as a socially performed activity, reliant on the actions and interactions of various actors throughout the organization (Hendry et al., 2010).

### 2.1.2 The Concept of strategic Change

According to Pettigrew (1987), "process, content, and context" can be used to discuss strategic change. Pettigrew (1987) posits that the "content" dimension pertains to the object of strategic change, indicating the "what" of the change. The content dimension indicates to the real adjustments—such as downsizing, strategy reorientation, restructuring, process re-engineering, that will be institutionalized through the process and context dimensions. The "process" dimension is concerned with the strategic change's methodology. The activities, responses, and exchanges amongst the different stakeholders involved in trying to transition the company from its current to its future condition are referred to as the "process of change" (Pettigrew, 1987). It describes the strategic change management process in detail as well as the sequential and connected set of actions and events that make up the change. The "context" dimension answers the "where" and "why" problems associated with a strategic change. The contextual of a strategic change is an important topic that should be addressed in researching strategic change, as Pettigrew (1987) agrees that "why" and "where" a change occur influences whether it succeeds or fails regardless of "what" changes and "how" it changes. "Inner" and "outer" contexts can be distinguished as follows, according to Pettigrew (1987): "outer context refers to the social, political, economic, business, and competitive environment in which the firm operates." The organizational structure, corporate culture, and political climate of the company are referred to as the "inner context," through which change-related ideas must be implemented. According to Pettigrew (1987), a complete grasp of both inner and outer settings is frequently necessary to determine if a strategic change is successful or unsuccessful. Neglecting these aspects could make it difficult for an organization to successfully implement changes, which could result in resistance or failure.

Strategic changes defined as the effective management of a business change such that executive leaders, managers and frontline employees work in concert to successfully implement the needed process, technology or organizational changes, (Korir et al., 2012). Johnson *et al.*, (2005) employed a meta-analytic approach using data from 26 previously published studies and concluded that strategic change positively influences bank performance. Johnson *et al.*, (2005), surveyed 82 Belgian Business banks and reported a link between strategy and performance. They noted that strategy enables a bank to strengthen its competitive position, and facilitates integration and coordination of members' behavior. He observed that the main reason for the

introduction of formalized strategic change is to improve company performance through the development and implementation of better strategies. Managing a large business without a strategic change is like trying to organize a car rally without a map, not impossible, but difficult. Published research from Africa also indicates that strategic change is an effective tool in improving bank performance. Ongaro (2004) conducted a study on organization structural change practices at Kenyatta National Hospital he concluded that “organization structural change was needed in service industries and that implementation of Reforms was successful at Kenyatta national hospital”, (Khadid & Rotich, 2017: p189).

Operations result in performance, and the goal of strategic planning is to enhance the quality of these outputs. Both quantitative and qualitative methods can be used to measure it: absenteeism levels, job satisfaction, industrial relations, teamwork, best management practices, corporate social responsibility, new product development, operational sufficiency, employee and stakeholder satisfaction, among others. Quantitative methods include net or gross profit, return on investment, equity or capital, and return on equity employed (Foster, 1993).

Change management is a critical process for organizations, involving the reform of objectives, strategies, and tactics. (Asikhia, 2021) Effective strategies and leadership are crucial for successful change implementation however; there is a need for more detailed research on change processes and outcomes, as well as a better understanding of the complex nature of change management (Asikhia, 2021)

### **2.1.3 Strategic Change Management Practices and banking performance**

The process of managing change so that management and staff collaborate to successfully execute the necessary organizational changes is known as strategic change management. Strategic change management practices, according to (Moran and Brightman ,2000), are a means of continuously reevaluating and redefining a business's mission and realigning systems and competencies to meet the changing demands of the internal and external environments. The process of migrating individuals, groups, and organizations while utilizing procedures to smoothly manage assets and operations that reorganize a business is known as change management (Spaulding, Aaron, et al,2014), The National Research Council (1997) states that strategic change management is influenced by every facet of a company that staff members might use to assist them in embracing change.

This entails the best possible alignment of all organizational functions, including roles, responsibilities, and authority, as well as personnel, tasks, deliverables, and people. The process of organization change can be characterized in a variety of ways, including continuous and incremental, abrupt and radical, planned or unplanned, catastrophic or progressive positive or negative, strong or weak, slow or quick, and triggered by internal or external factors (Rafferty et al., 2013). The ability of a business to realize and maintain a sustainable competitive edge and, eventually, increase profitability is often regarded as being significantly and inextricably linked to the requirement for ongoing organizational transformation. According to Kotter (1996), the main driver of organizational change is the increasing demands of globalization, which have an effect on all businesses, whether they are based in developed or developing countries. This is because businesses and institutions conduct business across international borders.

According to Wiggins, (2009), adjusting to change is a necessary aspect of life in general and of most enterprises in particular. When putting the necessary change into practice, a company must determine the environmental conditions necessary for the adjustment plan to succeed. This is because a factor such as the employees' perception of the organization's readiness to change may affect the reality of the change. Anderson and Ackerman (2011) pointed out that the procedures, people impacted, and content of the change will determine if an organizational change is successful. The technology, strategies, systems, and work practices that must be implemented are all considered content. Contrarily, people refer to the actions and attitudes that those involved will display as a result of the changes, whilst processes refer to the structure or strategy used to carry out the organizational transformation.

The general idea of strategy provides direction and consistency to the choices made during an organizational performance. According to Johnson and Scholes (2003), strategy is the long-term direction and scope of an organization. Ideally, it fits resources to the strategy's shifting environment, as well as to its specific markets, clients, and customers, in order to meet the expectations of stakeholders. Strategic change serves as an effective means to minimize motivational, incentive, and environmental barriers, while also defining and enhancing an organization's structure. According to McCann (2004), an organization's performance is determined by how well it uses its main strategies to achieve its objectives. Measuring the financial impact of a bank's policies and activities is implied by the concept of bank performance. The bank's values added, return on assets, and return on investment all show these

outcomes, (Verreynne and Meyer2008). A study on strategic change management techniques in commercial banks was conducted by Mwirigi (2012); the survey found that strategic change management policies were in place at banks. According to the policy, banks were supposed to experience better communication, lower financial losses, enhanced performance, better decision-making, and better resource allocation as a result of effective strategic change management

#### **2.1.4 Cause of strategic change in banking context**

‘‘According Kahveci & Sayilgan (2006); Lapavitsas & Santos (2008); Wignall & Atkinson (2010); World Bank (2005), ‘‘The banking industry has experienced major changes in recent times due to the impact of deregulation, advances in information systems and technologies, globalization, and more recently the global financial crisis triggered by the subprime turmoil in the United States’’ (Munir, Perera, & Baird, K. 2011, p94)’’.

According to Hussain and Hoque (2002), modifications to the macro environment may have an impact on banks' strategies and or organizational structures, which may then result in adjustments to management control systems, including procedures for performance evaluation. The macro environment is outside of banks' control and exists outside of their domain. The banking literature has frequently mentioned new technologies, trade liberalization, competitive pressures, management philosophies, regulatory framework modifications, and unstable political and economic environments as significant influences on bank operations (Helliard et al. 2002).

## **2.1.5 Strategic change model and theory**

### **A. Change Theory**

Research employing this approach has shown that the process of change goes through several stages. Every stage has a set time requirement, and failures at any stage can compromise the success of the change. Kotter's model is an eight-step procedure for managing change.

To encourage individuals to support change according to Kotter (1996), a sense of urgency must be generated. Kotter (1996) suggests that one way to deal with resistance is to build a strong coalition of managers to collaborate with the most resistant individuals. Any modification must have a working plan in place. Things cannot be completed without a specific plan of action. If there is a clear plan in place, implementing change is lot easier. Creating a vision and making preparations to realize it will assist enhance the change (Kotter, 1996).

Creating a sense of urgency is the first step in Kotter's idea. Usually, change begins when certain individuals become aware of the organization's vulnerability. These individuals are motivated to act by the possibility of losing ground in some way, and they make an effort to convey this sense of urgency to the others. According to Kotter, the majority of businesses he has worked with have never been able to create enough urgency to warrant action.

Kotter's theory's second stage involves creating a strong coalition that can lead to change. Usually, only one or two people become involved in the beginning, but the number of people who think the changes are important should keep growing. Gathering a sizable initial core of change supporters is necessary at this stage. The administrative coalition for the transformation process needs more individuals in charge, regardless of the size of the organization. This administrative alliance facilitates the adoption of new ideas and concepts by other individuals. Involving the top leaders in this alliance will provide benefits to the organization.

Developing a vision is Kotter's third part of his theory. Successful change is predicated on a future vision that is relatively simple to convey and resonates with customers, investors, and staff. A well-crafted vision aids in making evident the course that a business must take. It serves as a catalyst for inspiration, maintains the coherence of all initiatives and reforms, and acts as a prism through which to assess the performance of the company (Black and Gregersen, 2002).

The communication of the vision is the fourth stage. According to Kotter, managers should estimate the amount of vision communication needed. The fact is that unless the majority of people understand value, agree to, and make an effort to bring about the change, the effort will

not succeed. Giving others the authority to carry out the vision is the fifth stage of Kotter's philosophy. This calls for a number of measures. People are expected to start acting differently and changing the areas in which they are involved throughout this period. Budget funds are also allocated to the new endeavor during this phase. The important individuals are relieved of their prior duties during this phase so they can focus on the new endeavor. All impediments to change are eliminated.

Creating and planning for short-term successes is the sixth stage of Kotter's approach. Leaders actively plan and achieve some short-term advantages that people can witness and enjoy when they engage in successful transformation (Rose & Lawton, 1999). This provides sufficient evidence that their efforts are having an impact and spurs the transformation to continue. Short-term gains commitments assist maintain the urgency and push for in-depth analytical thought that can clarify or amend visions.

The seventh step of the model involves integrating improvements and preserving the momentum for change. Kotter contends that it is best to wait to declare triumph until the changes are completely implemented. It is important to remember that an early announcement of victory destroys momentum and gives the strongholds of tradition a chance to retake the initiative. Effective leaders leverage their sense of accomplishment to probe deeper into their organization, investigate alterations in the fundamental culture, reveal the relationships between the organization's systems that require adjustment, and assign key roles to individuals who are dedicated to the new approaches (Moran & Brightman (2001). In the end, institutionalizing the new methods is the last stage. In particular, two elements are crucial for doing this. First a deliberate effort to demonstrate to the public how the new methods, actions, and viewpoints have enhanced the organization's quality of life it takes assistance for people to draw the links between their efforts and the results. Making sure the next generation of leaders accepts and embodies the new approaches is the second. The theory of change will be applied to clarify how businesses accept and support strategic changes aimed at improving organizational performance.

## **B. Generative Model**

The field of strategy, since its inception, has been primarily concerned with the search for sustainable competitive advantage (Rumelt et al., 1994; Teece et al., 1997). “As the pace of change in the business environment has accelerated, this focus on sustaining advantage has increasingly translated into a strategy making process fundamentally concerned with equipping organizations with the capability to deal successfully with a changing environment (Liedtka,2000: p195)”.

Linking Strategic Planning with Strategic Change: “As conceived by this model, the process is continuously in motion, as the gap between today’s reality and tomorrow’s intent is broadened, and subsequently narrowed, through the interaction of the new possibilities that the organization envisions in its virtual world and the new capabilities that it develops in its actual world (Liedtka,2000: p197)”.

## **C. Role of Leadership and Context**

“Generative planning processes will require that leaders learn and practice new behaviors, and in doing so, create a context supportive of generative planning. One prevalent theme thus far has been the criticality of bringing diverse perspectives into the planning process, whether in formal planning episodes or in more informal strategic conversations. Access to this diversity, however, even if the managers are invited to participate, cannot be assumed. An individual’s decision to share his or her information and perspectives is a complex one, Dutton et al. (1997), (Liedtka, 2000: p203)”.

## **D. Theory O**

The development of the organization's human capacities and commitment is the primary objective of strategic change under the Theory O method, according to the "THEORY O" article by. (Beer and Nohria,2000), Important information about strategic change's objectives from a Theory O perspective: Developing the Capabilities and Skills of Employees Employee knowledge, skills, and talents should be developed in order for them to successfully carry out new strategic priorities going above and beyond structural adjustments to address the human capital needed to proper change Aiming to develop a highly competent flexible workforce capable of assisting the company in achieving its strategic goals. Encouraging the Engagement and Commitment of Workers achieving high levels of motivation, buy-in, and ownership from the workforce around the strategic transformation process fostering an environment in the

workplace where staff members have a strong commitment to the company's new strategic direction Employee dedication is thought to be essential for long-term reform initiatives. Changing Organizational Culture and Mentalities radically altering how individuals inside the organization cooperate, think, and approach problems Adapting long-held convictions presumptions and corporate culture to make way for new strategic approaches. The goal is to establish a culture that is learning-focused, adaptable, and capable of constant strategy evolution. According to Masod's, (2016) research, the Theory O approach to change places a strong emphasis on the value of employee engagement and organizational culture. Creating an organizational culture that is flexible, cooperative, and committed to ongoing learning and development is the aim.

This contrasts with the efficiency-focused, top-down Theory E approach to transformation. The use of Theory O in the context of changing police organizations was studied by (Bayerl et al, 2013); they discovered that increasing employee buy-in and engagement with the change process was successfully achieved through the use of the Theory O approach. The transformation was more enduring because it placed a higher priority on the training and development of staff members' skills and capacities in addition to fostering a culture of learning and adaptation .All things considered, these studies demonstrate how important it is to support effective and long-lasting strategic change initiatives by implementing the core principles of the Theory O approach, which include building employee capacities, encouraging commitment and involvement, and creating an adaptable organizational culture. The more structural, financial focus of the Theory E approach is thought to be enhanced by the people-centric focus of Theory O.

### **E. Theory E**

Advocated by Nohria and Beer (2000), Enhancing the organization's financial performance and shareholder value is the main objective of the Theory E transformation; the most important success metrics are profitability, stock price, and return on investment. Structural Interventions: Theory E Change initiatives frequently entail major organizational restructurings, mergers, and acquisitions, as well as downsizing. The main goals are to maximize efficiency through the organizational architecture and streamline operations.

Top-Down, Leader-Driven Approach: Senior leadership takes the lead in initiating and directing change, with minimal input from front-line staff. Leaders are viewed as the main change agents,

possessing the knowledge and power to steer the transformation. Use of Incentives and Control: Incentives based on performance, including stock options and bonuses are used to encourage staff members to reach financial goals. In order to guarantee that the change plan is followed, extensive monitoring and control measures are used.

Dependency on Outside Expertise: Using a lot of outside management consultants and subject matter experts is a common practice in Theory E change. These specialists are brought in to do an organizational analysis, create the change program, and supervise its execution. Emphasis on Short-Term Results: Short-term financial and operational benefits must be achieved quickly and measurably. Long-term capability building, cultural change, and ongoing organizational adaptation are given less weight.

Limited Employee Involvement: With more top-down information and, instructions, frontline staff members usually participate less in the process of change. Instead of being seen as a cooperative, organizational-wide endeavor, the change is seen more as a management-driven initiative. Any change process in a firm begins with strategy, structure, procedures, and systems, where decisions on changes are made at the highest level and then distributed to staff members for implementation. The claim that using the incorrect technique is the primary reason behind organizational failure lends credence to this thesis (Bucher and Atkinson, 2000). Ekvall and Arvonen (2011) emphasize that in order for an organization to implement effective change management, effective leadership, communication, and culture must be taken into account, especially during the transition process. Thus, theory E acknowledges the crucial role external players play in helping the company implement a successful change process. Good leadership, communication, and culture must be considered by a company in order to manage change effectively, according to Ekvall and Arvonen (2011). This is especially true during the transformation process. Thus, theory E recognizes the critical role external stakeholders play in assisting the organization in putting in place an efficient change process.

