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**ADDIS ABABA UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF INTERNATIONAL BUSINESS**

**(STRATEGIC INVESTMENT MANAGEMENT)**

**EFFECT OF STAKEHOLDER MANAGEMENT ON THE PERFORMANCE OF THE  
ORGANIZATION IN CASE OF BANK OF ABYSSINIA**

**By**

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**RESEARCH PAPER DONE IN PARTIAL FULFILMENT OF THE REQUERMENT  
FOR MASTERS DEGREE IN INTERNATIONAL BUSINESS**

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**ADDIS ABABA, ETHIOPIA**

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## DECLARATION

I, woldesenbet woldie, hereby declare that the research paper entitled “**the effect of stakeholder management on the performance of bank of Abyssinia**” *which is submitted to Addis Ababa University College of business and economics in partial fulfillment of the requirements for the award of Masters of degree in international business* is original work of my own.

The information presented in this research is true and mine. All materials and sources used in this research paper have been acknowledged; and the work contains no previous published work by any person or institution, and had not been submitted to any educational institution for the requirement of any educational qualification at this university or at any other university.

Woldesenbet woldie

Date

## CERTIFICATION

This is to certify that this research paper, **the effect of stakeholder management on the performance of bank of Abyssinia** which is undertaken by Woldesenbet Woldie in partial fulfillment of the requirement for Master's degree in international business at Addis Ababa University college of business and economics, is an original work of his own and not submitted earlier for any degree either at this University or at any other University.

Meskerem Mitiku (PhD)

Advisor



Date

03/02/2024

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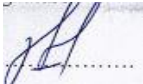
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DEPARTMENT OF MANAGEMENT

Approval of Thesis defense result as members of the board of examiners, we examined this thesis/dissertation entitled “the effect of *stakeholder management on the performance of the organization in case of bank of Abyssinia*. We hereby certify that the thesis/dissertation is accepted for fulfilling the requirements for the award of “Masters in international business (msc)”.

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## **ABSTRACT**

*This study aimed to examine the effect of stakeholder management on organizational performance in bank of Abyssinia. Stakeholder management is the process of identifying and understanding all the people, businesses, governments, internal stakeholders, shareholders and other groups of people that are involved in, or affected by, the organization. Managing stakeholders can enhance firm's ability to outperform competitors in terms of long-term value creation. It is important to the bank to create positive relationships with stakeholders through the appropriate management of their expectations and agreed objectives. In order to succeed and be sustainable over time, executives must keep the interests of customers, suppliers, employees, communities, shareholders, and stakeholders in general aligned and going in the same direction. For this study, the researcher applied a quantitative research approach with both descriptive and explanatory research design. The primary data was gathered through structured questionnaire from 150 employees of bank of Abyssinia. The collected data was analyzed using statistical package for social science (SPSS) version 25 with PROCESS Macro Procedure for SPSS version 3.5. Both descriptive and inferential statistics were used to analyze the data. Research findings revealed stakeholder management has and positive relationship with the performance of bank of Abyssinia.*

*Based on the research findings, the study concluded that a good stakeholder management has a significant positive effect on organization performance of bank of Abyssinia so Executives and management of the bank have to take the interest of stakeholders while making major decision of the bank since stakeholders have significant impact on the performance of the bank., These findings were in line with the theoretical conceptions and empirical findings that indicated stakeholder management influence organization performance.*

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

It is believed that the first modern meaning of stakeholders, which has been attributed to an internal memorandum of Stanford University Research Center dated 1963 and define stakeholders as “those groups without whose support the organization would cease to exist” (Freeman et al. 2010). Therefore, stakeholders are the strongest supporters of an organization (we could also say that they may be ready to “go to the stake” for it!), and their contribution is foundational to the existence of the organization itself

Furthermore, in the first text on the theory of stakeholders by (Freeman, 1984), the definition of stakeholder was “a stakeholder in an organization is any group or individual who can affect or is affected by the achievement of the organization’s objectives”. Since “to affect” is a synonym of “to influence”, it was here that one other of the most common concepts in stakeholder definitions came in: stakeholders *influence* the organization’s objectives, and are influenced by them, and this is the first time that the nature of stakeholders’ centrality in the organizations became evident, since stakeholders were defined as both the actors and the recipients of the organization’s results.

According to Wikipedia, a stakeholder is any individual, group or organization that can affect, be affected by, or perceive it to be affected by organization. More briefly, stakeholders are those who have rights or interests in an organization. Stakeholders can be individual or groups who have the power to directly affect the organization's future (Eden and Ackermann 2003).

Johnson and Scholes (2002:439) on the other hand see them as groups of individuals or individuals themselves, “who depend on the company to fulfill their personal goals and in turn the organization depends on them”.

Jeffery Pinto (2013) in his project management book fifth edition defines: stakeholders are all individual or group that have active stake in the organization or the project and can potentially impact the operation and performance of the organization in some positive or negative way.

**Stakeholder analysis and stakeholder management** is a process of identifying these people; grouping them according to their levels of participation, interest, and influence in the organization; and determining how best to involve and communicate each of these stakeholder groups. Paying attention to stakeholders help the corporation to make decisions that leads to achieving its goals, taking into account that the firm depends on its stakeholders to get resources (Freeman, et al., 2010).

Stakeholder management is used to gain support from both internal and external stakeholder for the successful achievement of goal of the organization (Forman & Discenza, 2012). In order to succeed and be sustainable over time, executives must keep the interests of customers, suppliers, employees, communities and shareholders aligned and going in the same direction (lexicon ft.com).

Stakeholder management is the practice of establishing positive relationships with those that have the influence on your organization and its performance. Maintaining effective communication with each individual might be critical to keeping them "on board." Stakeholder management is the process of developing programs, actions, or behaviors to handle stakeholders (Vogwell, D. 2003).

Proper stakeholder management would also result in better decision-making and overall better outcomes for all parties. Stakeholder management is the process of identifying, planning analyzing and understanding all the people, businesses, governments, internal and external stakeholders, and other groups of people that are involved in, or affected by, your organization (Allison, 2019).

## **1.2. Background of the Organization**

The present-day Bank of Abyssinia was established on February 15, 1996 (90 years to the day after the first but defunct private bank was established in 1906 during Emperor Menelik II) in accordance with 1960 Ethiopian commercial code and the Licensing and Supervision of Banking Business Proclamation No. 84/1994.

BOA started its operation with an authorized and paid up capital of Birr 50 million, and Birr 17.8 million respectively, and with only 131 shareholders and 32 staff. It also attracted many

professional staff members, valuable share holder and large customers from all walks of life. This performance indicates public confidence in the Bank and reliability and satisfaction in its services.

Currently, employing the state-of-art banking technology, the Bank provides excellence domestic, international and special banking services to its esteemed and valuable customers. It also strives to serve all economic and services sectors via its ever increasing branch networks throughout the country.

### **Vision Mission and Value**

Vision: - to become the leading commercial bank in east Africa by the year 2030.

Mission:- The mission of Bank of Abyssinia is to provide full-fledged domestic and international banking services through qualified and motivated employees, utilization of modern technology, through socially and ecologically responsible practices, as well as ensuring profitability and growth.

Values:- Bank of Abyssinia is guided by the following values: Integrity, Honesty and Loyalty, Efficient Customer Service, Commitment, Equal Employment Opportunity, Employees Satisfaction, Team Spirit, Good Corporate Governance, Social Responsibility, Innovation, and Fair return to Shareholders.

### **1.3. Statement of the Problem**

Stakeholder management is vital activity in the management of corporate organization in today's competitive world and it is crucial to the successful accomplishment of objective of every organization. Engaging the right people at the right time and in the right way is indispensable to successful stakeholder management. Stakeholders have conflicting interests Therefore, it's the management's responsibility to figure out these conflicts and try to manage and resolve them as quickly as possible. Organizational stakeholder management has become fundamental in the management of every organization irrespective of the form and structure of the performing organization. "Most organization have more than one stakeholder or stakeholder group, presenting the organizational management with a major challenge of resolving their often divergent and potentially conflicting requirements" (Maylor, 2010,p.77).

It's also the management's responsibility to manage stakeholder expectations. The management should also be certain to identify and meet with all key stakeholders to understand all their needs and constraints.

According to Karlsen (2002), organizational environment is complex and changing. If stakeholder management is not adequately addressed at organization level, this can mean unexpected problems and uncertainty to the organization caused by stakeholders. It is imperative to work proactively to reduce or minimize the potential for uncertainty and problems caused by stakeholders. The ability of the manager to correctly identify and manage stakeholders in an appropriate manner can mean the difference between success and failure (PMI, 2013).

Kotter and Heskett (2000) stakeholder analysis and management have big impact on financial and non-financial performance of every organization. Satisfying and taking into account the interests of stakeholders contribute to guaranty the performance and longevity of the company

empirical evidence up-and-coming from a variety of studies about the effect of stakeholder management on organization performance has been providing mixed results that are open to doubt and at odds. For instance, a study by Freeman (2009) reveals that the extreme importance of stakeholder management in every organization and the positive effect it has on organization performance. Kotter and Heskett (2000) gets positive relationship between stakeholder management ant organization performance. Study by Donaldson and Preston (1999).confirms that giving equal importance to stakeholders and good stakeholder management is the best way to achieve company's success in their study they show direct relationship between the stakeholder management and organization performance. On the other hand, Jones and Wicks (2004) indicated that the relationship between stakeholder management with organization performance has not been consistent over time and it is insignificant. Similarly, study by Cleland and Ireland, (2002) showed that stakeholder management has weak relationship with organization performance. Though stakeholder management considered as influencing organization performance, various studies have been indicating a mixed result on the relationship of these variables.

Even though there are many research work done at international level there is no study undertaken in Ethiopia regarding the impact of stakeholder management on the performance of

organization specifically in banking sector, this show there is demand for study to be conducted to examine how stakeholder management affect organization performance. Consequently, all the above-mentioned issues persuade the researcher to conduct further study to examine the impact of stakeholder management employee, customer, shareholder, and other stakeholder management (supplier, business partners and regulatory bodies) on organization performance case of bank of Abyssinia.

Better knowledge on how stakeholder management affects organization is important as it has implications on performance and success of the organization. Studies establish relationship between stakeholder management and organization performance. Emphasis should be given on stakeholder management in order to achieve the goal and objective of the organization. However Concepts of stakeholder management are not effectively implemented in practice. Hence, the study outcome will contribute in providing insight as to the importance of stakeholder management on performance of the organization. Furthermore, this study aims to fill the existing knowledge gap of the stakeholder management at bank of Abyssinia.