## **F. The Resource-Based View Theory**

‘‘Following Werner Feeler's 1959 original theory, the resource-based theory view was a strategy employed in the 1980s and 1990s to gain an organizational competitive edge. Barney (1991) has expanded on this theory by highlighting the fact that a company is primarily made up of a variety of assets and capacities that need to be combined in order to produce goods or services that meet consumer demands through the creation of appropriate organizational rules. One way to conceptualize the RBV is as an "inside out" approach to strategy development. A key component is the strategic asset contribution of core competences, which will serve as a steady stream of new goods and services through whatever unknowable future market shifts may occur (Connor, 2002). According to Gathoga (2011), the key intangible assets that contribute to a firm's overall performance are networks, culture, know-how, and product reputation. Therefore, the intangible strategic assets play a major role in driving the unequal performances amongst diverse organizations. A firm's resources and capabilities are the most important factors to take into account when creating its strategy because they are the main sources of profitability for the company as well as the main constants that allow it to define its identity and set its plan. Understanding the connections between resources, capabilities, competitive advantage, and profitability is essential to developing a strategy based on resources. In particular, it's important to comprehend the mechanisms that allow competitive advantage to be maintained over time.

This requires the design of strategies which exploit to maximum effect each firm's unique characteristics (Grant, 1991 p; 122)’’.

## **G. Dynamic Theory of Strategy**

In "Towards a Dynamic Theory of Strategy," Michael E. Porter examines the necessity for theories of strategic management to change quickly in response to changing circumstances.

Porter contends that a company's competitive edge is dynamic. In order to respond to changing market conditions and rival actions, companies need to continuously adjust their plans. Competitive conduct is influenced by an industry's structure. For the purpose of creating a dynamic strategy, it is essential to comprehend the five elements of competition: industry rivalry, danger of substitutes, bargaining power of buyers, suppliers, and suppliers' bargaining power. Perspective Based on Resources Porter high lights the role that capabilities and resources have in forging a competitive edge. To adjust to shifts in the market, businesses must efficiently utilize

their particular resources. The art of Strategic alignment Businesses should concentrate on developing a distinctive value proposition that sets them apart from rivals. This requires battling not only on price but also on innovation, quality, and service.

### **H. Theory of strategic games**

Theory of strategic games by Prajit K. (1999) Essential ideas like players, tactics, payoffs, and game structure are introduced by Dutta. He draws a distinction between cooperative and non-cooperative games, highlighting the strategic options that participants have. Concepts of Equilibrium Important equilibrium ideas are covered in the book, especially the Nash Equilibrium, which is the point at which players develop a stable strategy profile. Dutta also discusses ideas that are crucial for the analysis of sequential games, such as sub game perfect equilibrium. Dutta divides games into different categories: Comparing Sequential and Simultaneous Games: Analyzing the variations in timing-based strategy development. Zero-Sum Games: concentrating on situations in which a player's win means a player's loss. The author places a strong emphasis on strategic thinking and explains how players might predict other players' movements. He talks about dominating and mixed strategies, emphasizing the value of unpredictability in specific situations. The book uses game theory to assist firms understands competitive settings so they can predict rivals' moves and changes in the market. Adaptive Strategies, Organizations can create more adaptable strategies that change with the times by knowing how players interact strategically.

Improving Strategic Formulation for Decision-Making, Game theory gives leaders the tools they need to make well-informed decisions by taking rivals' and allies' possible reactions into account. By assessing the risks connected to various strategies, organizations may make better decisions. Organizations can improve overall performance and strengthen their capacity to manage strategic change by incorporating the lessons learned from "Strategies and Games" into their daily operations. Applying game theory encourages proactive and knowledgeable decision-making, teamwork, and innovation, which eventually results in long-term competitive advantages.

## **I. The Balanced Score Card Model**

Drs. Robert Kaplan and David Norton created the balanced scorecard model as a framework for measuring performance that combined traditional financial metrics with strategic non-financial performance measures to provide managers and executives with a more "balanced" picture of organizational performance. The strategic plan of a company can be transformed from a visually appealing and passive document to the daily marching orders for the business thanks to the new balanced score card. Along with offering performance metrics, it offers a framework that aids planners in determining what needs to be done, measured, and carried out (Kaplan and Norton, 1996). It is a crucial component of process execution, strategy creation, and mission identification, with a focus on converting strategy into a connected collection of financial and non-financial metrics, Chan (2004). Performance metrics from both qualitative and quantitative domains are combined in the BSC. The balanced scorecard, according to Kaplan and Norton (1996), is a tool of measurements that provides top managers with a quick but thorough understanding of the company. It complements financial measures, which report on the outcomes of past actions, with operational measures, which determine future financial performance. Kaplan and Norton (2004), state that the BSC evaluates a company's performance from four angles. The financial perspective uses financial metrics including ROI, cash flows, organizational profitability, sales backlog, and profit forecast to evaluate the company's perceived value to shareholders. The customer perspective which includes market share, pricing index, customer happiness, and customer ranking surveys, aids in evaluating the performance of the business from the viewpoint of the customers. The third viewpoint pertains to the operational metrics that are designed to evaluate the organization's performance concerning the business operations that have an effect on customer service. The final viewpoint is innovation and learning, which evaluates whether the business is improving consistently. Metrics such as revenue per employee, percentage of revenue from new services, rate of improvement index, staff attitude survey, and/or number of employee recommendations are used to determine this. The scorecard's versatility and adaptability might be the secret of its appeal. A scorecard that enhances performance (through performance measurement or strategy refinement) can be developed for any type of organization, including profit-driven commercial enterprises, service-driven public sector operations, and not-for-profit organizations motivated by philanthropic commitments (Olson and Slater 2002).

## **2.2 Empirical Review**

### **2.2.1 Empirical Review Overview**

The empirical review examines and evaluates the methods, concepts, contexts, and findings of previous studies related to strategic change management practices and their impact on bank performance.

Yuang (2013) conducted research on strategic change management procedures in South Africa using a descriptive design. The study focused on two offshore businesses operating in the EPZ zone. Data were collected using semi-structured questionnaires, which were then analyzed using SPSS software. The report identified three main strategic change management techniques used by these organizations: product diversification, hiring skilled personnel, and business reengineering.

In Kenya, Ochieng (2014) investigated the strategic change management techniques employed at Maryland Global Initiatives Corporation. The study targeted middle-level managers who were actively involved in the strategic management process. Data were gathered through interviews, and content analysis was used for the analysis. The study concluded that the company employed project matrix structures, improved interdepartmental collaboration, and intentional outside management employment procedures.

Marete's (2010) study aimed to ascertain how GlaxoSmithKline Limited in Kenya managed strategic change. The findings indicated that to ensure effective change management, the company needed to increase commitment, raise awareness by creating informal networks to gather data, solidify and integrate processes, use analytical techniques to establish, measure, and evaluate key initiatives, and ensure that major organizational changes were implemented.

The impact of strategic change management on the performance of Scottish commercial banks was examined by Benjamin (2012). The study found that twelve banks had specialized strategic change management policies that promoted improved decision-making, optimal resource allocation, enhanced performance prospects, decreased financial liabilities, and better

communication channels. However, the study did not adequately address the challenges that commercial banks face, underscoring the necessity of strategic change management procedures in those institutions.

Omari, Ateka, and Nyaboga (2013) researched how the performance of the soft drink industry in western Kenya was affected by strategic change management techniques. The case study population included Equator Bottlers and Kisii Bottlers, comprising a total of 132 respondents. Data were gathered using structured questionnaires. The study concluded that several elements significantly influenced the industry's strategic change management practices, including executive commitment, ongoing planning, change effort goals, and policies.

### **A. Policy changes**

An organization's regular operations and activities are determined by its policies. These policies play a major role in shaping how organizational strategies are formed and how operations are coordinated (Huffman, King, Reichelt, 2017). Estrada, Faems, and de-Faria (2016) noted that internal policies in the banking industry may include policies for employee welfare, recruitment, promotion, and credit management. Credit administration policies specify the guidelines that organizations must adhere to when extending credit to clients. These regulations establish the general procedures followed when evaluating loan options (Leonidou et al., 2017). Effective credit management policies ensure that creditworthy customers receive credit advances, thereby reducing non-performing loans and enhancing overall organizational performance. Welfare policies also influence performance by shaping the organizational atmosphere and conditions.

Organizational policies are the governing principles that structure and direct operations within a group or organization. These strategies can include policies related to AML/Risk Profiling, Executive Fraud, Executive Credit, Rewards, Grading and Promotion, Oversight, and other regulations (Bianca, 2017). Well-crafted strategies communicate expectations to employees, allowing leaders to focus on maintaining accountability for both internal and external partners. A key concept in change literature is policy learning, which emphasizes how organizations can alter their policies by learning from others (Bennett and Howlett, 1992). The development of an

Anti-Money Laundering (AML) banking strategy serves as a reminder for Ethiopian banks to adhere to global standards for preventing money laundering.

In summary, as Bianca (2017) points out, organizational methods set the rules that govern how institutions operate. The adoption of a strong Anti-Money Laundering (AML) policy by Ethiopian banks highlights the importance of following international guidelines to prevent financial crimes.

*H1: Policy changes have a significant effect on bank performance in the case of CBO.*

### **B. Strategic leadership**

The ability of managers to effectively lead a company is critical to the success or failure of a new strategy (Dessler et al., 2004). Several researchers have demonstrated the positive impact of strategic change on an organization's ability to survive (Smith and Grim, 1987; Zuniga-Vicente and Vicente-Lorente, 2006; Wilson, 1992). An organization's capacity to oversee and sustain strategic change is a key factor in determining its success. Therefore, the leader's role is to inform the workforce about the benefits of the strategic change and the necessity of adaptation (Porter, 1996). Once a new plan is formed, it must be communicated throughout the organization.

One of the most crucial responsibilities of a well-defined strategy is to guide employees toward informed choices (Porter, 1996). To achieve this, significant efforts in communication at all organizational levels during the change process are required. Strategic shifts may also alter power dynamics within the company; according to Guvenc et al. (1995), a new strategy can lead to disputes and political conflicts. Leaders must establish political backing among board members or senior management to avoid such challenges. Ultimately, a company's effectiveness and adaptability in a changing environment are greatly influenced by its capacity to handle strategic change.

*H2: Strategic leadership has a positive and significant effect on the performance of banks in the case of CBO.*

### **C. Digital transformation**

In today's dynamic technological environment, digital transformation is essential for every economic entity. Digital transformation serves two main purposes for banking companies: it reduces operating costs by minimizing the number of physical stores and employees, and it allows them to offer new service channels through electronic platforms (e-banking, virtual banking), service points (e-branch stores, POS), and other means (Deng, Huang, Cheng, 2019; Shin, Choi, 2019). According to Vial (2021), digital transformation is the process of improving a unit by implementing essential structural changes through the integration of information, information technology, communications, and connectivity technology.

Digital transformation encompasses a broad notion of banking, including e-learning, teleconferencing, digital stores, e-statements, m-payments, and electronic signatures for transactions (Yip, 2018). With the rise of digital disruptors, consumers increasingly utilize new types of services, necessitating the development of new business models in the banking industry. Factors such as adapting to technological advancements, providing additional service channels, and liberalizing the banking industry have all contributed to the shift toward e-banking (Mitroulis & Kitsios, 2019; Zhao et al., 2019). Nowadays, a significant portion of financial transactions is completed via computers or smartphones. Mobile applications are gaining popularity over traditional banking channels due to their abundance of options, cost and time savings, and user-friendliness. Additionally, users can access real-time information on the value of their investments, incentive programs offered by banks, and the costs incurred from using digital services (Hrustek et al., 2021).

*H3: Digital transformation positively and significantly effect on the performance of banks in case of CBO.*

### **D. Corporate Culture**

It is common knowledge that culture affects human resources and that culture is a crucial component of human resource management (HRM). Less often acknowledged, though, is the fact that corporate culture is a real "strategic asset" and may even be the "ultimate strategic asset"

for the majority of businesses in today's economy, particularly in developed countries. Therefore, much like other types of intellectual capital, culture is, or at least has the potential to be, an important part of a successful company strategy (Ratnatunga et al., 2004).

We define corporate culture as the set of "values," "beliefs," and "norms" that shape employees' attitudes and behaviors within companies. Thus, the essential components that define a company culture are values, beliefs, and norms (Flamholtz & Randle, 2012). Company culture can be quantified as a strategic advantage. It could be measured and reported for internal purposes, but reporting it as an asset in financial statements for external purposes would necessitate a substantial modification in accounting procedures (Flamholtz, 2005). This would require reevaluating the function of measurement and possibly the accounting paradigm as a whole (Roslender, 2009).

A framework for comprehending how organizational culture affects behavior, judgment, and overall effectiveness within a corporation is provided by the Denison Model of corporate culture. Four cultural characteristics of successful firms serve as the foundation for the Denison model, which are discussed below with citations to relevant organizational studies literature. A more complete review linking these qualities is offered by Denison and Mishra (1995).

- ❖ **Involvement:** According to Becker (1964), Lawler (1996), and Likert (1961), effective organizations strengthen human capability at all stages and inspire their workforce. There is a strong sense of ownership among executives, managers, and staff members, and they all take great pride in their work. Individuals at all levels believe that decisions affecting their work are at least somewhat within their control and that their jobs are closely related to the organization's objectives (Katzenberg, 1993; Spreitzer, 1995).
- ❖ **Consistency:** Organizations with "strong" cultures that are well-integrated, organized, and uniform tend to be more effective (Davenport, 1993; Saffold, 1988). Conduct is guided by a set of fundamental principles, and both followers and leaders are adept at coming to a consensus despite opposing viewpoints (Block, 1991). This kind of consistency, characterized by a shared perspective and a high level of conformity, serves as a potent means of stability and internalization (Senge, 1990).

- ❖ **Adaptability:** Paradoxically, highly interconnected organizations are frequently the hardest to modify (Kanter, 1983). There may be conflicts between external adaptation and internal integration. Consumers are the driving force behind adaptable businesses, which take calculated risks, learn from their errors, and are skilled and experienced in bringing about change (Nadler, 1998; Senge, 1990). They consistently modify their systems to enhance the overall capacity to deliver value to their clients (Stalk, 1988).
- ❖ **Mission:** According to Mintzberg (1987, 1994), Ohmae (1982), and Hamel & Prahalad (1994), successful companies have a distinct sense of mission and strategy that outlines company targets and strategic objectives, as well as reflects a vision for the organization's future. A change in a firm's fundamental mission also affects other facets of the culture within the organization.

Firms will need to measure and manage culture to maintain a competitive edge in the fast-paced business environment today, as they increasingly understand its value as a strategic advantage.

*H4: Corporate culture has a positive and significant effect on bank performance in the case of CBO.*

#### **E. Central bank compliance**

The National Bank of Ethiopia (NBE) exerts a robust regulatory grip over the banking sector, exercising extensive control and oversight. In contrast to previous times, when the business landscape underwent significant transformations, private banks in Ethiopia are now required to adapt and evolve in accordance with the demands of their clients, government policies, the political and economic conditions of the country, and the competitive landscape (A&L, 2021).

The banking sector in Ethiopia is highly regulated by the NBE, the central bank. The NBE has issued various directives and regulations to address corporate governance issues, limit credit concentration risks, restrict lending to related parties, and direct credit to priority sectors. These measures demonstrate the central bank's extensive supervisory powers and the government's interventionist approach to managing the banking sector.

Overall, the high level of control and intervention by the NBE and the Ethiopian government suggests that the banking industry remains highly regulated. The NBE possesses extensive

supervisory powers, including the authority to approve banks' business activities, appointments of directors and executives, and the establishment of financial reporting standards.

With this strong regulatory presence, the NBE's oversight limits the ability of private banks to make radical changes or deviate from its directives (Hagos M. K., 2014).

*H5: Central bank compliance has a positive and significant effect on bank performance in the case of CBO.*

### **2.3 Summary of Literature Review and Research Gap**

Researchers such as Yuang (2013) and Ochieng (2014) collected data from businesses in South Africa and Kenya, respectively, using qualitative techniques including surveys and interviews, alongside descriptive designs. This demonstrates a versatile approach to understanding strategic change management across various organizational contexts. Collectively, the studies indicate several strategic change management approaches, such as diversifying products, employing qualified staff, and implementing project matrix frameworks. The aim of these strategies is to enhance organizational performance and agility.

For example, Ochieng's study concentrated on improving interdepartmental collaboration, while Yuang's research emphasized business reengineering as a crucial strategy. Recurring themes emerged regarding the significance of leadership commitment, continuous planning, and effective communication. Marete (2010) suggested that corporate culture plays a major role in effective change management and highlighted the importance of awareness and dedication through informal networks.

According to Benjamin's (2012) investigation of the impact of strategic change management on the performance of Scottish commercial banks, effective policies lead to better decision-making and resource allocation. The study also pointed out that the challenges faced by banks were not fully explored, indicating a lack of understanding of the complex nature of change management within that industry.

Omari, Ateka, and Nyaboga (2013) examined the soft drink sector in western Kenya and found that factors like change effort objectives and policies influenced strategic change practices, emphasizing the necessity of tailored approaches based on industry characteristics. However, comparative analyses of strategic change management techniques across various industries, particularly in similar economic environments, are scarce. Understanding these distinctions could inform best practices.

There is a knowledge gap regarding the long-term impacts of strategic change management on organizational sustainability and growth, as most research focuses on short-term results. While some studies acknowledge challenges, insufficient attention is paid to the specific barriers organizations face during change, especially in developing nations. Furthermore, the perspectives of lower-level employees, who are essential to the execution of change initiatives, are often overlooked in existing literature in favor of management theories.

To enhance overall organizational performance across diverse operational contexts, further research is needed to determine how different strategic change management strategies can be effectively implemented. Previous studies on strategic change management practices, such as those by Yuang (2013) in South Africa, Ochieng (2014) in Kenya, and Benjamin (2012) in Scotland, provide valuable insights but also reveal significant gaps, particularly in developing contexts like Ethiopia. These studies have identified several common elements impacting organizational structure, encompassing technological, cultural, structural, strategic, and operational changes.

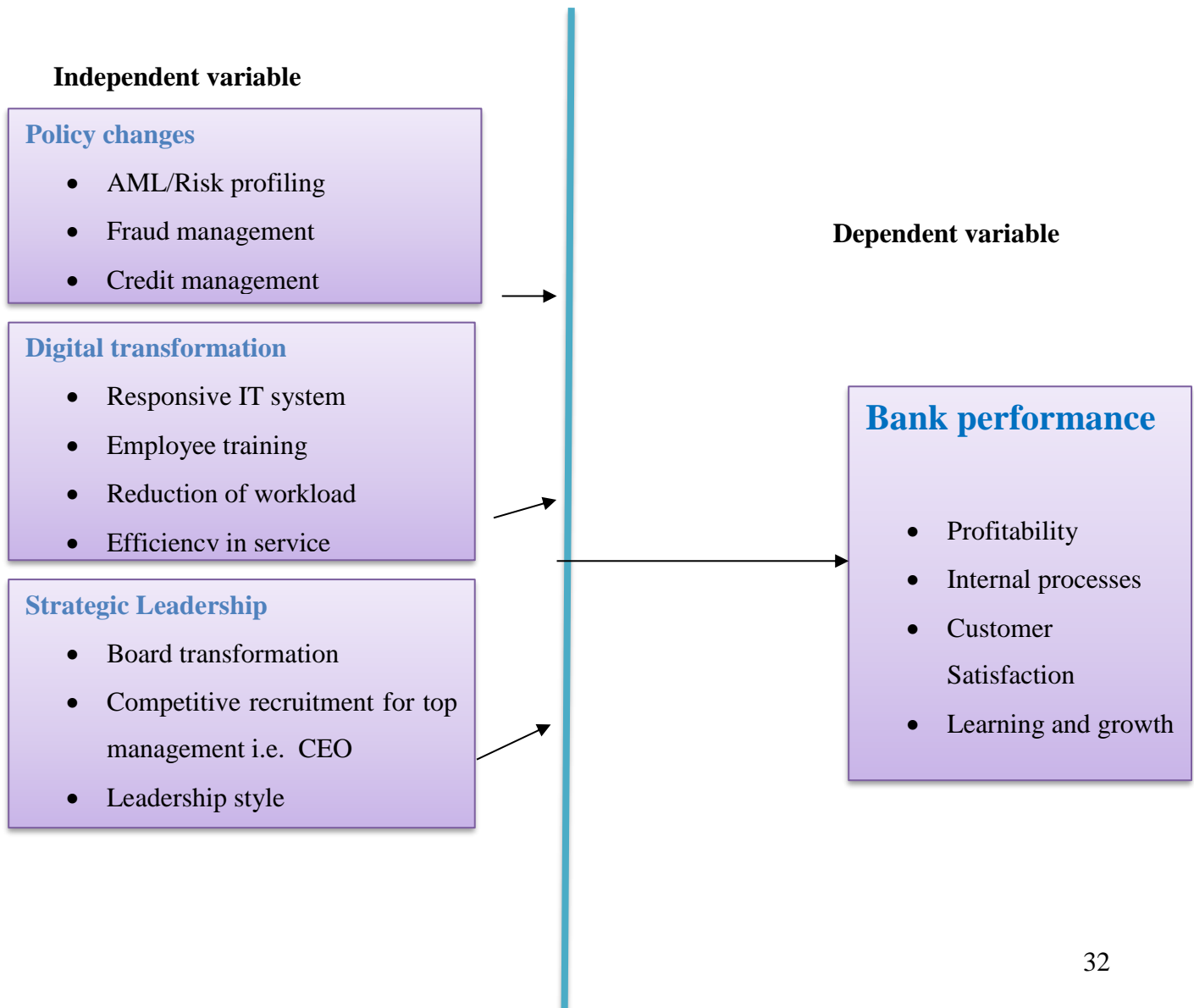
The diversity of environments and data used in these investigations contributes to varying research outcomes. The Cooperative Bank of Oromia (CBO) exemplifies these challenges, as it faces considerable difficulties in implementing the strategic change management practices necessary to achieve its goal of becoming Ethiopia's leading private bank by 2025. While CBO has improved its financial performance and customer base, it struggles with internal processes, highlighting a gap in strategic implementation.

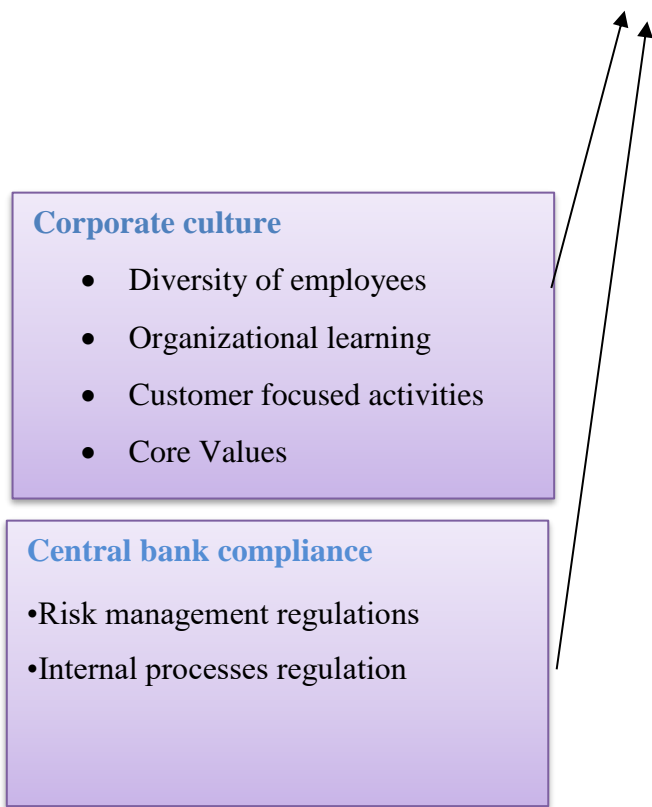
Moreover, there appears to be a lack of comprehensive exploration of how specific strategic change management practices such as policy change, central bank compliance, digital

transformation, and corporate culture affect bank performance in the Ethiopian banking sector, particularly within CBO. This study aims to address these gaps by exploring the relationship between strategic change management practices and the performance of CBO, thereby contributing to a deeper understanding of effective change management in this context.

## 2.4 Conceptual Framework

The literature review revealed that organizations can implement strategic change practices from five distinct perspectives, each focusing on key areas of change. The relationship between strategic change management practices and their impact on bank performance is illustrated in Figure 2.1. The independent variables include policy change, strategic leadership, corporate culture, central bank compliance and digital transformation.





**Figure 2.1: Conceptual Framework**

#### **2.4.2 Research Hypothesis Summary**

Consequently, the following alternative hypotheses were formulated to address the aforementioned study objectives and answer the research questions:

*H1: Policy changes has significant effect on bank performance in the case of CBO.*

*H2: Strategic leadership has a positive and significant effect on bank performance in the case of CBO.*

*H3: Digital transformation has a positive and significant effect on bank performance in the case of CBO.*

*H4: Corporate culture has a positive and significant effect on bank performance in the case of CBO.*

*H5: Central bank compliance has a positive and significant effect on bank performance in the case of CBO.*

*Note: The details of the above hypotheses are presented in the empirical review.*

## **2.5 Measures of Variables**

The **dependent variable**, bank performance, was measured through profitability, internal processes, customer satisfaction, with qualitative assessments gathered via a 5-point Likert scale to measure overall performance satisfaction comprehensively. The **independent variable**, central bank compliance, was evaluated through survey items focused on compliance to regulatory standards, internal processes compliance, risk management regulation also employing a 5-point Likert scale for quantification. Corporate culture was assessed using survey questions 5-point Likert scale that targeted diversity of employees, organizational learning, core values customer focused activities teamwork and innovation, rated in a similar manner for consistency. Strategic leadership was examined through a board transformation, competitive recruitment for top management and relevant survey items that measured effectiveness and vision gathered via a 5-point Likert scale, while digital transformation was measured through items that assessed the level of digital technology adoption across operation like responsive IT system, employee training, efficiency in services using 5-point Likert scale to. Lastly, policy change was measure, credit management, AML/risk profiling, fraud management using the same 5-point Likert scale to ensure uniformity in responses. This comprehensive approach not only facilitated a thorough understanding of the interplay between these variables and bank performance but also provided actionable insights that could drive strategic improvements in the banking sector.

## **Chapter 3: Research Methodology**

This chapter is all about the research methodologies used, including the study area, research design, research approach, sample size and sampling techniques, sources and tools for data collection, validity tests, ethical considerations, and methods of data analysis.

### **3.1 Research Design**

The research design served as the conceptual framework for conducting the study, acting as a blueprint for data collection, measurement, and analysis. Three types of research designs were identified: exploratory, descriptive, and explanatory (Kothari, 2004). Given the research objectives and the nature of the study, both descriptive and explanatory designs were employed. The descriptive design was utilized to outline the demographic and general information of the respondents and the bank, while the explanatory design was selected to investigate the impact of the predictors (strategic change management practices) on the dependent variable (bank performance). Additionally, the study primarily utilized a cross-sectional survey, collecting information from respondents at a single point in time.

### **3.2. Research Approach**

In this study, the researcher adopted a quantitative research approach. This decision was motivated by the aim to formulate specific hypotheses, collect data to support or challenge these hypotheses, and utilize survey methods along with predetermined instruments to gather statistical data. This study was characterized as a descriptive quantitative survey, which effectively tests objective theories by examining the relationship between two variables: strategic change management practices and bank performance (Creswell, 2009). This approach facilitated the analysis of opinions, attitudes, and behaviors, providing insights into how the overall population views a particular issue and how staff members perceive and understand various aspects of strategic change management practices and their effects on bank performance.

### **3.3. Target Population and Study Area Descriptions**

The study was conducted in the Cooperative Bank of Oromia, focusing on branches located in the central district of Addis Ababa, as well as managers and operational staff from both the district office and the head office situated in the city. Addis Ababa, the capital of Ethiopia and the African Union, is often referred to as the African Capital due to its historical, diplomatic, and political significance on the continent. In this context, the population is defined as all individuals or items (the unit of analysis) that possess the characteristics the researcher aims to study. The unit of analysis may include individuals, organizations, countries, objects, or any other entities from which the researchers seek to draw scientific conclusions (Kelley, Clark, Brown, & Sitzia, 2003). Accordingly, the target population for this study was the Cooperative Bank of Oromia, which operates approximately 850 branches nationwide, with 253 branches located in the capital city, divided among five district offices. The researcher selected the central Addis Ababa district out of the five district offices in the city due to its concentration of around 48 branches, which are the most profitable and have a broad customer base within the bank. To conduct the research, simple random sampling was employed to select 10 branches from the 48 branches in the central district.

### **3.4 Sampling design**

#### **3.4.1. Sampling Frame**

According to Saunders et al. (2000), the sampling frame for any sample is a complete list of all cases within the population from which the sample will be selected. For this study, the sampling frame consisted of a comprehensive list of all 1,221 employees working at the Cooperative Bank of Oromia's branches in the central Addis Ababa district, as well as those at the district office and head office located in the city.

#### **3.4.2. Sampling Technique**

The study employed a combination of stratified and purposive sampling techniques. The researcher chose to use stratified sampling based on Kothari's (2004) principle, which states that if the population from which a sample is drawn is not homogeneous, stratified sampling can be utilized to achieve a representative sample. This technique involves dividing the population into several sub-populations or strata, with each stratum being more homogeneous than the overall population. Additionally, the researcher also used purposive sampling, which is a non-probability

sampling technique. Purposive sampling involves deliberately selecting individuals or cases that possess specific characteristics or knowledge relevant to the research study. This sampling method was employed to ensure that the sample includes participants who could provide valuable insights into the research topic. The strata in this study were consist of the cooperative bank of Oromia central Addis Ababa district managers, branch managers, Branch operation managers, and branch marketing managers from nearly 48 branches under central district and operational staff and managers These strata were identified based on their roles and positions within the organization, as they were expected to possess valuable insights and experiences relevant to the research topic. By including representatives from these strata, the study aimed to capture a comprehensive understanding of strategic change management practices and their impact on bank performance at the cooperative bank of Oromia. In this study, we employed a purposive sampling approach to select participants from the central Addis Ababa district. This district was chosen as the focus of the research due to its significance within the bank's operations. The central Addis Ababa district is home to approximately 48 of the bank's branches, which are recognized as the most profitable and serve the widest customer base within the institution's network.

### **3.4.3. Sample size**

According to data from the Cooperative Bank of Oromia's annual report, the target population for this research study consisted of 301 individuals, including Directors, District Managers, Branch Managers, Branch Marketing Managers, Branch Operations Managers, and operational staff from the Head Office and district offices in the central district of Addis Ababa.