#### **1.4 Research Question's**

- ✓ What is the effect of stakeholder management in general on the performance of bank of Abyssinia?
- ✓ What is the effect of employee management on the performance of bank of Abyssinia?
- ✓ What is the effect of customer management on the performance of bank of Abyssinia?
- ✓ What is the effect of shareholder management on the performance of bank of Abyssinia?
- ✓ What is the effect of other stakeholder management on the performance of bank of Abyssinia?

#### **1.5 Research Objective**

##### **1.5.1 General Objective**

General objective of this study is to raise our knowledge of stakeholder management and how stakeholder management affects the performance of bank of Abyssinia.

### **1.5.2 Specific Objective**

- ✓ To examine the **effect** of stakeholder management in general on the performance of bank of Abyssinia?
- ✓ To examine the effect of employee management on the performance of bank of Abyssinia.
- ✓ To understand the effect of customer management on performance of bank of Abyssinia.
- ✓ To determine the effect of shareholder management on the performance of bank of Abyssinia.
- ✓ To investigate the effect of other stakeholder management on the performance of bank of Abyssinia.

### **1.6 Significance of the Study**

The outcomes of this study will provide a better understanding and inform policy makers and management of the bank how different stakeholder of the bank will affect the overall performance of the bank and how the stakeholder management practice of the bank will affect performance of the bank of Abyssinia. In addition it will provide direction on how stakeholder management practice of the bank will impact its overall performance.

### **1.7 Scope of the Study**

This study will focus on how stakeholder and stakeholder management will effect on performance of bank of Abyssinia .the data will be collected from employees and managers from west Addis district of bank of Abyssinia. The researcher is going to collect data from only managers and employees since those two stakeholders are well informed than other stakeholder of the bank and also getting data from all stakeholders is somehow difficult and unmanageable. Given the time and budget constraint the data will be collected only from staffs located in Addis Ababa city.

## 1.8 Limitation of the Study

The study is not without limitations First even if stakeholders of an organization or parties that have interest on the organization are many in number, the study covers only few stakeholder types mainly employee, customer, shareholder, and other stakeholder in which only suppliers ,gov.t bodies, and business partners are included in other stakeholder . Future research can adopt more and different type of stakeholder group that might affect organization performance of the firm. Second population is too large to cover in limited time given this sampling is required which might have an impact on the general output of the study.

## 1.9 Organization of the Study

This research paper comprised around five chapters. The first chapter discusses the introduction part which includes; Background of the study, Statement of the Problems, research question, Objectives of the Study, Significance of the Study, Scope of the Study, and Organization of the Study. The second chapter explains relevant literature review that defines concepts and explains principles related with the topic and sub topics.

The third chapter contains research design and methodology that is used to conduct the study which includes Research Design, Population and Sampling Technique, Instrument of Data Collection, Ethical consideration and Method of data Analysis. The fourth chapter basically focuses on analysis of the data that were obtained from primary and secondary the main component discussed in this chapter are; summarization, presentation, analysis and interpretation, finding and discussion of findings.

The fifth and last chapter of this study deals with the activity of summarizing findings and making conclusions and recommendations on base of major study findings..

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1. Theoretical Literature Review

Stakeholders are “those groups without whose support the organization would cease to exist” (Freeman, 1963). Therefore, stakeholder’s are the strongest supporters of an organization, and their contribution is foundational to the existence of the organization.

According to Wikipedia, a stakeholder is any individual, group or organization that can affect, be affected by, or perceive it to be affected by organization. More briefly, stakeholders are those who have rights or interests in an organization.

Freeman (1983) stated that stakeholders are groups to whom an organization is responsible to besides the shareholders. He argues that these groups have a stake in actions of the company.

Clarkson (2003) described stakeholders as “persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future (Clarkson, 2006 5, p. 106). Anybody whose interest can be negatively or positively affected by the organization and who may be able to affect the success or failure of the organization (Peter 2008).stakeholders can be individual or groups who have the power to directly affect the organization's future (Eden and Ackermann 2003).

Stakeholders are various groups and organizations and their views must be in some way taken into account by management (bryson,2004).Organizations engage in relationships with many groups that either influence or are influenced by the organization those group are called stakeholders ( Jones and Wicks 2000).

Johnson and Scholes (2002:439) on the other hand see them as groups of individuals or individuals themselves, “who depend on the company to fulfill their personal goals and in turn the organization depends on them”. Donaldson and Preston (1995: 67) state that “stakeholders are persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity”.

## 2.2. Stakeholder Theory

The very term "stakeholder" in English first appeared in the management literature in an internal memorandum of the Stanford Research Institute (now SRI International, Inc.), in 1963".

This term was intended to generalize the notion of shareholder as the only group to which management must respond. Thus, the concept of stakeholder was originally defined as "groups without the support of which the organization would cease to exist<sup>1</sup>". This is where the legitimacy of non-property claims has been recognized for the first time and companies have been forced to consider the interests of groups such as employees, customers, suppliers or the local community (Laplume, et al., 2008).

Moreover, as Crane and Matten (2004) point out, the general idea of managing for more components than just shareholders already existed in other management concepts, such as "Systems Thinking" (Ackoff, 2000), "Organizational Theory" (Goodman & Pennings, 2000) or "Corporate Social Responsibility" (Jones 2003) The invention of the stakeholder concept was inspired by the word "stockholder" (which represents the shareholder). The creation of stakeholder concept aims to show that actors other than capital owners have a "Stake" interest in the organization (Mercier, 2001).

Stakeholder theory is the view of capitalism that shows the interconnected relationships between a business and its customers, suppliers, employees, investors, communities and others who have a stake in the organization. Stakeholder theory is organizational management and business ethics that address all stakeholders in managing business organization (free man et al,2009). Freeman in his stakeholder theory says that organization cannot exist without interacting with the outside environment.

Stakeholder theory frames the company's relationship with its environment in a strategic and ethical order (Freeman, 1984).Stakeholder theory of the modern corporation by (Freeman, 2001) says that the organization should be managed by taking into consideration the various *stakes* that can be typically identified with reference to the main stakeholder groups, beyond the stockholders:

## **2.3. Stakeholder Theory Approach**

### **2.3.1. The Descriptive Approach**

From a descriptive perspective, the stakeholder theory is used to describe and explain the relationship between the organization and its environment, the characteristics and behaviors of a company in terms of management and effective consideration of stakeholder interests. The descriptive approach to stakeholder theory examines the past, present and future state of the company and its stakeholders. It also serves as an analytical tool, and allows companies to predict and be proactive in their strategic orientation (Preston, 2010).

### **2.3.2. The instrumental Approach**

The instrumental approach connects stakeholder management and financial outcomes, proposing that appropriate management of stakeholder interests is important and useful because it contributes to a positive bottom line. The purpose of this approach is to identify the existence or absence of a link between the management of the stakeholders and the achievement of the objectives of the organization. The instrumental perspective of stakeholder theory is a tool for assisting managers in strategically understanding and managing stakeholders (Freeman et al. 2010). In this context, the stakeholders are considered as factors allowing the company to reach its objectives and to optimize its performance.

### **2.3.3. The Ethical or Normative Approach**

The normative approach supports the idea that stakeholders are people who have a legitimate interest in the company and that it must take into account this interest far from financial considerations alone. From this perspective, the company is understood as a vehicle for coordinating the interests of different stakeholders, stakeholders recognize the existence of this entity on the condition that it serves their interests (Evan & Freeman, 1993). The **normative** approach considers stakeholders as ends in themselves rather than simply as means to achieve better financial results. According to Donaldson and Preston, in the normative approach “the interests of all stakeholders are of intrinsic value.

## 2.4. Stakeholder Classification

According to Wikipedia, 2017 stakeholders are basically classified into the following three subclasses:

1. **Primary stakeholders**: are those ultimately affected, either positively or negatively by an organization's actions
2. **Secondary stakeholders**: are the intermediaries', that is, persons or organizations who are indirectly affected by an organization's actions
3. **Key stakeholders**: (who can also belong to the first two groups) have significant influence upon or importance within an organization. (Wikipedia, 2017)

In a business environment, stakeholders are classified into two categories, Internal Stakeholders, and External Stakeholders (carol and nasi2008).

### 2.4.1. Internal Stakeholders

Internal Stakeholders are those parties, individual or group that participates in the day to day activity of the company. They can influence and can be influenced by the success or failure of the entity because they have vested interest in the organization. Primary Stakeholders is the second name of the internal stakeholders.

They are highly affected by the decisions, performance, profitability and other activities of the company. In the absence of internal stakeholders, the organization will not be able to survive in the long run. That is why they have a great impact on the company. Further, they are the ones who know all the secrets and internal matters of the entity. The following are the list of internal stakeholders:

**Employees:** Employees are the group of people who work for the company, for remuneration. And have their jobs and usually their livelihood at stake. Employees have therefore a legitimate interest in the security of their jobs, in fair wages and a safe and meaningful working environment. They expect the corporation to pay attention to their needs and involve them in decision-making processes that can affect these issues. Employees develop specific human capital as a source of comparative advantage and committed employees support the achievement of organization goals (post et al 2013). Skilled managers and talented workers co-

determine the work quality that expresses the competitive advantages of the organization (Prussic and Cohen 2002).

**Management:** managers are the people who govern the firm, and therefore have a duty of safeguarding the welfare of the organization. Managers govern the relationships with the different corporate stakeholders. On the one hand, managers are also stakeholders, and their stakes are similar to those of the employees.

**Board of Directors:** They are the group of individuals who governs the incorporated entity. They are elected by the members of the company at the AGM (Annual General Meeting).

**Investors:** The individual or group who invest their money in the organization is investors.

#### **2.4.2. External Stakeholders**

External stakeholders are groups outside the organization to whom an organization is responsible besides the stockholders (Freeman 1983). External Stakeholders are those interested parties, who are not a part of the management, but they indirectly affected by the work of the company. They are the outside parties which form part of the business environment. They are also known as Secondary Stakeholders. They are the users of financial information of the company, in order to know about its performance, profitability, and liquidity. External Stakeholders, do not participate in the day to day activities of the entity, but the actions of the company influence them.