Following the determination of the sample size, the researcher allocated the sample size for each stratum using proportional allocation, ensuring that the sample sizes from different strata remained proportional to the sizes of the strata. To achieve this, the proportionate stratified sampling (yemane (1967)) finite and large population sample size formula with 95% confidence level ( $n_i = N_i / 1 + N(e)^2$ ) was utilized, where:

**$n_i$**  =represents the sample size taken from each stratum/sector,

**$N_i$**  =is the total number of individuals in each stratum/sector,

**$n$**  =is the total sample size of the study, and

**$N$** = is the total population size.

$$n = N / 1 + N(e)^2$$

$$=1221/1+1221(0.05)^2$$

$$=1221/4.0525$$

=301 sample size

*Table 3.1: Sample Size of Respondents from each Stratum*

S/N	Strata (sector)	Responsibilities of the respective staff members	Total number of clerical staff in the head office and central districts of the Cooperative Bank of Oromia (target population)	Sample From each $n_i=N_i/N*316$
1	Directors & Central district managers	Tasked with guiding, controlling, evaluating, and ensuring the smooth execution of overall operational activities.	15	4
2	Branch managers under central district	Supervises the daily operations of branch activities, including staff management.	38	9
3	Branch operation managers under central district	Entails overseeing the daily operations of a bank branch.	48	12

4	Branch marketing managers under central district	Organize and manage marketing campaigns to raise awareness of and generate demand for products and services	20	5
5	H.O and central district operational staff	Providing excellent customer service to Customer and ensuring their needs are met	1100	271
Total			1221	301

*Source: Own survey, 2024*

### **3.5 Data Types and Collection Method**

#### **3.5.1 Data source and types**

The research study utilized primary data sources from structured questionnaires and secondary data sources from internal report, books, and articles journals. Primary data was gathered from directors, district managers, branch managers, branch operations managers, branch business managers, and all operational staff in the central district and head office using structured questionnaires. These questionnaires focused on various aspects of the effects of strategic change management practices and their impact on banks performance. Additionally, Secondary data was collected from various books, articles, journals, annual reports of the Cooperative Bank of Oromia, and directives from the National Bank of Ethiopia (NBE). These sources were utilized to support and enhance the primary data in the study.

#### **3.5.2 Data collection method**

The primary tool for data collection in this research study was a structured questionnaire. A standardized questionnaire was utilized to gather data from participants. Additionally, the study employed a questionnaire adapted from existing bank performance assessments adopted from (Gichovi, c.2019) central bank compliance adopted from (Kamau, J. G. (2020) policy change

questionnaires adopted from (Kimathi, F. K., Deya, J. 2023), digital transformation questionnaires adopted from (Diener, F.; Špaček, M.2021, Kitsios, F et .al, 2021) strategic leadership and corporate culture questionnaires are adopted from (Denison, D.R., Haaland, S. and Goelzer, P., 2002.) The questionnaire, serving as the primary data collection instrument, was organized into four sections. The first section gathered a personal profile of each respondent, capturing demographic characteristics such as gender, age, marital status, work experience, and educational level, allowing the researcher to analyze results across various demographic variables. The second section focused on exploring change management practices related to policy changes, corporate culture, strategic leadership, and digital transformation. The third section addressed bank performance, while the fourth section examined with central bank compliance. All questions were structured as close-ended, with responses measured using a five-point Likert scale: Strongly Agree (SA) = 5, Agree (A) = 4, Neutral (N) = 3, Disagree (D) = 2, and Strongly Disagree (SD) = 1. The use of the Likert scale facilitated straightforward responses from participants and allowed for efficient statistical analysis of the data.

### **3.6. Validity**

Validity refers to the extent to which a measure accurately reflects what it is intended to measure. It involves how effectively the concept is defined by the chosen measure(s). To ensure the validity of the research instrument in this study, relevant literature and various existing research questionnaires were consulted. Additionally, the draft survey questionnaire was adapted from prior studies. Once this process was completed, the research instrument was distributed to the respondents.

### **3.7 Reliability**

In this study, the reliability of the items in the instrument was assessed using Cronbach's alpha, a commonly used test for measuring internal consistency when employing the Likert scale. According to Sekaran (2003), a reliability coefficient closer to 1.0 indicates better reliability, with values above .80 considered good. Values in the .70 range are deemed acceptable, while reliability values below .60 are regarded as poor.

### **3.8. Data Analysis Methods**

The researcher employed descriptive statistical methods, correlational analysis, and multiple linear regression analysis to analyze and interpret the data. Statistical software known as SPSS was utilized to compile and evaluate the data collected from the questionnaire. Descriptive

analysis provided in-depth insights into the demographic characteristics of the respondents, as well as the relationships between dependent and independent variables. Descriptive statistics included frequency distribution, mean, standard deviation, and tables to summarize, analyze, and present the results related to the predictors of the dependent variables.

According to Zaidotal and Bagheri (2009), the mean score comparison technique is commonly used for analyzing and comparing levels of quantitative indicators. This study also applied this technique, which categorizes mean score values into three distinct ranges (Zaidotal and Bagheri, 2009).

*Table 3.2: Mean score comparison basis for five-point Likert scale instrument*

Mean score	Description
< 3.39	Low
3.40-3.79	Moderate
> 3.80	High

Pearson Correlation Analysis was utilized to examine the relationship between the independent and dependent variables. Additionally, multiple linear regression analysis was conducted to identify the significant factors affecting strategic change management practices and their impact on bank performance. The quantitative data were presented in tables to enhance clarity and understanding. Ultimately, a multiple linear regression model was employed to determine the relationship between the dependent and independent variables, as this model accommodates multiple independent variables for predicting performance.

The regression equation will take the form:  $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$

Where

Y- Performance

$\beta_0$  – constant term

X1 – Policy changes

X2 – Digital transformation

X3 – Strategic leadership

X4 – Corporate culture

$\varepsilon$ - Error Term that will account for all other factors affecting performance not included in the model.

### **3.9 Ethical consideration**

These studies comply with general research ethics, which regard ethics as the appropriateness of the researcher's conduct concerning the rights of participants or subjects involved (Saunders et al., 2009). Several ethical considerations were implemented: respondents were asked to provide information voluntarily. Clear and transparent communication was maintained with participants regarding the study's purpose, the nature of their involvement, and any potential risks or benefits related to their participation. Confidentiality was prioritized, ensuring that participants' information was kept secure and treated with the utmost discretion. The questionnaire was made to fit the industry context, with questions designed to be clear, relevant, and easily understandable, minimizing any potential confusion or ambiguity. Questionnaires were distributed only to participants who voluntarily agreed to participate, and no coercion or pressure was applied to compel individuals to participate against their will. By following these ethical guidelines, the study aimed to uphold the rights, well-being, and confidentiality of participants, ensuring ethical conduct throughout the research process.

## Chapter 4: Data Analysis and Discussion

The primary aim of this study was to investigate the effects of strategic change management practices on bank performance by formulating hypotheses based on five independent variables. To achieve this objective, data collected from a primary source through a questionnaire were analyzed, presented, and interpreted. This section offers a comprehensive analysis of the descriptive, correlation, and regression research instruments.

### 4.1 Response rate

*Table 4.1: Response rate*

Sample size	301
Total responses	223
Uncollected responses	78
Response percentage	74%

*Source: Own survey, 2024*

As illustrated in Table 4.1 above, the response rate was approximately 74%. A total of 301 questionnaires were distributed to respondents, of which 223 were appropriately filled out. Out of the 223 respondents, 180 were from the head office, 10 from the central district office, and 33 from various branches. This led to an overall response rate of 74%.

According to Cooper and Schindler (2014), a response rate of 50% is sufficient for analysis, 60% is deemed good, and 70% or higher is classified as excellent. Thus, with a response rate of 74%, this is regarded as excellent, allowing us to move forward with the next phase of data analysis.

### 4.2 Demographic Characteristics of Respondents

The table below is designed to display the demographic information of the respondents.

*Table 4.2: Demographic Characteristics*

Variables	Categories	Outcomes	
		Frequency	percentage
Gender of respondent	Male	167	74.9
	Female	56	25.1
	<b>Total</b>	<b>223</b>	<b>100</b>

Age	18-30	125	56.1
	31-40	87	39.0
	41-50	9	4.0
	>50	1	.4
	<b>Total</b>	<b>223</b>	<b>100</b>
Marital status	Married	106	47.5
	Widowed	1	.4
	Single	116	52.0
	<b>Total</b>	<b>223</b>	<b>100</b>
Education level	Bachelor degree	119	53.4
	Master degree and above	104	46.6
	<b>Total</b>	<b>223</b>	<b>100</b>
Work experience	0-2	65	29.1
	3-5	62	27.8
	6-10	66	29.6
	>10years	30	13.5
	<b>Total</b>	<b>223</b>	<b>100</b>
Work place	Head office	152	68.2
	Central Addis Ababa regional office	35	15.7
	Branch	36	16.1
	<b>Total</b>	<b>223</b>	<b>100</b>

*Source: Own survey, 2024*

As indicated in the above table demographic data from the 223 respondents are as follows

Women participation in the work force remains low, with men comprising 74.9% and women only 25.1%. to address this imbalance, CBO should implement targeted recruitment strategies that actively seek to attract women, create inclusive workplace policies that support work-life balance. A significant portion of the workforce is young with 56.1% aged between 18 and 30, and 39% falling within the 31 to 40 age range; this suggests several implications for CBO. Specifically, corporate culture centered on innovation and collaboration will engage young

professionals, driving their commitment and performance. Strategic change that promotes work-life balance, such as remote work options and flexible hours, can enhance productivity and attract young talent. Importantly, younger employees are not resistant to digital transformation; in fact, they are often more adaptable and eager to embrace new technologies. By integrating these approaches, CBO can use the potential of a younger workforce to improve overall productivity. Notably, 52% of respondents are unmarried. This presents several opportunities. Strategic changes that offer flexible work arrangements can increase job satisfaction and retention. Strategic leadership should focus on creating clear career pathways and guidance programs to support young professionals in their career growth and also corporate culture that values innovation and collaboration will engage these employees, driving their commitment and performance.

In terms of education, the workforce is highly qualified, with 53.4% holding bachelor's degrees and 46.6% possessing master's degree or higher. This presents several implications. CBO should focus on continuous education and professional development programs to leverage this expertise and foster lifelong learning. Strategic leadership can benefit from utilizing the advanced skills of employees to drive innovation and informed decision-making. Additionally, cultivating a corporate culture that values knowledge sharing and collaboration will maximize the potential of this educated workforce. Regarding work experience 29.1% having 0-2 years of experience and 29.6% with 6-10 years, this distribution of work experience suggests the need for leveraging the insights of those with more experience and onboarding programs to support less experienced. Strategic leadership can focus on fostering an environment that encourages knowledge transfer and collaboration between different experience levels. Lastly, the distribution of workplace reveals, 16.1% of respondents work at branches, 15.7% in the central Addis Ababa regional office, and 68.2% at the head office. This distribution highlights the need for strategic change that promotes equitable resource allocation and support for branches office to ensure they are equipped to meet local needs. Strategic leadership should focus on enhancing communication and collaboration between the head office and branches, cultivating a corporate culture that values input from all locations will empower employees and encourage a sense of belonging additionally embracing digital transformation can streamline processes and improve connectivity across locations while ensuring that central bank compliance measures are consistently applied throughout all offices will reinforce organizational integrity and trust.

### 4.3 Descriptive Analysis of strategic change management practice and bank performance

In order to properly summarize the essential features of a study's sample and measurements, descriptive statistics offer a brief overview of quantitative data. By reducing large datasets into more manageable summaries, these statistics make it simpler to analyze and share results. Each descriptive statistic turns complicated data into understandable insights, setting the stage for more analysis, as Gelman (2007) points out. Mean values are categorized into ranges, such as 2.60-3.40 neutral, 3.40-4.20 disagree and 4.20-5.00 for highly agree, kostoulas, (2013).

#### 4.3.1 Policy change

*Table 4.3: Respondent perception of Policy changes*

Statements	Mean	Std. Deviation
1. Anti-money laundering / Risk policies plays a significant role in your organization	4.38	.841
2. The organization uses feedback from policy changes to inform future strategic decisions	4.24	.808
3. Staff training on bank policy plays a significant role in your organization	4.32	.892
4. fraud policies plays a significant role in your organization	4.23	.938
5. Credit regulation policy play a significant role in your organization	4.26	.904
6. I feel that the organization is effectively managing the transition between policy changes and strategic objectives.	4.12	.835
7. Policy changes are made with a long-term strategic vision in mind	4.18	.774
<b>Aggregate mean and Std</b>	<b>4.24</b>	<b>0.856</b>

*Source: Own survey, 2024*

The overall aggregated mean response of 4.24 (SD = 0.856) indicates a positive perception regarding the significance of policies within the organization. However, the mean response of 4.12(SD=0,835) suggests that while employees recognize efforts in managing the transition between policy change and strategic objectives, there remains a notable gap in fully realizing this effectiveness. Furthermore, the mean of 4.18 (SD= 0.774) for the perception that policy changes

are made with a long-term strategic vision highlights a future-oriented approach, yet it underscores the need for greater emphasis on addressing employee concerns and enhancing clarity during transitions. This gap signals an opportunity for the organization to strengthen communication and support mechanism around policy changes to foster greater alignment and engagement among employees.

### 4.3.2 Digital transformation

*Table 4.4: Respondent perception of digital transformation*

Statements	Mean	Std. Deviation
1. The bank's mobile banking application has significantly increased customer engagement and usage of banking services	4.29	.914
2. The use of data analytics in decision-making processes has enhanced the bank ability to respond to market changes and customer needs.	4.13	.873
3. Government regulations support the bank efforts to implement digital changes and innovations effectively.	3.84	1.018
4. The public infrastructure does not meet the requirements for comprehensive digitalization of 4. banks.	3.57	1.124
5 Man-made mistakes lead to widespread effects in a centrally organized (IT) infrastructure.	3.82	.927
6. External (digital) experts/consultants are available to banks in large numbers.	3.63	1.040
7. Digitalization and the resulting consequences of branch closures lead to a minimization of personal customer contact.	3.96	.905
8. The management sees the importance of the topic of digitalization and takes the need for further development and its influence.	4.26	.772
9. Banks are reacting to market and competitive situations and are trying to keep up with the latest developments in analogue and digital services.	4.28	.802
10. Managers avoid the risks associated with new issues such as digitalization.	3.25	1.169
<b>Aggregate mean and Std deviation</b>	<b>3.903</b>	<b>.9544</b>

*Source: Own survey, 2024*

The overall aggregated mean response of 3.90 (SD = 0.954) reflects a moderate perception regarding the bank's digitalization efforts. The statement that 'the bank's mobile banking application has significantly increased customer engagement and usage of banking services' received a high mean of 4.29 (SD=0.914), indicating strong employee recognition of its positive impact. The perception that government regulations effectively support digital changes is lower at 3.84(SD=1.018), indicating room for improvement in regulatory alignment. A concerning mean of 3.57 (SD=1.124) highlights that public infrastructure does not adequately support comprehensive digitalization efforts. The statement 'managers avoid the risks associated with new issues such as digitalization' scored low at 3.25 (SD=1.169), suggesting a reluctance to embrace necessary innovations. These findings emphasize the need for the bank to enhance communication regarding digital initiatives and address employee concerns, particularly in relation to regulatory support and infrastructure development. Strengthening these areas will be crucial for fostering greater alignment and facilitating the bank's transition towards a more digitalized future.

### 4.3.3 Strategic leadership

*Table 4.5: Respondent perception on strategic leadership*

Statements	Mean	Std. Deviation
1. The government selection of the CEO at the cooperative bank of Oromia is important for banking operation and performance.	4.06	1.057
2. Board Transformation (incoming or outgoing of board members) play a significant role in banking operation.	4.11	.806
3. The leadership effectively communicates any changes in government regulations to ensure employees understand their importance of change.	4.07	.890
4. The leadership at the CBO adapts its strategies in response to government regulation.	4.16	.811
5. Does board diversity play a significant role in the organization	4.10	.897
6. Leadership Style plays a significant role in the organization.	4.24	.927

<b>Aggregate mean and Std deviation</b>	<b>4.123</b>	<b>.769</b>
---	--------------	-------------

*Source: Own survey, 2024*

The overall aggregated mean response of 4.12 (SD = 0.769) indicates a positive perception of leadership and governance, but notable gaps remain:

The lowest mean of 4.06 (SD=1.057) regarding the CEO’S selection suggests that while employees acknowledge its importance, concerns about the effectiveness of the selection process persist. This gap may stem from a lack of transparency in the criteria used or insufficient communication about how the CEO’s leadership impacts operational performance. Additionally, leadership’s effectiveness in communicating regulatory changes received a mean of 4.07 (SD=0.890), indicating variability in employee’s responses: some feel adequately informed while others do not.

These findings underscore the need for enhanced communication strategies to ensure all employees receive clear and timely information about regulatory changes and their implications. Addressing these gaps in transparency and communication can significantly strengthen employee engagement and confidence in leadership.

#### **4.3.4 Corporate culture**

<i>Table 4.6: Respondent perception on corporate culture</i>		
Statements	Mean	Std. Deviation
1. Cooperation across different parts of the organization is actively encouraged.	4.27	.805
2. Teamwork is used to get work done, rather than hierarchy.	4.26	.872
3. There is a clear and consistent set of values that governs the way we do business.	4.16	.865
4. There is an ethical code that guides our behavior and tells us right from wrong.	4.22	.813
5. There is a characteristic management style and a distinct set of management practices.	4.05	.807
6. People from different parts of the organization share a common perspective.	3.94	.913
7. There is a clear strategy for the future.	4.24	.851

8. Learning is an important objective in our day-to-day work.	4.37	.817
9. We have a shared vision of what the organization will be like in the future.	4.33	.809
10. Our vision creates excitement and motivation for our employees.	4.23	.811
11.Short-term thinking often compromises our long-term vision	3.43	1.364
<b>Aggregate mean and Std deviation</b>	<b>4.13</b>	<b>.88</b>

*Source: Own survey, 2024*

The overall aggregated mean response of 4.13 (SD = 0.88) reflects a strong perception of collaboration and organizational values; however, the lower mean of 3.43 (SD=1.364) regarding short-term thinking indicates potential risks. Here are the implications based on these findings:

The mean of 3.94 suggests a need for initiatives that foster greater alignment among departments, such as cross-functional teams and collaborative projects. Additionally, the low mean of 3.43 highlights a risk to long-term strategic goals. The organization should implement frameworks that prioritize long-term planning and decision-making. Furthermore, clearer communication about the organization’s vision and values is essential. Regular updates and engagement forums can help ensure that all employees are aligned with strategic objectives.

#### 4.3.5 Central bank compliance

Statements	Mean	Std. Deviation
1. Compliance with central bank regulations is important on the overall performance of the CBO.	4.21	.862
2. The initial deposit policy is being enforced consistently across the banking sector.	4.02	.794
3. Change in the value of the dollar significantly affects the CBO compliance with central bank regulation.	3.87	.930
4. There is a clear strategy for how compliance with reserve rates and initial deposits will drive positive change in the banking sector.	3.94	.898
5. The strategies implemented for ensuring compliance with central bank regulations are important in managing the challenges posed by changes in the dollar’s value.	4.08	.728

6. The bank effectively adjusts its strategic change management practices in response to increases in the dollar's value.	4.11	.828
7. In my bank, requirements on corporate governance have been implemented.	4.14	.809
8. In my bank, requirements on financial information reporting have been implemented.	4.18	.842
9. In my bank, requirements on approval of new banking products have been followed.	4.29	.815
10. The policies related to reserve rates and initial deposits are well-communicated to CBO.	4.23	.849
11. I believe the reserve rate policy set by NBE has a significant impact on the strategic planning of private banks.	4.28	.831
<b>Aggregate mean and Std deviation</b>	<b>4.12</b>	<b>.835</b>

*Source: Own survey, 2024*

The overall aggregated mean response of 4.12 (SD = 0.835) indicates a positive perception regarding the importance of central bank compliance in the overall performance of the CBO. However, the mean responses reveal areas for improvement.

The mean of 3.87 (SD=0.930) regarding the impact of changes in the dollar's value on compliance suggests a notable concern about external factors affecting regulatory adherence.

The mean of 3.94 (SD = 0.898) for having a clear strategy for compliance highlights a gap in clarity regarding how these strategies will drive positive change in the banking sector.

This overall picture signals an opportunity for the organization to strengthen communication and support mechanisms around compliance and strategic planning ensuring that employees feel more aligned and engaged with the regulatory framework and its implications for future performance.

**4.3.6 Bank performance**

Twelve elements make up the questionnaire's bank performance construct, which allows respondents to score the bank's performance according to those criteria. As a result, the average mean for each of the twelve elements are presented under the table below.

Statements	Mean	Std. Deviation
1. The bank effectively incorporates customer feedback into its strategic change initiatives to enhance service quality.	4.04	.887
2. Strategic change management practices at the CBO are important for customer satisfaction.	4.23	.815
3. The bank effectively communicates changes to its services and practices to customers, ensuring they are well-informed.	4.09	.795
4. Strategic change management practices have improved the efficiency of internal processes at the cooperative bank of Oromia	4.21	.726
5. The bank has experienced increased innovation (creation of new products and services).	4.38	.881
6. Government regulation are important for the internal processes of the CBO during strategic change	4.03	.840
7. Internal processes at the bank are well-aligned with the strategic goals set by leadership during change initiatives.	4.09	.868
8. The bank offers effective training programs to equip employees with the skills needed for new initiatives arising from strategic changes.	4.08	.915
9. Feedback mechanisms are in place to support employee growth and adaptation during the implementation of strategic changes.	4.05	.829
10. Government regulations influence the bank's investment decisions in a way that enhances its financial performance.	4.13	.857
11. The bank has been able to reduce its cost per revenue generation the last ten years.	3.87	.995
12. Government regulations are important for financial performance of CBO.	3.81	1.124
<b>Aggregate mean and Std</b>	<b>4.08</b>	<b>.877</b>

*Source: Own survey, 202*

The overall aggregated mean response of 4.08 (SD = 0.877) indicates a positive perception of strategic change management practices on bank performance; yet notable gaps persist in certain areas. However, the lowest mean of 3.81 (SD = 1.124) regarding the importance of government regulations for financial performance suggests that employees may have concerns about the regulatory environment's impact on the bank's operations. And also, the mean of 3.87 (SD = 0.995) regarding the cost reduction over the past ten years reveals a potential area for improvement in operational efficiency. Yet there remains a need to enhance feedback mechanisms to support continuous adaptation during strategic changes, as indicated by mean of 4.05 (SD = 0.829). This finding highlights the necessity for improved communication strategies regarding government regulation and their implications, as well as a focus on enhancing internal processes to support cost efficiency. Addressing these gaps can significantly bolster employee engagement and confidence in the bank's strategic direction.

#### **4.4 Validity Test**

As stated in the methodology section, all variables were adopted from previous studies to ensure the validity of the research instrument.

#### **4.5 Reliability Test**

Cronbach's alpha is a measure of internal consistency that evaluates how closely related a group of items is. This statistic serves as an indicator of scale reliability, which pertains to the degree of trustworthiness and consistent performance. It also relates to how consistently a measurement yields results, fundamentally addressing measurement consistency issues (Bryman and Bell, 2003). Alpha < 0.6: indicates poor internal consistency, between 0.6 and 0.7: considered acceptable reliability, between 0.7 and 0.9: indicates good reliability, > 0.9: may indicate excellent reliability (Tavakol & Dennick, 2011).

The Cronbach's alpha results for each item included in the questionnaire are presented in the following table.

*Table 4.9: Reliability Test*

<b>Reliability statistics</b>		
	<b>Cronbach's Alpha</b>	<b>No of Items</b>
Policy changes	.872	7
Digital transformation	.799	10
Strategic leadership	.851	6
Corporate culture	.889	11
Bank performance	.890	12
Central bank compliance	.876	11
<b>Overall Reliability</b>	<b>.962</b>	<b>57</b>

*Source: Own survey, 2024*

Consequently, the overall Cronbach's alpha result for the 57 items in the study (comprising 5 CBC items, 4 CC items, 3 SL items, 2 DL items, and 1 PC item) was 0.962, exceeding the minimum acceptable alpha value of 0.70.

#### **4.6 Inferential Analysis**

In this section, both regression analysis and correlation analysis were conducted. The correlation analysis was used to explore the extent and direction of the influence of the independent factors on the dependent variable, while the regression analysis aimed to assess the degree and direction of the relationship between the variables included in the study.

##### **4.6.1 Correlation Analysis**

As noted by Emily James (2016), correlation analysis is a statistical technique used to assess whether two variables or datasets are related and to what degree. The correlation coefficient ( $r$ ) serves as a statistical measure that indicates the strength of the relationship between two interval or ratio variables, effectively quantifying this association. A weak correlation is characterized by values between 0.1 and 0.29, a moderate correlation by values between 0.3 and 0.49, and a strong correlation by values greater than 0.5 (Field, 2005).

In this study, correlation analysis was conducted to investigate the relationships between bank performance and strategic change management practices, as outlined in the table below.

Table 4.10: Correlation between bank performance and strategic change management variable

<b>Correlations</b>							
		PC	DT	SL	CC	CBC	BP
Policy changes	Pearson Correlation	1					
	Sig. (2-tailed)						
	N						
Digital transformation	Pearson Correlation	<b>.622**</b>	1				
	Sig. (2-tailed)	.000			.		
	N	223	223				
Strategic leadership	Pearson Correlation	<b>.626**</b>	<b>.623**</b>	1	**		
	Sig. (2-tailed)	.000	.000		.	.	
	N	223	223	223			
Corporate culture	Pearson Correlation	<b>.625**</b>	<b>.581**</b>	<b>.686**</b>	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	223	223	223	223		
Central bank compliance	Pearson Correlation	<b>.624**</b>	<b>.536**</b>	<b>.624**</b>	<b>.612**</b>	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	223	223	223	223	223	
Bank performance	Pearson Correlation	<b>.588**</b>	<b>.598**</b>	<b>.699**</b>	<b>.675**</b>	<b>.704**</b>	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	223	223	223	223	223	223
**. Correlation is significant at the 0.01 level (2-tailed).							

Source: Own survey, 2024

The results from the Pearson correlation test indicate a strong positive relationship between the dependent variable, bank performance, and the independent variable, central bank compliance. This relationship is statistically significant, with a correlation coefficient of ( R = 0.704) (p <

0.01). Among the change management dimensions examined in this study, central bank compliance shows the strongest correlation with bank performance.

Another finding from the Pearson correlation test in this research study showed that there is a positive relationship between the predicted variable, bank performance, and the predictor variable, strategic leadership, with a significant correlation of ( $R = 0.699$ ) ( $p < 0.01$ ). Strategic leadership is the second factor demonstrating a strong correlation with bank performance among the strategic change management constructs identified to date.

Another finding from the Pearson correlation test in this research study indicated a positive relationship between the dependent variable, bank performance, and the independent variable, corporate culture, with a significant correlation of ( $R = 0.675$ ) ( $p < 0.01$ ). Corporate culture ranks as the third factor showing a strong correlation with bank performance among the strategic change management constructs identified thus far.

Another finding from the Pearson correlation test in this research study revealed a positive relationship between the dependent variable, bank performance, and the independent variable, digital transformation, with a significant correlation of ( $R = 0.598^{**}$ ) ( $p < 0.01$ ). Digital transformation ranks as the fourth factor demonstrating a positive correlation with bank performance among the strategic change management constructs identified to date.

Finally, the findings from the Pearson correlation test indicated a positive relationship between the dependent variable, bank performance, and the independent variable, policy change, with a significant correlation of ( $R = 0.588^{**}$ ) ( $p < 0.01$ ). Among the strategic change management practices considered in this study, policy change is identified as the fifth factor exhibiting a positive correlation with bank performance.

Overall, the correlation table shows that there is a strong positive relationship between bank performance and strategic leadership, policy change, digital transformation, corporate culture and central bank regulation. This suggests that the independent variables are associated with higher level of bank performance.

#### 4.7. Multiple Regression Analysis

Multiple linear regression analysis is employed to examine the simultaneous relationship between several independent variables and a dependent variable. This approach offers a more thorough understanding of how various factors influence the outcome, leading to more precise predictions and improved decision-making. Consequently, the researcher utilized multiple linear regression analysis to investigate how components of strategic change management—namely policy change (PC), corporate cultural (CC), strategic leadership (SL), digital transformation (DT), and central bank compliance (CBC) affect the dependent variable, bank performance (BP). Therefore, the model employed in this study to analyze the factors influencing bank performance was  $BP = \beta_0 + \beta_1 PC + \beta_2 CC + \beta_3 SL + \beta_4 DT + \beta_5 CBC + \epsilon_i$

BP-Bank performance

PC- policy change

CC- corporate culture

SL- strategic leadership

DT- digital transformation

CBC- central bank compliance

$\epsilon_i$ - error term that will account for all other factors affecting performance not included in the model.

The results of the regression analysis are presented below as follows:

*Table 4.14: Model Summery*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.802 <sup>a</sup>	.643	.635	.35872
<b>a. Predictors:</b> (Constant), compliance with central bank, digital transformation, corporate culture, POLICY change, strategy leadership				
<b>b. Dependent Variable:</b> bank performance				

*Source: Own survey, 2024*

The Adjusted R Square value of 0.635 indicates that approximately 63.5% of the variability in the dependent variable, bank performance, can be explained by the independent variables included in the model (compliance with central bank, digital transformation, corporate culture, policy change, and strategic leadership). Unlike the regular R Square, this can increase with the addition of more predictors regardless of their relevance, the Adjusted R Square accounts for the number of predictors in the model. This makes it a more reliable indicator of model fit, as it adjusts for the potential over fitting that can occur with too many variables. A value close to 1 suggests a strong explanatory power of the model.

*Table 4.15: Anova analysis*

**ANOVA<sup>a</sup>**

Model		Sum of Squares	DF	Mean Square	F	Sig.
1	Regression	50.312	5	10.062	78.196	.000 <sup>b</sup>
	Residual	27.924	217	.129		
	Total	78.236	222			

*Source: Own survey, 2024*

A. Dependent Variable: Bank performance

B. Predictors: (Constant), central bank compliance, digital transformation, corporate culture, policy change, strategic leadership.

As shown in the table 4.15, the F-test value is 78.196 (p-value = 0.000, which is less than 1 percent), indicating that the model fits the data well. This implies that the explanatory variables included in the regression model have strong predictive power regarding their effect on the dependent variable.