*Shareholder:* is an individual, corporation, or institution that buys at least one share in a given organization. With that, they become a part of the organization and expect a significant return on their investment due to stock price appreciation. They receive a portion of the profit when the company generates higher revenue. Likewise, the poor performance of a company leads to a decline in its stock prices, resulting in a loss for the shareholder.

**Suppliers:** They provide inputs to the organization like raw material, equipment, etc. suppliers provide goods and services to bank of Abyssinia and in turn the bank is a client for them. Therefore, suppliers have quotes of their income at stake in the relationships with boa. Suppliers therefore expect the corporation to develop a partnership approach with them, and not are used simply as a source of raw materials or services. Partnership with suppliers is a critical activity

for many firms to strengthen their competitive position, and effective supplier relationships positively affect performance (Soehadi, 2013). Productive supplier relationships build network and value chain efficiency for the firm success (Postetal 2002). Stuart and Mueller (2004) found that supplier partnering activities positively affect productivity and quality of service.

**Customers:** who use the corporate products originate revenues available for the organization, which in turn can be used by the management to improve the quality of the existing goods and develop new products and services. Customers therefore have a legitimate stake in the quality of the corporate products, in the information made available on their use and possible negative impacts originated. They expect the corporation to deal with them in a service-oriented way, and management to take into account consumer needs.

**Local community:** provides to the firm a vital resource: the environment where the firm builds its own facilities, and where its own employees, customers and suppliers engage with each other. The local community benefits from the contribution of wealth creation generated by the presence of the corporation, and from the amount of taxes paid to the local government. A firm has its responsibility towards society as well because the enterprise uses its valuable resources.

**Government:** A firm is guided and controlled by government rules and regulations like it has to pay taxes and duties that are levied on the business. *Government* provide the necessary institutional and legal framework within which a corporation can operate, such as regulatory agencies, market control institutions and international agencies. Bank of Abyssinia cannot operate without such framework and the government agencies expect in return that the management acts in a cooperative way with them, ensuring the firm is in compliance with all relevant legal requirements, such as tax payments, lobbying and other sensitive corporate activities.

**Competitors:** They are the rivals who compete with the organization for resources and the market as well.

Various studies have cited several benefits to companies that involve their external stakeholders, rather than just internal stakeholders or shareholders. They argue that companies that engage stakeholders are likely to develop specific management practices that are customized to their stakeholders and organizational goals (Hillman &Keim, 2011)

## **2.5. Stakeholders Analysis**

Stakeholder analysis is a process of systematically gathering and analyzing all relevant quantitative and qualitative information about the stakeholders in order to prioritize them and determine whose interests should be taken into consideration and identification of stakeholder relationships that can be leveraged to build partnerships with stakeholders to increase the performance of the organization (Bourne and Walker (2016).

Stakeholder analysis deals with the identification and prioritization of stakeholders as individuals or stakeholder groups (Freeman et al 2013)As Wahl (2019) stated the purpose of stakeholder analysis is to capture important stakeholder information in a way that allows team members to structure stakeholder engagement and target communication strategies to each one's position and interests. Burns, S. (2011) proposed a five-step stakeholder analysis process, and the steps are: identify the key sectors and stakeholders; describe the important characteristics of each stakeholder group; analyse and classify the stakeholders, according to stakeholder attributes; examine the dynamic relationship among the stakeholders; and evaluate generic stakeholder- management strategies.

## 2.6. Stakeholders Management

Stakeholder management is the process of identifying and understanding all the people, businesses, governments, internal stakeholders, shareholders and other groups of people that are involved in, or affected by, the organization.

Good management involves careful management of the strategic and operational environments of the company, including relationships with stakeholders (Freeman). Freeman (1984) argued the instrumental value of stakeholder management as follows: « We need to worry about enterprise level strategy for the simple fact that corporate survival depends in part on there being some "fit" between the values of the corporation and its managers, the expectation of stakeholders in the firm and the societal issues which will determine the ability of the firm to sell its products. The firm have to takes into consideration “any group or individual who can affect, or is affected by, the achievement of an organization’s purpose” (Freeman, 1984).

The ultimate goal of the company through stakeholder management is the marketplace success (Berman, et al., 2011), prudent management of the business environment including stakeholders is only a means of profit maximization (Berman, et al., 2012). Paying attention to stakeholders help the corporation to make decisions that leads to achieving its goals, taking into account that the firm depends on its stakeholders to get resources (Freeman, et al., 2015). In this perspective, stakeholder management is a part of company's strategy and stakeholder have a strategic value; stakeholder relationship inters into firms strategic planning and orientation, and analyzing stakeholders is somehow a part of environment scanning.

Satisfaction and taking into account the interests of stakeholders contribute to guaranty the performance and longevity of the company Kotter & Heskett (2015).

The firms should balance all stakeholders’ objectives when designing a new strategy, and giving equal importance to stakeholders is the best way to achieve company’s success (Donaldson and Preston, 2016). Satisfying and taking into account the interests of stakeholders contribute to guaranty the performance and longevity of the company (Kotter & Heskett 2016). "Stakeholder management is not compatible with profit; it can even become a strategy to maximize it"(Mercier 2011). In order to succeed and be sustainable over time, executives must keep the interests of customers, suppliers, employees, communities and shareholders aligned and going

in the same direction (lexicon ft.com 2018). It is essential to delight stakeholders, to motivate project teams, and to build *long-lasting relationships* among them.

Stakeholder management requires that the firm “takes into account its relationship with specific stakeholder groups as it sets corporate direction and formulates its strategies” (Roberts and King 2015). Stakeholders must be managed in each undertaking to avoid any of their negative influences, especially those that could be opposed to the objectives (Cleland and Ireland, 2017).

Stakeholder Management creates positive relationships with stakeholders through the appropriate management of their expectations and agreed objectives. Stakeholder management is a process and control that must be planned and guided by underlying principles. It supports an organization in achieving its strategic objectives by interpreting and influencing both the external and internal environments and by creating positive relationships with stakeholders through the appropriate management of their expectations and agreed objectives.

Stakeholder Management eliminates conflicting interests among stakeholders, reducing the pressure of management to produce short-term results, reducing the costs associated with a high turnover among stakeholders, and providing the firm with committed stakeholders in an environment characterized by increasing competition (Wikipedia, 2017).

## **2.7. Strategic Stakeholder Management Model**

### **2.7.1. Donaldson Stakeholder Management Models**

#### **2.7.1.1. Stakeholder Identification**

The classification and typology of the different stakeholders must be used in order to position them according to their degree of importance and influence (Donaldson 2016). The identification of the company's stakeholders consists of asking who are they, what are the coalitions formed between stakeholders, who are the potential stakeholders.

#### **2.7.1.2. Stakeholder Analysis**

Stakeholder analysis is about generating information about stakeholders to understand their behavior, intentions, interrelations and interests; and to evaluate the influence and resources they exert on decision-making or implementation processes.

### **2.7.1.3. Dialogue and Communication with Stakeholder**

In its relationship with its stakeholders, the company must establish and maintain a climate of trust and mutual cooperation. Stakeholders must remain informed of the decisions, actions and objectives of the company. Moreover, dialogue with stakeholders allows the company to remain attentive to stakeholder interactions and potential coalitions (Donaldson 2016)

### **2.7.1.4. Stakeholder Needs Monitoring and Control**

Monitoring the needs of stakeholders means monitoring possible changes in their needs. Stakeholder can only have an interest in the business for a certain time controlling and monitoring stakeholder needs allows the company to maintain their involvement and their interest, they also allow it to be proactive and to review its stakeholder strategies and adapt them according to the context (Donaldson 2016)

### **2.7.1.5. Stakeholder Engagement**

Stakeholder Engagement includes communicating, involving and improving relationships with stakeholders (Chinyio et al., 2008). The overall goal of engagement is to achieve a transparent decision-making process, with greater input from stakeholders and with stakeholder support for the decisions that are made (Cascetta et al., 2015) Ensure that the expectations of key stakeholders are understood, acknowledged, and managed.

## **2.7.2. Freeman Stakeholder Management Model**

Freeman stakeholder management model comprises four step process: identify relevant stakeholders in relation to the issue being addressed, determine the stake and importance of each stakeholder group, determine how effectively the expectations of each group are being met, and modify corporate objectives and priorities considering stakeholder interests.

### **2.7.2.1. Stakeholder Identification**

The first step in the process is to identify which organizations or individuals are stakeholders. Stakeholders differ for each specific issue examined, and stakeholders may even vary across firms for the same issue (Freeman, 1984).

Firms should attempt to include “any person or organization with a vested interest in the outcome of a company’s... effort” (Thomlison, 2002, p. 12). Thus the firm must concern itself with a variety of groups, internal and external, which are either affected by or can affect the firm’s activities, and omitting an important stakeholder in strategy development may ultimately result in an ineffective strategy and possibly even firm failure (Clarkson and Deck, 2000).

#### **2.7.2.2. Determining the Stakes**

The firm must determine each stakeholder’s stake in the specific issue being examined. An individual’s stake is the potential or ability to influence the firm’s behavior. Stakeholders simultaneously have the potential to positively and negatively influence organizational outcomes (Freeman, 1984). While they may not exert either of these influences in a given situation, it is their ability to influence organizational outcomes that is important. Cooperation between the firm and its stakeholders can therefore be an important strategy tool. Stakeholders not only can directly influence a firm’s activities but may also be able to indirectly influence a firm’s activities.

#### **2.7.2.3. Determine how well Expectations Are Met**

Determining whether there is a gap between stakeholder expectations and organizational performance is an important step in the stakeholder management process (Freeman et al 2012). When stakeholders’ expectations are met or exceeded by the firm, there would be no gap.

#### **2.7.2.4. Adjusting Strategy**

The last step of the stakeholder management process is the readjustment of corporate priorities to bring the firm in line with stakeholder’s interests (Roberts and King, 2005). If the preceding three steps have not been appropriately undertaken, the firm’s new strategy will not reduce the gap between stakeholders’ expectations. Addressing the needs of one unsatisfied stakeholder may result in the alienation of previously satisfied stakeholders.

## **2.8. Stakeholder Management and the Stakeholder Circle Tool**

The Stakeholder Circle tool shows the firms stakeholder that have interest in the given organization to facilitate decisions about the amount of effort the organization should allocate in managing the relationship with any given stakeholder (Derek, et.al. (2007). Stakeholder circle tool helps boA to identify stakeholder that have interest in the operation of the bank, the type of interest that those stakeholders have ,and the amount of effort that bank of Abyssinia has to allocate in managing its relationship with all stakeholder of the bank.

The *Stakeholder Circle* has been devised to offer a mechanism for assessing the relative influence of each of the key stakeholders and planning ways to engage with and manage their expectations and/or contributions. Manager is responsible for stakeholder analysis and the successful completion of the activity and seeks to engage with the stakeholder community to the benefit of both the stakeholders and the organization, The *Stakeholder Circle* has been designed to put stakeholders on the management radar, Stakeholder circle tool involves five steps identify, prioritize, visualize, engage, and monitor and manage.

### **2.8.1. Identify Stakeholder**

*Stakeholder identification* is a process of determining who your stakeholders are and what can be their effects on your company objectives.

### **2.8.2. Prioritize Stakeholders**

The assessment of each stakeholder's importance to the organization based on ratings from the identification team members of each stakeholder's perceived power, proximity and urgency. These assessments are combined within the tool to produces an 'index' for each stakeholder. The stakeholders are then ranked based on their 'index' in which the higher the index value shows the higher the priority of that stakeholders. To develop the 'circle', Stakeholders are weighted according to the three characteristics.

**Power:** Some stakeholders either alone or operating as a group can cause big damage to the organization using their own power, other stakeholders have the power to change or damage the organization but cannot on their own cause it to be cancelled or fail.

**Proximity:** This aspect considers how closely a stakeholder is associated with the day-to-day running of the organization.

**Urgency or Importance:** assess how much is the interest of stakeholder is urgent.

### **2.8.3. Visualize Stakeholder**

Categorization and charting of key stakeholders holds the key to targeting the right stakeholders at the right time and providing them with the right level of engagement, information and communication.

### **2.8.4. Engage with each Stakeholder**

Ensure that the expectations of key stakeholders are understood, acknowledged, and managed. The organization stakeholder community changes as stakeholders move within the organization or leave it; or their relative importance to the organization, or their power and influence changes over time as a consequence, their levels of importance, and communication requirements will change. To maintain currency, the stakeholder assessment process may have to be repeated in whole, or in part, at regular intervals.

## 2.9 Employee management

As Ahmed, Shields, White, & Wilbert (2010) point out, “Managers must have a mind-set to think beyond their job titles and focus more on developing and inspiring employees to accomplish organizational goals.” After all, “The ultimate goal of an organization is to maximize shareholders’ value and profitability, which is accomplished by integrating strong leadership with formal and informal communication networks” (Ahmed, Shields, White, & Wilbert, 2010, Pg 119). Given the fact that the human factor is part of any business, employee management issues are a common occurrence in the lives of every manager or leader. That’s not to say that there’s nothing that can be done about it or suggest that managers or leaders should simply deal with the issues and move on. On the contrary, there are things that managers and leaders can do to overcome and/or minimize these employee management issues.

Employees not only need guidance from their managers or leaders, but they also need to know that they will be there to help them when they need them or to help put things back on the right track (Kellerman, 2007, Pg 17).

Lack of good employee management from management simply exacerbates existing or potential problems. As a result, this could then leave the employees feeling like no one is listening and the relationship between employees and management starts deteriorating (Fowle & Wood, 2009, Pg. 568).

Managers need to realize that every employee is different. Some employees prefer to work independently while others like the continued feedback and support from their leaders Lazenby (2008). Some individuals seem to have a high need for praise and recognition, even when their work is mediocre; others don't seem to care about those things" (Lazenby, 2008, Pg. 22).

As Lazenby (2008) further points out, "People are different, and we need to master the skills needed to motivate different people" (Lazenby,2008, Pg. 23). While some employees might be motivated by monetary rewards, managers also need to be aware that motivation could also depend on the type of the employee.

Employee management issues can have adverse effects to any business and ultimately to their bottom line. Furthermore, unaddressed issues and/or poor leadership tend to have a rippling effect that can start with one employee and work its way through departments or even entire company's if not addressed accordingly. Not managing employees appropriately can also lead to reduced opportunities not only for the employee, but for the company.

## 2.10 Customer management

Organizations are increasingly being customer centric and are embracing customer-driven initiatives that seek to understand, attract, retain and build intimate long term relationship with profitable customers (Kotler, 2006; Gronroos, C 1994; Narver and Slater, 1990).

According to Schneider and Chung (1994), for an organization in the service industry, the most appropriate criterion for organizational performance is customer satisfaction. Customer service is

basically the relationship that a company builds with its customers, It involves providing support during the purchasing process and after. According to Wicks & Roethlein, (2009) an organization that consistently satisfies its customers, enjoy higher retention levels and greater profitability due to increased customer loyalty. The importance of customer satisfaction and service quality management has been proven relevant to help improve the overall performance of organizations, (Magi and Julander, 1996).

## 2.11 Empirical review

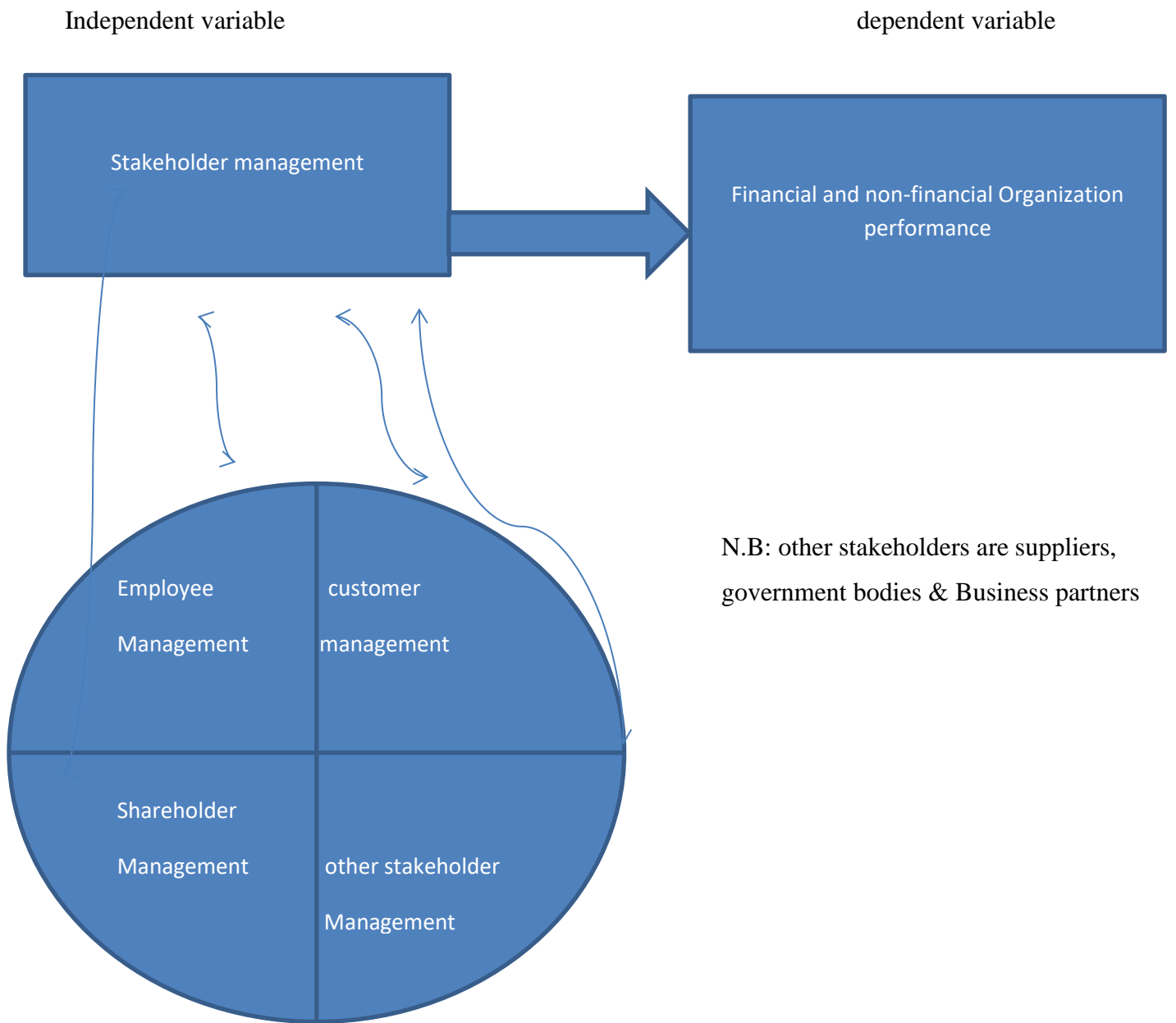
Various related studies are conducted by different researchers in different parts of the world. However, there are limited numbers of studies conducted in Ethiopia on the stakeholder management and its effect on organization performance

Charles Gozie (2016) conducted a research on stakeholder management in banking sector in Nigerian banking sector. Having seen the implication of stakeholders management in the Nigerian banking sector based on the research work conducted, the researcher advice the banking industries to be aware of the stakeholders managerial effect in order to balance their managerial issues and problems for effective growth and development of their companies.

*Richard Jahonga Mugata and Muchelule Yusuf(2018)* conducted a research on stakeholder management and analysis and its effect on the performance of road construction project in Kenya. The study also concluded that the study stakeholder analysis and road construction performance had significant positive correlation coefficient.

## **2.12 Conceptual Frame Work**

In the literature review above, stakeholder management and organization performance is discussed and different studies reported that there is positive relationship between organization performance and stakeholder management practice of the given organization. The other part of the literature indicates that good stakeholder management increases the chance of organizational success. Cleland and Ireland (2002), state that the key issue in stakeholder management is managing the relationship between the organization and its stakeholders so as to improve performance of the firm. Based on the above theoretical literature reviewed, the researcher developed the following conceptual framework for the purpose of this research. The independent variable is stakeholder management while organization performance is the dependent variable.



**Figure 2. 1: Conceptual framework**

### 2.13 Research Hypothesis

On the base of literature reviews and analysis the researcher proposed the following tentative hypothesis.

- ✓ **Ha1:** stakeholder Management has significant positive effect on organization performance in bank of Abyssinia.
- ✓ **Ha2:** employee management has significant positive effect on the performance of bank of Abyssinia.
- ✓ **Ha3:** customer management has significant positive effect on organizations performance in bank of Abyssinia.
- ✓ **Ha4:** shareholder management has significant positive effect on organizations performance in bank of Abyssinia.
- ✓ **Ha5:** other stakeholder (suppliers, regulatory bodies, business partners) management has significant positive effect on organization performance in bank of Abyssinia..