*Table 4.16: Coefficient table*

<b>Coefficients<sup>a</sup></b>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.288	.201		1.431	.154
	Policy changes	-.002	.056	-.002	-.031	.975

Digital transformation	.136	.059	.131	2.304	.022
Strategic leadership	.225	.055	.259	4.072	.000
Corporate culture	.203	.059	.212	3.442	.001
Central bank compliance	.365	.061	.344	5.954	.000
a. Dependent Variable: bank performance					

*Source: Own survey, 2024*

The detailed results of the regression analysis are presented below. The coefficient table above displays the constant beta value ( $\beta$ ) and the p-values of the variables, which are used to assess the significance of the hypotheses. The significance levels for each variable (p-values) are as follows: 0.975, 0.022, 0.000, 0.001, and 0.000, with their corresponding standardized coefficients being -0.002, 0.131, 0.259, 0.212, and 0.344, respectively. All independent variables have p-values below 0.05, except for policy change (PC), which has a p-value of 0.975. This indicates that all independent variables, except for policy change, have a significant relationship with the dependent variable (bank performance).

The regression analysis results confirm a positive and statistically significant effect of central bank compliance (CBC) on bank performance (BP), with a beta coefficient value of  $\beta = 0.344$  at the 1 percent significance level (p-value = 0.000). This finding emphasizes that adherence to central bank regulations is a crucial factor in the performance practices of the Cooperative Bank of Oromia. The interpretation of this result is that, holding other factors constant, an increase of one unit in compliance with central bank regulations is associated with an improvement of 0.344 units in bank performance practices.

The regression analysis results indicate that strategic leadership (SL) is the second most important variable affecting the bank performance of the Cooperative Bank of Oromia. With a beta coefficient value of  $\beta = 0.259$  and a p-value of 0.000, strategic leadership is shown to have a statistically significant positive effect on bank performance (BP). This means that, when other factors are held constant, an increase of one unit in strategic leadership is associated with an improvement of 0.259 units in bank performance.

With a beta coefficient value of  $\beta = 0.212$  and a p-value of 0.001, corporate culture (CC) has been identified as the third most significant variable positively influencing bank performance

(BP). This finding can be interpreted to mean that a one-unit improvement in corporate culture results in a 0.212-unit enhancement in bank performance, highlighting its importance for overall bank performance.

Finally, the regression analysis results confirm that digital transformation (DT) has a statistically significant positive impact on the bank performance of the Cooperative Bank of Oromia, with a p-value of 0.022 at the 5 percent significance level and a beta coefficient value of 0.131. This implies that a one-unit improvement in digital transformation results in a 0.131-unit enhancement in the bank's performance.

#### 4.8 Hypothesis Testing and Discussion

This study aimed to investigate the effect of strategic change management practices on the performance of private banks. As shown in Table 4.18 above, all regression coefficients (beta coefficients) related to strategic change management and bank performance are positive, with the exception of policy change.

*Table 4.17: summary of hypothesis testing*

Hypothesis	Analysis used		Findings	Result
H <sub>1</sub>	Multiple regression	$\beta = .975; p > .05$	No significant	Rejected
H <sub>2</sub>	Multiple regression	$\beta = .022; p < .05$	Positive significant	Accepted
H <sub>3</sub>	Multiple regression	$\beta = .000; p < .05$	Positive significant	Accepted
H <sub>4</sub>	Multiple regression	$\beta = .001; p < .05$	Positive significant	Accepted
H <sub>5</sub>	Multiple regression	$\beta = .000; p < .05$	Positive significant	Accepted

*Source: Own survey, 2024*

Central bank compliance is recognized as the strongest predictor of bank performance (BP), with a beta coefficient of 0.344 and a p-value below 0.05. This indicates that a one-unit change in compliance leads to a 0.344-unit change in performance. This finding supports the hypothesis that regulatory compliance is a critical determinant of bank performance. The strong correlation between compliance and financial outcomes is well-documented in various studies across

different contexts, particularly in developed banking systems like those in North America and Western Europe. For instance, research by Smith et al. (2018) demonstrates that banks with robust compliance frameworks not only face fewer regulatory penalties but also achieve higher profitability. This reinforces its vital role in improving financial outcomes in the banking industry. The significance of this result in different country survey results implies the compliance not only has a measurable effect on bank performance but underscores its importance and has an effect in the overall strategic framework of the bank.

The second strongest predictor of bank performance (BP) is strategic leadership, which has a beta coefficient of 0.259 and a p-value of less than 0.05. This suggests that a one-unit change in strategic leadership is associated with a 0.259-unit change in performance. This finding reinforces the hypothesis that effective leadership is a crucial factor in determining bank performance. Studies, such as those by KPMG (2017), demonstrate that banks with visionary leadership consistently outperform their peers in profitability and market share. This highlights that strategic leadership not only influences decision-making but also shapes the overall direction and competitiveness of financial institutions, reinforcing its vital role in driving organizational success and validating its importance as a significant variable in this context. The significance of this variable result in other findings implies that strategic leadership has a substantial effect on bank performance, highlighting its critical role in shaping organizational outcomes.

The third strongest predictor of bank performance (BP) is corporate culture, which has a beta coefficient of 0.212 and a p-value of less than 0.05. This indicates that a one-unit change in corporate culture leads to a 0.212-unit change in performance. This finding supports the hypothesis that corporate culture is a significant determinant of bank performance. Research by Kotter (2012) highlights that organizations with strong, positive culture are better positioned to adapt to changes, which correlates with improved financial performance. Additionally, studies by Cameron and Quinn (2011) indicate that well-defined corporate cultures lead to higher performance metrics. These findings emphasize the critical role of corporate culture in enhancing decision-making and fostering innovation. Reinforcing its importance as a significant variable in the context of banking performance.

Other findings in the literature further imply that corporate culture influences various aspects of bank operations, including employee engagement, customer satisfaction, and overall

organizational effectiveness. This comprehensive understanding of corporate culture's effects highlights its importance as a key variable in the context of banking performance.

The fourth predictor of bank performance (BP) is digital transformation, which has a beta coefficient of 0.131 and a p-value of less than 0.05. This suggests that a one-unit change in digital transformation leads to a 0.131-unit change in performance. This finding supports the hypothesis that digital transformation is an important factor in determining bank performance. Studies, such as those by Accenture (2019), demonstrate that banks leveraging digital technologies can enhance service delivery and streamline operations, which correlate with higher profitability. Furthermore, research by Westerman et al. (2014) shows that effectively integrating digital technologies can improve operational efficiency and customer engagement, leading to better financial outcomes. The significance result of these findings in different countries implies that digital transformation has a measurable effect on bank performance.

## **Chapter 5: Summary of Major Findings, Conclusion and Recommendation**

The chapter includes main summary, conclusions, recommendation, theoretical contribution and policy implications, and limitation and future research direction.

### **5.1 summary of the Major Findings**

This study examines the effects of strategic change management practices on bank performance. The participants were taken from head office, central Addis Ababa district, and randomly selected branch from central district of CBO in Addis Ababa. To accomplish the goal, a quantitative study which is a survey study was used and the five point Likert scale questionnaire were used as a data collection instrument. Participants of the study was 223 (Male=167 & Female =56).

Diagnostic tests confirmed that the regression model met the necessary assumptions, and the adjusted R-squared value of 0.635 suggests that approximately 63% of the variance in bank performance is explained by the independent variables. Strategic change management practices, strategic leadership, corporate culture, digital transformation, central bank compliance was found to significantly predict the performance of the cooperative bank of Oromia, with an F-value of 78.196 ( $p < 0.05$ ). Mean scores for these independent variables ranged from 3.903 to 4.24, indicating favorable opinions on their impact. Strong correlations were identified, with Pearson correlation coefficients between 0.588 and 0.704, all statistically significant at the 0.01 level. Regression analysis revealed that, digital transformation with  $\beta = 0.131$  value with  $P = 0.022$ , strategic leadership  $\beta = 0.259$   $P = 0.000$ , corporate culture  $\beta = 0.212$   $P = 0.001$ , central bank compliance  $\beta = 0.344$   $P = 0.000$ , except policy change, all independent variables significantly influenced bank performance ( $P < 0.05$ ). This finding underscores the critical role of strategic change management practices in enhancing the bank's overall performance.

## 5.2 Conclusion

Banks are now operating in a fast-changing environment, which has pushed them to be more proactive in developing new ideas. This study finds that strategic changes in banks are beneficial and help drive success.

The findings indicate that effective strategic change management is crucial for improving bank performance. Based on this study, the following conclusions are drawn out of the research findings:

The study found that the independent variables (the selected strategic change management practice variables) have the significant impact on the bank performance except policy change. Each one has its unique contribution and impact on the performance of the banks. Its performance is proportionately depends and goes with the change management practice applied.

Correlation analysis was conducted to analyze the relationships between variables; the correlation matrix revealed that all coefficient of correlation of independent variables were positively and strongly correlated with the dependent variable. Further multiple regression analysis was also conducted to verify if the independent variables have the impact on the bank performance.

To summarize the findings of this study: The first hypothesis, which states that central bank compliance has a positive and significant impact on bank performance, is confirmed (p-value = 0.000 with a beta coefficient of  $\beta = 0.344$ ). This underscores the critical role of central bank compliance, as it enables banks to align with regulatory standards, thereby enhancing their operational focus and overall performance.

The second hypothesis, which asserts that strategic leadership practice has a positive and significant effect on bank performance, is confirmed (p-value < 0.05 with a beta coefficient of 0.259). This indicates that strategic leadership is crucial for enhancing bank performance. The impact of strategic leadership is significant as it enables banks to thoughtfully align their actions with their goals, objectives, and missions. Effective strategic leadership fosters innovation,

drives organizational change, and ensures that banks can adapt to competitive pressures in the industry.

The third strongest predictor of bank performance (BP) is corporate culture, which has a beta coefficient of 0.212 and a p-value of less than 0.05. The result of this study shows that the corporate cultural has the positive significant impact on the bank performance in term of public image building, harmonies working environment creation, staff turnover minimization , customer satisfaction, etc. This is because constructive organizational culture can enhance the strategic change process of the bank, therefore, from this one can conclude that the corporate cultural practice has the positive significant impact on the bank performance.

Finally, the regression results for the fourth hypothesis indicate that digital transformation has a positive impact on bank performance, with a beta coefficient of 0.131 and a p-value of less than 0.05. This confirms the importance of digital transformation in the banking sector. Digital transformation plays a critical role by enabling banks to prioritize innovation and digitalization, which in turn enhances their overall performance. By embracing new technologies and digital solutions, banks can improve operational efficiency, customer engagement, and competitive advantage.

### **5.3 Recommendations**

Drawing from the research findings and the conclusions presented in the previous sections, the researcher offers the following recommendations.

- The study recommends that all strategic change management practices except policy change have been shown to significantly and positively impact the performance of the cooperative bank of Oromia (CBO), it is essential for the bank to adopt these practices to a high extent.
- Enhancing practices in strategic leadership, central bank compliance, digital transformation, and corporate culture, which currently have moderate levels of adoption.

This enhancement is crucial for achieving predetermined high-performance levels. Additionally, policy change practices, found to have a low adoption extent, should be embraced more fully, as they also positively influence the bank's performance.

➤ Maintaining high levels of central bank compliance are vital for sustaining long-term performance. To support these recommendations CBO should implement comprehensive training programs focused on central bank compliance across all staff levels. For instance, partnering with global financial institutions or training organizations can provide exposure to best practices in risk management and regulatory compliance.

➤ Furthermore, investing in advanced digital tools and platforms will enhance customer service and operational efficiency. Regular training updates on these technologies will enable staff to utilize them effectively, driving overall performance improvements. Workshops on advanced digital tools and data analytics will equip staff with the skills needed to enhance operational efficiency

➤ Creating corporate culture that encourages open communication and collaboration across departments is also essential. Regular workshops and team-building activities can promote a shared vision and enhance engagement in strategic initiatives.

➤ Leadership training focused on strategic decision-making and change management can empower managers to drive initiatives effectively.

➤ establishing a system for ongoing evaluation of the impact of strategic change management practices on performance will provide valuable insights.

By implementing these specific interventions, including establishing international training partnerships, CBO can strengthen its strategic change management practices and improved operational performance and enhanced competitiveness in the banking sector.

## **5.4 Theoretical Contribution and Policy Implications**

This research provides new insights into the theoretical aspects of the study. This study contributes by examining, strategic leadership, digital transformation, corporate culture, and central bank compliance on bank performance view that previous studies overlooked, specifically within the Cooperative Bank of Oromia (CBO). Additionally, these findings provide a framework specific determinant may vary across different organization or country and, it addresses the lack of studies linking, Policy Change, Strategic Leadership, Digital Transformation, Central bank compliance, Corporate Culture, in banking performance in CBO.

**Policy Implications:** Policymakers should recognize the significant impact of strategic change management practices on performance. It is essential for the Cooperative Bank of Oromia (CBO) and similar institutions to enhance their strategic change practice framework through ongoing staff training and strong monitoring systems. Policymakers should incentivize banks to adopt comprehensive strategic change management practices, including investments in leadership development, encourage a positive corporate culture, ensuring central bank compliance, and facilitating digital transformation. Although the study found policy change practices to be of lower significance, they should not be overlooked.

## **5.5 Limitation and Future Research Direction**

The scope of the study was limited to the cooperative bank of Oromia, indicating that its findings may not be generalizable to other industries or sector players, it focused on only five independent variables-policy change, strategic leadership, corporate culture, digital transformation, and central bank compliance-while numerous other dimensions of strategic change exist. Additionally, the questionnaires were distributed to the bank employees and it is possible that they might be biased on the responses considering that they will be giving assessment of the own organization. However, despite the limitations to the study, the results of the research are valuable for management practice and policy decision in the banking sector. The research focused on the cooperative bank of Oromia, reminding the suggestion that similar studies be conducted in other banks within the country and among various commercial banks in different countries. Additionally, future research should consider examining variables like employee satisfaction and stakeholder engagement, to build on the current study findings. Given that the findings indicated policy change is had an insignificant impact on the performance of the cooperative bank of Oromia, it is recommended that further investigations be conducted with a

larger sample size to determine if similar outcomes persist or by using interviews and focus groups. While this study utilized descriptive and explanatory research designs, employing alternative inferential techniques in future research could further validate the results. Additionally, I recommend using qualitative methods like interviews and focus group to complement quantitative findings.

## References

- Al-Karim, M. &. (2013). *The role of banks in economic development: A case study of Ethiopia. Journal of Banking and Finance*, 37(1), 1-10.
- Anderson, D. &. (2011). *The role of people in organizational change. Journal of Change Management*.
- André, P. (. (2007). *Organizational performance and strategic change management. International Journal of Business and Management*, 2(3), 45-56.  
<https://doi.org/10.5539/ijbm.v2n3p45>.
- Asikhia, O. N. (2021, may 5). Change Management and Organisational. *International Journal of Advances in Engineering and Management (IJAEM)*.
- Barbaroux, P. (2011). *The importance of change management in banking. Journal of Financial Services Marketing*, 16(2), 123-134. <https://doi.org/10.1057/fsm.2011.1>.
- Bayerl, P. S. (n.d.). *The role of Theory O in organizational change: A study of police organizations. Journal of Organizational Change Management*.
- Beer, M. &. (2000). *Cracking the code of change*. .
- Benjamin, K. (. (2012). *The Impact of Strategic Change Management on the Performance of Scottish Commercial Banks*.
- Bennett, C. J. (1992). *The lessons of learning: Reconciling theories of policy learning and policy change*.
- Berger, A. N. (2005). *Corporate Governance and Bank Performance. A Joint Analysis of the Static, Selection, and Dynamic Effects of Domestic, Foreign, and State Ownership*.
- Berney, R. &. (2010). *The shareholder perspective in strategic management. Strategic Management Journal*, 31(3), 267-284.
- Bianca, M. (. (2017). *The role of organizational policies in shaping company culture*.
- Bryman, A. &. (2003). *Business Research Methods. Oxford University Press*.
- Bucher, R. &. (2000). *The role of strategy in organizational change. Journal of Organizational Change Management*.
- Byrne, B. M. (2010). *Structural Equation Modeling with Amos: Basic Concepts, Applications, and Programming. Taylor & Francis*.