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Research Design**

According to Singh (2006), research design is essentially a statement of the object of the inquiry and the strategies for collecting the evidence, analyzing the evidences and reporting the findings. With the view to address its objectives, the study used quantitative explanatory method. As for the benefit of capturing the intended points within the research and addressing the objectives of the study, the researcher used both descriptive and explanatory research approach.

#### **3.2. Types, Sources and Methods of Data Collection**

In this research Primary data was collected using questionnaire. Structured Questionnaire was used in order to reach wide range of respondents so that, to acquire information that examine and explain the relationships between variables. The questions were framed using Likert's scale of measurement ranging from strongly agree to strongly disagree (Strongly agree 5, Agree 4, Neutral 3, Disagree 2 and Strongly Disagree 1). Self-developed Questioners was distributed to employees and managers of boa regarding the stakeholder management, impact of stakeholder management on the performance of bank of Abyssinia and final analysis was done using the response from the collected questioner response.

### 3.3. Sampling Methods and Technique

The target population of this research was the employee and managers of bank of Abyssinia in west Addis district. The researcher choses west Addis district because of its proximity to the researcher and the researcher is going to take simple random sampling method to select sample from the total population to distribute questioner and make final analysis.

Non-managerial employees	250	
Managerial employees	100	
Total population	350	
Confidence level	95%	
Margin of error	0.05	
Standard deviation	0.5	
No. of sample	173	

**Table 3. 1: Sample selection**

$$\text{Sample Size } n = N * [Z^2 * p * (1-p)/e^2] / [N - 1 + (Z^2 * p * (1-p))/e^2]$$

Where,

- N = Population size,
- Z = Critical value of the normal distribution at the required confidence level,
- p = Sample proportion,
- e = Margin of error

### **3.4. Data Analysis Method**

In this study descriptive statistics was used to analyze collected data from respondents. Creswell, (2003) defines descriptive statistics as a method of collecting data for the purpose of testing hypothesis or answering research questions concerning the current status of the subjects under study. It attempted to describe, explain and interpret conditions of the present i.e. “what is”. According to Cohen and Maroon (1999) descriptive survey is a design used to gather data at a particular point in time with the intention of describing the nature of existing conditions or identifying standards against which existing conditions can be compared or determining the relationship that exist between events. Thus, a descriptive study was undertaken in order to ascertain and be able to describe the characteristics of the variables of interest in a situation.

This was done through the use of strategies and procedures to describe clarify and interpret existing variables using descriptive statistics. The Statistical Package for Social Sciences (SPSS) was used to process and analyze the data collected. Different statistical tools such as Frequencies, Mean, Mode, Percentiles, and along with charts and tables were used to present the results. Data’s collected from respondents was edited, coded and presented in to manageable form, thus creating summaries and categories and applying Statistical inferences.

### **3.5. Reliability**

Reliability is the degree to which an instrument measures the same way each time it is used under the same conditions with the same subjects (Adams et al, 2007). It is present when an assessment method measures the characteristics of interest in a consistent fashion (Marczyk et al, 2005). In the study, reliability of the instrument has been tested using Cronbach’s alpha coefficient. A preliminary study was conducted on the data collection instrument to ensure a reliable questionnaire has been developed. A pilot test was done whereby 20 questionnaires were distributed to randomly selected sample representatives of the population.

Cronbach's alpha is a coefficient (a number between 0 and 1) that is used to rate the internal consistency (homogeneity) of the items in a test. A good test is one that assesses different aspects of the trait being studied and Cronbach's alpha will generally increase as the inter correlations among test items increase, and is thus known as an internal consistency estimate of reliability of test scores (Zikmund et al., 2000) cited from Sekaran (2005). George and Mallery

(2003) cited from (Sekaran, 2005) provide the following rules of thumb:  $\geq .9$  Excellent,  $\geq .8$  Good,  $\geq .7$  Acceptable,  $\geq .6$  Questionable,  $\geq .5$  Poor, and  $< .5$  Unacceptable.

variable	Cronbach alpha	No.of items
Customer management	0.75	5
Employee management	0.81	4
Other stakeholder management	0.87	4
Shareholder management	0.88	4
Stakeholder mangement	0.73	9
Organization performance	0.65	6

Source: own data survey 2024

**Table 3.2: Reliability statistics.**

From the above table the cronbach alpha shows that there is high level of internal consistency and homogeneity.

## CHAPTER FOUR

### DATA ANALYSIS AND DISCUSSION OF RESULTS

#### Introduction

This section of the study is organized in such a way as to support the discussion presented on the research findings with illustrative figures and tables. Accordingly, the chapter also covers how the collected data is processed, analyzed, interpreted and presented. This chapter presents results and analysis of the findings. It has sections presenting the tests for assumptions of the linear regression model, descriptive statistics and correlation results and regression results.

In this research a total of 173 questionnaires were distributed to the selected sample of respondents, out of this 150, which is 87% of Questioners were responded and the rest 13% or 23 questioner were not responded. The collected data were statistically analyzed using correlation and multiple regression analysis to determine the degree of association and to determine a causal relationship between the dependent and independent variables. The data was analyzed using SPSS.

#### 4.1. Background Information of the Respondents

A: gender of respondent

gender					
		Frequen cy	Percen t	Valid Percent	Cumulative Percent
Val id	fema le	62	41.3	41.3	41.3
	male	88	58.7	58.7	100.0
	Total	150	100.0	100.0	

Source:own survey 2024

**Table 4.1: Gender of respondent**

As it is depicted from the above table 62 respondent which is 41.3% of respondents are female and 88 respondents which is 58.7% of respondents are male.

B, age of respondents

age					
		Frequen cy	Percen t	Valid Percent	Cumulative Percent
Val id	20- 30	84	56.0	56.0	56.0
	31- 40	50	33.3	33.3	89.3
	41- 50	16	10.7	10.7	100.0
	Tota l	150	100.0	100.0	

Source:own survey 2024

Table 4.2 age of respondents

Out of the total respondents in this survey 84 employees which is 56% of the respondents are between the age of 20 and 30, 50 respondents which is 33.3% of the respondents are between the age of 31 and 40, and the rest 16 respondents which is 10.7% of the respondents are between the age of 41 and 50.

C: Martial status

marital status					
		Frequen cy	Percen t	Valid Percent	Cumulative Percent
Val id	divorc ed	5	3.3	3.3	3.3
	marrie d	73	48.7	48.7	52.0
	single	72	48.0	48.0	100.0
	Total	150	100.0	100.0	

Source :own survey 2024

Table 4.3 marital status of respondents

Out of the total respondents in this survey 5 respondents which are 3.3% are divorced, 73 respondents which is 48.7% respondents are married, and 72 respondents which is 48% of the respondents are single.

D: educational qualification

eduional qualification					
		Frequen cy	Percen t	Valid Percent	Cumulative Percent
Val id	degree	100	66.7	66.7	66.7
	deplo ma	6	4.0	4.0	70.7
	master s	44	29.3	29.3	100.0
	Total	150	100.0	100.0	

Source: own survey 2024

Table 4.4 educational qualification

From the total respondents 100 or 66.7% are degree holder, 6 or 4% are diploma holders, and 44 or 29.3% of respondents are master's holder, from this we can say that 96% of respondents have at least degree.

E: position

		<b>position</b>			
		Frequen cy	Percen t	Valid Percent	Cumulative Percent
Val id	manage ri	24	16.0	16.0	16.0
	non mana	126	84.0	84.0	100.0
	Total	150	100.0	100.0	

Source own 2024

Table 4.5 position of respondents

Out of the total respondents 126 which is 84% of respondents are non-managerial employee, and the rest 24 which is 16% of respondents are managerial employee.

## 4.2 Descriptive analysis

Descriptive statistics was used to describe the responses of the study participants. Summary results and interpretations is presented herein below.

A

<b>,Descriptive Statistics CUSTOMER MANAGEMENT</b>			
	N	Mean	Std. Deviation
Stakeholder analysis helps the company to find what their customer need and want	150	4.51	.599
Customers are source of revenue for the company	150	4.49	.588
Providing good customer service to the customer is guarantee for good performance of the bank	150	4.47	.552
Good customer /stakeholder management help the bank of Abyssinia to gain competitive advantage in the market	150	4.43	.536
Customer management is mandatory to improve performance of the company	150	4.43	.536
Valid N (listwise)	150		

Source:own survey 2024

Table 4.6 descriptive analysis of customer management

As it is shown from the above table the mean score for question that Stakeholder analysis helps the company to find what their customer need and want is 4.51 which shows that most of respondents agree that Stakeholder analysis helps the company to find what their customer need and want. Second the mean score for question that Customers are source of revenue for the company is 4.49 which shows that most of respondents agree that Customers are source of revenue for the company .third most of respondents agree that providing good customer service to the customer is guarantee for good performance of the bank. Fourth most respondents agree that Good customer /stakeholder management help the bank of Abyssinia to gain competitive

advantage in the market. Finally most respondents agree that Customer management is mandatory to improve performance of the company.to generalize most respondents agree that customer management in bank of Abyssinia has positive relationship with the performance of the bank.

B,

<b>Descriptive Statistics employee management</b>			
	N	Mean	Std. Deviation
Q1 Employees As One Stakeholder Of The Bank Can Affect Performance Of The Company	150	4.51	.599
Q2 Competitive Employee Helps The Company To Be Competitive In The Market	150	4.49	.576
Q3 Employee Management Is Important To Increase Satisfaction Of Employee	150	4.42	.534
Q4 Employee Management Increases Performance Of The Company	150	4.43	.535
Valid N (listwise)	150		

Source:own survey 2024

Table 4.7 descriptive analysis of employee management

As it is shown from the above table most of respondents agree that Employees as One Stakeholder of the Bank Can Affect Performance of the Company, and competitive employee can make the company to be competitive. And also most respondents agree that employee management helps to improve satisfaction of employee and improve organization performance.

C,

<b>Descriptive Statistics SHAREHOLDER MANAGEMENT</b>			
	N	Mean	Std. Deviation
Q1 Stakeholder analysis helps the bank to find the need and want of shareholders	150	4.46	.609
Q2 Share holder management smoothen the relationship between company and its investors	150	4.40	.579
Q3 Good shareholder management increase the performance of the company	150	4.37	.536
Q4 Company's need to involve the interest of shareholders while making decision	150	4.39	.554
Valid N (listwise)	150		

Source:own survey 2024

Table 4.8 descriptive analysis of shareholder management

Most respondents agree that stakeholder analysis helps the bank to identify interest of shareholders, and stakeholder management helps to smooth company's relationship with its shareholders so as to improve the performance of the bank. Finally most respondents agree that companies should have to involve the interest of shareholders while making decision.