- Chan, Y. E. (2004). *Performance measurement and management: A literature review. International Journal of Productivity and Performance Management.*
- Connor, K. R. (n.d.). *The resource-based view of strategy and its implications for the firm. Journal of Management.*
- Cooper, D. R. (2014). *Business Research Methods. 12th ed. McGraw-Hill Education.*
- Davis, S. F. (2004). *The balanced scorecard: A tool for managing performance in banks. Journal of Banking and Finance, 28(1), 1-20.*
- Deng, L. H. (2019). *Digital transformation in banking: A review of the literature. Journal of Banking and Finance, 102, 1-12.*
- Denison, D. R. (2002). *Corporate Culture and Organizational Effectiveness. Wiley.*
- Dessler, G. e. (2004). *Management. Pearson Education.*
- Diener, F. &. (2021). *Digital transformation and its impact on banking. Journal of Digital Banking, 5(3), 125-140.*
- Dutta, P. K. (n.d.). *Strategies and games: Theory and practice.*
- Dutton, J. E. (n.d.). *Toward a new understanding of organizational change. Journal of Organizational Change Management.*
- Ekvall, G. &. (2011). *Leadership and organizational culture: A study of the relationship between leadership and organizational culture. Journal of Organizational Change Management, 24(2), 123-135.*
- Ekvall, G. &. (n.d.). *Leadership and organizational culture: A study of the relationship between leadership and organizational culture. .*
- Estrada, I. F.-F. (2016). *Internal policies in the banking industry: A review. International Journal of Banking, Accounting and Finance, 8(2), 123-145.*
- Flamholtz, E. G. (2005). *Measuring and reporting corporate culture as an asset. Journal of Business Research, 58(6), 1-10.*
- Flamholtz, E. G. (2012). *Corporate Culture: The Ultimate Strategic Asset. Stanford University Press.*
- Foster, R. (. (1993). *Measuring performance in banking. Journal of Financial Services Research,*
- Gathoga, G. (. (2011). *The resource-based view of the firm: A review of the literature. International Journal of Business and Management,.*

- Geda, A. &. (2001). *Financial sector reform in Ethiopia: A review of the issues*. *Ethiopian Journal of Economics*, 10(1), 1-25.
- Gichovi, C. (. (2019). *Bank performance metrics: A comprehensive analysis*. *Journal of Financial Performance*,.
- Grant, R. M. (1991). *The resource-based theory of competitive advantage: Implications for strategy formulation*.
- Guvenc, U. e. (1995). *The impact of strategic change on organizational power dynamics*. *Journal of Organizational Change Management*, 8(3), 45-60.
- Hagos, A. (. (2014). *The role of government in the financial sector: The case of Ethiopia*. *African Journal of Economic Polic*.
- Hagos, M. K. ( 2014). Financial Regulation and Supervision in Ethiopia . *Journal of Economics and Sustainable Development* [www.iiste.org](http://www.iiste.org), 64.
- Hair, J. F. (2010). *Multivariate Data Analysis. 7th ed. Pearson Education*.
- Helliar, C. e. (2002). *The impact of new technologies on banking*. *International Journal of Bank Marketing*, 20(4), 1-10.
- Hrustek, N. Ž. (2021). *The rise of mobile banking: Trends and implications*. *Journal of Financial Services Marketing*, 26(1), 1-15.
- Jeucken, M. &. (2017). *The impact of technological change on banking*. *Journal of Banking and Finance*, .
- Jeucken, M. &. (2017). *The impact of technological change on banking*. *Journal of Banking and Finance*, 75, 1-10.
- Johnson, G. W. (2011). *Exploring strategy: Text and cases (9th ed.)*. *Pearson Education*.
- Kahveci, M. &. (2006). *The impact of deregulation on the banking sector*. *Journal of Banking and Finance*.
- Kamau, J. G. (2020). *Compliance with central bank regulations**International Journal of Banking Studies*, 15(2), 78-89.
- Kanter, R. M. (1983). *The change masters: Innovations for productivity in the American corporation*. *Simon and Schuster*.
- Kaplan, R. S. (1996). *The balanced scorecard: Translating strategy into action*.
- Kaplan, R. S. (2004). *Strategy maps*:.

- Katzenberg, H. (. (1993). *Employee involvement and organizational effectiveness. Journal of Organizational Behavior, 14(5), 431-445.*
- Kelley, K. C. (2003). *Good practice in the conduct and reporting of survey research.*
- Kimathi, F. K. (2023). *Policy change in banking: Implications for performance. Journal of Banking Policy, 9(1), 12-25.*
- Kitsios, F. e. (2021). *The role of digital transformation in banking performance. International Journal of Financial Studies, 9(1), 34-50.*
- Kivuva, J. (. (2012). *The influence of external factors on strategic change management in organizations. International Journal of Business and Management.*
- Korir, J. K. (2012). *Strategic change management in organizations. International Journal of Business and Social Science, 3(12), 1-10.*
- Kotler, P. (. (2003). *Marketing management (11th ed.). Prentice Hall.*
- Lapavitsas, C. &. (2008). *The banking crisis and its implications.*
- Leonidou, L. C. (2017). *Credit management policies in the banking industry: A framework. International Journal of Bank Marketing, 35(5), 1-20.*
- Liedtka, J. (. (n.d.). *In defense of strategy as a decision-making process. Journal of Business Strategy,.*
- Marete, J. (. (2010). *Managing Strategic Change at GlaxoSmithKline Limited in Kenya.*
- Masod, M. (. (2016). *The importance of employee engagement in organizational change. International Journal of Business and Management, 11(5), 1-10.*
- McKinley, W. (. (2018). *The evolution of banking in Africa: Trends and challenges. African Journal of Management.*
- Messomo, C. (. (2017). *Change management in the banking sector: Challenges and strategies. Journal of Financial Services Marketing.*
- Mitroulis, D. &. (2019). *E-banking and digital transformation in the financial sector. Journal of Financial Services Research, 55(2), 1-20.*
- Moran, J. W. (2000). *Leading organizational change. Career Development International, 5(2), 66-73.*
- Mwirigi, J. (. (2012). *Strategic change management techniques in commercial banks. International Journal of Business and Management, 7(10), 1-10.*

- Nadler, D. A. (1998). *Champions of Change: How CEOs and Their Companies Are Mastering the Skills of Radical Change*. Jossey-Bass.
- Nyström, H. e. (2013). *The challenges of implementing change in organizations*. *Journal of Organizational Change Management*.
- Ochieng, J. (. (2014). *Strategic Change Management Techniques at Maryland Global Initiatives Corporation*.
- Ohmae, K. (. (1982). *The Mind of the Strategist*.
- Olson, E. M. (2002). *The balanced scorecard: A tool for strategic change*. *Business Horizons*, 45(3), 11-16.
- Omari, A. A. (2013). *Strategic Change Management Techniques in the Soft Drink Industry: A Case Study of Equator Bottlers and Kisii Bottlers in Western Kenya*.
- Osunsan, O. K. (2019). *The impact of strategic change management on organizational performance*. *International Journal of Business and Management*.
- Pedhazur, E. J. (1982). *Multiple Regression in Behavioral Research: Explanation and Prediction*. Holt, Rinehart and Winston.
- Porter, M. E. (1991). *Towards a dynamic theory of strategy*. *Strategic Management Journal*.
- Porter, M. E. (n.d.). *What is strategy?* 1996.
- Rahmayati, R. (. (n.d.). *Market competition and its impact on banking performance*. *Journal of Financial Services Marketing*, 26(1), 1.
- Ratnatunga, J. e. (2004). *Corporate culture as a strategic asset*. *Journal of Business Strategy*, 25(4), 1-10.
- Ricardo Santa1, R. V. (2010). UNDERSTANDING THE IMPACT OF STRATEGICALIGNMENT ON THE OPERATIONAL PERFORMANCE OF POST IMPLEMENTED TECHNOLOGICAL INNOVATIONS . *Queensland University of Technology, Australia*.
- Roslender, R. (. (2009). *Accounting for intellectual capital: A critical review*. *Accounting, Auditing & Accountability Journal*, 22(4), 1-20.
- Rumelt, R. P. (1994). *Fundamental issues in strategy*.
- saunders, m. (2002). *research methods for business students*.
- Saunders, M. L. (2009). *Research Methods for Business Students*. 5th ed. Pearson Education.m  
*the Spanish banking sector*. *Strategic Management Journal*, 27(3), 1-15.

- Schiano, G. e. (2020). *Consumer behavior in the banking sector: A study of market changes*.
- Sekaran, U. (. (2003). *Research Methods for Business*.
- Senge, P. M. (1990). *The Fifth Discipline: The Art and Practice of the Learning Organization*.  
Doubleday.
- Shinta Winasisa, D. S. (2020). Digital Transformation in the indonesia banking industry.  
*International Journal of Innovation, Creativity and Change*. [www.ijicc.net](http://www.ijicc.net), 12.
- Smith, K. G. (1987). *The impact of strategic change on organizational performance*. *Strategic Management Journal*, 8(3), 1-15.
- Spaulding, A. e. (2014). *Change management in organizations: A comprehensive approach*.  
*Journal of Organizational Change Management*, 27(5), 1-15.
- Spreitzer, G. M. (1995). *Psychological empowerment in the workplace: Dimensions, measurement, and validation*. *Academy of Management Journal*, 38(5), 1442-1465.
- Straeck, K. &. (2005). *Institutional change in the policy process: The case of the European Union*. *Journal of European Public Policy*, 12(6), 1-20.
- Syapsan, A. (. (2019). *Strategic management practices in the financial industry*. *Journal of Financial Management*, 5(2), 1-15.
- Teece, D. J. (1997). *Dynamic capabilities and strategic management*. *Strategic Management Journal*, .
- Verreynne, M. L. (2008). *The impact of strategic change on bank performance*. *Journal of Banking and Finance*, 32(1), 1-10.
- Vial, G. (. (2021). *Understanding digital transformation: A review of the literature*. *Journal of Business Research*, 124, 1-12.
- Vovk, O. (. (2013). *The balanced scorecard as a strategic management tool in banking*. *Journal of Banking and Finance*, 37(1), 1-10.
- Wiggins, R. R. (2009). *The role of strategy in organizational change*. *Handbook of organizational change* (pp. 123-145).
- Wiggins, R. R. (2009). *The role of strategy in organizational change*. In *Handbook of organizational change*.
- Wignall, J. &. (2010). *The global financial crisis: Causes and consequences*. *OECD Journal: Financial Market Trends*, 2010(1), 1-10.

- Wilson, D. T. (1992). *The impact of strategic change on organizational performance*. *Strategic Management Journal*, 13(2), 1-15.
- Yemane, T. (. (1967). *Statistics: An Introductory Analysis*. 2nd ed.
- Yip, A. W. (2018). *Digital transformation in banking: A comprehensive overview*. *Journal of Financial Services Marketing*, 23(3), 1-15.
- Yuang, W. (. (2013). *Strategic Change Management Procedures in South Africa: A Descriptive Study of Offshore Businesses in the EPZ Zone*.
- Zaidotal, A. &. (2009). *Mean score comparison in Likert scale instruments: Techniques and applications*. *Statistical Methods in Research*, 6(2), 45-58.
- Zuniga-Vicente, J. A.-L. (2006). *The impact of strategic change on organizational performance: Evidence fro Kothari, C. R. (2004). Research Methodology: Methods and Techniques*. New Age International Publishers.

## **Appendix:**

**Addis Ababa University**  
**School of Post Graduate**  
**College of Business and Economics**  
**Department of Management**

**Dear Participants,**

Thank you in advance for your assistance. My name is Rahel Temesgen, and I am a student at Addis Ababa University pursuing a Master's degree in International Business Management. I am conducting research for my thesis, and I would greatly appreciate if you could take the time to complete the attached questionnaires. The purpose of this research is to study the Effects of Strategic Change Management Practices on a Bank's Performance; The Case of Cooperative Bank of Oromia. This thesis is being submitted to the Department of Management at Addis Ababa University in partial fulfillment of the requirements for the M.Sc. degree in International Business. Therefore, your genuine and honest responses are crucial to the success of this research. The researcher would like to express sincere gratitude for your cooperation. Please be assured that all the information you provide will be kept strictly confidential and used solely for academic purposes. If you require any further information, feedback on the study, or have any unclear situations, please feel free to contact me using the following contact details:

Email: [itch9399@gmail.com](mailto:itch9399@gmail.com)

**Thank you again for your time and contribution.**

❖ **General Instruction**

- ✓ No need to write your name.
- ✓ Instruction for each part of the questionnaire is given at the beginning of the questions.
- ✓

**Section I: Demographic information**

Please indicate your answers by placing a tick (✓) in the boxes provided next to each question.

**1. Gender of respondent**      Male       Female

**2. Age of respondent**      18-30       31-40       41-50       Above 50

**3. Marital status**      Married       widowed       single       Divorced

**4. Educational level of the respondent**      Diploma       Bachelor degree

Master degree and above       other please specify \_\_\_\_\_

**5. Respondent work experience**      0-2year       3-5 years       6-10 years       above 10 years

**6. Where are you working?**      Head office       Central Addis Ababa regional office   
Branch

## Section II

### Part II: STRATEGIC LEADERSHIP, POLICY CHANGE, CORPORATE CULTURE, DIGITAL TRANSFORMATIONS.

Please indicate how much you agree or disagree with each of the following statements by Placing a tick (✓) that best represents your opinion.

**1 indicates strongly disagree, 2 indicates disagree, 3 indicates neutral, 4 indicates agree, and 5 indicates strongly Agree.**

Policy changes	5	4	3	2	1
1. Anti-money laundering / Risk policies plays a significant role in your organization					
2. The organization uses feedback from policy changes to inform future strategic decisions					
3. Staff training on bank policy plays a significant role in your					

organization					
4. fraud policies play a significant role in your organization					
5. Credit regulation policy play a significant role in your organization					
6. I feel that the organization is effectively managing the transition between policy changes and strategic objectives.					
7. Policy changes are made with a long-term strategic vision in mind					
<b>Digital transformation</b>					
1. The bank's mobile banking application has significantly increased customer engagement and usage of banking services.					
2. The use of data analytics in decision-making processes has enhanced the bank ability to respond to market changes and customer needs.					
3. Government regulations support the bank efforts to implement digital changes and innovations effectively.					
4. The public infrastructure does not meet the requirements for comprehensive digitalization of banks.					
5 Man-made mistakes lead to widespread effects in a centrally organized (IT) infrastructure.					
6. External (digital) experts/consultants are available to banks in large numbers.					
7. Digitalization and the resulting consequences of branch closures lead to a minimization of personal customer contact.					
8. The management sees the importance of the topic of digitalization and takes the need for further development and its influence.					
9. Banks are reacting to market and competitive situations and are trying to keep up with the latest developments in analogue					

and digital services.					
10. Managers avoid the risks associated with new issues such as digitalization.					
<b>Strategic Leadership</b>					
1. The government selection of the CEO at the cooperative bank of Oromia is important for banking operation and performance.					
2. Board Transformation (incoming or outgoing of board members) play a significant role in banking operation.					
3. The leadership effectively communicates any changes in government regulations to ensure employees understand their importance of change.					
4. The leadership at the CBO adapts its strategies in response to government regulation.					
5. Does board diversity play a significant role in the organization					
6. Leadership Style plays a significant role in the organization.					
<b>Corporate Culture</b>					
1. Cooperation across different parts of the organization is actively encouraged.					
2. Teamwork is used to get work done, rather than hierarchy.					
3. There is a clear and consistent set of values that governs the way we do business.					
4. There is an ethical code that guides our behavior and tells us right from wrong.					
5. There is a characteristic management style and a distinct set of management practices.					
6. People from different parts of the organization share a common perspective.					
7. There is a clear strategy for the future.					