D,

<b>Descriptive Statistics OTHER STAKEHOLDER MANAGEMENT</b>			
	N	Mean	Std. Deviation
Q1 The bank has to manage the interest of other stakeholders to be successful in business	150	4.51	.599
Q2 Having good relationship with other stakeholder of the bank is good for improving performance of the bank	150	4.49	.576
Q3 The bank should engage other stakeholders other than major stakeholder of the bank	150	4.45	.538
Q4 Bank of Abyssinia has good stakeholder management practice in managing other stakeholder of the bank	150	4.41	.532
Valid N (listwise)	150		

Source: own survey 2024

Table 4.9 descriptive analysis of other stakeholder management

Most of the respondents agree that the bank as an organization has to manage the interest of other stakeholders and having good relationship with other stakeholders is important to improve performance of the bank. The bank have to engage other stakeholders other than major stakeholder of the bank.

E,

<b>Descriptive Statistics stakeholder managements</b>			
	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Q1 Good stakeholder analysis is important to develop best stakeholder management strategy so as to improve the performance of the bank	150	4.51	.610
Q2 Stakeholder management helps bank to find internal and external stakeholder of the bank and their impact on the performance of bank	150	4.47	.598
Q3 Identifying the need of stakeholder is important to improve stakeholder management of the bank thereby to improve performance	150	4.47	.564
Q4 Good stakeholder management helps to improve the performance of the organization	150	4.46	.563
Q5 The bank should address the interest of all stakeholders when making decision	150	4.48	.552
Q6 Stakeholders can affect the operation of the bank	150	4.47	.552
Q7 Having good relationship with stakeholders is important for the bank	150	4.47	.539
Q8 Support of stakeholder is important for the existence of the bank	150	4.46	.526

Q9 Prioritizing stakeholder is important for improving the performance of the bank	150	4.41	.533
Valid N (listwise)	150		

Source:own survey2024

Table 4.10 descriptive analysis of stakeholder management

As it is shown from the above table the mean score shows that most respondents agree that stakeholder management in a company can affect the performance of the bank. having good stakeholder management practice in a given company helps to improve overall performance of the bank.

F,

<b>Descriptive Statistics ORGANIZATION PERFORMANCE</b>			
	N	Mean	Std. Deviation
Q1 market share of boa has increased in the last few years	150	4.51	.599
Q2 brand reputation of boa has increased in the past years	150	4.50	.588
Q3 customer base of the bank has shown increment in the past few years	150	4.45	.562
Q4 there is an increment in revenue of bank of Abyssinia	150	4.47	.540
Q5 Net profit of the bank has shown an increment in the past years	150	4.48	.527
Q6 there is an increment in share value of bank of Abyssinia	150	4.43	.535
Valid N (listwise)	150		

Source:own survey 2024

Table 4.11 descriptive analysis of other organization performance

The mean score for q1 show that most of respondent agree that market share of bank of Abyssinia has increased in the last year's b.c of stakeholder management practice of the bank, stakeholder management practice of the bank helps the bank to improve reputation of the bank. Finally most of the respondents agree that stakeholder management can help the bank to improve revenue of the bank, profit and share value of the bank.in addition to this the standard deviation which shows deviation from mean value, for all variable is less than one(1)which is within the acceptable range.

### 4.3 Pearson's Correlation Analysis

One of the objectives of this study was to determine the effect of each stakeholder management variables on performance of organization in bank of Abyssinia. To this end, a multiple regression analysis was employed. The Pearson correlation coefficient was applied to measure the level of relationship between two variables. According to Bartz (1999), Pearson's correlation coefficient makes it possible to enumerate the strength of a linear relationship between the variables under investigation. This coefficient is usually symbolized by „r“ and can take only the value between -1 and +1. If the coefficient r equals to +1, then there is perfect positive relationship between the variables under consideration.

Range of r	description
>0.8	Very strong
0.6-0.8	Strong
0.4-0.6	moderate
0.2-0.4	Low
<0.2	Very low

**Table 4.12 : Range of Pearson correlation.**

In this study, in order to measure the strength of the relationship between stakeholder management and organization performance in case of bank of Abyssinia, a Pearson Correlation Coefficient was computed and evaluated against the standard described in Table above.

#### Correlation analysis

Correlations							
		c.man agem et	e.mana gemen t	share holde r	other	stak ehol der	perfor mance
c.manage met	Pearson Correlation	1	.942**	.652**	.958**	.917**	.966**
	Sig. (2- tailed)		.000	.000	.000	.000	.000
	N	150	150	150	150	150	150
e.manage ment	Pearson Correlation	.942**	1	.694**	.942**	.870**	.934**
	Sig. (2- tailed)	.000		.000	.000	.000	.000
	N	150	150	150	150	150	150
sharehold er	Pearson Correlation	.652**	.694**	1	.629**	.623**	.685**
	Sig. (2- tailed)	.000	.000		.000	.000	.000
	N	150	150	150	150	150	150
other	Pearson Correlation	.958**	.942**	.629**	1	.876**	.946**
	Sig. (2- tailed)	.000	.000	.000		.000	.000
	N	150	150	150	150	150	150

stakeholder	Pearson Correlation	.917**	.870**	.623**	.876**	1	.940**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	150	150	150	150	150	150
performance	Pearson Correlation	.966**	.934**	.685**	.946**	.940**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	150	150	150	150	150	150
**. Correlation is significant at the 0.01 level (2-tailed).							

Source: own survey 2024

Table4.13 correlation table

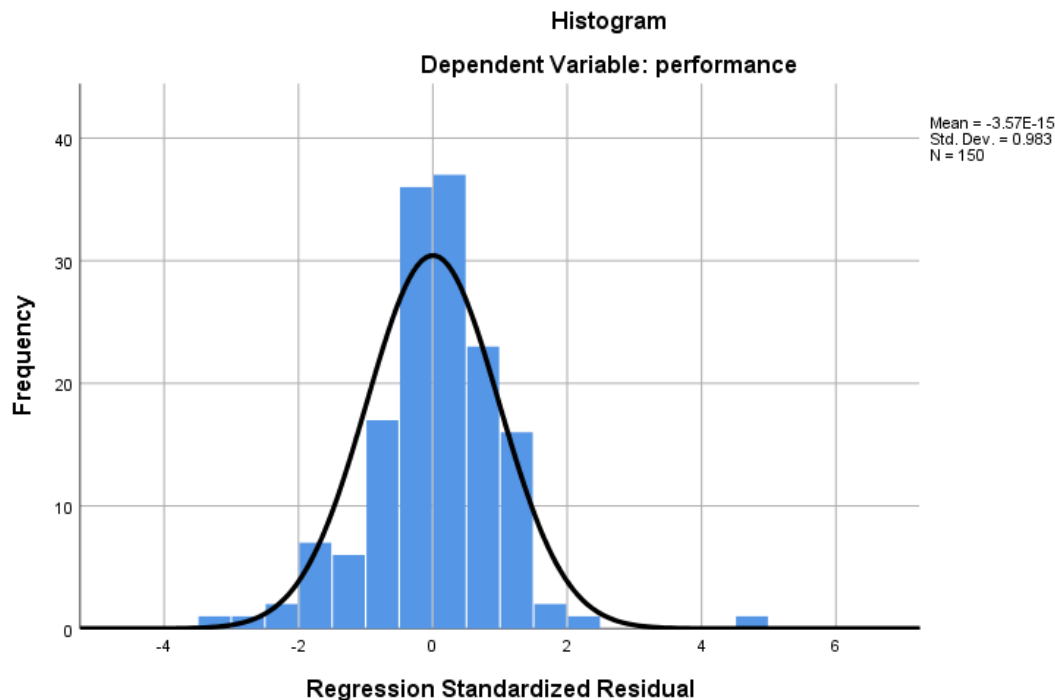
As it is show from the above correlation table the correlation result between organization performance and customer management is 0.966 which shows that there is very strong positive relationship between customer management and organization performance of bank of Abyssinia, correlation result between stakeholder management and organization performance is 0.94 which depicts very strong positive relation between the two variable, the correlation between organization performance and employee management is 0.934 which is also very strong positive relation, again the relation between shareholder management and organization performance is 0.685,finally the correlation result between other stakeholder management and organization performance is 0.946 that shows there exist very strong positive relationship between the two variable.

## 4.4 Multiple Regression Assumptions

Multiple Regression analysis refers to a statistical technique that examines the relationship between a dependent variable and more than one independent variable. When paired with assumptions in the form of a statistical model, a regression analysis can be applied for forecasting, hypothesis testing, and modeling of causal relationships (Aron & Aron, 1994). Before going to multiple regressions, test results on the assumptions of regression are presented as follows.

### 4.4.1 Normality Test

Among the assumptions of multiple regressions, one of the basic was normality. Normality assumes that the data to be normally distributed, which means that the errors between the observed and the predicted values should be normally distributed so that it can represent the population. A normally distributed data is symmetrical and the mean, median, and the mode have a zero skewness (Ainiyah, Deliar & Virtriana, 2016).



Source:own survey 2024

Fig4.1 normality test result

In the above figure 4.1 it was shown that the data was almost distributed symmetrically around the center of all scores. This basically implies that the majority of scores lie around the center of the distribution since almost all the largest bars on the histogram are all around the central value. So by looking to the above graph we can conclude that the data is relatively normally distributed.

#### **4.4.2 Multi - Collinearity Test**

Multi-collinearity exists whenever an independent variable is highly correlated with one or more of the other independent variable in multiple regression equation. The presence of correlations between more than two predictor variables is termed multi-collinearity.

When there is a perfect correlation between two or more predictors, multi-collinearity can signify that no distinctive least-squares solution to a regression analysis can be computed. This means that the resulting regression model is expected to be unaffected by small changes in the predicted variables.

In this study, the colinearity problem has been checked with the assumption of tolerance and VIF statistics. As a guideline, a tolerance value less than 0.1 undoubtedly points to a serious multi-collinearity problem, and similarly a VIF value greater than 10 is an indication of severe colinearity problem (Liu, 2003). Thus, the multi-collinearity result of this study indicated that there was no multi colinearity problem.