8. Learning is an important objective in our day-to-day work.					
9. We have a shared vision of what the organization will be like in the future.					
10. Our vision creates excitement and motivation for our employees.					
11. Short-term thinking often compromises our long-term vision.					

### SECTION III: BANK PERFORMANCE

Below are some of the banks' performance positions, how the bank's strategic change management has affected the performance please indicate your answers by Placing a tick (✓).

**1 indicates strongly disagree, 2 indicates disagree, 3 indicates neutral, 4 indicates agree, and 5 indicates strongly Agree.**

1. The bank effectively incorporates customer feedback into its strategic change initiatives to enhance service quality.					
2. Strategic change management practices at the CBO are important for customer satisfaction.					
3. The bank effectively communicates changes to its services and practices to customers, ensuring they are well-informed.					
4. Strategic change management practices have improved the efficiency of internal processes at the cooperative bank of Oromia.					
5. The bank has experienced increased innovation (creation of new products and services).					
6. Government regulation is important for the internal processes of the CBO during strategic change					
7. Internal processes at the bank are well-aligned with the strategic goals set by leadership during change initiatives.					
8. The bank offers effective training programs to equip					

employees with the skills needed for new initiatives arising from strategic changes.					
9. Feedback mechanisms are in place to support employee growth and adaptation during the implementation of strategic changes.					
10. Government regulations influence the bank's investment decisions in a way that enhances its financial performance.					
11. The bank has been able to reduce its cost per revenue generation the last ten years.					
12. Government regulations are important for financial performance of CBO.					

#### SECTION IV: CENTRAL BANK COMPLIANCE

Please indicate the level of implementation of the indicated NBE regulations and requirements by ticking (✓) where appropriate,

**1 indicates strongly disagree, 2 indicates disagree, 3 indicates neutral, 4 indicates agree, and 5 indicates strongly Agree.**

Compliance with central bank regulation and policy	5	4	3	2	1
1. Compliance with central bank regulations is important on the overall performance of the CBO.					
2. The initial deposit policy is being enforced consistently across the banking sector.					
3. Change in the value of the dollar significantly affects the CBO compliance with central bank regulation.					
4. There is a clear strategy for how compliance with reserve rates and initial deposits will drive positive					

change in the banking sector.					
5. The strategies implemented for ensuring compliance with central bank regulations are important in managing the challenges posed by changes in the dollar's value.					
6. The bank effectively adjusts its strategic change management practices in response to increases in the dollar's value.					
7. In my bank, requirements on corporate governance have been implemented.					
8. In my bank, requirements on financial information reporting have been implemented.					
9. In my bank, requirements on approval of new banking products have been followed.					
10. The policies related to reserve rates and initial deposits are well-communicated to CBO.					
11. I believe the reserve rate policy set by NBE has a significant impact on the strategic planning of private banks.					

Thank you!

Date \_\_\_\_\_  
Ref.No. CoBE/M/2018/246

To Cooperative Bank of oromia  
Addis Ababa

Subject: Request for Assistance

Dear Sir/Madam:

Our MSc student, Rahel Temesgen (ID.No: GSE/GSR/5046/15) has requested us to write him a support letter to collect data for his/her thesis entitled, "The Effects of strategic change management Practices on a Bank's Performance; The case of the Cooperative Bank of oromia".

Hence, we would like to request your esteemed organization to extend the necessary support and assistance to our student in the process of data collection and we would like to thank you in advance. At the culmination of the investigation, we will send you a copy of the student's thesis for your files, if needed. We are confident that you will appreciate the merit of such an engaged-scholarship of our students in training and research, some of whom may eventually work for your organization.

Kind regards,

Zolalem Gebreselassie (PhD)  
Graduate Program Coordinator  
Department of Management



To All HO  
Central District  
Staff  
Please assist her in  
providing the requested  
input  
Jif  
Jemal A.

Tele 251-0111-22-93-55  
ሰአክ ቁ

E-mail graduate.management@bau.edu.et  
አ-ግ.ጸ.ጸ

P.O.Box 556  
ጉ.ሃ.ጥ.ር

## Tests of Assumptions for Regression Model

### Assumption1: Normality Test

The table below provides specifics of the study's normality test

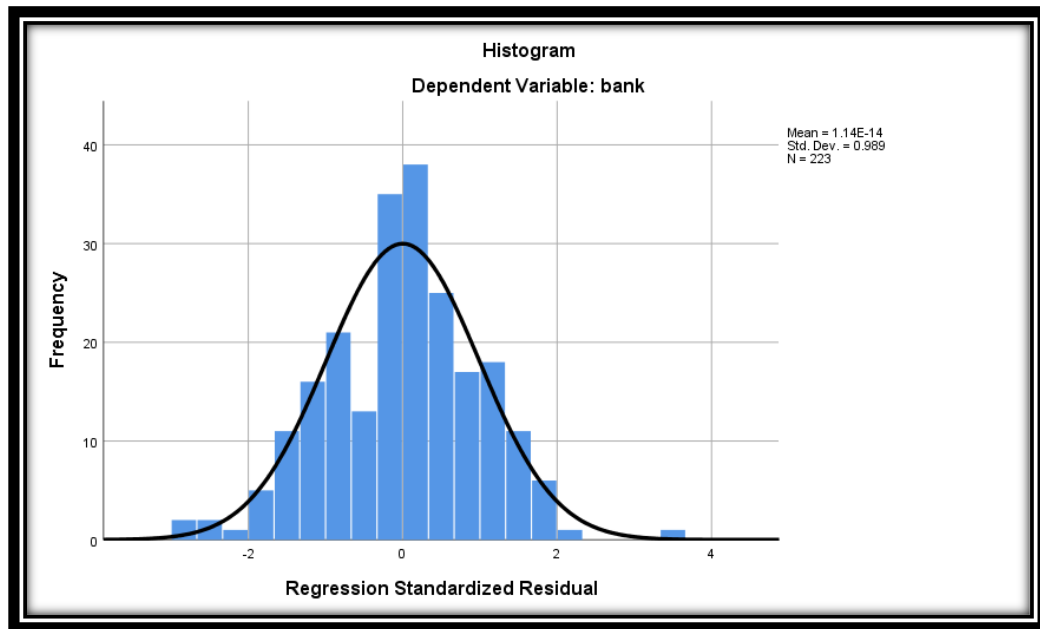
*Table 4.11: Test of Normality*

Descriptive Statistics					
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Policy changes	223	-1.891	.163	5.373	.324
Digital transformation	223	-.897	.163	2.022	.324
Strategic leadership	223	-1.262	.163	2.529	.324
Corporate culture	223	-1.628	.163	4.863	.324
Bank performance	223	-1.190	.163	2.670	.324
Central bank Compliance	223	-1.403	.163	3.327	.324

*Source: Own survey, 2024*

A statistical procedure known as a normality test is used to determine whether a dataset is normally distributed. Specifically, if the kurtosis falls between -7 and +7, and the skewness is between -2 and +2, the data distribution is regarded as normal, per Hair et al. (2010) and Bryne (2010). Since all of the variables' values fall within the permissible range for normality, as shown in the table above, there were no issues with normality, and the null hypothesis stating that the data is normally distributed is not rejected. The data are frequently distributed, according to our null hypothesis.

**Figure 4.1: Test of Normality**



*Source: Own survey, 2024*

The histogram above illustrates that the data used in this investigation came from a population that was regularly distributed, so verifying that the normality assumption was met.

**Assumption 2: Multicollinearity**

*Table 4.12: Test of multicollinearity*

Coefficients <sup>a</sup>			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Policy changes	.447	2.238
	Digital transformation	.507	1.973
	Strategic leadership	.408	2.451
	Corporate culture	.435	2.299
	Central bank Compliance	.493	2.029

a. Dependent Variable: Bank performance \_mean

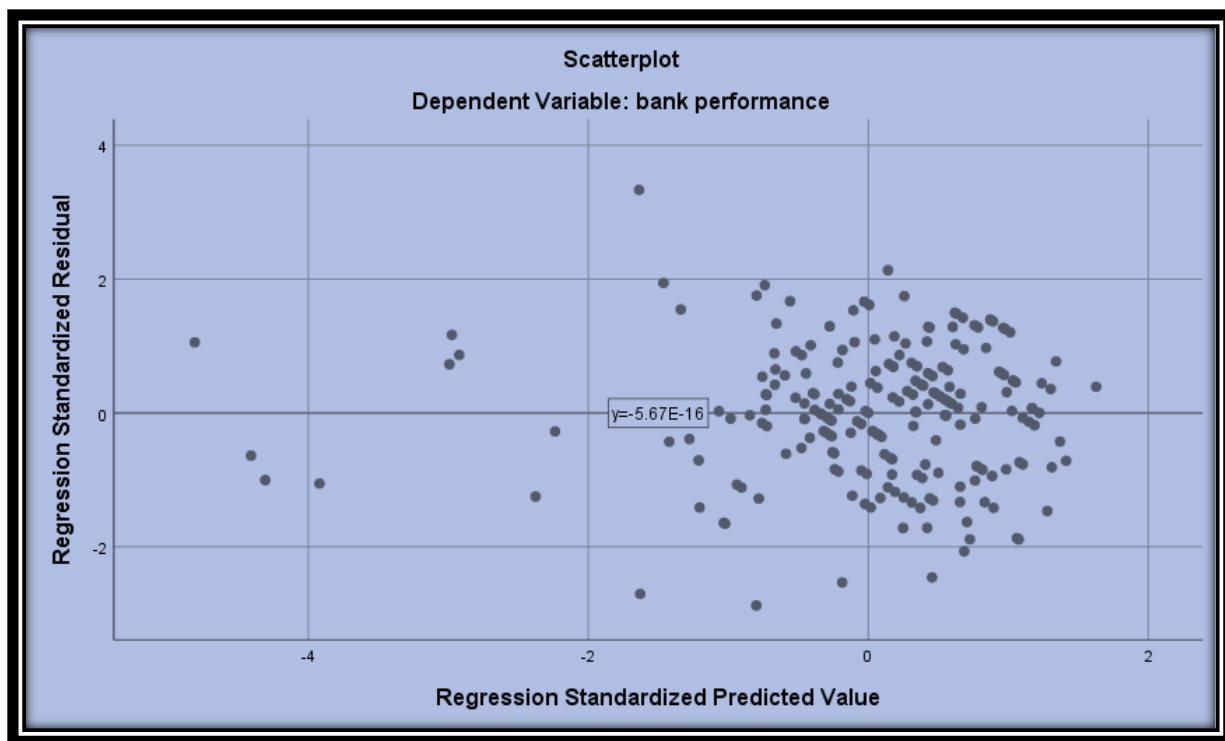
*Source: Own survey, 2024*

Multicollinearity arises when two or more variables that provide the same information are included in the regression model. Regression analysis was used in a collinearity diagnostic test. Multicollinearity is frequently detected using the variance inflation factor (VIF). Multicollinearity issues are generally indicated by a VIF greater than 10, and tolerance value must be above 0.2 our model's variables' VIF analysis revealed that multicollinearity was not a possible issue.

### Assumption 3: Homoscedasticity

Figure 4.2 below illustrates that the standardized residuals are appropriately distributed, indicating that there are no issues with heteroscedasticity in the data.

*Figure 4.2: Test of heteroscedasticity*

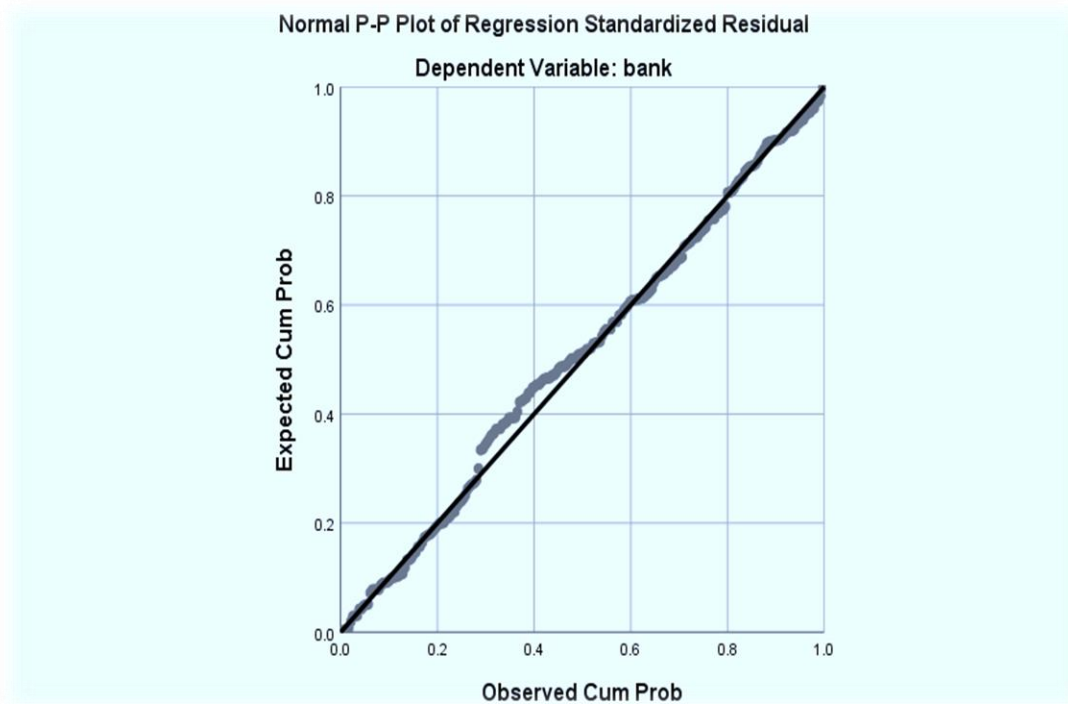


*Source: Own survey, 2024*

According to this assumption, all disturbances have the same variance, whose value is unknown; in other words, the error term's (disturbance's) dispersion is the same regardless of the disturbance's size. The case of heteroscedasticity will arise whenever this assumption is broken.

#### Assumption 4: Linearity

Figure 4.3: Test of Linearity



*Source: Own survey, 2024*

To apply multiple regression using ordinary least squares (OLS), the relationship between the independent and dependent variables must be linear. In this study, a scatter plot with a line of fit was utilized one of several methods for evaluating linearity to determine if the relationship is indeed linear. The line of fit in the scatter plot diagram indicated that there is a linear relationship between the dependent variable and the independent variables.

### Assumption 5: Autocorrelation

Table 4.13: Test of Autocorrelation

Model summary <sup>a</sup>						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
1	.802 <sup>a</sup>	.643	.635	.35872	1.983	
a. Predictors: (Constant), CBC, DT, CC, PC, SL						
b. Dependent Variable: bank performance						

*Source: Own survey, 2024*

The Durbin-Watson autocorrelation test indicates that if the test statistic is close to 2, there is no autocorrelation in the residuals of a linear regression model. As shown in Table 4.13 above, the Durbin-Watson result is nearly 2, which means that the null hypothesis of no autocorrelation is not rejected. Consequently, in line with our null hypothesis, there is no serial correlation, suggesting that the model is an efficient regression model.