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.980 <sup>a</sup>	.961	.960	.452	1.920
a. Predictors: (Constant), stakeholder, shareholder, other, e.management, c.managemet					
b. Dependent Variable: performance					

Source:own survey

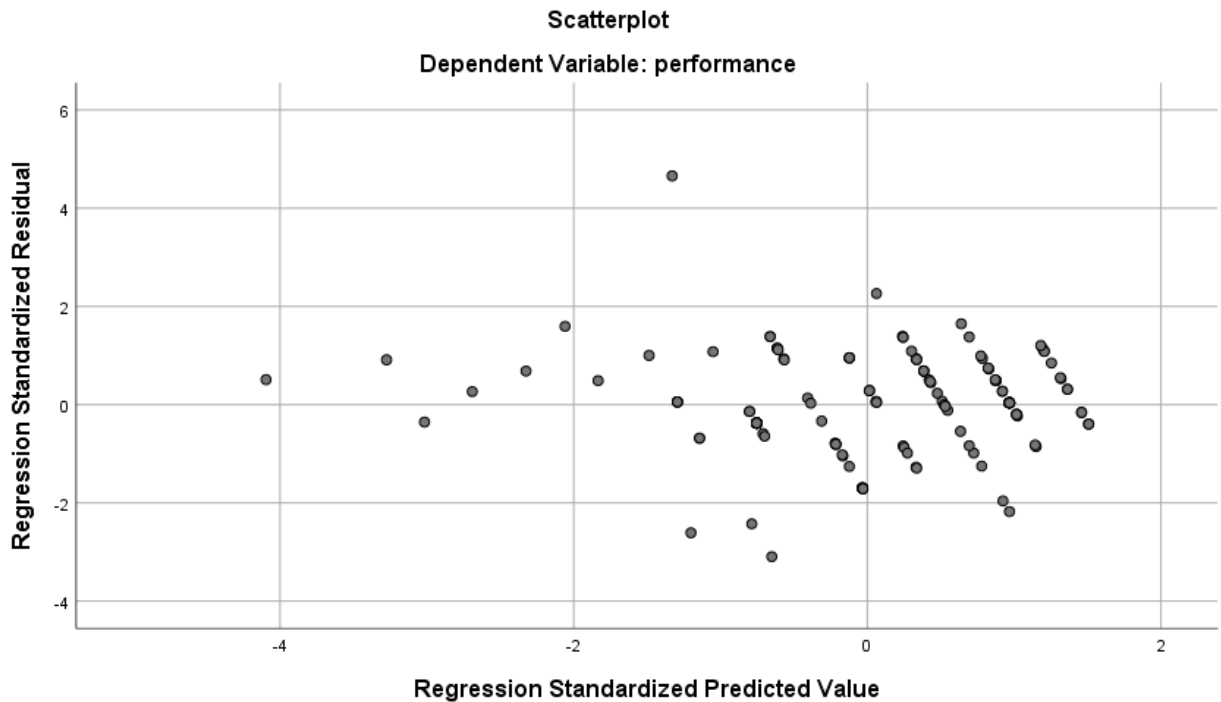
2024

Table4.14 Durbin Watson result

Durbin Watson result can also tell us whether or not variables in a given study is multi-collinear, if the result of Durbin Watson is less than 2 the colinearity between independent variable is weak or there is no multi-collinearity. As we can infer from the above table Durbin Watson result is 1.92, since it is less than 2 we can say that there is no multi-collinearity between independent variables.so we can say that our data has fulfilled one assumption of regression analysis.

#### 4.4.3 Homoscedasticity Test

Homoscedasticity, or homogeneity of variances, is an assumption of equal or similar variances in different groups being compared. This is an important assumption of parametric statistical tests because they are sensitive to any dissimilarity. Uneven variances in samples result in biased and skewed test results. Test for Homoscedasticity reflects the presence of equal variances, where, the variability in scores for variable X should be similar at all values of variable Y. This can be ascertained through checking the scatter plot where a fairly even cigar shapes should be shown (Pallant, 2007). It is important because the variance of the dependent variables should be equally dispersed across the range of the independent values to allow a fair analysis of the relationship across all values (Hair, Black, Babin, Ralph & Ronald, 2006). None of the individual relationships between the independent/dependent variable indicate a violation of homoscedasticity.



Source: own survey2024

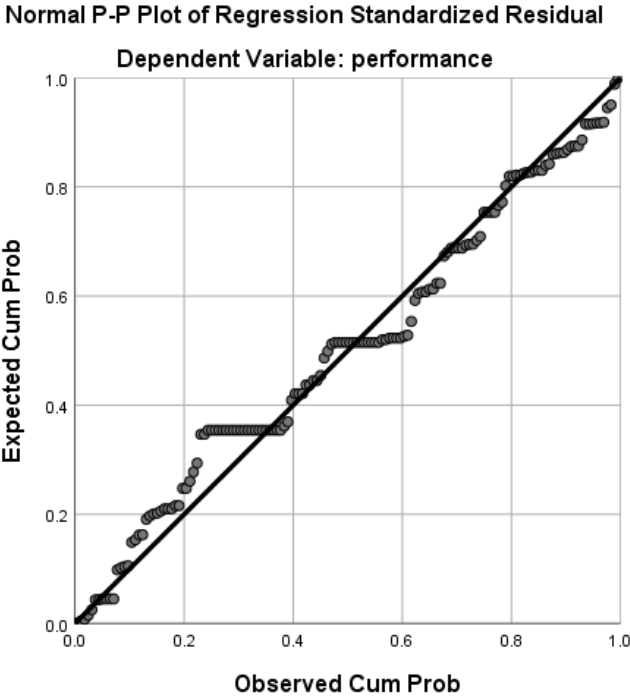
Fig4.2: Homoscedasticity Test result

As it is shown from the above scattered graph we can say that variance is equally distributed though out the data set since the error terms are distributed throughout all part of the graph without forming any form.so we can say that the data fulfilled homoscedasticity assumption of linear regression. Test for Homoscedasticity reflects the presence of equal variances, where, the variability in scores for variable X is similar at all values of variable Y.

#### 4.4.4 Linearity Test

Standard multiple regression can only precisely estimate the relationship between dependent and independent variables if the relationships are linear. The term linearity represent the amount of the rate of change between scores on two variables, are remained constant for the

entire range of scores for the variables. If the relationship between is not linear, the outcomes of the regression analysis might undervalue the accurate relationship.



Source; own survey 2024

**Figure 4.1: Linearity test**

The above graph shows that there is linear relation between dependent and independent variable of this study since values are scattered around line. On the other hand, non-linearity can be identified when the standard deviation of the residuals exceeds the standard deviation of the predicted value (David Garson 2012).

<b>Residuals Statistics<sup>a</sup></b>					
	Minim um	Maxim um	Mean	Std. Deviation	N
Predicted Value	17.77	30.18	26.84	2.215	150
Residual	-1.398	2.105	.000	.444	150
Std. Predicted Value	-4.096	1.507	.000	1.000	150
Std. Residual	-3.094	4.658	.000	.983	150
a. Dependent Variable: performance					

Source:own survey2024

Table4.15: Residual and predicted value for linearity test

The table result shows that standard deviation of predicted value is greater than standard deviation of residual value, so we can say that there is linear relationship between stakeholder management and organization performance in bank of Abyssinia. Given this relationship we can say that an increase in stakeholder management practice in a given company can increase organization performance, and decrease in stakeholder management practice in a given company can decrease organization performance.

## 4.5 Regression analysis

### 4.5.1 anova mode

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	730.765	5	146.153	715.966	.000 <sup>b</sup>
	Residual	29.395	144	.204		
	Total	760.160	149			
a. Dependent Variable: performance						
b. Predictors: (Constant), stakeholder, shareholder, other, e.management, c.managemet						

Source:own survey 2024

Table 4.16 Anova model.

From the above anova model we can see that the p value or significant value is 0(zero)which is less than 0.05,so we can say that this model is significant to predict organization performance by using predictor variables of customer management, employee management, shareholder management, other stakeholder management, stakeholder management in overall in bank of Abyssinia.

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.980 <sup>a</sup>	.961	.960	.452	1.920
a. Predictors: (Constant), stakeholder, shareholder, other, e.management, c.managemet					
b. Dependent Variable: performance					

Source:own survey

Table 4.17: Model summary of regression.

As we can see from the above table  $r=0.98$ ,  $r^2=0.961$ , adjusted  $r^2=0.960$ , so the correlation between the independent and dependent variable is 0.98, and adjusted  $r^2$  of 0.960 indicate that the independent variable all together is responsible for 96% of the change in the dependent variable and the rest 4% change in the dependent variable is subject to some variables which is not covered in this study.

#### 4.5.2 Discussion of Regression Results

The regression result presented in table below shows the effect of stakeholder management on the performance of bank of Abyssinia is analyzed in context of theoretical and empirical literatures. Coefficient estimates ( $\beta$ ) and p-values (sig. values) are observed to determine direction and significance levels.

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.844	.538		1.569	.119		
	c.management	.402	.087	.337	4.620	.000	.051	19.762
	e.management	.121	.095	.072	1.269	.206	.083	12.093
	shareholder	.107	.035	.070	3.065	.003	.508	1.969
	other	.361	.104	.219	3.473	.001	.067	14.822
	stakeholder	.204	.025	.333	8.066	.000	.158	6.346

a. Dependent Variable: performance

Source:own survey 2024

Table4.18 regression analysis result

$$Y=0.844+0.402A+0.121B+0.107C+0.361D+0.204E$$

Where Y=organization performance

A=customer management      B=employee management

C=shareholder management      D=other stakeholder management

E=stakeholder management

## 4.6 Hypothesis testing

Based on the multiple linear regression outcomes the researcher had proved the statistical significance and decided on accepting or rejecting the already stated hypotheses. In total, there were five hypotheses stated as explanatory variables in the regression analysis.

*Hypothesis One (H1):* stakeholder Management has significant positive effect on organization performance in bank of Abyssinia. The coefficient parameter ( $\beta$ ) for stakeholder management is 0.204, with p value of 0.00 since p value is  $<0.05$  we can say that the relationship between the two variables is significant and the above given hypothesis that stakeholder management has significant positive effect on organization performance of bank of Abyssinia is accepted.

*Hypothesis two (H2):* employee management has significant positive effect on the performance of bank of Abyssinia. The coefficient parameter ( $\beta$ ) for employee management is 0.121, with p value of 0.206, in which p value is  $>0.05$ , so the regression result shows that the relationship between the two variables is insignificant. so the hypothesis (h2) that employee management has significant positive impact on the performance of bank of Abyssinia is not accepted and it is insignificant..

*Hypothesis three (H3):* customer management has significant positive effect on organizations performance in bank of Abyssinia. The coefficient parameter ( $\beta$ ) for stakeholder management is 0.402, with p value of 0.00 since p value is  $<0.05$  we can say that the relationship between the two variables is significant and positive and the above given hypothesis that customer management has significant positive effect on organization performance of bank of Abyssinia is accepted.

*Hypothesis four (H4):* shareholder management has significant positive effect on organizations performance in bank of Abyssinia. The coefficient parameter ( $\beta$ ) for shareholder management is 0.107, with p value of 0.003, in which p value is  $<0.05$ , so the regression result shows that the relationship between the two variables is significant. so the hypothesis (H4) that shareholder management has significant positive impact on the performance of bank of Abyssinia is accepted.

*Hypothesis five (H5):* other stakeholder (suppliers, regulatory bodies, business partners) management has significant positive effect on organization performance in bank of Abyssinia. The coefficient parameter ( $\beta$ ) for other stakeholder management is 0.361, with p value of 0.001, in which p value is  $<0.05$ , so the regression result shows that the relationship between the two variables is significant. So the hypothesis (H5) that other stakeholder management has significant positive impact on the performance of bank of Abyssinia is accepted.

predictors	Level of significance	Hypothesis result
Stakeholder management	Positive & significant	H1 accepted
Employee management	Positive but insignificant	H2 insignificant
Customer management	Positive & significant	H3 accepted
Share holder management	Positive & significant	H4 accepted
Other stakeholder management	Positive & significant	H5 accepted

Source: own survey 2024

**Table 4. 19: Summary of regression result**

#### **4.7 Discussion of the major finding**

To understand the impact of stakeholder management on the performance of bank of Abyssinia the researcher did regression analysis. After testing the entire stated hypothesis by using regression analysis the researcher got the following findings

The first hypothesis was stakeholder management has significant positive impact on the performance of bank of Abyssinia, as it is shown in the above summary table stakeholder management has strong positive impact on the performance of bank of Abyssinia. From this

result we can say that bank of Abyssinia have to invest more on stakeholder management so as to improve the performance of the bank.

The second hypothesis was that employee management has strong positive impact on the performance of bank of Abyssinia; the regression result shows that the relationship between the two variables is positive but its effect on the performance of the bank is that much insignificant.

The third hypothesis is that customer management has strong positive impact on the performance of bank of Abyssinia. The result of the study shows that customer management has strong impact on the performance of the bank, so the bank and its decision makers has to consider customer and customer management while making decision since customer management has significant impact on performance.

Fourth the relationship between shareholder management and organization performance, the relationship between other stakeholder management and organization performance is is positive and significant, so from the regression result we can see that the two independent variables has significant impact on the performance of the bank.

To generalize the finding of this study show that the stakeholder management has significant positive impact on the performance of the bank.so special attention should be given to stakeholder management practice of the bank.

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATION**

The chapter is presented in two sections; conclusion and recommendations based on the research findings.

#### **5.1. Conclusion**

The objective of the study was to determine the effect of stakeholder management on the performance of bank of Abyssinia. Theoretical review was conducted to understand the underlying principles and process of stakeholder management and organization performance. Based on the literature review; hypothesis was formulated, and conceptual framework developed to study the impact of the predictor variables of stakeholder management, customer management, employee management, shareholder management and other stakeholder management on organization performance the case of bank of Abyssinia.

A self-developed questionnaire using 5-point Likert scale was developed. A pilot test of the instrument was conducted on a sample of 20 participants to ensure its reliability. The final questionnaire was distributed to 173 employees in which 150 questionnaires were responded while the rest 23 were not responded. SPSS version 25 was used to undertake the statistical analysis. Descriptive and correlation analysis were undertaken to describe the phenomena of the variables of study.

Correlation results indicated that correlation result between organization performance and customer management is 0.966 which shows that there is strong positive relationship between customer management and organization performance of bank of Abyssinia, correlation result between stakeholder management and organization performance is 0.940 which depicts strong positive relation between the two variables, the correlation between organization performance and employee management is 0.934 which is strong positive relation, again the relation between shareholder management and organization performance is 0.685, finally the correlation result between other stakeholder management and organization performance is 0.946 that shows there exist strong relationship between the two variables.

Linear regression model was used to conduct regression analysis to test the hypothesis and determine the impact of stakeholder management between organization performance and

stakeholder management. Diagnostic tests were undertaken to ensure that model of the study fulfills the assumptions of classical linear regression model.

Regression results indicate that stakeholder management, and customer management has strong and significant positive impact on the performance of bank of Abyssinia, Findings of the study show that appropriate measures should be taken to addresses stakeholder management issues as it plays a vital role and contributes a lot for achieving objective and performance of the bank. As it is shown in the result of the regression result stakeholder management has positive and significant impact on the performance of the bank.in addition to this final result of this study shows that customer management has significant and positive impact on organization performance.

## **5.2.Recommendation**

Based on the findings of this study and review of various literatures in the topic area, it is understood that stakeholder management is a key driving factor of organization performance. Stakeholder management is vital activity in the management of corporate organization in today's competitive world and it is crucial to the successful accomplishment of objective of every organization.

If stakeholder management is not adequately addressed at organization level, this can mean unexpected problems and uncertainty to the organization caused by stakeholders.

It is imperative to work proactively to reduce or minimize the potential for uncertainty and problems caused by stakeholders. Bank of Abyssinia has to takes into account its relationship with specific stakeholder groups especially customers as it sets corporate direction and formulates its strategies.

In addition to that Stakeholders have conflicting interests Therefore, it's the management's responsibility to figure out these conflicts and try to manage and resolve them as quickly as possible.

It is important to the bank to create positive relationships with stakeholders through the appropriate management of their expectations and agreed objectives. In order to succeed and be sustainable over time, executives must keep the interests of customers, suppliers, employees,

communities, shareholders, and stakeholders in general aligned and going in the same direction.

Engaging the right people at the right time and in the right way is indispensable for success of bank of Abyssinia. Executives and management of the bank have to take the interest of stakeholders while making major decision of the bank since stakeholders have significant impact on the performance of the bank.

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## **Appendix**

**Addis Ababa University**

**College of business and economics**

**Department of international business**

**Research Questioner**

Dear Respondent,

My name is woldesenbet woldie. I am graduate student at Addis Ababa university department of international business at Addis Ababa University,. I am currently doing my graduation paper on stakeholder Management &its impact on the overall performance of the organization in the case of bank of Abyssinia' as a partial fulfillment of the requirements for the master's degree e.

This questionnaire is crafted to collect data on Effect of Stakeholder Management on the overall performance of bank of Abyssinia'. The data to be collected through the questionnaire is highly valuable to meet the objectives of this study. Therefore, you are kindly requested to fill in and return the questionnaire. The information you supply would be used for academic purpose only and will be kept confidential. Thank you in advance for your cooperation

**Part one**

*Background information of the respondents*

<u>No.</u>	<u>ITEMS</u>	<u>OPTION/DIMENSION</u>	<u>PUT (✓) MARK</u>
1	GENDER:	Male	
		Female	
2	AGE:	20-30 Years	
		31-40 Years	
		41-50 Years	
		51 Years & Above	
3	MARITAL STATUS:	Single	
		Married	
		Divorced	
		Widowed	
4	EDUCATIONAL QUALIFICATION:	PhD	
		Masters(2 <sup>nd</sup> Degree)	
		First Degree	
		Diploma	
5	Position	Managerial	
		Non managerial	

**Part two**

*Five scale agreement question*

**For each of the following question below ,circle the response that best characterizes how you feel about the statement, where 1=strongly.disagree,2=dis agree,3= neutral,4= agree, 5=strongly agree**

Section A:

Customer management		1	2	3	4	5
1	Stakeholder analysis helps the company to find what their customer need and want?					
2	Customers are source of revenue for the company					
3	Providing good customer service to the customer is guarantee for good performance of the bank					
4	Good customer /stakeholder management help the bank of Abyssinia to gain competitive advantage in the market					
5	Customer management is mandatory to improve performance of the company					

**Section B**

EMPLOYEE MANAGEMENT	1	2	3	4	5
1 Employees As One Stakeholder Of The Bank Can Affect Performance Of The Company					
2 Competitive Employee Helps The Company To Be Competitive In The Market					
3 Employee Management Is Important To Increase Satisfaction Of Employee					
4 Employee Management Increases Performance Of The Company					

## SECTION C

Shareholder management		1	2	3	4	5
1	Stakeholder analysis helps the bank to find the need and want of shareholders					
2	Share holder management smoothen the relationship between company and its investors					
3	Good shareholder management increase the performance of the company					
4	Company's need to involve the interest of shareholders while making decision					

## Section D

Other stakeholder management		1	2	3	4	5
1	The bank has to manage the interest of other stakeholders to be successful in business.					
2	Having good relationship with other stakeholder of the bank is good for improving performance of the bank					
3	The bank should engage other stakeholders other than major stakeholder of the bank.					

4	Bank of Abyssinia has good stakeholder management practice in managing other stakeholder of the bank.					
5						

N.B: other stakeholders are suppliers, business partners, and regulatory bodies.

1) Section E

STAKEHOLDER MANAGEMENT	1	2	3	4	5
Good stakeholder analysis is important to develop best stakeholder management strategy so as to improve the performance of the bank					
Stakeholder management helps bank to find internal and external stakeholder of the bank and their impact on the performance of bank					
Identifying the need of stakeholder is important to improve stakeholder management of the bank thereby to improve performance					
Good stakeholder management helps to improve the performance of the organization					
The bank should address the interest of all stakeholders when making decision					
Stakeholders can affect the operation of the bank					

Having good relationship with stakeholders is important for the bank					
Support of stakeholder is important for the existence of the bank					
Prioritizing stakeholder is important for improving the performance of the bank					

## SECTION F

Questioner on organization performance		1	2	3	4	5
1	market share of boa has increased in the last few years					
2	brand reputation of boa has increased in the past years					
3	customer base of the bank has shown increment in the past few years					
4	there is an increment in revenue of bank of Abyssinia					
5	Net profit of the bank has shown an increment in the past years.					
6	there is an increment in share value of bank of Abyssinia					
7						

Thank you for your response!